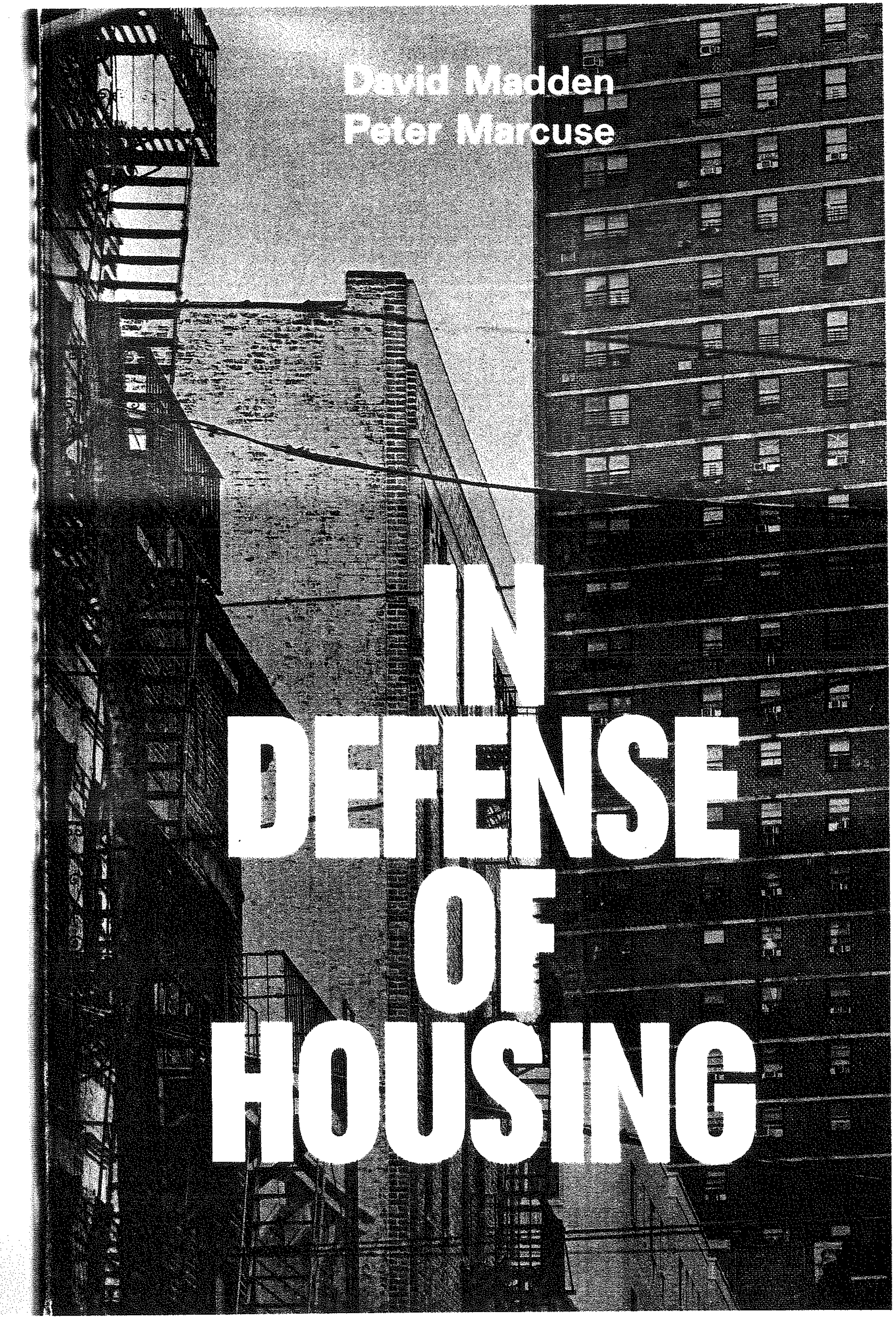

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IN DEFENSE OF HOUSING

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The Politics of Crisis

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Against the Commodification of Housing

On January 16, 2015, a limited liability corporation named P89-90 bought a single penthouse apartment in Midtown Manhattan for $100,471,452.77. The name of the actual buyer was kept secret, as were the identities of those who control the array of shell companies from around the world that own much of the rest of the building. It hardly matters, as the luxury tower that it tops, branded as One57, is not likely to be a particularly sociable environment. Chances are that none of the building's ninety-two condominium units will be their owner's sole residence. In fact, many of the apartments in One57 will remain empty. They will be held as investments or as vanity homes for people who do not lack for places to live. One57 is not high-rise housing so much as global wealth congealed into tower form.[1]

As One57 was constructed, across town in Bushwick, Brooklyn, residents of a vinyl-sided tenement building at 98

1 Vivian Marino, "$100.4 Million Sale at One57," *New York Times*, January 23, 2015; Andrew Rice, "Stash Pad," *New York Magazine*, June 29, 2014.

Linden Street saw their home being destroyed. Carlos Calero and five family members paid $706 per month for apartment 1L, a rent-stabilized two-bedroom apartment where they have lived for twenty years alongside friends and relatives. In 2012, the building was purchased in the name of Linden Ventures LLC. On the morning of June 4, 2013, the new owners allegedly hired a contractor to take a sledgehammer to the family's kitchen, bathroom, and floors. The apartment was left in ruins, and a campaign of harassment followed. According to New York City's Tenant Protection Unit, the landlords' purposeful destruction of their own building was part of an effort to drive out the Caleros and raise the rent, a strategy they have used in properties throughout the gentrifying Brooklyn neighborhoods of Bushwick, Williamsburg, and Greenpoint.[2]

In every corner of New York City, real estate is attacking housing. In some places it is evident in the weathering steel or blue glass that clads luxury towers. Elsewhere it can be seen in the shoddy materials used to subdivide apartments into tiny, fire-prone warrens. Sometimes the tactic is tenant harassment. Other times it is the state's power of eminent domain drafted

2 Kings County District Attorney, "Alleged Unscrupulous Landlords Indicted for Unlawful Eviction of Rent Stabilized Tenants and Filing False Documents in Connection with Residential Buildings in Bushwick, Greenpoint and Williamsburg," press release, April 16, 2015; Mireya Navarro, "2 Brooklyn Landlords, Accused of Making Units Unlivable, Are Charged with Fraud," *New York Times*, April 16, 2015; Chelsia Rose Marcius and Kenneth Lovett, "Landlord Accused of Trashing Apartments to Boot Rent-Regulated Tenants Hit with Subpoena by Gov. Cuomo," *New York Daily News*, April 24, 2014; Mireya Navarro, "Tenants Living amid Rubble in Rent-Regulated Apartment War," *New York Times*, February 24, 2014.

into the service of developers. These are all perverse manifestations of the same basic phenomenon: the subordination of the social use of housing to its economic value.

What is happening in New York is happening around the country and around the world. The form that the housing crisis takes is different in Manhattan than in the foreclosed suburbs of the American southwest, the bulldozed shacklands of South Africa, the decanted council blocks of Great Britain, and the demolished favelas of Brazil. But they have a common root: they are all situations where the pursuit of profit in housing is coming into conflict with its use for living.

Commodification is the name for the general process by which the economic value of a thing comes to dominate its other uses. Products "are only commodities because they have a dual nature, because they are at the same time objects of utility and bearers of value."[3] The commodification of housing means that a structure's function as real estate takes precedence over its usefulness as a place to live. When this happens, housing's role as an investment outweighs all other claims upon it, whether they are based upon right, need, tradition, legal precedent, cultural habit, or the ethical and affective significance of the home.[4]

3 Karl Marx, *Capital: A Critique of Political Economy*, vol. 1, trans. Ben Fowkes (New York: Penguin, 1976 [1867]), 138.

4 On commodification and housing, see Peter Marcuse and Emily Paradise Achtenberg, "Toward the Decommodification of Housing," pp. 474–83 in Rachel G. Bratt, Chester Hartman, and Ann Meyerson, eds, *Critical Perspectives on Housing* (Philadelphia: Temple University Press, 1986), 477; Ray Forrest and Peter Williams, "Commodification and Housing: Emerging Issues and Contradictions," *Environment and Planning A* 16.9 (1984), 1163–80.

Our economic system is predicated on the idea that there is no conflict between the economic value-form of housing and its lived form. But across the world, we see those who exploit dwelling space for profit coming into conflict with those who seek to use housing as their home.

The Making of a Commodity

In the contemporary era it may be difficult to conceive of a housing system that is not ruled by the commodity form. Yet in the history of human settlements, the commodity treatment of dwelling space is relatively new.[5]

Historically, housing was not an independent sector of the economy. Rather, it was a by-product of broader social and economic relationships. When peasants were tied to the land, housing and work together formed the harsh feudal system to which they were yoked. Dwelling space was shaped by what Lewis Mumford describes as "the intimate union of domesticity and labor."[6] The loosening of this bond proceeded over centuries.

The historical precondition for the commodification of land and of housing was the privatization of the commons. Before land and housing could become exchangeable sources of privately appropriated profit, ancient systems of communal

5 This is obviously just an outline of a long and extremely complex historical process. For a more in-depth picture, see Arno Linklater, *Owning the Earth: The Transforming History of Landownership* (London: Bloomsbury Press, 2014); Lewis Mumford, *The City in History* (New York: Harcourt, 1989 [1961]).

6 Mumford, *The City in History*, 281.

regulation had to be swept away and traditional tenures destroyed. Marx calls this original or "primitive accumulation," when peasants are "suddenly and forcibly torn from their means of subsistence, and hurled onto the labour market as free, unprotected and rightless proletarians." This entire historical process is, Marx writes, "written in the annals of mankind in letters of blood and fire."[7]

The enclosure movement in early modern England was the classic example of primitive accumulation, and a crucial episode in the early development of capitalism.[8] In a sequence lasting centuries, common land was fenced off and claimed by individual landowners. Masses of dispossessed people migrated to cities, where they became laborers. For Karl Polanyi, this process constituted "a revolution of the rich against the poor," where the "lords and nobles . . . were literally robbing the poor of their share in the common, tearing down the houses which, by the hitherto unbreakable force of custom, the poor had long regard as theirs and their heirs'."[9]

Enclosure was a violent and complicated process that laid the groundwork for the eventual commodification of land on a planetary scale. What was accomplished in early modern

7 Marx, *Capital*, 875, 876.

8 On the enclosure movement, see J. M. Neeson, *Commoners: Common Rights, Enclosure and Social Change in England, 1700–1820* (Cambridge: Cambridge University Press, 1993); Barrington Moore, *The Social Origins of Democracy and Dictatorship: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966); Gilbert Slater, *The English Peasantry and the Enclosure of Common Fields* (New York: A. M. Kelley, 1968 [1907]).

9 Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston, MA: Beacon Press, 2001 [1944]), 37.

Europe by the alliance of the landed aristocracy, large manufacturers, and "the new bankocracy"[10] was brought to the world through colonialism. In the process, countless precolonial systems of land tenure were destroyed.[11]

Even in early commercial-capitalist society, housing was still predominantly shaped by the organization of work rather than being produced as a commodity in its own right.[12] In American colonial cities, households acted as integrated economic units providing both the dwelling space and the work space for the artisans, indentured servants, slaves, and other laborers involved, willingly or not, in the value-production process. "For artisans and merchants in the colonial city, the internal integration of house and shop, of living space and work space, was social as well as spatial."[13] In exchange for labor, property owners provided housing for

10 Marx, *Capital*, 885.

11 Which is not to say that privatization on a planetary scale *succeeded*—only that various colonial projects tried to make it do so. Even today there are ongoing struggles over enclosure wherever property is held in common. See Stuart Hodkinson, "The New Urban Enclosures," *CITY: Analysis of Urban Trends, Culture, Theory, Policy, Action* 16.5 (2012), 500–18; Alex Vasudevan, Colin McFarlane, and Alex Jeffrey, "Spaces of Enclosure," *Geoforum* 39 (2008), 1641–6; Nicholas Blomely, "Enclosure, Common Right and the Property of the Poor," *Social and Legal Studies* 17.3 (2008), 311–31.

12 Cf. Peter Marcuse, "Gentrification, Homelessness, and the Work Process: Housing Markets and Labour Markets in the Quartered City," *Housing Studies* 4.3 (1989), 211–20.

13 Betsy Blackmar, "Re-walking the 'Walking City': Housing and Property Relations in New York City, 1780–1840," *Radical History Review* 21 (1979), 133.

their workers on terms ranging from violently exploitative to obligingly friendly.

Elsewhere, housing also remained stuck within traditional structures of landownership. In seventeenth-century England, for example, vast estates controlled by aristocratic families were usually held in trust, unable to be sold. A complex, speculative building-lease system developed in cities like London. Landlords maintained ownership of land that they leased for decades to builders, who might construct housing directly or sublease their plots to other builders. Rent gouging, displacement, and other features of the modern housing market emerged in what was in many ways still a feudal system.[14]

Even as industrialization and commercialism proceeded to transform urban space throughout Western societies, home and work remained connected—especially so for laborers. In the nineteenth-century metropolis, the sharp division between work and home was a sign of class privilege. Successful merchants and other wealthy urbanites created a world of domesticity that they sought to distinguish, architecturally and culturally, from the savage world of the market. Meanwhile, working-class households were forced to resort to homework, child labor, and taking in boarders.[15]

Slowly and fitfully, housing was disembedded from the circuits of work and production to become a direct bearer of

14 William C. Baer, "Is Speculative Building Underappreciated in Urban History?," *Urban History* 34.2 (2007), 302; Roy Porter, *London: A Social History* (Cambridge, MA: Harvard University Press, 1994), 103–4.

15 Ira Katznelson, *City Trenches: Urban Politics and the Patterning of Class in the United States* (Chicago: The University of Chicago Press, 1981), 38.

economic value in itself.[16] In the nineteenth century, Western cities came to feature an industrial proletariat no longer housed in—or chained to—their place of work. Now, for the first time, majorities of people looked to the open market to secure their place of residence. Cash payment became the main nexus between house and householder.[17] The conditions that enabled the commodification of housing had emerged.

In the 1840s, when Engels was surveying the dwelling conditions of the great towns of industrial Britain, he was in part describing the emerging impact of the commodification of housing.[18] The residential landscapes of industrial capitalism

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16 Of course, as generations of feminist theorists have pointed out, for many the separation of work and home never happened. Especially at the height of the Fordist family wage system, women's unpaid domestic labor was central to the housing system. And other neo-feudal residential setups remain today, as in employer-owned housing. Our point here is not that the sphere of residence and the sphere of production were ever completely separated. It is that the market value of housing is no longer a function of the production that occurs within it.

17 Cf. "The bourgeoisie . . . has pitilessly torn asunder the motley feudal ties that bound man to his 'natural superiors', and has left remaining no other nexus between man and man than naked self-interest, than callous 'cash payment.'" Karl Marx and Friedrich Engels, *The Communist Manifesto*, trans. Samuel Moore (London: Penguin, 2002 [1848]), 220. The phrase "cash nexus" is a reference to the nostalgic conservative Thomas Carlyle—both conservatives and radicals alike developed separate critiques of the commodification of land. See Raymond Williams, *The Country and the City* (New York: Oxford University Press, 1973), 13–45.

18 Frederick [*sic*] Engels, *The Condition of the Working Class in England in 1844*, trans. Florence Kelley Wischnewetsky (London: Swan Sonnenschein, 1892 [1845]).

created enduring urban patterns. Industrialization saw the rise of new forms of segregation in metropolitan space and the unprecedented misery of the "slum problem" that, in Western cities, reached its peak in the late nineteenth and early twentieth centuries.[19] Even in this context, market forces did not operate alone. In cases where commodified housing did not provide adequate shelter to ensure the reproduction of the industrial workforce, some municipalities and charitable organizations built some of the earliest examples of social housing.

In the first decades of the twentieth century, it became clear that the commodification of dwelling space had proven to be a social disaster. Many governments moved to contain or neutralize the resulting unrest. Reformers created new rent regulations and building standards, and social housing was developed on a larger scale. At the same time, the value of housing within the overall political economy was becoming clearer. Residential and urban environments were becoming crucial circuits of investment that could act as an escape valve through which capital sought to manage the problem of over-accumulation.[20]

In the United States after World War I, Herbert Hoover, as secretary of commerce and later as president, promoted housing as the key to growing the consumer sector. By stoking demand for refrigerators, vacuum cleaners, washing machines, and other domestic appliances, the privately owned home became the

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19 Peter Hall, *Cities of Tomorrow: An Intellectual History of Urban Planning and Design in the Twentieth Century*, 3rd ed. (Malden, MA: Blackwell, 2002 [1988]), 13–47.

20 See David Harvey, *The Limits to Capital* (Oxford: Blackwell, 1982).

heart, both economically and ideologically, of a world of commodities.[21]

When consumer purchasing power collapsed during the Great Depression, governments moved to shore up effective demand for housing. In response to the crisis posed by the Depression, the federal government created the regulatory structure that made the modern housing system possible. Through the Federal Housing Administration, the Glass-Steagall Act, and other New Deal initiatives, the standardized mortgage was born. Without this stabilizing federal presence, widespread homeownership would have been impossible. But in the process, government and real estate together used redlining, discrimination, and restrictive covenants to entrench racist patterns of land use and to exclude African-Americans from home finance, creating unjust housing patterns that continued to have destructive consequences far into the future.[22] The

21 Linklater, *Owning the Earth*, 349–50; Lawrence J. Vale, "The Ideological Origins of Affordable Homeownership Efforts," pp. 15–40 in William M. Rohe and Harry L. Watson, eds, *Chasing the American Dream: New Perspectives on Affordable Homeownership* (Ithaca, NY: Cornell University Press, 2007), 21–7.

22 Jesus Hernandez, "Redlining Revisited: Mortgage Lending Patterns in Sacramento 1930–2004," pp. 187–18 in Manuel Aalbers, ed., *Subprime Cities: The Political Economy of Mortgage Markets* (Malden, MA: Blackwell, 2012); Ira Katznelson, *When Affirmative Action Was White: The Untold History of Racial Inequality in Twentieth-Century America* (New York: Norton, 2006); Kevin Fox Gotham, "Racialization and the State: The Housing Act of 1934 and the Creation of the Federal Housing Administration," *Sociological Perspectives* 43.2 (2000), 291–317; Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (New York: Oxford University Press, 1985).

oppressive potential of the housing system, harking back to its function as a locus for the supply and exploitation of the workforce, was apparent—a function that was not in conflict with housing's commodity character, but supported by it.[23]

Many of the national housing systems that emerged after World War II had a partially decommodified character. In the socialist world, and in many countries throwing off the shackles of colonialism, housing was established as a social right, and state-owned housing sectors accounted for most or all residential growth. In the growing Fordist–Keynesian economies of the West, housing organized the mass consumption that underpinned mass production.[24] In the UK and other European countries, for example, national and local government built a majority of new homes.

In America's postwar boom years, the housing system was also anchored by state support. In some cases this involved the direct provision of dwelling space. But the postwar expansion of housing in the United States did not take the form of the partial or total nationalization of the housing system that it did in Europe. Instead, it was built upon massive government investment in infrastructure and equally massive government action around mortgage lending to finance private dwellings with debt. The result was a state-supported system dominated by private ownership. Only in the 1940s did homeownership become the embodiment of the American dream. Throughout the first half of the

23 See chapter three, this volume.

24 See Michael Harloe, *The People's Home? Social Rented Housing in Europe and America* (Oxford: Blackwell, 1995); Richard Florida and Marshall M. A. Feldman, "Housing in U.S. Fordism," *International Journal of Urban and Regional Research* 12.2 (1988), 187–210.

twentieth century, less than half of Americans were homeowners. After 1950, ownership rates increased sharply. By 1980, more than 60 percent of Americans privately owned their homes.[25]

It was not until the second half of the twentieth century that housing would become a liquid asset and real estate a global, corporate behemoth. The commodity character of housing has ebbed and flowed. Its growth has been uneven and, as struggles worldwide demonstrate, it continues to be so. But it has always depended upon state action to make it possible. And it has never been a purely economic process—it has always had social and political dimensions.

The Age of Hyper-Commodification

If the extent of commodification expands and contracts historically, we are currently living through a period of unprecedented expansion. In today's transnational, digitally enhanced market, housing is becoming ever less an infrastructure for living and ever more an instrument for financial accumulation. The extreme ways in which housing is dominated by real estate today can be called hyper-commodification.

Under hyper-commodification, all of the material and legal structures of housing—buildings, land, labor, property rights—are turned into commodities. In the process, the capacity of a building to function as a home becomes secondary. What matters is how a building functions in circuits of economic accumulation.

25 William M. Rohe and Harry L. Watson, "Introduction: Homeownership in American Culture and Public Policy," pp. 1–12 in Rohe and Watson, *Chasing the American Dream*, 9.

