

Name: _____

Lesson 25

Period: _____

The Urban Housing Mystery

Directions. Read the *Handy Dandy Guide* and the mystery. Read the clues. Be careful. While all the clues are correct, only some are *useful* in solving the mystery. Decide which clues are most relevant to solving the mystery. Use the clues and one or more of the ideas from the *Handy Dandy Guide* to figure out a solution to the mystery. Write your solution.

Handy Dandy Guide

1. People *choose*.
2. People's choices involve *costs*.
3. People respond to *incentives* in predictable ways.
4. People create *economic systems* that influence individual choices and incentives.
5. People gain when they *trade* voluntarily.
6. People's choices have consequences that lie in the *future*.

The Mystery

While most American cities provide an adequate range of housing possibilities for their citizens, some do not. In New York City, people looking for a place to live typically have a hard time finding apartments. Some of the apartments they find are ones you wouldn't want—units without sinks or hot water, for example. The problem is not a lack of space. New York City has block after block of abandoned apartment buildings.

At the same time, some New Yorkers live in luxury apartments and pay low rents. For example, a 1993 news report stated that former New York City Mayor Ed Koch paid \$441 per month for an apartment worth about \$1,200 per month at market rental rates.

Why do some New Yorkers face a housing crisis while others are secure in choice apartments, paying low monthly rent?

The Clues

1. During World War II, New York City began using a system of rent controls that set the rent of many apartments below the market price.
2. Rents are incentives to landlords, affecting the decisions they make about providing rental units.
3. The population of metropolitan New York is 17,953,372.
4. The total area of all five New York City boroughs (Manhattan, Brooklyn, Bronx, Queens and Staten Island) is 301 square miles.
5. New York is not the most dangerous of the large U.S. cities.
6. In most cities, when rental rates for apartments go up, builders begin to build new apartment units.
7. In New York City, many wealthy people—including former mayors and wealthy actors—live in apartments where they pay far below market prices for rent.
8. Some people who live in rent-controlled apartments are able to hand the apartments down to their family members. They never give them up.
9. Yankee Stadium is called The House that Ruth Built.

Record your solution and explain it briefly here:
