



The Daily Dish

Price Controls – Evidently More Addictive Than Nicotine

DOUGLAS HOLTZ-EAKIN | SEPTEMBER 20, 2024

Suddenly price controls are all the political rage. President Biden and congressional Democrats kicked off the craze with the Inflation Reduction Act (IRA), with its Orwellian “Maximum Fair Prices” and ill-considered caps on Medicare Part D premiums. Next, Biden-Harris called for nationwide [rent controls](#) and candidate Harris homed in on limiting [grocery prices](#). Now, candidate Trump is once more displaying a keen vision of the past by bringing back Carter-era [caps on interest rates](#).

These are, of course, terrible and unworkable ideas. Interest rate caps were chunked by a combination of legal rulings and the financial regulators coming to their collective senses. There is no reason to go back. The IRA “price negotiation” regime has been [widely debunked](#) and delivered [underwhelming results](#). The premium caps created a [political threat](#) to IRA backers that the administration is attempting to defuse with its favorite remedy for all problems: taxpayer dollars.

AAF’s Jacob Jensen did a [takedown](#) of the rent control proposal, finding that the policy is a blunt instrument that does not achieve its desired goal of lowering housing costs. It benefits only those in controlled housing “at the expense of property value, future supply, quality, and every renter outside the program,” Jensen found, noting that a 5-percent cap on rent “would not lower overall costs and could result in between \$3,500 and \$6,000 in additional costs for renters over a five-year period, alongside roughly \$1 billion in administrative costs.”

But why rely on analysis when you can just look at the evidence from other countries that have experienced this self-inflicted wound? Bloomberg [reports](#):

Ireland’s rent controls are deterring overseas investors in the local residential real estate market and keeping out billions of euros, according to a study by [CBRE Group Inc.](#)

Only one forward structured residential transaction — in which an investor agrees to buy a development early or mid-construction stage — has been reported since the start of 2023, the property broker’s research arm said in a report Wednesday. That compares with forward commitments that formed the bulk of the €9.5 billion (\$10.6 billion) injected into the market by institutional investors between 2018 and 2022, it said.

The policy restricts rent increases to 2 percent, down from 4 percent in the original 2016 policy.

As for Trump’s cap on interest rates, don’t get me started; just [listen](#). The real mystery is why these so-called populists continue to choose policies that are bad for the populace.