The hyper-commodification of housing occurs in the context of broad political-economic developments that magnify its impact. Most significant is our era's growing inequality, which is reaching unprecedented levels. Inequality multiplies the power of economic elites, who benefit from the commodification of housing and then promote its further growth. Inequality also means that capital is on the offensive while the power of organized labor has been undercut. For working-class and poor people, wages have been stagnant for decades and, for many, consumption has been maintained through debt.[26] Lower wages for workers, paired with huge gains for the global elite, have meant many countries are more unequal now than they have been in over a century, or ever.[27]

This is also a time when housing and urbanization are becoming more central to the global economy. In many places, real estate has become more profitable and important than industry. Henri Lefebvre described this shift in 1970:

> Real-estate speculation becomes the principal source for the formation of capital, that is, the realization of surplus value. As the percentage of overall surplus value formed and realized by industry begins to decline, the percentage created and realized by real-estate speculation and

26 Jon D. Wiseman, "Wage Stagnation, Rising Inequality and the Financial Crisis of 2008," *Cambridge Journal of Economics* 37.4 (2013), 921–45; William K. Tabb, "Wage Stagnation, Growing Insecurity, and the Future of the U.S. Working Class," *Monthly Review* 59.2 (2007), 20–30.

27 Organisation for Economic Co-operation and Development, *In It Together: Why Less Inequality Benefits All* (Paris: OECD Publishing, 2015).

> construction increases . . . as economists are accustomed to saying, this is an unhealthy situation.[28]

Real estate and its allies in the finance and insurance sectors are no longer merely absorbing the shocks of the broader economy. They are increasingly calling the shots.

Beyond these broad trends, we can outline three more specific, interconnected, and mutually reinforcing factors that constitute the hyper-commodification of housing today. They are found in different varieties; some countries and cities have resisted one or another of them. But in one form or another, they are reshaping the housing systems of most of the countries and cities that participate in global neoliberal capitalism today.

The first factor is the contemporary counterpart to enclosure: *deregulation*, the removal of restrictions placed on real estate as a commodity. Throughout the United States and many other countries, there has been a steady trend towards weakening or abolishing the regulations, customs, and rules governing residential property.

The most obvious example is in home finance. Over the past few decades, regulations surrounding mortgage lending were fatally weakened in the United States, Britain, and many other countries. Pillars of financial regulation that constrained the mortgage market, like the Glass-Steagall Act, were gutted. Usury controls were eliminated. Competition was introduced into mortgage markets that had been tightly controlled. Variable interest rates, balloon payments, self-certification, interest-only loans, NINA ("no income, no assets") loans, and then

28 Henri Lefebvre, *The Urban Revolution*, trans. Robert Bononno (Minneapolis, MN: University of Minnesota Press, 2003 [1970]), 160.

eventually NINJA ("no income, no job, no assets") loans and other exotic mechanisms were introduced—and often sold to people who would have qualified for less expensive and less risky traditional mortgages. Predatory lending affected different communities unequally, and disproportionately destroyed the wealth of black and Latino households.[29] The regulatory powers that could have prevented these practices had been removed.[30]

Many other aspects of Western housing systems were deregulated as well. Rent regulation regimes have been overthrown.

29 This was, in part, made possible by the earlier exclusion of communities of color from major sources of housing finance. The racist impact of predatory finance is well established in the housing literature. See Hernandez, "Redlining Revisited"; Elvin Wyly and C. S. Ponder, "Gender, Age, and Race in Subprime America," *Housing Policy Debate* 21.4 (2011), 529–64; Gary A. Dymski, "Racial Exclusion and the Political Economy of the Subprime Crisis," *Historical Materialism* 17 (2009), 149–79; Elvin K. Wyly, Mona Atia, Holly Foxcroft, Daniel J. Hammel, and Kelly Phillips-Watts, "American Home: Predatory Mortgage Capital and Neighbourhood Spaces of Race and Class Exploitation in the United States," *Geografiska Annaler Series B Human Geography* 88.1 (2006), 105–32; Association of Community Organizations for Reform Now, "Separate and Unequal: Predatory Lending in America," 2004.

30 See Kevin Fox Gotham, "Creating Liquidity out of Spatial Fixity: The Secondary Circuit of Capital and the Restructuring of the US Housing Finance System," pp. 25–52 in Aalbers, *Subprime Cities*; Manuel B. Aalbers, "European Mortgage Markets before and after the Financial Crisis," pp. 120–50 in ibid.; Dan Immergluck, "Core of the Crisis: Deregulation, the Global Savings Glut, and Financial Innovation in the Subprime Debacle," *City and Community* 8.3 (2009), 341–5; Mark Stephens, "Mortgage Market Deregulation and Its Consequences," *Housing Studies* 22.2 (2007), 201–20.

Between 1981 and 2011, the number of rent-controlled apartments in New York plummeted from more than 285,000 to fewer than 39,000.[31] In the UK, the rental market underwent deregulation from the 1950s onward, accelerating in the 1980s and 1990s as part of a concerted effort to increase the number of private tenants.[32] The 1988 introduction of less secure tenancies created buy-to-let mortgages specifically for this purpose. Around a million such mortgages have been issued since then.[33]

Deregulation also permitted a wave of privatization of publicly owned or controlled housing. In the United States, public housing is in full retreat. Since the 1990s, more than 260,000 public housing units across the United States were either sold off to private owners or demolished in order to sell off the land beneath them.[34] The situation is even grimmer in Britain, where public housing represented a much larger piece of the residential sector. Since 1981, nearly 3 million units of council housing have been sold or

31 Furman Center for Real Estate and Urban Policy, *Rent Stabilization in New York City* (New York: New York University, 2012), 2.

32 Peter Malpass, "The Unraveling of Housing Policy in Britain," *Housing Studies* 11.3 (1996), 459–70; A. D. H. Cook, "Private Rented Housing and the Impact of Deregulation," pp. 91–112 in Johnston Birchall, ed., *Housing Policy in the 1990s* (New York: Routledge, 1992); Peter Malpass, *Reshaping Housing Policy: Subsidies, Rents and Residualisation* (London: Routledge, 1990).

33 John Bone and Karen O'Reilly, "No Place Called Home: The Causes and Social Consequences of the UK Housing 'Bubble,'" *British Journal of Sociology* 61.2 (2010), 238.

34 Center on Budget and Policy Priorities, "Introduction to Public Housing," January 25, 2013, 2; Edward G. Goetz, "Where Have All the Towers Gone? The Dismantling of Public Housing in U.S. Cities," *Journal of Urban Affairs* 33.3 (2011), 267–87.

transferred.[35] In the post-socialist world, the privatization of housing since 1989 has probably constituted the largest transfer of property rights in history.[36] The hard-won spaces of partial decommodification developed in the postwar period have been eroded.

For all of its far-reaching consequences, deregulation has not meant the subtraction of the state from real estate markets. It has not meant getting rid of regulations so much as rewriting them to make real estate a more liquid commodity. The state is still deeply involved throughout the housing system.

Second, and relatedly, housing has been undergoing a process of *financialization*. This is a generic term to describe the increasing power and prominence of actors and firms that engage in profit accumulation through the servicing and exchanging of money and financial instruments.[37] Managers, bankers, and *rentiers* produce profits from real estate through buying, selling, financing, owning, and

35 Norman Ginsburg, "The Privatisation of Council Housing," *Critical Social Policy* 25.1 (2005), 117. On the connection between public housing and gentrification in London, see Paul Watt, "Housing Stock Transfers, Regeneration and State-led Gentrification in London," *Urban Policy and Research* 27.3 (2009), 229–42.

