

Hey Bangor, rent control doesn't work

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It is the old, terrible and universally rejected idea that simply refuses to die.

According to the Bangor Daily News, the Bangor City Council is considering the institution of rent control measures in the Queen City, in response to upward pricing pressure on rents due to inflation, and some anecdotal horror stories about crazy rent increases.

That's always how it starts. People see rents go up significantly, they view the increase as unfair, and start demanding that politicians "do something" about it. The politicians, eager to respond to the complaints in order to look good for the voters, spring into action and start singing the siren song of price controls, and pitch "reasonable" restrictions on rent increases.

It's perfect, as a political issue. It is a direct action that can be taken, that everyone can see, and it is something that people can feel the impact of. It sounds simple (and it is). It feels like it would help, and at the most superficial level, it does exactly what it says it will. The benefits are tangible and easy to understand, and any negative consequences are so complicated and difficult to explain that voters dismiss and ignore them. If you are in charge, proposing rent controls for your city is a layup.

There's just one problem: rent control is a disaster everywhere it is tried, and has been for a century.

There's an old joke in economics. "Ask five economists," said Edgar Fiedler, a former assistant secretary of the Treasury for economic policy for Richard Nixon and Gerald Ford, "and you'll get five different answers – six if one went to Harvard."

Economics is one of the murkiest of social sciences, with infinite schools of thought and perspectives. Economists disagree with each other about virtually everything, and even those in the same ideological quadrant, like the Austrian and Chicago schools, have passionate disagreements with one another over everything from methodology to philosophy.

And yet, one issue that virtually all economists agree on, is the predictable folly of rent control.

That isn't hyperbole, nor is it my inner right-winger trying to pull a fast one on you. There is a left-right consensus on the issue.

Take, for instance, one of the most famous leftist economists of all time. Pulitzer Prize-winning economist and New York Times columnist Paul Krugman, penned a scathing indictment of rent control more than 20 years ago, which is still as true today as it was then.

“The analysis of rent control,” Krugman wrote, “is among the best-understood issues in all of economics, and — among economists, anyway — one of the least controversial.” He went on to point out that roughly 93 percent of economists agreed that rent controls reduce the quality and quantity of housing and that cities that employ it are left with “sky-high rents on uncontrolled apartments because desperate renters have nowhere to go,” and an “absence of new apartment construction” with “bitter relations between tenants and landlords” becoming the norm.

In 2018 the libertarian Cato Institute explained the problem in the exact same way that Krugman would. “Landlords confronted with the regulation are incentivized to convert properties to other, higher-return uses,” wrote economic analysts Vanessa Brown Calder and Ryan Bourne. “Developers, meanwhile, find new rentable accommodations less profitable to build, compounding the scarcity-of-supply problem that often drives high rental prices in the first place.”

Unity!

There are many more problems with rent control. Consumers who benefit from it, for instance, are incentivized to hang on to their controlled apartment for as long as humanly possible, thereby keeping units off the available market and making housing more scarce. This, of course, decreases supply and increases demand, putting more pressure upward on prices. Precisely the opposite impact proponents want to have.

But beyond the remarkable unanimity on the issue among economists, there is something else that makes this a particularly bad idea for Bangor. The city’s pricing problem is not coming from a massive increase in housing demand due to a growing population. In fact, as I have pointed out before, Bangor is actually shrinking. Between the 2010 and 2020 censuses, the city population declined by 3.9 percent and lost about 1,300 residents.

That means that like so many other cities in America, Bangor’s problem is insufficient housing supply for the meager and shrinking citizenry. That makes the prospect of choking off future development and restricting supply even more ruinous to consider.

But the siren’s song is beautiful, and seductive, and few political leaders can resist the urge to follow it downward to disaster.