

Price Controls

Principles of Microeconomics

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New York Froze Rents on Stabilized Leases Starting October 1

In June the city's Rent Guidelines Board voted 7–1 for a **0% increase** on one- and two-year rent-stabilized leases that start between October 1, 2026, and September 30, 2027.

When more people want apartments than exist and the rent may not rise, who gets the apartments? And what do they really pay?

Sources: NYC Rent Guidelines Board vote, June 25, 2026; NYC Dept. of Housing Preservation and Development, 2023 Housing and Vacancy Survey.

THE FREEZE

0% guideline increase

One- and two-year leases, about one million stabilized apartments.

BEFORE THE VOTE: 2023

Net rental vacancy: 1.4%

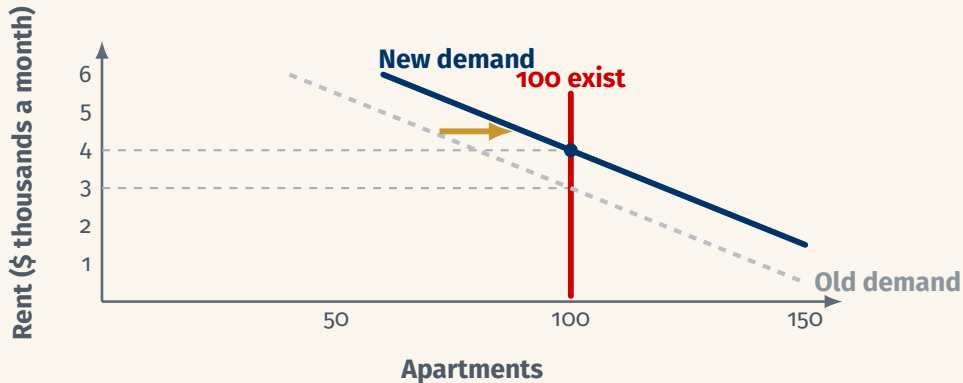
For rent-stabilized apartments: 0.98%.

A Rent Ceiling Below the Clearing Rent Creates a Shortage



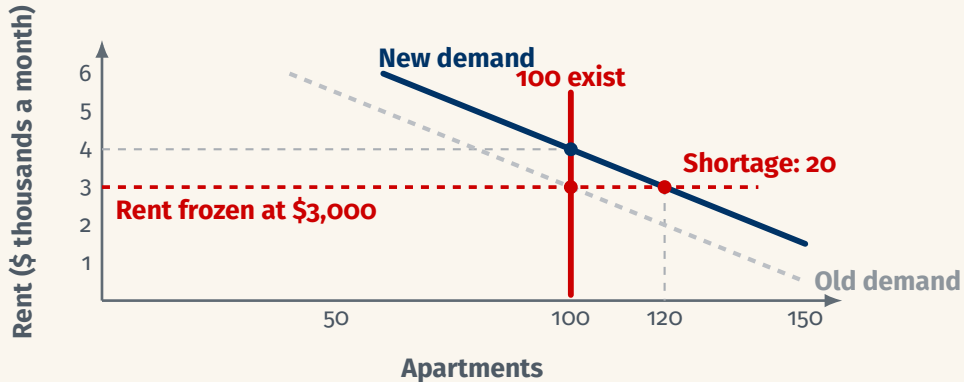
Suppose a neighborhood has 100 apartments, and no more can be built soon. At \$3,000 a month, renters want exactly 100.

A Rent Ceiling Below the Clearing Rent Creates a Shortage



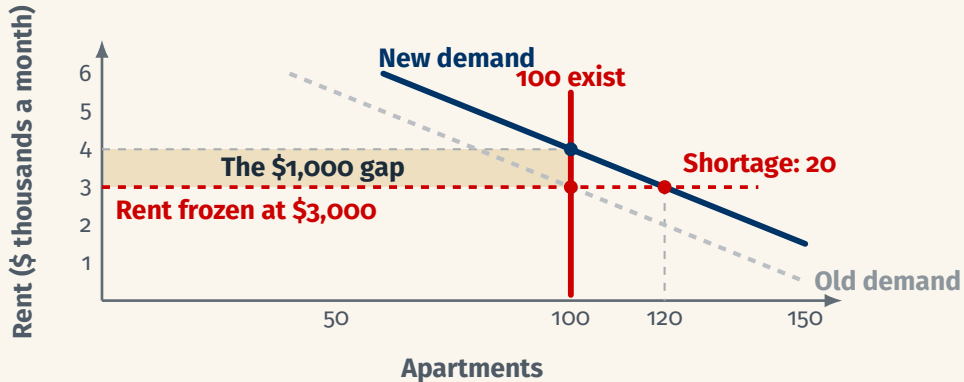
The city grows and demand rises. A free rent would rise to \$4,000, with still 100 apartments. At \$3,000, renters now want 120.