36 Iván Tosics, "From Socialism to Capitalism: The Social Outcomes of the Restructuring of Cities," pp. 75–100 in Naomi Carmon and Susan S. Fainstein, eds, *Policy, Planning, and People: Promoting Justice in Urban Development* (Philadelphia, PA: University of Pennsylvania Press, 2013), 82.

37 See the literature on financialization: Costas Lapavitsas, "Financialised Capitalism: Crisis and Financial Expropriation," *Historical Materialism* 17 (2009), 114–48; John Bellamy Foster, "The Financialization of Capitalism," *Monthly Review* 58.11 (2007), 1–14; Greta R. Krippner, "The Financialization of the American Economy," *Socio-economic Review* 3.2 (2005), 173–208; Randy Martin, *Financialization of Daily Life* (Philadelphia: Temple University Press, 2002).

speculating. Players in this market often exchange in a disembodied, electronic realm. They need not ever see the actual physical buildings from which they make their fortunes—though their trading has serious consequence for those who occupy their properties.

Again, the mortgage market provides a good example. What was once a way to facilitate the production of housing has become a tool for profitmaking on its own. Over the past half-century or so, home mortgages were transformed from an industry dominated by local lending, thrifts, and passbook accounts to one dominated by global corporate banking and securitization. Government-sponsored enterprises like Fannie Mae and Freddie Mac have existed since the 1930s to supply liquidity to the mortgage market. But since the 1980s the practice of pooling mortgages and selling shares of their income stream has exploded.[38] Mortgage markets have become a way of turning solid structures into liquid assets. Houses can be bought and sold at the speed of electronic trade, and split into thousands of slices. As the housing scholar Desiree Fields puts it, "rather than anchoring wealth in place via property, today mortgages facilitate global investment and the extraction of value from place-bound property."[39] This was a process that financial firms enthusiastically promoted.

38 Kevin Fox Gotham, "The Secondary Circuit of Capital Reconsidered: Globalization and the U.S. Real Estate Sector," *American Journal of Sociology* 112.1 (2006), 257; Heather MacDonald, "The Rise of Mortgage-Backed Securities: Struggles to Reshape Access to Credit in the U.S.A.," *Environment and Planning A* 28.7 (1995), 1179.

39 Desiree Fields, "Contesting the Financialization of Urban Space: Community Organizations and the Struggle to Preserve Affordable Rental Housing in New York City," *Journal of Urban Affairs* 37.2 (2014), 148. See also Gotham, "Creating Liquidity Out of Spatial Fixity"; Manuel B. Aalbers, "The Financialization of Home and the Mortgage Market Crisis," *Competition and Change* 12.2 (2008), 148–66.

Under financialization, the nature of the real estate company is changing. Traditionally, real estate even in big cities was a local and relatively small-scale affair. Merchants, professionals, and others with capital to invest would leverage their money and social networks as landlords.[40] Even in cities like New York, real estate has been ruled by thousands of small players led by a few powerful family firms.

But the real estate ecosystem is being colonized by large-scale corporate finance. Wall Street and the City of London are the new landlords on the block. Private equity is becoming a major presence in the housing markets of New York and other cities, expanding its role greatly since the mid-2000s. Between 2004 and 2008, private-equity firms went on a buying binge, cumulatively purchasing 90,000 rent-stabilized apartments in New York City, nearly 10 percent of the total number of units.[41] Throughout America, companies like JP Morgan Chase, Blackstone, and Colony Capital have been buying up single-family homes in suburban and exurban areas hard hit by foreclosure since 2007. Industry analysts see cornering this market as their "$1.5 trillion opportunity."[42]

40 Michael Harloe, "The Recommodification of Housing," pp. [illegible]–50 in Michael Harloe and Elizabeth Lebas, eds, *City, Class and Capital: New Developments in the Political Economy of Cities and Regions* (London: Edward Arnold, 1981), 26.

41 Association for Neighborhood and Housing Development, "The Sub-prime Loan Crisis in New York Apartment Housing: How Collapsing Predatory Equity Deals Will Harm Communities and Investors in New York City" (2008), 3.

42 The Homes for All Campaign of the Right to the City Alliance, principal author Desiree Fields, "The Rise of the Corporate Landlord: The Institutionalization of the Single-Family Rental Market and Potential Impacts on Renters" (2014), 6.

The growth of real estate investment trusts (REITs) is one measure of the financialization of housing. In the United States, REITs were created by Congressional law in 1960. They spent their early years as mere tax shelters. But another act of Congress in 1986 gave them the ability to take a more active role in operating and exploiting the buildings in their portfolios. Since then their numbers and their reach have grown exponentially. REITs comprise the largest property owners in New York, including firms like Vornado and SL Green.

Finally, commodification is reinforced by the *globalization* of housing. Residential real estate may be fixed in place, but it is increasingly dominated by economic networks that are global in scope. Daniel Rose, a New York real estate insider, told an industry conference in 2002,

> Only a few years ago, New York structures were built, financed, owned, managed and occupied by New Yorkers, just as those in Chicago or London, San Francisco or Paris were controlled locally. In today's globalized world, capital, ideas, and people flow freely across state and national borders . . . Many of the people in this very room have no idea that the net cash flow from the apartment or office rent they pay in New York finds its way to investors in Germany or in England.[43]

Real estate has become a worldwide colossus. Starting in the late 1990s, direct investment abroad by US real estate companies increased sharply.[44] Foreign direct investment in US real estate

43 Daniel Rose, "Real Estate: Evolution of an Industry," *Real Estate Issues* 28.3 (2003), 49.

44 Gotham, "The Secondary Circuit of Capital Reconsidered," 247.

has also grown, increasing from \$2 billion in 1973 to more than \$50 billion in 2002.[45]

The involvement of foreigners in housing is not a problem on its own. But the ways in which housing is undergoing globalization are symptomatic of the decoupling of housing from residential needs. Some housing markets are starting to become more responsive to global economic signals than to local ones. In London, New York, and elsewhere, units in new apartment buildings are regularly advertised to foreign buyers, sometimes before being offered to locals. Governments sell their housing stock to international investors at property fairs such as Le marché international des professionnels de l'immobilier, known as MIPIM.[46] In these cases, housing is directly connected to global circuits as an investment. At that distance, its use as living space barely registers.

Dwelling in the Commodity Form

Together, these interlocking processes of deregulation, financialization, and globalization have meant that housing functions as a commodity to a greater extent than ever before. This is what lies at the heart of the present crisis.

What does it mean to dwell in a hyper-commodified world? The consequences of the transformation of housing can be

45 Ibid., 246. These figures are in constant 2002 dollars.

46 Oliver Wainwright, "Anger at Cannes Property Fair Where Councils Rub Shoulders with Oligarchs," *The Guardian*, March 14, 2014; Martina Fuchs and André Scharmanski, "Counteracting Path Dependencies: 'Rational' Investment Decisions in the Globalising Commercial Property Market," *Environment and Planning A* 41.11 (2009), 2724–40.

felt throughout the housing system, but they are extremely uneven.

