Property Rights: Faith, Theory, and Applications

Patrick Duthie
Eastern University

Abstract. The creation mandate is a call for humankind to be responsible stewards of the resources God entrusts to us as we endeavor to meet the needs of each human being and to live in shalom. The earth is endowed with finite resources, but humanity has unlimited wants, which means that trade-offs must be made. Economics provides a framework to critically evaluate these trade-offs and allocate scarce resources optimally. Modern economies function best when there are well-defined property rights. Property rights incent property owners to utilize their resources efficiently. They encourage investment and innovation. The Christian tradition acknowledges a role for property rights when this promotes an efficient and just use of God's resources. Property rights can be leveraged to address the issue of affordable housing. While affordable housing is a necessary condition to achieve shalom, it is beyond the reach of many. One response of local governments is to seek to implement rent-control policy, which weakens property rights, thereby distorting incentives and exacerbating the problem.

Keywords: property rights, affordable housing, biblical capitalism

1. Stewardship and the creation mandate

The creation mandate is a foundational concept in Christian theology, providing us not only with a framework for understanding our relationship to God, to one another, and to the earth; but also calling us to responsibility and stewardship, and reminding us that we are all created in the image of God.

Our understanding of the mandate has evolved over time, and to some degree it remains open to debate. While a complete and thorough analysis of the historic and current interpretations of the creation mandate is beyond the scope of this paper, there is general agreement that the creation mandate is to be understood as God's call to be productive and responsible stewards of the abundant resources he entrusts to us (Bauckham 2002, 173).

God created humans with the divine qualities of initiative and creativity. He mandated that humans use these qualities to continue the work of creation by ruling and subduing the earth's resources. However, we are all created in the image of God, and therefore we all have a responsibility to care for his creation in a way that demonstrates our love and worship of God. As theologian Richard Bauckham (2002) argues, the creation mandate is theocentric, not anthropocentric. The dominion God grants humankind in Genesis 1:28 is not authority over creation, but rather authority within it (Bauckham 2002, 174). Note that this is the understanding of the creation mandate used in the remainder of this paper.

To glorify God, we must endeavor to achieve *shalom*, another complex term that signifies peace, completeness, and the fulfillment of one's undertakings. Regent College's Craig M. Gay argues, "*Shalom* is a living process. It is ultimately the gracious gift of God. And just as it has been given to us to work and to create wealth, so it has been given to us to be the agents of *shalom* by taking care of each other in community" (Gay 2014, 624). Shalom and the creation mandate are closely related. Shalom is the ideal state of the world, and the creation mandate is a call for human stewardship of the earth. When humans live in accordance with the creation mandate as defined above, they are working to create a world of shalom. This is a world that is more peaceful, more just, and more harmonious—a world that is more like the world that God created.

2. Stewardship and economics

Economics is the science of effective stewardship. There is a limited supply of resources such as land, labor, and capital. At the same time, society has unlimited wants. Finite resources combined with infinite wants means that not all demands will be met. Even in the United States, one of the wealthiest countries in the modern world, many feel there is a scarcity of basic needs, such as access to quality healthcare, affordable housing, and education.

Every day, individuals, households, firms, and government officials make choices about how best to utilize their time, money, and other scarce resources. *Scarcity* implies that all choices have consequences that involve trade-offs. Economics provides an analytical framework with which to evaluate these trade-offs critically and allocate our scarce resources in the most efficient manner possible. This framework applies as readily to how President Biden allocates his political capital, as it does to how households manage their budgets, or how Eastern University students plan to spend their time on the weekends.

Good stewardship is about managing our resources efficiently and responsibly. It is worth noting the word "economics'' comes from the Greek word *oikonomia*, and it is generally translated as "household management" (Meeks 2014, 3). Put differently, households seek to be good stewards of the finite resources God has given them.

Economics helps us to better understand and critically evaluate the consequences of our choices to make more informed decisions about how to use our resources. Ever since the Fall, humanity has faced limited resources. Economics is the science of efficiently managing scarce resources. It is the science of responsible stewardship. The principles of Christianity and economics are therefore inextricably linked because Christians are called to be good stewards of God's creation. An understanding of economics empowers us to work together toward a world that is more prosperous, just, and sustainable: a world that strives to fulfill God's creation mandate.