A Rent Ceiling Below the Clearing Rent Creates a Shortage



A price ceiling is a legal maximum. Frozen at \$3,000: 120 want an apartment, 100 exist. The law, not a smaller stock, makes the shortage of 20.

A Rent Ceiling Below the Clearing Rent Creates a Shortage



Owners cannot legally collect the \$1,000 gap. Without side payments, tenants may capture it, or competition may waste it.

A Newcomer May Not Offer More Rent. So He Pays in Other Ways

**120 people want the 100 apartments. Offering more than \$3,000 is illegal.
How does a newcomer get the next vacancy?**

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TIME

Searching and waiting in line

Used up: nobody receives the hours.

KEY MONEY

A cash “fee” under the table

A transfer: the landlord or broker receives it.

CONNECTIONS

The landlord’s friend gets it

The rent is the same, so favoring an equally reliable friend costs him nothing.

The full price still climbs toward \$4,000. Only its form changes.

Key money is a transfer. Wasted waiting and blocked trades are the **deadweight loss**.

The Frozen Lease Gives Its Holder a Valuable Claim

A tenant already lives in one of the 100 apartments. He pays the frozen \$3,000; a free rent would be \$4,000. Who gains, and who loses?

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THE SITTING TENANT

A \$1,000 monthly rent advantage

If he could sublet at \$4,000, he would collect it and pay the owner \$3,000.

THE NEWCOMER

Shut out, or pays in time and favors

The freeze helps whoever held a lease when it began.

THE OWNER

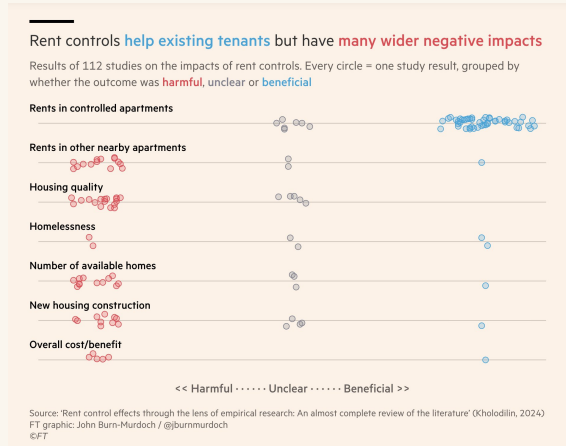
Collects \$1,000 less a month

Less reward for upkeep: quality may fall. A prediction to test.

A ceiling transfers wealth to whoever holds a protected lease.

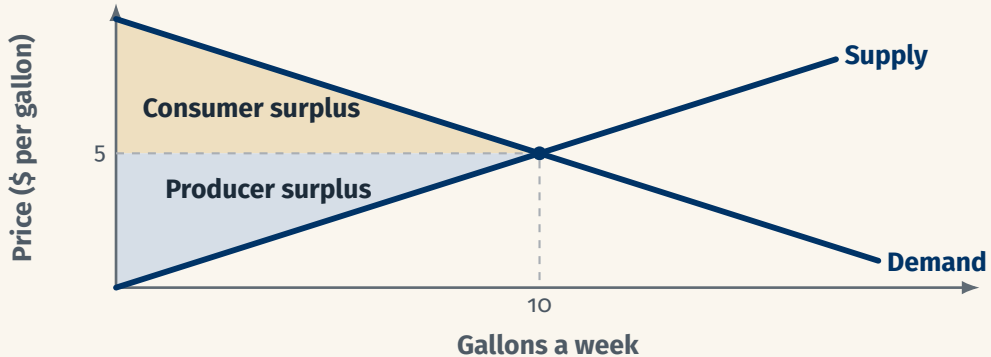
A resale ban keeps that advantage but can block trades that help both sides.

Studies Find Gains for Sitting Tenants and Wider Costs



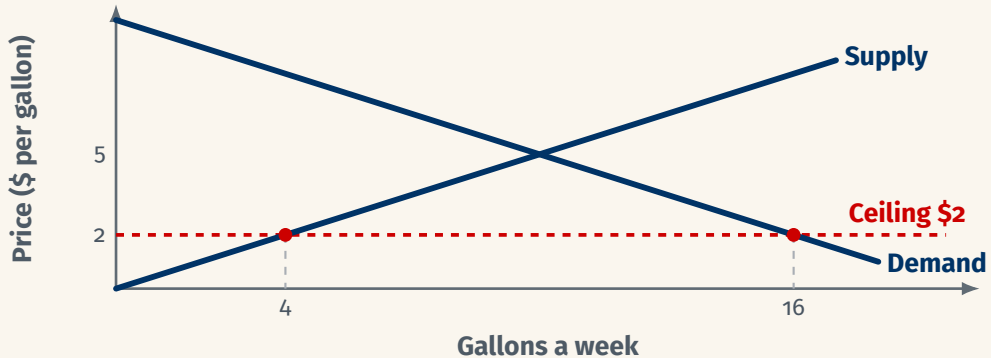
Graphic: John Burn-Murdoch, Financial Times. Data: Kholodilin (2024).

