



The Daily Dish

Ready, Fire, Aim and Housing Affordability

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The president's [State of the Union address](#) (SOTU) was an instructive manual on his approach to dealing with taxpayers' complaints about the affordability of their economic lives. Step 1 was to blame his predecessor and all Democrats:

Now, the same people in this chamber who voted for those disasters suddenly used the word affordability, a word, they just used it because somebody gave it to them, knowing full well that they caused and created the increased prices that all of our citizens had to endure. You caused that problem. You caused that problem. They knew their statements were a lie, they knew it, they knew their statements were a dirty, rotten lie.

Unfortunately, this has been tried before and the complaints persist. In the case of housing, Step 2 was to play the sympathy card in the form of a woman who had lost the bidding on 20 houses to "gigantic investment firms that bypassed inspection, paid all cash and turned all those houses into rentals, stealing away her American dream."

Step 3 was to lay out the policy response:

Stories like this are why last month I signed an executive order to ban large Wall Street investment firms from buying up in the thousands single family homes. And now I'm asking Congress to make that ban permanent, because homes for people, really that's what we want, we want homes for people, not for corporations.

Indeed there are bills by both [Republicans](#) and [Democrats](#) to codify his [executive order](#) (EO). (Eakinomics talked about the EO [here](#).) Unfortunately, a [review](#) of the impact of

large institutional investors on the housing market done by Fred Ashton found that:

The evidence shows that large institutional investors have expanded the much-needed supply of rental homes, thus driving down rents, while enabling the financially constrained to move into neighborhoods that previously had few rental units. Finally, institutional investors tend to improve the quality of the existing housing stock, while also adding liquidity to an under-supplied housing market.

The paper is well worth the read. But the basic result should not be surprising. The only way to guarantee lower prices is to expand supply. Micromanaging the demand for housing by banning institutional investors is operating on the wrong curve. This is the policy equivalent of “ready, fire, aim.” It produces action, but not results. It is time to try “ready, aim - at the supply curve - fire.” That would be the key to success.