The Daily Dish

POTUS Policy Panic?

DOUGLAS HOLTZ-EAKIN | JANUARY 12, 2026

Eakinomics has no illusions that the president will be the source of a stream of traditional conservative, pro-growth policy proposals. So, there was relatively little hypertensive shock when this past Wednesday there was an executive order that included in part:

> *Many large contractors — while underperforming on existing contracts — pursue newer, more lucrative contracts, stock buy-backs, and excessive dividends to shareholders at the cost of production capacity, innovation, and on-time delivery.*

> *Effective immediately, they are not permitted in any way, shape, or form to pay dividends or buy back stock, until such time as they are able to produce a superior product, on time and on budget.*

On top of that, executive compensation will be "capped at current levels, with increases allowed for inflation," and performance review will be done by the Secretary of Defense. In short, management of defense contractors – performance metrics, human resources decisions, and financial management – has been taken over by the administration.

But the real action was on the housing front. In short order, the end of last week featured first an announcement on Truth Social:

> *Biden ignored the Housing Market, and instead was immersed with High Crime, Open Borders, runaway INFLATION, the Afghanistan Disaster, and a Military that he left in Chaos and Confusion. Everything was broken, but I, as President of the United States, have already fixed it! Now, I am giving special attention to the Housing Market. Because I chose not to sell Fannie Mae and Freddie Mac in my First Term, a truly great decision, and against the advice of the "experts," it is now worth many times that*

> *amount — AN ABSOLUTE FORTUNE — and has $200 BILLION DOLLARS IN CASH. Because of this, I am instructing my Representatives to BUY $200 BILLION DOLLARS IN MORTGAGE BONDS. This will drive Mortgage Rates DOWN, monthly payments DOWN, and make the cost of owning a home more affordable. It is one of my many steps in restoring Affordability, something that the Biden Administration absolutely destroyed. We are bringing back the AMERICAN DREAM that was destroyed by the last Administration. MAKE AMERICA GREAT AGAIN!*

Putting aside the blame game, the president committed Fannie Mae and Freddie Mac to purchasing $200 billion in mortgage-backed securities (MBS). He followed that with a Truth Social proposal to ban institutional investors from buying residential real estate:

> *For a very long time, buying and owning a home was considered the pinnacle of the American Dream. It was the reward for working hard, and doing the right thing, but now, because of the Record High Inflation caused by Joe Biden and the Democrats in Congress, that American Dream is increasingly out of reach for far too many people, especially younger Americans. It is for that reason, and much more, that I am immediately taking steps to ban large institutional investors from buying more single-family homes, and I will be calling on Congress to codify it. People live in homes, not corporations. I will discuss this topic, including further Housing and Affordability proposals, and more, at my speech in Davos in two weeks.*

But the *coup de grace* was that late Friday proposal to cap credit card interest rates at 10 percent:

> *Please be informed that we will no longer let the American Public be "ripped off" by Credit Card Companies that are charging Interest Rates of 20 to 30%, and even more, which festered unimpeded during the Sleepy Joe Biden Administration. AFFORDABILITY! Effective January 20, 2026, I, as President of the United States, am calling for a one year cap on Credit Card Interest Rates of 10%. Coincidentally, the January 20th date will coincide with the one year anniversary of the historic and very successful Trump Administration. Thank you for your attention to this matter. MAKE AMERICA GREAT AGAIN! PRESIDENT DONALD J. TRUMP*

What should one make of this outpouring?

First, these are terrible proposals. During the heyday of Fannie Mae and Freddie Mac's cancerous impact on the U.S. housing market they held as much as $1.5 trillion in MBS. Taking such a large, undiversified, and one-sided bet proved fatal to Fannie and Freddie, and disastrous for the American taxpayer. In the aftermath of the crisis, strict caps were imposed on the holding of MBS; this proposal would put them at the edge of their allowance. Moreover, $200 billion is a fairly tiny position in the $13-trillion residential mortgage market, so this will lower mortgage rates – but not much.

The ban on private equity in residential housing is a favorite of Senator Warren and the progressive left, but there is no reason to believe, or any evidence to support, the notion that this particular (and not very large) source of demand has a disproportionate impact on housing prices.

The interest rate ban is simply a recipe to cut off credit to less credit-worthy customers. (See Fred Ashton's analysis.) More generally, price controls predictably lead to shortages (see, for example, the widespread historic failure of price controls).

In sum, this is bad policy. But it has the superficial political appeal that might attract an administration that seems to be panicking over its one-year track record on "affordability." The continual blaming of the Biden Administration does not seem to be the answer, but – whatever its shallow political appeal – it will not deliver a genuinely stronger economy for the voters.