In the most expensive districts of the world, luxury buildings proliferate out of all proportion to actual housing need. The super-rich own huge amounts of real estate, much of which is used purely for investment. The head of a New York real estate brokerage gleefully described "luxury real estate as the world's new currency."[47] Exclusive addresses in cities like London, New York, Tokyo, Miami, Paris, Shanghai, Moscow, Hong Kong, and Vancouver have become favorable places to park a fortune. "The global elite," the developer Michael Stern remarked to a reporter, "is basically looking for a safe-deposit box."[48]

So-called super-prime real estate is cloaked in secrecy. Cash-only purchases and layer upon layer of holding companies can disguise dubious fortunes. Numerous observers have tied the rise of luxury housing to money laundering, tax evasion, and other illegal transactions.[49] Property owners in prestige locations—Ostozhenka in Moscow; the blocks surrounding Central Park in Manhattan; the Bishops Avenue in Hampstead,

47 Jonathan Miller, "Luxury Real Estate as the World's New Currency," *Douglas Elliman Magazine*, October 18, 2012, 16.

48 Rice, "Stash Pad."

49 Damien Gayle, "Foreign Criminals Use London Housing Market to Launder Billions of Pounds," *The Guardian*, July 25, 2015; Martin Filler, "New York: Conspicuous Construction," *New York Review of Books*, April 2, 2015; Michael Hudson, Ionuţ Stanescu, and Sam Adler-Bell, "How New York Real Estate Became a Dumping Ground for the World's Dirty Money," *The Nation*, July 3, 2014; Hans Nelen, "Real Estate and Serious Forms of Crime," *International Journal of Social Economics* 35.10 (2008), 751–62.

London—have been linked to criminal activity.[50] The "starchitect" designs and posh addresses seem calculated to hide the fact that, according to one sociologist, in some of these landed exclaves of the offshore world, forms of corporate, personal, and criminal capital are becoming "progressively undifferentiated."[51]

Plenty of super-prime real estate should barely be considered housing at all. Many luxury buildings are not built primarily to provide housing but to make profits upon resale. The value of super-prime real estate is secure because of the ease with which it can be converted into money through loans, debentures, mortgages, and other complex financial transactions. Whether anyone will ever make a home in such buildings is irrelevant. New York City's Independent Budget Office estimates that only about half of the units in expensive newer buildings are primary residences,[52] and the true figure may be far lower. The few people who do reside in many newer high-end buildings report neighborless empty hallways.[53] In London, areas with heavy concentrations of super-prime housing lack

50 Robert Booth, "UK Properties Held by Offshore Firms Used in Global Corruption, Say Police," *The Guardian*, March 4, 2015; Louise Story and Stephanie Saul, "Stream of Foreign Wealth Flows to Elite New York Real Estate," *New York Times*, February 7, 2015; Sophia Kishkovsky, "A Class Struggle on Moscow's Golden Mile," *International Herald Tribune*, December 18, 2006.

51 John Urry, *Offshoring* (Cambridge: Polity, 2014), 20; William Brittain-Catlin, *Offshore: The Dark Side of the Global Economy* (New York: Farrar, Straus, and Giroux, 2005).

52 New York City Independent Budget Office, "Budget Options for New York City," November 2014, 50.

53 Elizabeth A. Harris, "Why Buy a Condo You Seldom Use? Because You Can," *New York Times*, February 11, 2013.

foot traffic or other signs of life. Local businesses can have trouble staying open.[54]

In brief, luxury housing is antisocial. The people who own these properties may have no connection to the places where they park their money. Lefebvre had already recognized this dynamic in the 1960s: "the Olympians of the new bourgeois aristocracy no longer inhabit. They go from grand hotel to grand hotel, or from castle to castle, commanding a fleet or a country from a yacht. They are everywhere and nowhere."[55] Research has demonstrated that the super-wealthy use their resources to avoid encounters with poverty, conflict, difference, and other elements of what they see as the downside of urban life.[56]

The trickle-down benefits of such high-priced housing have been greatly exaggerated. Due to the vagaries of local development policies, owners of these buildings frequently pay little or no tax, and many enjoy huge public subsidies. One57 received more than $65 million in public subsidies and tax breaks.[57] The idea with such subsidies is that developers of luxury buildings

54 For an analysis of how elites are transforming one part of London, see Richard Webber and Roger Burrows, "Life in an Alpha Territory: Discontinuity and Conflict in an Elite London 'Village,'" forthcoming in *Urban Studies*.

55 Henri Lefebvre, "The Right to the City," pp. 63–181 in Eleonore Kofman and Elizabeth Lebas, eds and trans., *Writings on Cities* (Oxford: Blackwell, 1996 [1967]), 158–9.

56 Rowland Atkinson, "Limited Exposure: Social Concealment, Mobility and Engagement with Public Space by the Super-Rich in London," *Environment and Planning A* (forthcoming), 1–16.

57 See New York City Independent Budget Office, "From Tax Breaks to Affordable Housing: Examining the 421-a Tax Exemption for One57," July 2015.

can be incentivized to construct less-exclusive units as well. But among other problems, this system produces glaring inefficiencies.[58] New York's recently rebranded Billionaire's Row, the stretch of ultra-expensive condominiums on West 57th Street, has so far contributed a grand total of eighty-nine affordable apartments to the city.[59] One57's developers contributed sixty-six homes at a cost of $905,000 per unit. The Independent Budget Office calculated that a grant of that size in the hands of a nonprofit housing organization could have built 370 apartments at a cost of only $179,000 per unit.[60] More homes owned by billionaires contribute little to the communities in which they stand. But they still take up space, force up costs, and push others farther out.

While it facilitates the over-accumulation of luxury for the wealthy, the hyper-commodification of housing leads to new forms of risk, unaffordability, and instability for everyone else.

The current phase of housing commodification has not translated into the affordable paradise that its promoters predicted. Instead, it has allowed powerful elites to monopolize more housing. Cities like New York that have seen extensive deregulation and huge building booms in recent decades have not seen corresponding drops in housing costs. One international study found that "demand pressures stemming from financial

58 The major issue is that "affordable housing" is a real estate strategy, not a mechanism for producing decent housing that everyone can afford. See chapter four, this volume.

59 Rosa Goldensohn, "Billionaire's Row Supertower Deal Only Subsidized About 23 Affordable Units," DNAinfo.com, July 30, 2015.

