



The Daily Dish

Housing Policy Failure on Steroids

DOUGLAS HOLTZ-EAKIN | JULY 17, 2024

People don't like paying rising prices, but the economic reality is that they reflect demand outstripping available supply. Higher prices will diminish demand somewhat, and will incentivize more supply. But, as just noted, people don't like paying higher prices. Historically, politicians have yielded to the temptation to impose price controls – artificial caps on prices. But lower prices will not reduce demand one iota. Nor will they increase supply by even a smidgen.

For these simple reasons, price controls are doomed to fail, and have always failed. Among the most egregious failures are the various municipal embraces of rent control, which have not produced affordable housing, but have delivered reductions in maintenance, black markets in sublets, and myriad other manifestations of failure. These lessons are well known and broadly appreciated.

So Eakinomics should probably not be surprised that the Biden Administration has [announced](#) its latest housing policy: nationwide rent controls! Per the White House fact sheet:

Some corporate landlords have taken advantage of the shortage of available units by raising rents by more than increases in their own costs—resulting in huge profits at a time when millions of Americans are struggling to cover rent each month. And recent [analysis](#) showed that the six largest publicly-traded apartment companies reported large profits earlier this year, and many of these same landlords are named in pending litigation for their alleged use of proprietary algorithms to raise rents on tenants.

President Biden is calling on Congress to pass legislation presenting corporate landlords with a basic choice: either cap rent increases on existing units to no more than 5% or lose valuable federal tax breaks. Under President Biden's plan, corporate landlords, beginning this year and for the next two years, would only be able to take advantage of faster depreciation write-offs available to owners of rental housing if they keep annual rent increases to no more than 5% each year.

Notice three things:

- There is absolutely no justification given for the 5 percent cap on rent increases, nor is it tailored in any way to local housing market conditions. It's just blunt, across-the-board price control delivered with Thor-like delicacy.
- The administration believes that the tax code should be used to punish particular individuals or corporations. Depreciation, for the record, is there to more accurately measure income net of costs and fairly assess a tax. But never mind.
- The administration is simply grandstanding. It needs Congress to pass this counterproductive nightmare. Notice that the grandstanding extends to companies “named in pending litigation” – no innocent until found guilty for you! – and is focused only on corporations. Non-corporate price gouging is A-OK.