

We Need More Housing, Not More Rent Control

José Niño

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Everyone wants affordable housing, but how far will they go to attain it?

For some, housing affordability is such a pressing issue that they will entrust politicians with the duty of providing it through legislation. Rent control is one of the oldest tricks politicians can pull out of their magic hats to demonstrate to the public that they're getting to the bottom of the housing affordability crisis.

At its core, rent control consists of a government-imposed ceiling on residential rental rates within a given jurisdiction. Thirty-seven states in the country preempt or prohibit rent control.

On the other hand, states like New Jersey, Maryland, California, Oregon, and New York have localities that permit some form of residential rent control. However, the latter three states pushed the legislative envelope last year.

States like Oregon became trendsetters by passing statewide rent control legislation which restricts annual rent increases to 7 percent plus inflation. Other states such as New York and California passed similar pieces of legislation that limit the ability of landowners to raise rents on their tenants.

Oregon's passage of statewide rent control may have been the straw that broke the camel's back in terms of putting interventionist housing policies on the national spotlight.

Even federal politicians and 2020 presidential aspirants are catching on to the rent control mania. Vermont senator Bernie Sanders and Congresswoman Alexandria Ocasio-Cortez have offered their two cents on rent control. Sanders stated,

Landlords cannot be allowed to raise rents to whatever they want, whenever they want. We need national rent control.

Ocasio-Cortez echoed Sanders' sentiments, declaring that

It's time that we stop commodifying the housing market because it is not a speculative investment, it is a basic right for all Americans.

The rent control enthusiasm we're seeing is not occurring in a vacuum. People are clearly incensed with their local governments. After all, congested streets and highways and a high cost of living have made many city dwellers perpetually frantic.

Frustrations aside, hastily falling for a politician's demagogic proposals only invites lower living standards for all. Rent control is the embodiment of "too good to be true" legislation that mesmerizes the politically disenchanted at first but makes them even more frustrated once the consequences of these policies set in.

Understanding Rent Control

Rent control legislation establishes price ceilings that artificially boost demand for housing. If the government-imposed ceiling falls below-market rental rates, shortages will start to pop up as the demand exceeds the current housing supply. This is a question of basic economics.

More perverse are some of the other unintended consequences. Rent control essentially redistributes wealth to current tenants at the expense of future tenants and those who pay market-rate rents. Those living in rent-controlled units usually benefit at the expense of those who do not.

Furthermore, rent control leads to the deterioration of housing units due to owners having less of an incentive to spend their money on apartment upkeep. In normal, market-rate units, owners would have sufficient revenues to maintain the apartments and add improvements. Swedish economist Assar Lindbeck did not mince words when he asserted that

In many cases rent control appears to be the most efficient technique presently known to destroy a city—except for bombing.

A Market Solution Must Be Offered

The housing affordability crisis that many cities in America are facing is no joke. To put it in perspective, real housing prices increased twofold in New York City and Los Angeles and tripled in San Francisco in 1970. For nearly a fourth of renters nationwide, housing accounts for half of their spending.

With this in mind, we should still exercise prudence when trying to analyze why rents are so out of control in these cities. The rising rents we see aren't the end result of the machinations of greedy landlords. The dirty secret that big-city politicians don't want their constituents to find out is that rising rents are the result of interventionist public policies, namely land-use regulations that constrict the overall supply of housing.

Just looking at land-use regulations in California and Oregon should give us an idea of how badly government policies are asphyxiating the housing market. According to the Cato Institute's *Freedom in the 50 States* Index, California and Oregon are ranked forty-seventh and forty-third in terms of land-use freedom, respectively. Oregon's dismal ranking is justified when looking at how its land-use policies have impacted development.

The *Wall Street Journal* editorial staff observed that Oregon's restrictive zoning and land-use mandates have generated the lowest rate of residential construction in decades. Between 2010 and 2019, Oregon grew by four hundred thousand people. However, the state added only thirty-seven housing permits per one hundred new residents based on a report from the Oregon Office of Economic Analysis.

Economist Josh Lehner correctly noted that people who are only looking at rising housing costs are paying attention to "the symptom and not the cause of the disease." In Lehner's view, "the

chief underlying cause is the ongoing low levels of new construction this decade.” Lehner added that

on a population growth-adjusted basis, Oregon built fewer new housing units this decade than we have since at least World War II.

Like rent control, these questions of housing prices boil down to the basics. When the supply of housing stock is artificially restricted thanks to legislation, we inevitably get more expensive housing. However, it is not sufficient to say “let the market handle it” when trying to offer an alternative policy to rent control.

There’s plenty of government intervention that impedes market mechanisms from providing affordable housing. Instead, we must point to specific policies, such as zoning rules, that make it more difficult to build housing.

These regulations are the main culprits behind these rising housing prices. To win this debate, free-market proponents must offer the solution of land-use liberalization, which entails repealing these measures.

Are We Still Stuck on Interventionist Canards?

The lack of insight into how to solve housing problems is the product of a mindset that treats housing as a positive right. Similar to other services such as education, many political busybodies view housing as a “right” and thus compel the state to step in and provision it.

Blinded by their zeal to save the masses from the “excesses” of greedy landlords, politicians ignore the regulatory state in the background. Like its education counterpart, the housing market has provided housing for decades without issue.

But for these markets to actually work, a genuine effort to roll back arbitrary rules and regulations has to take place. This may be too much to ask for from political chattering classes who insist that their political programs will help the common man.

Nonsolutions like rent control are the go-to options for politicians who desperately scour their precincts for votes. Tragically, their constituents end up paying the price once the predictable economic distortions begin to materialize.

By the time the damage is done, the political do-gooders will likely be out of office, to be replaced by another set of demagogues who will blame the market yet again for the failures that regulation caused in the first place. Some facts never seem to register with society’s most “enlightened.”

And that’s how a vicious cycle of never-ending regulation commences.