3. Stewardship and capitalism

Capitalism is an economic system that is based on private property. Production and distribution are determined through voluntary exchange in the free market. This system rewards those with economically valuable skills and capital, but provides no guarantee that it will alleviate poverty. It is an imperfect system run by imperfect human beings, and should be subject to ongoing critical review and oversight.

Capitalism operating in a market economy is one of many economic systems. Socialism, for instance, is another economic system where the means of production are owned in common by a collective such as the state. The collective also determines the distribution of goods and services. This too is an imperfect system run by imperfect humans, and recent history is rife with examples of poverty and oppression in socialist economies.

In practice, most economies in the world today are mixed economies. This is a system whereby capitalism and free markets drive economic activity, but the government intervenes to address market failures and promote social welfare. The exact formula for this mix is an open issue that merits further investigation.

Capitalism in a market economy generally outperforms other economic systems, such as socialism, with respect to higher living standards for the vast majority of the population (Jahan & Mahmud 2023). A recent study by the Fraser Institute, for example, ranked each nation's economic freedom based on factors such as secure property rights, free markets, and limited government-controlled enterprises. Nations with greater economic freedom outperformed others in a range of indicators of well-being such as GDP per capita, extreme poverty rates, and life expectancy (Gwartney et al. 2022, vii).

The benefits of economic freedom also accrue to low-income households. The average income of the bottom 10% in the most economically free nations is twice as large as the that in the least economically free (Gwartney et al. 2022, vii). Higher living standards, moreover, promote lower income inequality. Empirical studies demonstrate that high-income countries tend to have lower income inequality than do low-income countries (Santacreu & Zhu 2017). This suggests that economic freedom is consistent with contemporary Catholic social teaching on justice. According to the Administrative Board of the United States Catholic Conference, the "quality of justice is best measured by how the poor and most vulnerable are faring" (Administrative Board 1988, 641). An economic system driven by the power of capitalism and free markets promotes a more efficient allocation of our finite resources. This stewardship brings higher living standards for many, including the least advantaged members of society.

Economically free systems serve, albeit in a fallen world, many of the purposes God intended. Voluntary exchange allows for labor specialization so that individuals can choose a vocation in accordance with the gifts God has given them. Resources are used efficiently and innovation flourishes. This makes labor more productive so that more of humanity's needs are met.

And while there is clearly more to shalom than higher living standards and longer lifespans, they are all related. Greater per capita income means that the basic needs of more people are met. This promotes greater security, contentment, and belonging. Individuals live longer in such conditions and are more able to contribute positively to their communities. This stands in stark contrast to those subjected to abject poverty. The impoverished are more likely to suffer from stress, anxiety, and despair, which leads to conflict and social unrest.

4. Property rights and economics

Property rights guarantee that individuals or other entities may use, control, and profit from the resources they own. Well-defined and effectively enforced property rights play an important role in economics and are the foundation of any successful market economy (de Soto 2000). When property rights are clearly defined, owners have an incentive to invest in their property and to use it in the most productive way because the owner reaps the benefit of the investment (de Soto 2000, 51). Their decision is based on an analysis of the expected costs and benefits.

If clearly defined, enforceable property rights are absent, however, this process breaks down. Property owners who lack clear title to the benefits of their property will have less incentive to bear the initial costs of development. For example, the proprietor of a home business in a Brazilian favela has little incentive to invest if the resulting increase in profit is at risk of being confiscated by corrupt government tax collectors or the local gang in control of the neighborhood. Such property owners tend to underinvest, and their land is therefore underutilized.

Taking this a step further, it follows that property rights foster innovation. Owners who are legally entitled to profit from the use of their resources have greater incentive to innovate. They will invest time and money into improving the production process or developing new goods and services to satisfy the needs and wants of society. Innovation improves living standards by providing new and better goods and services at lower cost.

Benefits from property rights extend far beyond wealthy capitalists. Empirical evidence demonstrates a clear link between extreme poverty and a lack of clearly defined, easily enforced property rights (Meinzen-Dick 2009). The impoverished benefit from property rights as they too are more likely to invest in their property to make it more productive. This can help them to lift themselves out of poverty.

Property owners with clear title to their land have greater access to capital (de Soto 2000, 39-41). Clearly defined property rights are needed in order for property to be pledged as collateral. If collateral is available, banks are more willing to make loans, especially to the impoverished.

Access to loans helps impoverished households—extremely vulnerable to any loss of income due to economic disruptions such as illness, job loss, or legal trouble—manage shortterm financial crises (Meinzen-Dick 2009). Economists refer to this as the ability to smooth consumption during economic disruptions.

