



Testimony in Opposition to HB 6588

Submitted by Bryce Chinault, Director of External Affairs

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Thank you for the opportunity to testify before the Housing Committee in **opposition to [HB 6588: An Act Concerning Rent Stabilization](#)**. My name is Bryce Chinault, and I am the Director of External Affairs for Yankee Institute, a non-profit public policy organization in Hartford dedicated to empowering Connecticut residents to forge a better future for themselves and their families.

Yankee Institute **opposes HB 6588** because rent control measures exacerbate housing market shortages, reduce the quality of available rental units, and misallocate scarce resources.¹

HB 6588 would cap the annual rent increase at 4.5 percent, plus inflation. Such a proposal may be enticing to current renters who stand to benefit in the short run, but this drastic increase in the Commissioner of Housing's authority will lead to negative consequences for not only landlords but the rental community and the general public as well.^{2,3}

When considering the effects of this proposal I was reminded of economist Thomas Sowell's famous quote, "There are no solutions. There are only trade-

¹ *Short History of Rent Control Laws*, Cornell Law Review.

<https://scholarship.law.cornell.edu/cgi/viewcontent.cgi?referer=https://scholar.google.com/&httpsredir=1&article=1583&context=clr>

² *Rent Control, Rental Housing Supply, and the Distribution of Tenant Benefits*, Journal of Urban Economics.

<https://www.sciencedirect.com/science/article/abs/pii/S0094119099921630>

³ *Rent Controls and Rental Housing Quality: A Note on the Effects of New York City's Old Controls*, Journal of Urban Economics.

<http://www.socsci.uci.edu/~jkbrueck/course%20readings/gyourko%20and%20lenneman.pdf>

offs.”⁴ This insightful observation of the policymaking process ought to be emphasized much more often.

One tradeoff to consider is that rent control measures reduce housing supply. Current providers are deterred from expanding the number of rental units, and potential providers become less likely to enter into the market altogether. Milton Friedman and George Stigler, for example, found that rent caps incentivize landlords to sell rental properties to owner occupants.⁵ This change in supply drives up overall costs over time, undermining the initial purpose of rent control.^{6,7} Decreases in supply are found in almost every study that has looked to answer this question and can be easily understood by a basic supply and demand graph.^{8,9}

Rent controls also decrease the quality of rental units as owners respond to price controls by cutting costs.¹⁰ Daily maintenance tasks are decreased or cut altogether, and repairs to damaged parts of a property are delayed or forgone. This process ends up increasing the likelihood that quality apartments become worse over time and become untenable in years ahead. Swedish economist Assar Lindbeck once quipped, “In many cases, rent control appears to be the most efficient technique presently known to destroy a city – except for bombing.”¹¹ The point he is making is clear, even if the quote is hyperbolic.

Furthermore, once a tenant secures a rent-controlled apartment they become less likely to move.¹² For instance, an older couple who might downsize after they don’t have children living with them are more likely to stay or sublet their apartment when they would otherwise move to a smaller unit. This leaves

⁴ *A Conflict of Visions: Ideological Origins of Political Struggles*, Basic Books.

<https://www.basicbooks.com/titles/thomas-sowell/a-conflict-of-visions/9780465002054/>

⁵ *Roofs or Ceilings? The Current Housing Problem*, Foundation for Economic Education.

<https://admin.fee.org/files/docLib/Roofs-or-Ceilings.pdf>

⁶ *The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco*, American Economic Association. <https://www.aeaweb.org/articles?id=10.1257/aer.20181289>

⁷ *Estimating the Costs of Partial-Coverage Rent Controls: A Stochastic Frontier Approach*, The Review of Economics and Statistics. <https://www.jstor.org/stable/2110030>

⁸ *Rent Control*, The initiative on Global Markets at The University of Chicago Booth School of Business.

<https://www.igmchicago.org/surveys/rent-control/>

⁹ Price Ceilings: Rent Controls, Marginal Revolution University. <https://www.youtube.com/watch?v=hMkvmZK3AJ4>

¹⁰ *Residential Rent Controls: An Evaluation*, The Brookings Institution.

<https://www.socsci.uci.edu/~jkbrueck/course%20readings/Downs.pdf>

¹¹ *The Political Economy of the New Left: An Outsider’s View*, Harper & Row. <https://www.amazon.com/Political-Economy-Left-Assar-Lindbeck/dp/006044018X>

¹² *The Misallocation of Housing Under Rent Control*, American Economic Association.

<https://www.aeaweb.org/articles?id=10.1257/000282803769206188>

younger families with fewer options.¹³ Under price controls people will increase the amount of housing space they occupy negatively effecting potential low-income residents.¹⁴

Simply increasing the likelihood of rent controls can have a negative effect.¹⁵ If existing rental property owners in Connecticut think there will be a cap on rents in the future based on this bill, they are being incentivized to raise prices right now. Existing and potential investors are right now becoming less likely to build new or expand existing rental properties.

Furthermore, after a cap is installed, property owners will seek to increase their prices up to the cap every year, knowing that their ability to increase rents to offset increases in costs will be limited. The new cap, in effect, will become the new floor for rent increases.

To quote Thomas Sowell again from his book *Basic Economics*, “In short, a policy intended to make housing affordable for the poor has had the net effect of shifting resources toward housing affordable only by the affluent or the rich, since luxury housing is often exempt from rent control.”¹⁶

Rent control does not address the key cause of why a lack of housing affordability may exist, which is artificial barriers to housing supply.¹⁷ Instead of considering further burdens on the very people that provide the financing and maintenance of housing for millions of people, the General Assembly should work to lower tax burdens and streamline state and local rules and regulations that already limit the existence of affordable housing in Connecticut.

Respectfully submitted,

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¹³ *Regulated Prices, Rent Seeking, and Consumer Surplus*, Journal of Political Economy.

<https://www.jstor.org/stable/10.1086/665416>

¹⁴ *Equity and Efficiency Aspects of Rent Control: An Empirical Study of New York City*, Journal of Urban Economics.

<https://www.socsci.uci.edu/~jkbrueck/course%20readings/gyourko%20and%20linneman2.pdf>

¹⁵ Price Celings: Rent Controls, Marginal Revolution University. <https://www.youtube.com/watch?v=hMkvmZK3AJ4>

¹⁶ *Basic Economics*, Basic Books. <https://www.basicbooks.com/titles/thomas-sowell/basic-economics/9780465056842/>

¹⁷ *The Major Challenge of Inadequate U.S. Housing Supply*, Freddie Mac.

<https://www.freddiemac.com/research/insight/20181205-major-challenge-to-u.s.-housing-supply>