

ly state, they are committed to a new round of speculation on ground rent—and therefore are committed, no matter what they say, to a further collapse of the urban housing construction market.

Speculative incentive

In fact, the purpose behind the proposal to lift rent control is to enhance the attractiveness of new speculative investment with the promise of sky-high rents. A Heritage Foundation spokesman boasted that rent decontrol and the complementary rent-voucher payment systems “are multibillion-dollar handouts to landlords” that will “create a new rush to get a piece of the housing action” in sales of secondary mortgages and other property titles.

Rent control has come under consistent attack from various landlord-linked groups. Key among these is the National Multi-Housing Council (NM-HC), whose president, Richard Fore, is on the Reagan urban policy task force. According to a spokesman, NM-HC was formed in March 1978 by “developers, landlords, and those in the real-estate market to get rid of rent control/rent stabilization.” One of the most prominent local groups within the Council is the New York-based Community Housing Improvement Project (CHIP), controlled by the Donald Trump Organization. The lawyer for CHIP is Roy Cohn, the 1950s counsel to Sen. Joseph McCarthy and habitual defense attorney for accused underworld figures and drug traffickers. In 1969, with Cohn handling the argument, CHIP launched a legal action to end rent controls in New York on the basis that the wartime emergency measures under which the program was created had long since expired. The case is now before the U.S. Supreme Court.

Spokesmen for CHIP and NM-HC admit that the elimination of rent control will send rents soaring. “That’s okay. . . . that’s what we want,” said NM-HC Executive Director Richard Francis. Decontrol will encourage the trend toward “gentrification”—replacement of low-income families with the well-to-do in certain areas, because the poor will be priced out of the market, said Francis. This too is to be welcomed. Rents would also go up in ghetto areas—including the proposed enterprise zones—but there, government subsidies like the proposed rent vouchers would benefit the landlords.

Controlled debate

Both Heritage and its cothinkers like the NM-HC recognize that rent control is a “red flag” issue, promoting maximum political controversy. They plan to secure its elimination by stages.

The inclusion of the rent decontrol proposal in the Wilson Urban Policy task force recommendations was

New York State ends usury ceilings

The New York State Legislature has passed a sweeping amendment to the State Banking Code, signed by Gov. Hugh Carey on Nov. 21, which lifts all usury ceilings on consumer credit and mortgage rates. It will double the costs of consumer loans and send the price of home buying out of sight for most New Yorkers.

The measure could cost consumers over \$3 billion in interest payments, and raise the average mortgage from 13 percent to 20 percent and up.

Walter Wriston, chairman of Citibank and mooted Reagan treasury secretary, and Chase Manhattan chairman David Rockefeller, rammed the measure through the State Legislature by threatening to move over 8,500 bank jobs out of the state.

Wriston, a prominent supporter of Federal Reserve Board chairman Paul Volcker’s high interest rate policy, intends to make New York a national example. “This New York decision is of national importance, because it sets a precedent for full deregulation of banking and housing prices,” William Warfield of the Senate Banking Committee staff told *EIR*.

“We supported the elimination of usury ceilings and deregulation of the savings banks” which make most home and apartment mortgage loans, Ellis T. Gravett, Jr., president of the giant \$5.2 billion Bowery Savings Bank, told *EIR*. “Rent control should have been eliminated a long time ago.” Gravett pointed out that while a direct attack on rent control is now politically unpopular, allowing home and apartment building mortgage rates to soar would in time bolster landlords’ arguments that rents, too, must increase. Landlords won’t be able to pay 25 percent a year on mortgages for buildings, while rents can only be raised 7 percent a year, goes the argument.

People who cannot afford usurious mortgages and decontrolled rents can either leave the city or move to the Bowery, Gravett stated.

On consumer loans and credit cards, the new State Banking Code amendment lifts usury ceilings, currently around 12 to 13 percent altogether. The only ceiling now remaining, the *New York Times* noted Nov. 22, is “the criminal statutory limit prohibiting the loan shark business, which makes illegal rates over 25 percent.”