Loans can also be used to improve the property, to start a new business, or to expand an existing business—all of which pave the way for self-sufficiency that can break the cycle of poverty. Empirical studies consistently demonstrate the positive relationship between functioning capital markets and poverty reduction (Lazar et al. 2006).

The economists Armen Alchian, Ronald Coase, and Harold Demsetz are often credited with the modern economic understanding of property rights. In his seminal paper, "Toward a Theory of Property Rights," Demsetz (1967) argues that well-defined, properly enforced property rights in a free market will produce the most efficient output. A robust body of literature (including both longitudinal and cross-sectional studies) has subsequently been produced that examines the relationship between the structure of property rights and economic growth. The empirical evidence convincingly demonstrates that secure property rights have had a strong impact on the rise in prosperity (Torstensson 1994). Economists generally agree that well-defined, properly enforced property rights are a key element in the foundation of economic well-being (O'Driscoll & Hoskins 2003).

5. Property rights and Christianity

While the Bible is clear that humans are merely stewards of God's creation, this role is completely consistent with private property rights. The Old Testament acknowledges the legitimacy of private property, with the eighth commandment, "You shall not steal" (Genesis 20:15), and it provides rules for commerce (Waltke & Yu 2007, 430, 492). For instance, Deuteronomy 25:13 prohibits fraudulent trade. In general, Mosaic law establishes the right of parties to engage in mutually beneficial economic transactions (Rosenberg & Weiss 2010, 75). When private property and free trade fail to lead to an efficient allocation of resources that benefits all, including widows and orphans, the law must address this market failure.

Consider, for example, the Old Testament decrees given in Leviticus and Numbers relating to property in the Year of Jubilee, during which all property is returned to its original owners or their heirs. This prevented ownership of productive agricultural land from becoming permanently concentrated in the hands of a few wealthy families. This would have allowed these families to exert monopoly power over the grain market. Monopoly power leads to a less efficient outcome than a perfectly competitive market because monopolies produce too little and sell at too high a price (McEachern 2019, 152-4). Monopolies are thus a detriment to total social welfare. Jubilee laws address a particular market failure but still leverage the force of the free markets to ensure an efficient economic outcome that collectively benefitted all Israelite families in the Promised Land. In fact, Rosenberg and Weiss (2010) argue that economic efficiency is a primary goal of Jubilee specifically because the land ultimately belongs to God.

Note that the law neither prohibits mutually beneficial commerce, nor abolishes property rights, but instead embraces the power of commerce. The Bible details how the market price of the land should account for the number of harvests remaining until the next Jubilee. Furthermore, these laws applied only to agricultural land, an important asset in the agrarian society of the Old Testament. They did not apply to houses in walled cities, which were not essential to agricultural output (Rosenberg & Weiss 2010, 78). This Old Testament law is consistent with the call for humanity to be good stewards of God's creation, and to ensure an efficient and productive use of God's resources to benefit all of God's people.

In the New Testament, Jesus also teaches good stewardship of the gifts God entrusts to us, including wealth. Personal property is neither inherently good nor evil, provided we put our hope in God, rather than our possessions, and we are rich in good deeds (1 Timothy 6:17-8). The Bible describes early believers who were wealthy, including Joseph of Arimathea (Matthew 27:57-60), Nicodemus (John 3:1-21), and Lydia (Acts 16:14-5). These wealthy believers understood the value of spiritual wealth relative to material wealth. That said, most early Christians were not rich in earthly possessions. They tended to believe Christ's return to be imminent and were therefore less concerned with the secular political system and private property laws. However, documents from the early Christian community in the first and second centuries, including Didache and Acts 4:32-7, do not directly condemn private property owners (Opderbeck 2020, 61). Rather, these documents command the wealthy to share with the less fortunate (Opderbeck 2020, 62). And as Christianity spread through the Roman Empire, many wealthy individuals became believers. This, along with the realization that much time may pass before Christ's return, led to a greater belief in the beneficial role of private property so long as it was used to aid, rather than exploit, the marginalized. In the beginning of the third century, Clement of Alexandria argued, in *Who is the Rich Man Who is Saved?*, that property and wealth are neither inherently good nor evil. It depends on how such wealth is used: "If you should know how to use it properly, then it becomes a means for you to attain true justice. But if you should use it unjustly, wealth itself becomes the handmaid of injustice" (quoted in Celenza 2018, 149). Early Christian teaching held that God has granted individual stewardship over wealth to meet not only their own individual needs but also the needs of all. Property owners should be as productive as possible, but rather than hoard their excess wealth or covet even more, they should use their surplus to meet the needs of the less fortunate. At the beginning of the thirteenth century, Christian scholars and canon lawyers took this logic a step further, arguing that a starving pauper who stole bread did so in accordance with natural law by which all humans are entitled to the necessities of life (Holland 2019, 238-9). This general understanding of the responsibilities associated with private property was part of the Christian tradition through much of the Middle Ages.

