The long-term effects of rent regulation on children: Evidence from World War II-era federal rent control policy

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Levels of inequality in the United States are not simply the byproduct of individual choices or market forces; they are structured by institutions that organize access to core resources. Housing markets are among the most consequential of these institutions. They allocate shelter, shape neighborhood environments, mediate exposure to schools and labor markets, and structure the accumulation—or foreclosure—of economic advantage across generations. As a result, interventions that reconfigure the rules governing housing markets have the potential to alter the long-term trajectory of inequality. This paper studies one such intervention: mid–twentieth-century rent control. By examining how a large-scale institutional reform of the rental housing market affected children's long-run outcomes, I analyze how the design of market institutions shapes intergenerational inequality.

The role of housing market institutions in the reproduction of inequality is especially salient today. The United States is currently experiencing a severe affordable housing crisis, characterized by a shortage of housing units available at prices that are accessible to most families (JCHS 2024). This shortage has significant social repercussions, including increased rates of eviction (Desmond 2016), homelessness (Colburn and Aldern 2022), and even mortality (Graetz et al. 2024). In response, there has been a resurgence of interest in rent regulation as a policy intervention aimed at alleviating the most acute symptoms of the crisis. Rent regulation policies impose limits on the rents that landlords may charge, either by directly capping prices or by regulating annual increases on a per-unit basis.

Critics of rent regulation argue that while such policies may provide short-term relief for current renters, they contribute to long-term reductions in housing supply. Although the aggregate long-term impacts of rent regulation on housing supply have been examined (Autor et al. 2014; Diamond et al. 2019; Sims 2007), the long-term effects on children and intergenerational mobility have received less attention.

The implications of rent regulation for families and children are particularly critical, as the potential for market distortions must be weighed against the social benefits of increased housing affordability. However, the effects of rent regulation on children remain unclear and are shaped by several competing dynamics. On the one hand, rent regulation can provide families with lower housing costs, enabling greater housing stability, a safer living environment, and increased financial resources for essential needs such as food and healthcare. However, rent regulation may reduce residential mobility by discouraging moves that families might otherwise make and limiting the availability of vacant units in high-opportunity neighborhoods. The long-term benefits of rent regulation for children ultimately depend on how these opposing forces interact.

One reason the long-term effects of rent regulation on children have been understudied is that recently implemented policies do not offer a sufficient time horizon for these outcomes to be fully observed. While the effects on housing supply may be measurable within a few years of policy implementation, the long-term consequences for children may only manifest over a much longer period. In this paper, I address this limitation by examining rent control policies enacted during a previous acute national rental market crisis – those implemented during the war economy of World War II.

As the United States entered World War II, the federal government significantly increased wartime production, leading to a rapid expansion of industrial activity across the country. Millions of workers and their families relocated to take advantage of employment opportunities, causing a sharp rise in housing demand in many regions. In response, Congress passed a rent control measure as part of an emergency price control bill to prevent an affordable housing and eviction crisis. The federal Office of Price Administration (OPA) was tasked with implementing this policy, dividing much of the country into "defense rental areas" (DRAs), regions where defense production had similarly affected the rental market. With some exceptions, these DRAs consisted of counties or groups of counties.

Defense Rental Areas (DRAs) were placed under rent control at different times. When rent control was scheduled to take effect, the Office of Price Administration (OPA) selected a 'base date' from the recent past to which rents were anchored. Landlords were required to register their rental properties with the OPA and report the rent charged on the base date. On the day rent control was implemented in a DRA, all landlords were mandated to revert their rents to the base date level. There were very limited circumstances under which rent increases were permitted. OPA officials at the time noted that median rents experienced minimal increases during the enforcement period in each DRA. The regulation also imposed restrictions on evictions, allowing them only in cases of non-payment, nuisance, illegal activity, or when the landlord intended to occupy, demolish, or substantially renovate the unit. These protections applied to tenants regardless of lease status, provided they continued to occupy the rental unit. The earliest rent controls were implemented in mid-1942, with the latest taking effect in 1946, and they remained in place for varying durations. In many areas, rent control was repealed shortly after the war, but in others, it persisted into the 1950s, partly driven by renewed housing demand from returning veterans.

Using thousands of digitized records from the Federal Register, I construct the first comprehensive dataset of World War II-era rent control policies. For each U.S. county, I track when rent control was implemented and when it was lifted. I merge this dataset with newly linked restricted-use Census and IRS data, allowing me to follow children observed in the 1940 full-count Census through 1970s-era tax returns and the 2000 long-form Census. In each year of the administrative data, I measure individuals' income and neighborhood context, and I assess educational attainment using the 1940 and 2000 Decennial Censuses.

To estimate the causal effect of childhood exposure to rent control, I exploit variation in the timing and duration of policy implementation across municipalities and birth cohorts. I define treatment as the number of years a child was exposed to rent control between ages 0 and 17 in their municipality of residence. The primary identification strategy is a staggered cohort difference-in-differences design, in which children born before and after the implementation of rent control in a given locality are compared to the same cohort differences in municipalities not yet treated at that time. Following recent advances in difference-in-differences methodology, I estimate cohort- and municipality-specific treatment effects and aggregate them into event-study and per-year exposure estimands. The design relies on the assumption that, absent rent control, outcome trajectories across adjacent birth cohorts would have evolved similarly in treated and not-yet-treated municipalities, conditional on rich pre-treatment covariates.

The primary outcomes of interest are adult income, educational attainment, and neighborhood quality. I also examine heterogeneity by race, family socioeconomic status, gender, and policy intensity, as well as mechanisms related to residential mobility and housing tenure. Supplementary analyses assess robustness to endogenous migration and explore whether the effects of rent control persist for cohorts born after policies were repealed, shedding light on potential place-based path dependence.

Beyond its relevance to contemporary debates on rent regulation, the historical effect of rent control policies on children has implications for the study of social inequality. A growing body of evidence indicates that interventions into the U.S. housing market during the early and mid-20th century profoundly influenced the structure of inequality for decades (Aaronson et al. 2021a; Aaronson et al. 2021b; Faber 2020; Wei et al. 2024). While much of this research has centered on homeownership policies – particularly discriminatory mortgage practices by the FHA and the GI Bill – similarly expansive interventions in the rental market likely also shaped the landscape of inequality throughout the 20th century. Additionally, social scientists have long been interested in historical persistence (Abbott 2005; Patterson 2004). I contribute a new case and a novel methodology to understand whether a historical policy had social consequences long after its repeal. More broadly, social scientists are increasingly interested in how the institutional foundations of markets shape the long-term level and trajectory of inequality. This study contributes to that agenda by illustrating how changes in one such institution – the rental housing market – shaped US inequality in the long term.

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