60 New York City Independent Budget Office, "Tax Breaks to Affordable Housing."

deregulation may have translated into increases in house prices by some 30 percent."[61] Globalized, deregulated markets are unstable and subject to wild price swings, first contributing to bubbles and later to crashes.[62]

Increasingly, there are no alternatives to commodified housing. Public housing and rent regulation, the spaces of partial decommodification in New York, are disappearing. Between 1981 and 2011, the regulated share of the rental market fell from more than 62 percent to 47 percent of all units.[63] As a result, the rental market is more precarious for tenants. Between 2001 and 2014, real rents in the United States rose by 7 percent, while in the same period real household income fell by 9 percent.[64] More households are forced to compete with one another in a less regulated market controlled by bigger corporate firms. Many of the new landlords entering the rental market have not shown enthusiasm for improving the situation for their tenants. Renters

61 Dan Andrews, Aida Caldera Sánchez, and Åsa Johansson, "Housing Markets and Structural Policies in OECD Countries," *OECD Economics Department Working Papers* 836 (2011), 7; Nick Bailey, "Deregulated Private Renting: A Decade of Change in Scotland," *Netherlands Journal of Housing and the Built Environment* 14.4 (1999), 363–84. See also David G. Green and Daniel Bentley, "Finding Shelter: Overseas Investment in the UK Housing Market" (London: Civitas, 2014).

62 Michael McCord, Stanley McGreal, Jim Berry, Martin Haran, and Peadar Davis, "The Implications of Mortgage Finance on Housing Market Affordability," *International Journal of Housing Markets and Analysis* 4.4 (2011), 394–417.

63 Furman Center, *Rent Stabilization in New York City*.

64 Joint Center for Housing Studies, "America's Rental Housing: Expanding Options for Diverse and Growing Demand" (2015), 4.

of REIT-owned houses in California report paying higher-than-average rents and shouldering the burden of home repairs on their own.[65]

In the United Kingdom, tenants are also facing a new world of exploitation and insecurity. Public housing is being dismantled, and, as a result, tenants must turn to private landlords—sometimes the same people who cannibalized the public housing stock in the first place. In one development in South London, more than forty ex-public-housing units are owned by the son of the government minister who presided over the privatization of public housing in the 1980s.[66] In London as whole, more than 36 percent of former publicly owned units are now rented out privately; in some local areas this figure is more than 50 percent.[67]

In a notable example of housing policy absurdity, some UK tenants in ex-public-housing units receive public subsidy for their rent, which they pay to private landlords.[68] One tenant on a council estate told reporters that she is charged £800 per month

65 Aimee Inglis, principal author, "The New Single-Family Home Renters of California: A Statewide Survey of Tenants Renting from Wall Street Landlords" (Tenants Together, May 2015); Rob Call, principal author, "Renting from Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside" (Right to the City Alliance, 2014).

66 Nick Sommerland, "Great Tory Housing Shame: Third of Ex-Council Homes Now Owned by Rich Landlords," *Daily Mirror*, March 5, 2013; David Spittles, "Ex-Council Flats Are Right to a Goldmine," *Homes and Property*, July 25, 2012.

67 Tom Copley, *From Right to Buy to Buy to Let* (London: Greater London Authority/London Assembly Labour, January 2014), 2.

68 Ibid.

by a private landlord, while her council rent for the same unit would have been £360 per month—with the public making up the shortfall.[69] The whole situation typifies hyper-commodified housing: profit-seeking businesses inserting themselves into the residential system and siphoning off resources, making housing more expensive while contributing nothing to the ability of the system to meet residents' needs.

Commodification and Gentrification

For the corporate investors buying up housing throughout New York, gentrification is the business plan. Firms purchase buildings on the assumption that rents can be doubled, tripled, or more. This strategy is predicated upon taking units out of the rent stabilization system—in effect, recommodifying housing—and displacing lower-income tenants.[70]

Take the case of Zhi Qin Zheng, a founding member of New York's Chinatown Tenants Union and a former garment worker in her sixties. When an investment company named Madison Capital bought the downtown Manhattan building where she lived in a rent-stabilized unit, it determined that what she saw as her longtime, affordable home was in fact an "underperforming asset." Her home needed to be "repositioned" to garner the sixfold rent increase that the market supposedly demanded in the name of efficiency. So her landlord, according to reports, began a campaign of

69 Nick Sommerland, "Ex-Council Housing Racket: Private Landlords Charging Several Times Council Levels with Taxpayer Footing Difference," *Daily Mirror*, March 6, 2013.

70 See Harloe, "The Recommodification of Housing."

harassment—cutting the heat, leaving damage unrepaired, and gratuitously calling the police on tenants in a campaign that residents saw as "aimed at pushing them and their culture out of the buildings."[71]

Landlord associations say that only the few proverbial bad apples break the law. But this basic story—a building that is seen to be underperforming is reorganized to generate more income—happens every day across the city. It is a pure form of what the geographer Neil Smith saw as the essence of gentrification: claiming the gap between the current rent and a building's "highest and best use."[72] When housing units are bought on the assumption that they can be turned into more liquid commodities, displacement is the predictable result.

Low-income tenants who cannot afford higher rents maintain a foothold in gentrifying neighborhoods in two ways. Either they are protected by some form of partial decommodification, such as rent control or public housing—policies which, as we have shown, are being actively undermined by the day—or they are lucky enough to have an economically irrational landlord. This is a risky prospect in a competitive real estate

71 Elizabeth Dwoskin, "When Hipsters Move in on Chinese: It's Ugly," *Village Voice*, April 20, 2010; Michael Powell, "Her Chinatown Home Is 'Underperforming,'" *New York Times*, August 15, 2011; Lore Croghan, "Chinatown Divided: Luxury Developers Battle Tenants and Small-Business Owners," *New York Daily News*, March 5, 2009. See CAAAV Organizing Asian Communities and the Community Development Project of the Urban Justice Center, *Converting Chinatown: A Snapshot of a Neighborhood Becoming Unaffordable and Unlivable* (New York: CAAV, December 2008).

72 Neil Smith, *The New Urban Frontier: Gentrification and the Revanchist City* (New York: Routledge, 1996), 62.

environment, but it does allow some tenants a modicum of stability. A New York community organizer told housing researchers,

> Landlords are not always maximising their income. Many things affect the decisions of landlords. There are members of the community, there are thousands and thousands of disabled people and older people, for example, who pay far below the market rate and have been for a long time because the landlord knows them and has a relationship with them. He makes this illogical decision and that's why the old lady comes in and has been paying $600 for the last decade. There are community values that mediate the market. Not 100 per cent but in many cases, there is a community consensus that we shouldn't evict the disabled, single person; this mediates the pressure to raise the rents.[73]

The onward march of commodification makes situations like this unlikely. The community organizer continued, "As the market rate goes up and up, that consensus breaks down."[74] Shareholders may live scattered across the world and only own a share in a property on a short-term basis. They have no patience for such irrational behavior. The economic and organizational logic demands that rents be raised as high as possible.

This is not to say that this strategy always turns a profit.

73 Kathe Newman and Elvin K. Wyly, "The Right to Stay Put, Revisited: Gentrification and Resistance to Displacement in New York City," *Urban Studies* 43.1 (2006), 49.