In his seminal work, *Summa Theologiae*, the thirteenth-century theologian Thomas Aquinas built upon the fundamental idea that all things belong to God, and humans are given dominion over them to produce for themselves and to meet the needs of all. Examining private property rights at a deeper level, Aquinas justified private ownership for three main reasons

(Finn 2013, 139-58). First, compared to common ownership, private ownership discourages individual shirking and provides greater incentive to be productive. Second, individual property owners are more motivated to care for and maintain their own property. Third, private ownership avoids many disputes over both production and distribution decisions.

Aquinas also confirmed that private property should be employed to meet the needs of all (Finn 2013, 141). Private property is prudent 'human law' that encourages efficiency and is necessary because it promotes social order and industriousness. Property rights are not guaranteed under natural law, but they can play a justifiable and useful role in positive (or 'human') law to advance the common good. But this human law is only valid if it is consistent with natural law upholding that God's creation is meant to support all of humanity.

The Protestant Reformation, led by important figures such as Martin Luther and John Calvin, took issue with many aspects of the Roman Catholic Church but had less disagreement over economic issues and property rights. Calvin, an attorney by training with a focus on civic governance, spoke more directly on the issue of property rights (Finn 2013, 175-6). In *Commentary on Exodus*, he argued that "each should be able to increase his resources in proportion to his diligence, strength, dexterity or other means … each should enjoy what belongs to him" (Calvin 1536, quoted in Biéler 2005, 295). Calvin also stressed the obligation of the rich to provide for those unable to provide for themselves. In his *Commentary on Exodus*, Calvin recognized that "God makes provision for everyone without distinction from what the earth produces" (Calvin 1536, quoted in Biéler 2005, 206-7). Furthermore, in *Commentary on Genesis,* Calvin states that everyone should "regard himself as the steward of God in all things which he possesses" (Calvin 1536, quoted in Biéler 2005, 309).

Contemporary Christian doctrine regarding property rights is broadly consistent with Aquinas. For instance, the position of the Pontifical Council for Justice and Peace regarding private property begins with the principle of the universal destination of goods. God's creation is for the sustenance of all humankind (Pontifical Council 2005, 75). Private property rights must be subordinate to the right for all of humanity to share in the goods and services produced from God's creation. No one should be excluded from the basic material goods that are needed not only to satisfy nutritional needs but also to live in community and flourish. This is a natural right and a necessary condition for us to achieve shalom.

Certain prominent Christian figures, such as Peruvian theologian Gustavo Gutiérrez Merino, are highly critical of capitalism. In 1971, Gutiérrez published his seminal work, *A Theology of Liberation: History, Politics, and Salvation*, which condemns economic, social, and political systems that do not directly address the injustice of poverty and the liberation of the marginalized from all "those things that limit their capacity to develop themselves freely and in dignity" (Gutiérrez 1971, 102). However, not all Catholic liberation theologians condemn the private ownership of property. For instance, Juan Luis Segundo, a prominent figure in Latin American liberation theology, acknowledged private property to be a necessary condition "for realization of one's human condition" (Manzar 1986, 54). Pope John Paul II

(1979), in response to this liberation movement, noted that "all private property involves a social obligation" to work for a "more just and equitable distribution of goods."

Private property is produced by individual effort and ingenuity as a means to exercise prudent dominion over the earth. This is consistent with the creation mandate, and it glorifies God. Private property rights are not absolute, but they can enhance individual freedom and human flourishing. Property rights and the free market can be a useful means of wealth creation, but ultimately they are simply a means that must benefit all of humanity, as God intends.

6. Application: lack of affordable housing

Clearly defined and effectively enforced property rights play an important role in economics and are the foundation of any successful market economy. Furthermore, private ownership is consistent with biblical principles when this property is efficiently utilized to produce goods and services that benefit all—rich and poor alike. This biblical and economic understanding of property rights can be applied to critically examine and address any number of contemporary issues, ranging from carbon emissions to reparations to microloan programs in developing nations.