Cap the Price of Gas at \$2, and Drivers Pay in Time Instead



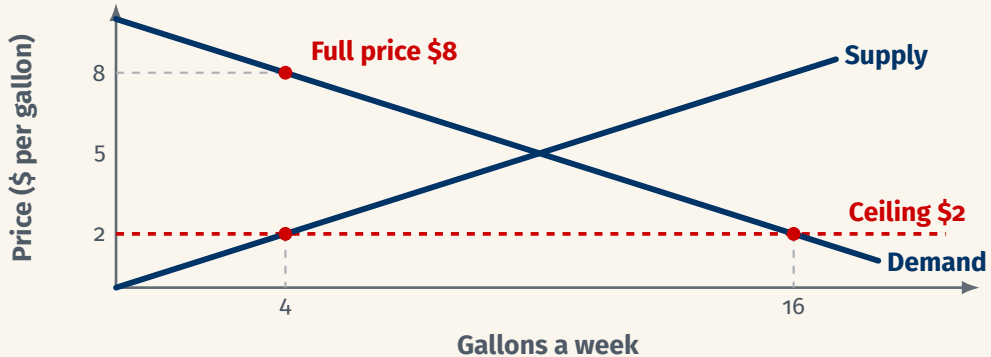
Suppose this gas market clears at \$5 a gallon and 10 gallons a week. Buyers and stations gain from trade.

Cap the Price of Gas at \$2, and Drivers Pay in Time Instead



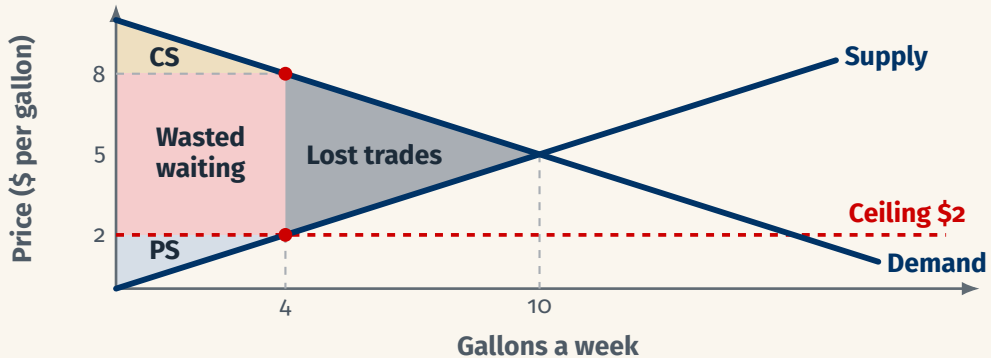
At the \$2 ceiling, buyers want 16 gallons and stations sell 4. Every buyer values time at \$10 an hour and waits the same time per gallon.

Cap the Price of Gas at \$2, and Drivers Pay in Time Instead



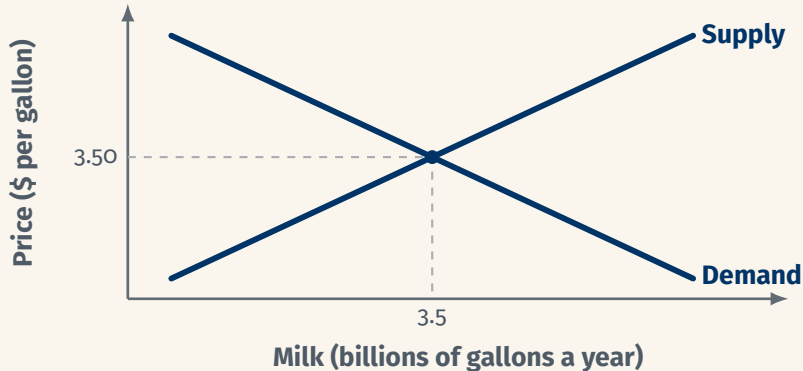
Waiting grows until buyers want only the 4 gallons sold: \$2 in cash + \$6 of waiting = \$8. The full price rose above the old \$5.

