

## [Government intervention has caused the problems of the rental sector](#) [1]

Written by [Whig](#) [2] | Friday 14 October 2011



Another day brings another call for more government intervention. A report published yesterday by the charity Shelter suggests that rent levels in the private rental sector are 'unaffordable' in 55% of English local authority areas. One might raise the question of the ultimate arbitrariness of the measure of affordability used, but there are more serious concerns. [The Guardian reported](#) [3] that Director of Shelter Campbell Robb '[S]aid it was time for the government to urgently consider how private renting could become a stable, affordable option for families "and not a heavy financial burden that makes parents choose between buying food for their children and paying the rent."'?

To me that sounds worryingly like a call for rent controls, which was certainly how the question was approached on the Today programme yesterday morning. Similarly, the Borough of Newham has introduced a mandatory licensing scheme in an effort to reduce the problems caused by 'rogue landlords' [4] ?.

Fortunately, the Housing Minister Grant Shapps seemed rather more sensible. He dismissed rent control as folly and argued that the answer to the problem was more house building. I would observe that the oft-repeated call for building more 'affordable' housing is a logical nonsense; if more housing is built where there is demand, all housing will become more affordable.

For those of us who wish to be reminded of the damage that rent controls can do to housing supply and rent prices we need look no further than the disastrous experience of the UK itself or in the USA as demonstrated by William Tucker's [Zoning, Rent Controls and Affordable Housing](#) [5]. Licensing, aside from the costs of administration, will only reduce the number of properties available by making it harder for landlords to rent properties and will encourage landlords to evade enforcement, thus further reducing the ability of tenants to protect themselves.

What Shelter et al. seem to have overlooked are the causes of increases in rent prices ? these are complex but the root cause is excessive demand for housing over supply, largely caused by government manipulation of the housing market via interventions in planning and zoning.

Perhaps even more significant as a cause of the problem are the monetary interventions which have inflated and continue to inflate a housing price bubble. Moreover, the control of a large stock of 'social

housing? further distorts the [operation of the market](#) [6]. What Shelter are calling for is more intervention to correct problems caused by intervention!

[blog comments powered by Disqus](#) [8]

---

**Source URL:** <http://www.adamsmith.org/blog/tax-and-economy/government-intervention-has-caused-the-problems-of-the-rental-sector>

**Links:**

[1] <http://www.adamsmith.org/blog/tax-and-economy/government-intervention-has-caused-the-problems-of-the-rental-sector>

[2] <http://www.adamsmith.org/authors/whig>

[3] <http://www.guardian.co.uk/money/2011/oct/13/families-unable-to-afford-rents>

[4] <http://www.guardian.co.uk/money/2011/sep/29/newham-landlords-licensing-scheme>

[5] <http://www.cato.org/store/books/zoning-rent-control-affordable-housing-paperback>

[6] <http://www.iea.org/publications/research/choice-and-the-end-of-social-housing>

[7] [http://disqus.com/?ref\\_noscript](http://disqus.com/?ref_noscript)

[8] <http://disqus.com>