This paper turns now to focus on affordable housing, a significant issue facing the United States. According to a study conducted by Katherine Schaeffer (2022) of the Pew Research Center, 49% of Americans believe the lack of affordable housing in their local community is a major problem. This is up 10% from a similar study conducted in 2018 (Schaeffer 2022). The data support the legitimacy of these concerns: according to the United States Bureau of Labor Statistics, in 2022 the average rental rate increased by 12.2% nationally, while personal income rose by only 2.4% over that same period (U.S. Bureau of Labor Statistics 2022).

Housing is generally considered to be unaffordable if the associated costs are greater than 30% of household income (Cromwell 2022). This rent-to-income level is the measure used by the Department of Housing and Urban Development to determine if a household is cost-burdened. Using this measure, the data reveal that the affordable housing crisis is heavily concentrated in the rental housing market (Feldman 2022).

The percentage of cost-burdened households is unacceptably high, and it continues to rise. According to Moody's Analytics, the most recent available data showed that for the first time since this data has been collected the national average rent-to-income reached 30% (Chen & Le, 2023). This includes the 23% of households who spent at least 50% of their income on rent (Chen & Le 2023). And this is part of a worrisome long-term trend. In 2002, the average household spent 23% of its income on rent, and in 2012 it was 26% (Chen & Le 2023).

Perhaps unsurprisingly, renters tend to have lower-than-average net wealth and annual income. According to the Federal Reserve's *2019 Survey of Consumer Finances*, the most recent study conducted, 88% of Americans in the lowest net wealth quartile were renters

(Board of Governors 2022). Access to quality, affordable shelter is necessary for shalom. The physical, emotional, and spiritual well-being of human beings, all of whom are created in the image of God, cannot be ensured without the basic need of shelter being met. Christians are called to protect and cultivate the dignity of all individuals—and this includes implementing effective, efficient housing policy to address these needs.

A common response to the lack of affordable housing is for local governments to turn to rent-control policy. This is unfortunate because such policy, rather than improving matters, exacerbates the problems surrounding affordable housing. These would better be addressed with a ban on rent-control policy rather than an expansion. While a ban will not guarantee that quality affordable housing is available for everyone, it would be a step in the right direction.

Rent control infringes on property owners' rights, and this comes with an economic cost. It distorts incentives, which leads to a misallocation of scarce resources that negatively impacts the entire community, with low-income households bearing a disproportionately large share of the burden (Rajasekaran et al. 2019). Rent-control policy inhibits rather than promotes access to the essential good of affordable housing for those least able to provide for themselves. This is clearly at odds with the creation mandate.

The specifics of rent-control policy vary, but most establish a legal ceiling on the maximum rent the property owner can charge for a unit. The closely related rent stabilization policy caps the amount by which rent may be increased each year. These policies are often accompanied by restrictions on the property owner's ability to evict a tenant in arrears of rent. For the purposes of this paper, 'rent control' will refer to all three of these policies, unless specified otherwise.

Rent-control policies in the United States date back at least as far as the early twentieth century. They gained momentum in the rapid economic growth following World War II and again in response to the double-digit inflation of the 1970s (Rajasekaran et al. 2019). New York City is credited with the first, and currently most pervasive, rent-control policies in the country, but such policies are now common in states from California to Maryland (Sturtevant 2018, 4).

However well-intentioned, rent-control policy fails miserably because it infringes on the rights of property owners, incenting them to provide fewer affordable rental apartments. It also leads to an inefficient allocation of available housing and often benefits high-income households over the marginalized.

To understand the relevant economic theory, first consider the supply side of the housing market. When government regulation lowers the rent level that owners are allowed to charge, there is less incentive to supply new housing units. Fewer housing units are supplied because rent control makes it less economically attractive to do so. This is consistent with the economic 'law of supply', which states that when the price of a good decreases, less of that good will be supplied. If the price of corn goes down, farmers will produce less corn, and perhaps more wheat instead. *Rent* is the price of housing, and when the government lowers that price, the market supplies less of it.

Rational individuals respond to incentives. Since rent-controlled markets offer lower returns, developers are less likely to allocate their resources to building residential apartments in such a market. Likewise, owners of existing rental property in rent-controlled markets are financially incented to convert their apartments into privately owned condominiums or commercial property.