Cap the Price of Gas at \$2, and Drivers Pay in Time Instead



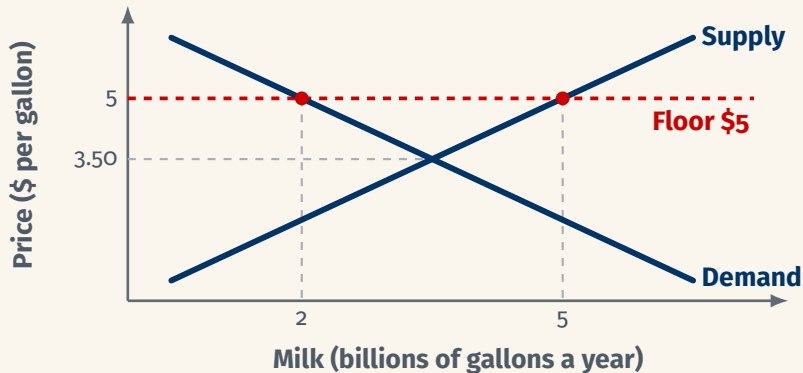
Here waiting produces no service, and CS is net of waiting. Deadweight loss = wasted waiting + lost trades.

A Price Floor Above the Clearing Price Creates a Surplus



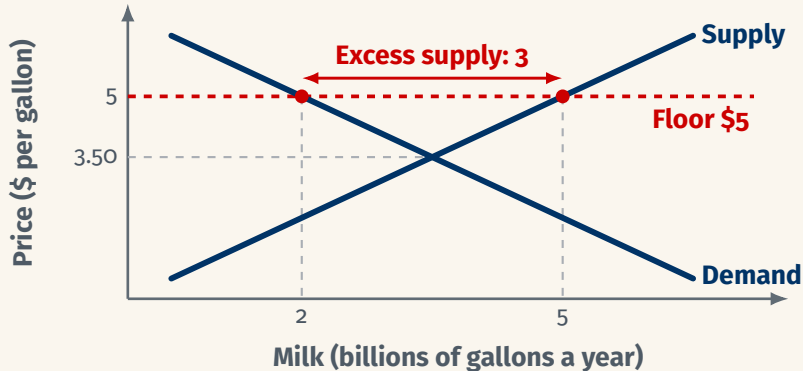
For decades, Washington supported dairy prices, buying and storing surplus dairy products. Our simplified milk market clears at \$3.50 a gallon.

A Price Floor Above the Clearing Price Creates a Surplus



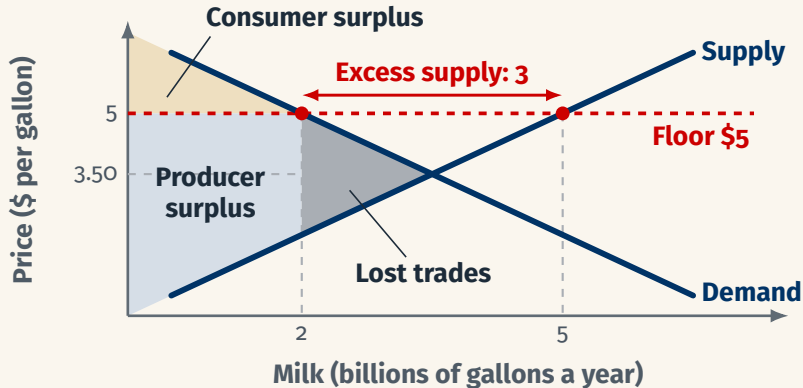
A price floor is a legal minimum: \$5 a gallon. Buyers take 2 billion gallons; farmers offer 5 billion. What happens to the rest?

A Price Floor Above the Clearing Price Creates a Surplus



Two support options: pay farmers to produce only 2, or buy the 3 extra. Both cost taxpayers; without either, some sellers find no buyer.

A Price Floor Above the Clearing Price Creates a Surplus



No purchases or selling contests; only the cheapest 2 billion gallons are made.
Buyers lose; total producer surplus rises.

Visible Gains and Less Visible Costs Can Help Controls Last

One possible mechanism, not proof of anyone's motive:

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One possible mechanism, not proof of anyone's motive:

	Rent freeze	Milk price support
Visible benefit	Sitting tenants: a 0% increase	Farmers who sell: a higher price
Costs	Owners; newcomers who search	Shoppers and taxpayers pay
Reason to organize	Sitting tenants: valuable leases	Supported farmers: large stakes
Hard to organize	Future renters: not yet here	Consumers: small costs each
Official discretion	Set and enforce rent rules	Set support terms

Economics predicts consequences. Whether they are worth it is your call.

BEFORE YOU GO

Tell me what worked and what didn't.



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