

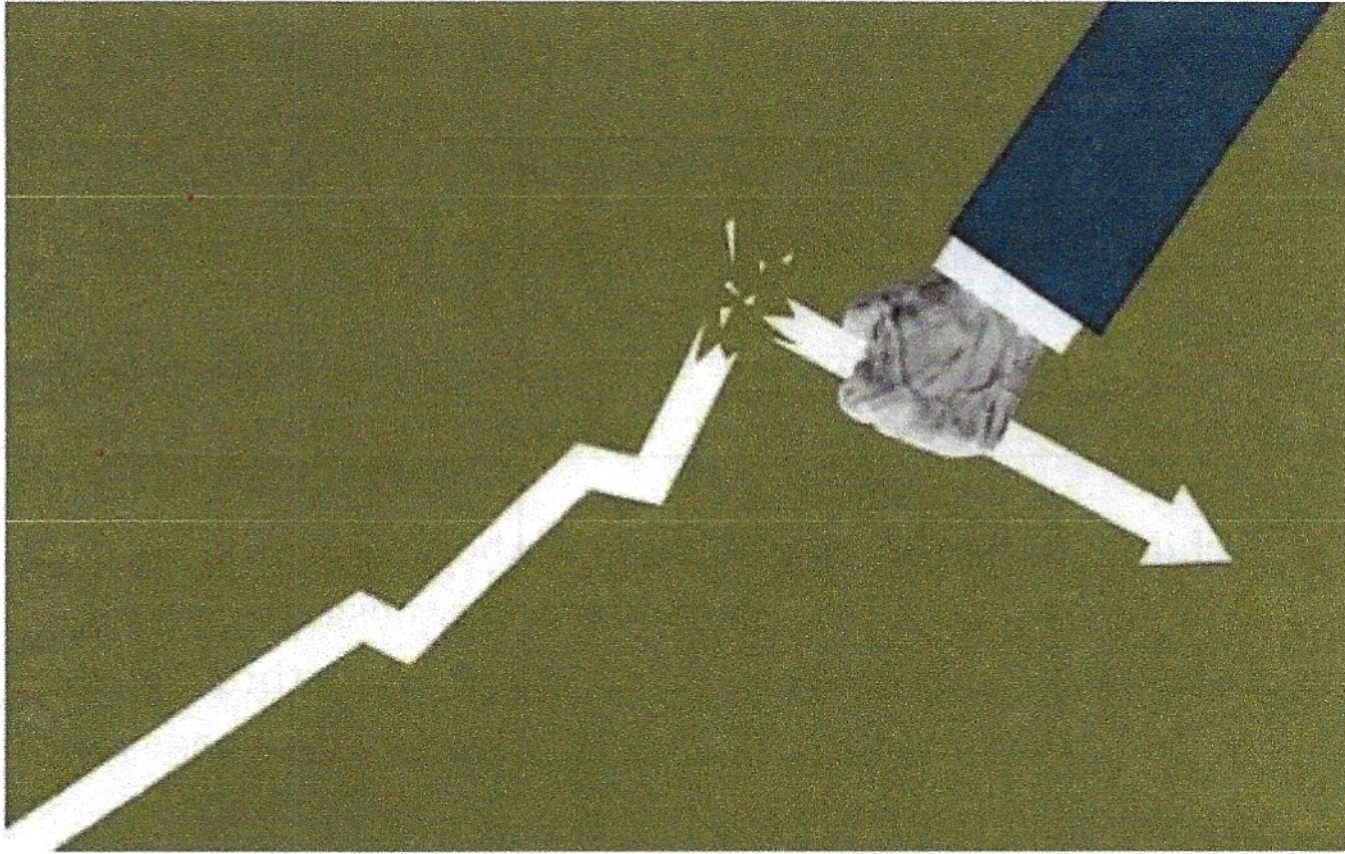
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# Government price caps risk harm to average Americans

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The Denver Gazette · 10 Oct 2026 · B4 · Veronique de Rugy is the George Gibbs Chair in Political Economy and a senior research fellow at the Mercatus Center at George Mason University. VERONIQUE DE RUGY

Most Americans apparently agree on at least one thing. Unfortunately, it's something dangerous: price controls.