74 Ibid.

Buildings can easily fail to generate the desired returns. But even when this happens, there is no exit from the commodified housing system—and no clear mechanism whereby failed real estate projects might be reappropriated by residents as common property. Foreclosed buildings are just reinserted into financialized circuits, setting up a repeat of the entire process. Rent-regulated buildings in the Bronx purchased by Ocelot Capital in 2007, for example, fell into foreclosure and in the following years cycled through a series of owners, falling into an ever-worsening state of repair.[75]

Commodification is a self-reproducing process. And it operates simultaneously at different scales: at the scale of the neighborhood, the building, and even the household. Hence the practice of subletting spare rooms or sofas—the commodification of ever-smaller spaces becomes a strategy for eking out a place in an unstable and expensive housing market. This too gets absorbed into a broader instrumental logic. One self-styled "rent-to-rent" entrepreneur in London explained straightforwardly to a reporter, "I rent a property with a view to renting it out at a higher rent."[76] No doubt some canny financial innovators are already working on the securitization of rent-to-rent housing or the pooling of income streams from subletting.

75 Dina Levy, "Fighting Predatory Equity," *Shelterforce*, March 29, 2011.

76 Patrick Collinson, "Meet the New Class of Landlords Profiting from Generation Rent," *The Guardian*, June 28, 2013; Emma Lunn and Patrick Collinson, "Rent-to-Rent, the Latest Get-Rich-Quick Scheme," *The Guardian*, June 29, 2013.

Unleashing the Cranes

Some observers argue that the unprecedented shift towards the commodification of housing has not gone far enough. There are many voices today that declare that if real estate developers were just given a freer hand, then the market would solve the housing crisis.

For example, the economist Edward Glaeser argues, "The best way to make cities more affordable is to reduce the barriers to building and unleash the cranes. To do so, end the dizzying array of land use regulations in most cities that increase cost."[77] The conservative housing scholar Howard Husock contends that New York must "thaw its frozen housing market" by getting rid of rent stabilization and public housing.[78] The liberal writer Matthew Yglesias also affirms a "deregulatory agenda."[79] For these authors and more, the hyper-commodification of housing is not the problem—it is the solution.

This reasoning follows clearly from standard economic logic. But this position ignores the real-world effects of the commodification of housing. Fully deregulating and unleashing the cranes will not and cannot solve the housing crisis, for a number of reasons.

First, while markets are imagined as self-organizing entities, as we have seen, the state has always been central to the process of making housing a commodity that can circulate through market exchange. The state cannot "get out" of housing markets

77 Edward Glaeser, "Ease Housing Regulation to Increase Supply," *New York Times*, October 16, 2013.

78 Howard Husock, "The Frozen City," *City Journal* (2013).

79 Matthew Yglesias, "NIMBYS Are Killing the National Economy," *Vox*, April 25, 2014.

because the state is one of the institutions that creates them. Government sets the rules of the game. It enforces the sanctity of contracts, establishes and defends regimes of property rights, and plays a central role in connecting the financial system to the bricks and mortar in which people dwell.

In other words, housing markets are political all the way down. The balance of power between tenants and landlords, or between real estate owners and communities, cannot be determined in a neutral, apolitical way. What the free market boosters ignore is the question of power.

The housing market is, among other things, a domain of struggle between different, unequal groups. Removing the regulations that rein in property owners shifts power towards capital and away from residents—while also, not coincidentally, making land more valuable and more amenable to speculation. This is why it is the real estate lobby that campaigns to deregulate the housing system, a demand that tenants almost never make. The commodification of housing is a political project that refuses to acknowledge itself as such.

Supporters of deregulation argue that zoning, rent control, and tenant protections are only pursued by meddling bureaucrats or greedy residents. But the real estate industry does whatever it can to maintain high prices. Removing existing tenant protections would just place real estate firms in a better position to reshape markets even more in their own favor.

Second, when housing becomes a globalized, financialized commodity, the gulf widens between the price signals to which markets respond and the actual social need for dwelling space.

Investment firms chasing short-term gains reorient the housing system away from local residential needs and disconnect prices from wages in local labor markets. Transnational speculation begins to shape what gets built, where it appears, and who can afford to live in it. We see this happening in cities like London and Vancouver, home to increasing numbers of apartments that are ill-suited to the families who need to live in them but easily sold to investors who live abroad.

There is a world of difference between economic demand and social need. Many people, especially poor and working-class households, need more housing than they can afford. But this form of need does not register with purely profit-oriented developers. Far from responding efficiently to residential needs, investors can turn a profit by squeezing more money out of existing spaces while adding nothing to the general housing stock. Developers routinely engage in land hoarding and other strategies centered on speculation and scarcity.

Even some economists recognize that housing markets are structurally incapable of being efficient.[80] It is easy to inflate price bubbles and difficult to deflate them. The history of real estate is replete with speculation.[81] Despite how it appears in abstract models, the actual market in housing is neither efficient nor rational.

Those who want to unleash the cranes will counter that "distortions" in housing markets must be due to government regulation rather than to market dynamics as such. Displacement

80 For an incisive discussion of the role of the efficient-market hypothesis in the subprime crisis see Gary A. Dymski, "The Reinvention of Banking and the Subprime Crisis: On the Origins of Subprime Loans, and How Economists Missed the Crisis," pp. 151–84 in Aalbers, *Subprime Cities*.

81 Robert J. Shiller, "The Housing Market Still Isn't Rational," *New York Times*, July 24, 2015; Edward L. Glaeser, "A Nation of Gamblers: Real Estate Speculation and American History," National Bureau of Economic Research Working Paper, 2013.

would not be a problem, they say, had there not been rent regulation in the first place. State interference creates distortions, they argue, so deregulation is necessary in the name of removing inefficiencies.

But we need to question this definition of efficiency. One person's inefficiency is another person's home. We need to ask why investors' profits should trump the needs of residents. From the perspective of a tenant facing displacement from their longtime home, it is the system of commodified residential development that is inefficient, not to mention cruel and destructive. That a building has become a target for speculators due to changes in global housing markets in no way lessens its usefulness as living space for its inhabitants.

Supporters of deregulation offer the process of filtering as a *deus ex machina* that will provide affordable housing. But in practice, there are limits to the stock of old buildings, especially within specific neighborhoods. And filtering today often takes the form of older buildings being recouped by wealthier households.

This touches on the final reason why markets will not solve the housing crisis. Those who want to deregulate and build do not consider the practical consequences of commodification in action.

It may be true that, all other things remaining equal, enlarging supply while keeping demand constant would lead to lower prices. But stated that way, the claim is too abstract. All other things would not remain equal. Promoters of free-market housing solutions never consider the costs and consequences that would result from attempting to establish a purely self-regulating market in housing.

Setting up the conditions for frictionless exchange and unlimited development could in theory create a situation

legal powers of the state, for the sole purpose of economic accumulation, corporations are single-minded by design. Profit seeking without regard for external social consequences is intrinsic to the way they are set up. Residential inequality and crisis will always result from a housing system dominated by these kinds of firms and by other property owners following the same logic.

The solution to the housing problem, then, is not moralism, but the creation of an alternative residential logic. Exhorting for-profit real estate companies to act differently in the name of creating a less vicious housing system is pointless. Housing problems are not the result of greed or dishonesty. They result from the structural logic of the current housing system. Alternative, decommodified models of residential development must therefore be created. Far from stopping new construction, cities need more new decommodified dwellings, such as public or cooperative housing. A proper understanding of the housing crisis today requires an account of its commodification. Making real progress on housing problems requires developing concrete alternatives to it.