A survey of the empirical evidence supports the implications of this economic theory (Sturtevant 2018, 7). One such study, for instance, examined rent-controlled properties in the city of San Francisco from 1995 to 2012. It found that such properties were more likely to be converted into condominiums or commercial properties, which decreased the residential rental supply and led to an increase in overall rental prices (Diamond et al. 2017). It follows, moreover, that the burden of this decrease in supply and the corresponding rise in rent is disproportionately borne by low-income households.

Rent-control policy's infringement on the rights of the property owner has additional adverse consequences. To compensate for the decrease in rental income, owners cut back on expenses such as maintenance and upkeep. When property owners do not realize the full benefits of their assets, there is less incentive to invest. Owners will not upgrade their property if there is no way to benefit from, or even recoup, those costs.

An empirical study conducted by the Federal Reserve Bank of Richmond demonstrates this impact on housing quality (Mengle 1985). The Fed examined eight metropolitan areas, four with rent-control restrictions and four without, during the 1970s. As the theoretical economic principles predict, the study found that residential apartment quality was lower in the rent-controlled communities (Mengle 1985).

When government policy exacerbates the chronic housing shortage, it guarantees a steady stream of desperate apartment seekers, regardless of the condition of the property. Rent-controlled buildings deteriorate due to underinvestment, and this is where those on the margin of the rental market must seek to live. Those fortunate enough to secure these dilapidated apartments are often themselves forced to bear the burden of maintenance to make the dwellings safe and habitable. The cost of assuming this responsibility reduces the benefit of the rent-control subsidy. For example, in a study published in the *Journal of Urban Economics*, researchers Gyourko and Linneman (1990) examined rent-controlled apartments in New York City during the 1960s and found that individual residents were forced to bear the costs of maintenance and upkeep. These results are generally consistent across the relevant literature, including a comparable study by Sims (2007) on Boston's rent-control market in the late 1980s.

Now consider the demand side of the market, where the negative impact of rent-control policy on the affordable housing market is compounded. When government regulation lowers the price of rent-controlled apartments, there is an increase in demand. New renters enter the market and compete for an ever-dwindling supply of existing rent-controlled units.

Economists acknowledge that, at least initially, rent control benefits the existing tenants, who pay less rent. However, rent-control laws cause rental rates to increase in the unregulated market—especially detrimental to renters in the lower range of the uncontrolled rental market. Even when the welfare of low-income renters in both the controlled and uncontrolled markets is taken together, studies demonstrate that rent-control policy lowers overall welfare for low-income renters (Early 2000).

More generally, rent-control policies do a poor job of targeting the intended beneficiaries (Ault & Saba 1990). In practice, those most in need of housing assistance are proportionately underrepresented beneficiaries of rent-control policy. All too often it is those who are established, wealthy, and knowledgeable of the system who occupy rent-controlled apartments. This includes friends and relatives of tenants who want to move but are willing to cheat the system by keeping the lease in the name of the original tenant. As an example, albeit a fictitious one, recall the 1990's sitcom *Friends*. Monica and Rachel lived in an oversized low-cost, rent-controlled apartment that is officially leased to Monica's grandmother.

The evidence of poor targeting is not limited to fictional, anecdotal examples. A thorough review of the literature reveals a similar theme of rent-control policy doing a poor job of targeting the intended beneficiaries (Sturtevant 2018). For instance, a study of the Washington DC rent-control market in the 1980s found that the policy disproportionately favored affluent renters (who remained in the units for a long time) and did little to help low-income households, including those at risk of becoming unhoused, whose circumstances required them to change their residence more frequently (Turner 1990).

Related to, but distinct from, poor targeting is the inefficient allocation of rent-controlled apartments. Residents of these apartments can expect to pay significantly higher rent if they move, which distorts their incentives and makes them less inclined to move (Ault et al. 1994). Rent-control policy thus creates a mismatch between the needs of the household and the type, size, and location of the rent-controlled apartment in which the household resides (Glaeser & Luttmer 2003).

This makes households in rent-controlled housing worse off. The disincentive to move means apartments become overcrowded when a household grows, with the birth of a child for instance. The immobility fostered by rent control makes tenants less likely to change jobs, even if the new job is a better opportunity, or to endure long commutes due to a job change (Krol & Svorny 2005). Rent control also discourages households from homeownership, which is a catalyst for building wealth. Furthermore, the immobility of established rent-control tenants, even when their financial status improves, limits available options for low-income newcomers.