A new Wall Street Journal poll finds remarkable bipartisan support for government price limits, with 93% of Democrats and 83% of Republicans supporting caps on prescription drug prices. Nearly four in five voters support capping credit card interest rates at 10%. Large majorities also favor capping child-care charges for working families.

The Journal describes these policies as "populist." That's fair, though populism means more than just being supported by the people (or the consumer). Political scientists generally define populism as a political approach that pits ordinary people against an elite group that's seen as serving its own interests. Populism can therefore come from the left or the right, which helps explain today's strange alliances.

Democratic socialist Sen. Bernie Sanders and Republican Sen. Josh Hawley agree on a 10% credit card interest rate cap. Democratic Sen. Elizabeth Warren can champion limits on childcare costs while President Donald Trump creates a government website directing consumers toward discounted prescription drugs. Different political tribes are embracing the idea that if something costs more than most people think it should, the government should make it cheaper.

But if the idea is to advocate for ordinary people against powerful interests, an irony lurks.

First, few people are as powerful or as self-interested as government officials. As Ronald Reagan famously observed, "The nine most terrifying words in the English language are: I'm from the government and I'm here to help." It's not just because the government has the power to coerce — to take resources

as glibly as it hands them out. Government officials have an incentive to promise voters things for free, and they can't fulfill those promises. Reagan knew how easily government intervention and bureaucracy can complicate economic issues and hurt those it set out to help.

The price controls that so many Americans now clamor for are perhaps the best example. Their support rests on the assumption that prices are simply the product of powerful, heartless sellers' desires. The reality is quite different. *Note*

Prices reflect countless decisions by buyers and sellers, each acting on knowledge no one else has. No buyer's budget and needs, and no seller's costs and offerings, are identical. Only a free market can account for this and decide whether a price sticks. Creating laws to cap prices doesn't eliminate scarcity. It just shows up as empty shelves instead of a market-determined price.

Consider credit cards. A 10% interest rate cap sounds lovely. Many Americans pay twice that. Why not simply tell banks that's the limit? Because an interest rate isn't an arbitrary number. It is the price of credit that reflects funding costs, administrative expenses and, not least, expected default risks.

Congress can cap the rate, but it can't cap the risk. When a lender's price falls below the cost of risk, lending stops. Lenders turn down applicants, cut credit limits and close accounts.

The borrowers the cap was supposed to protect still need the money. They end up at the payday lender or the pawnshop instead. In other words, interest rate caps hurt the economically vulnerable people they are supposed to help.

The same problem is even more stark with child care. The service is expensive because caring for small children requires a lot of labor and demand is high, especially when governments subsidize it through vouchers and tax credits. Meanwhile, state and local authorities restrict childcare supply through staff-to-child ratios, credential mandates, zoning bans on home-based providers, costly building codes and more. No wonder prices are so high.

Capping those prices won't help. If providers cannot cover their expenses at the mandated price, some will reduce capacity. Others will close. The parents lucky enough to secure a remaining slot might pay less. Others will find no available care. The government cannot decree the additional workers and facilities necessary to fill the gap it created.

Prescription drugs are more complicated, but the basic trade-off remains. Reducing drug prices can benefit patients today, at least on the surface. However, developing new drugs is extraordinarily expensive and risky. Expected future revenues help determine how much companies invest in research. Thus, capping prices eventually reduces the number of new drugs that reach the market. Over time, fewer lives are saved.

That example also illustrates why price controls are such seductive politics. Their benefits are highly visible and immediate, while their costs are often harder to spot.

Politicians can legislate lower prices; they cannot legislate away scarcity, other costs or risks. If populism really means standing up for ordinary people, then we should judge its policies not by popularity but by how they affect ordinary people. And for the average American, price controls hurt.