



The Daily Dish

A Primer on Your Local Rental Market and the Space Station

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On Monday the [Environmental Protection Agency \(EPA\)](#) announced that they will be delaying the implementation of the Obama Administration's chemical safety rule until February 20th 2019. The directive was signed by EPA Administrator Scott Pruitt who stated that the EPA needs additional time in order to “fully evaluate public comments.” The chemical safety rule was finalized in December of 2016 under then President Obama.

On Wednesday tax reform will be front and center when Gary Cohn, President Trump's national Economic Council Director, meets with leaders from the auto industry. The White House stated that Wednesday's meeting is just one of a dozen “tax-reform listening sessions” that will be held. In addition to these listening sessions with business leaders, Cohn, along with Treasury Secretary Stephen Mnuchin, has been meeting with congressional leaders to discuss the topic of tax reform. The White House has stated that these meetings have been helpful and the administration believes a tax reform bill will be ready for the President to sign later in the year.

Eakinomics: A Primer on Your Local Rental Market and the Space Station

The [headline](#) is a splashy attention-getter: “No full-time minimum wage worker can afford a 2-bedroom apartment in any US state.” Sounds terrible, right? And makes you want to run right out and sign up to support Fight for \$15 and other groups supporting dramatic hikes in the minimum wage, right? What if the headline was: “No U.S. CEO can afford 2 bedrooms on the space station.” Would you run out and support the Fight for \$15 Billion initiative to raise CEO pay? Of course not, so let's think about the minimum wage renter.

First, let's just stipulate that the underlying study is “correct” and focus on the logic of the argument. Apartments are (too) expensive so one needs to raise the minimum wage. Unfortunately, that will simply make (some) people richer and raise their demand for housing. The result will be higher rents and less affordability — exactly the wrong result. The “good” news is that the minimum wage hikes will also reduce employment in the state (see, e.g., [Illinois](#)). Those without a job will have even tougher times with the housing market, but those who remain employed may benefit somewhat at their expense.

The minimum wage increase also won't be targeted on those having rental problems; it will apply across-the-board. It is now well-understood that the minimum wage is a poor tool to fight [poverty](#). Only a [small fraction](#) of the wage increases actually accrue to those in poverty.

Trying deal with this issue using the demand side of the rental market is either counterproductive or literally missing those who deserve the help.

The solution is to create more supply, which is the only tried-and-true way to lower prices in a market. Unfortunately, this is not as sexy as the Fight for 15. Moreover, the most likely supply-side culprit are local land-

use and zoning regulations that limit the capacity to expand the number of units. This is the polar opposite of a federal policy issue, or even a state-wide one. It is under the control of the local authorities.

In short, it is not a minimum wage issue and not a federal one, either. Using the minimum wage is as sensible as passing a regulation for higher CEO pay so at least one can afford to rent the space station. There will still be only one space station, the bidding among the survivors will simply be more fierce, and the CEO market will be damaged in the process.