The costs of rent-control policy, such as longer commutes and foregone career opportunities, negatively impact the entire community. The fiscal impact is also felt at the municipal level due to foregone property tax revenue. Rental properties subject to price control policy decline in value, which causes a decrease in property tax revenue (Navarro 1985). These costs can be significant. For example, it is estimated that rent-control policy cost

New York City $370 million annually in foregone tax revenue during the 1980s (Peat Marwick 1988). Added to this are the nontrivial costs associated with the administration and enforcement of policy.

In summary, the empirical evidence supports economic theory; rent-control policy exacerbates the problem of a lack of quality affordable housing. Such policy infringes on the rights of property owners. This distorts incentives and leads to a misallocation of housing that negatively impacts the entire community, with those on the margins of the affordable housing market bearing the brunt of the burden. Rent-control policy is not only bad economics, but it is also not aligned with the creation mandate because shelter is a necessary condition for human flourishing. This regretful result is perhaps unsurprising because rent-control policy is fundamentally inconsistent with both economic and Christian principles.

The lack of affordable housing is a serious and complex problem with no simple panacea. The first step to getting out of a hole, however, is to stop digging. Repealing the existing rent-control policy is an obvious and pragmatic place to begin. Government intervention has a place in a modern economy, but such policy is more effective when it harnesses, rather than ignores, economic forces.

7. Variations on a theme

Further steps will likely be needed to fully address the shortage of affordable housing. The basic principle that the protection of property rights leads to a more efficient use of land and creates more affordable housing can be applied to a range of practices. To properly explore the spectrum of all possible corrective action is beyond the scope of this paper. That being said, several additional approaches, based on the fundamental principle of leveraging property rights, are introduced below.

Zoning restrictions, while admittedly necessary in certain situations, are a restriction on property rights. There is excess demand for affordable housing, and easing zoning restrictions gives property owners the freedom and the economic incentive to meet this need. There are many different types of zoning restrictions that should be eased to help alleviate the shortage of affordable housing.

Many neighborhoods, particularly those that are primarily high-income, prohibit the construction of anything other than a detached single-family home. Townhouses, duplexes, and apartment buildings, which offer a less expensive housing option, are illegal. This limits the supply of affordable housing, drives housing costs higher, and effectively excludes low-income households from the neighborhood (Feldman 2002).

Another common zoning restriction limits the construction of accessory dwelling units. These residential units are often located in basements or above garages. Limiting accessory dwelling units restricts an affordable and attractive option for low-income households as well as elderly or disabled persons needing to live near family or caregivers (Henderson 2021).

Inclusionary zoning requires developers to sell a percentage of new residential units at below-market prices to individuals whose income is low enough to meet yet another government regulation. While inclusionary zoning may at first glance seem reasonable, it is a restriction on property rights that disincents builders from supplying additional housing. Predictably, this causes the supply of new homes to decrease and the price of housing to increase (Henderson 2021). Limits on housing construction, even on luxury homes, negatively impact rich and poor alike, and low-income households are often less well-positioned to absorb the cost (Mast 2021).

Even when zoning requirements are appropriate, the new construction approval process is often discretionary and subjective. A better alternative is a rule-based, By-Right, approach that clearly outlines the permitted use and construction specifications with objective criteria (National Multifamily 2021). The By-Right development process creates more clearly defined and enforceable property rights. This lowers the cost of development, which increases the housing supply (Bellisario et al. 2016).

The theme of less, or at least streamlined, government policy leading to more affordable housing is not limited to property rights. For example, reducing import tariffs on building materials such as lumber, steel, and aluminum (to name a few) would lower construction costs and increase the supply of affordable housing. Tariffs create a distortion that effectively subsidizes less efficient domestic producers of construction materials at the expense of everyone else, particularly low-income households struggling to find affordable housing.

Likewise, an expanded and streamlined work visa process would also help ease the affordable housing crisis. Immigration is a complicated issue, but the fact remains that immigrants constitute 30% of the construction labor force (Siniavskaia 2020). A reduction in the number of immigrant workers, which has been a most concerning trend over the last six years, leads to a lower supply of affordable housing (Cui 2023).

Property rights are a powerful force of economic growth and should be leveraged accordingly. Economic policy must be evaluated in context and judged according to its incremental impact. When this approach is applied to affordable housing policy in the applications discussed above, it is clear that society in general, and those on the margins of the housing market in particular, are better off with less government intervention rather than more.

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