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# The Rent's Too Damned High

A human right, commodified and rendered zero-sum.



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Published in GEN · 8 min read · Jun 6, 2021

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The pandemic housing bubble has multiple, complex causes. Among them:

- A housing shortage resulting from a decade of anemic construction following the Great Financial Crisis and a wave of homebuilder bankruptcies;

- Supply-chain shocks created by the pandemic, which was especially hard on “efficient” industries, where financialization and monopolization drained vital industries of their cash and inventory reserves and turned them over to the richest people in America;
- The trillions that the Trump stimulus pumped into the financial markets, which are now being used to buy up every single-family dwelling that hits the market, for cash-above-the-asking-price, in order to convert it to a subprime rental whose predatory rents, savage evictions and dangerous neglect are the basis for a boom in bonds that financialize the rent they generate.

Generations of Americans have dreamed of owning a home, both to insulate themselves from the whims of their landlords and to create intergenerational wealth. Home ownership was a key driver of social mobility, allowing working class people to enter the middle class. A horrible “natural experiment” shows just how important property acquisition is to economic stability: redlining and restrictive covenants froze Black people out of the home-purchasing boom of the New Deal and the GI Bill, exacerbating and accelerating the racial wealth gap.

Two factors drove the growth of the American middle-class: property ownership and unionization. Of the two, unionization was more universal —

by no means free of institutional racism, but far more accessible than home ownership.

Of the two, unionization was the one that underwent sustained assault from business, finance and the state. After decades of declining union participation, amid stagnating wages and worker misclassification, the dream of social mobility through stable employment has evaporated for most workers (especially workers from the poorest households, burdened beyond belief by student debt, this debt assumed on the assurance that it would create employment-based access to a stable, middle-class existence).

But the American belief in home ownership as a path to a better future for homeowners and their descendants remains intact. And housing shortages — and the bubbles that attend them — only fuel this belief. When the house your working-class parents bought for \$30,000 is appraised at \$1.5 million, home ownership becomes a solution to all of life's insecurities.

But asset accumulation isn't — and can't be — a path to widespread prosperity. A middle-class that relies on increasing property values as a means to fund their kids' university tuition, their own retirements, and the next generation's down-payments sows the seeds of its own destruction. Far from guaranteeing your kids' security, a focus on asset appreciation dooms them to precarity and penury.

Why do homes increase in value? Because they grow more valuable over time. But that value isn't intrinsic: the roof doesn't get better at keeping out the rain, sleep doesn't come more easily in the bedrooms. Rather, homes get more valuable because *not owning a home gets worse*.

Take education: the American practice of funding schools through local taxes (rather than guaranteeing the same level of per-pupil spending statewide) means that your kids' access to a good education — and thus college, as well as merit-based scholarships — is determined by the property values in your neighborhood.

That means that renting — a proxy for living in a place with lower property values — puts you in a neighborhood with worse schools, too. Or, to put it another way, homes are worth more because they include a better education for your kids.

But the renter's penalty — AKA the homeowner's premium — goes beyond education. Home ownership is tax-advantaged in several ways, from mortgage payment deductions (significantly reduced by Trump in a bid to punish affluent Democrats in large coastal cities, now likely to be restored) to tax-free inheritance of the family home.

Or, to put it another way, if you can afford to buy a house, about half of your monthly shelter bill is tax-deductible — but not if you rent. This fact makes owning a house doubly profitable, because the desperation of renters to get tax-advantaged shelter makes your house more valuable, and that additional value can be passed, tax-free to your kids. To top it all off, homeowners can access low-cost debt through home equity lines of credit, meaning that money itself is more expensive for renters.

The very existence of the rental market is key to home appreciation: one reason someone might pay you more for your house than you paid for it is because they expect to be able to rent to someone who can't afford to buy. The more lucrative it is to be a landlord, the more every rentable home is worth, because every sale potentially includes bidders whose maximum price includes their expected returns from rental income.

This means that the more rights tenants have, the less your house is worth, even if you never rent your house out. Or, contrariwise, when tenants are worse off, homeowners are better off.

Here are some things that make landlords (and thus all homeowners) better off: easy evictions; no limits on annual (or arbitrary) rent hikes; the right to charge tenants for maintenance and capital improvements to their homes; the right to discriminate against potential tenants (for example, excluding

single parents and other people at higher risk of falling behind on the rent); the right to levy service charges and late fees, and assess arbitrary, usurious interest on these debts. Oh, and insulation from liability for dangerous, undermaintained properties.

All of that makes tenancy more horrible, which makes homeownership more desirable, which makes homes themselves more valuable. In other words, the reason your parent's \$30,000 house is now worth \$1.5 million isn't (merely) that the neighborhood improved or because they finished the basement: it's because tenancy is so life-destroyingly terrible and precarious that anyone who can find a way to scrape up a down-payment and buy a house will, even if that means assuming equally life-destroying levels of debt.

Housing — like health-care, education and nutrition — aren't just commodities, they're also human rights, necessities of life itself. Put that way, it's easy to see why hitching national prosperity to a steady rise in the value of housing as an asset is bad policy: imagine if we expected our intergenerational wealth accumulation to come from food, and set about doing everything we could to make food as expensive as possible. Life without shelter isn't nearly so hard as life without food, but it's not something anyone voluntarily opts for.

Homeownership as a source of wealth was always a devil's bargain. A decent place to live for all is obviously a sign of a functional society, just like a dignified retirement, a good education, and nutritious food, clean water and sanitation.

A nation that seeks prosperity from asset accumulation necessarily becomes a land of winners and losers. The winners have assets, the losers pay to use them, which makes the assets more valuable, which lets the winners buy more assets. You know how this works: after all, you've played Monopoly.

The American middle class didn't emerge thanks to property ownership — property ownership came about as the result of wage gains due to strong (and hard-fought) labor rights, and as a result of public subsidy for private homebuilding (the GI Bill). Homeownership is a good way to convert gains from a worker-friendly labor market into something durable and insulated — but it's no substitute for workers' rights.

It only took a generation for the dream of homeownership to become a nightmare. Trading labor rights for asset appreciation meant that guaranteed pensions became market-based 401(k)s, turning American workers into the suckers in the financial markets' casino. As these older workers retire, they are forced to supplement their wholly inadequate pensions by liquidating, remortgaging or reverse-mortgaging the family home. Social Security helps,



but not much — without a powerful organized labor movement to defend Social Security, the program has withered, offering a sub-starvation cushion.

If you have to sell your home in order to survive retirement, you can't leave it to your kids or cash it in to pay for their down-payments (parental down-payments are the only practical way for many young workers to afford home ownership).

Your kids, with their stagnant wages, limited access to credit, and precarious work, are *never* going to be homeowners — especially not when they're bidding against a private equity fund paying 15% over the asking-price (in cash).

If your kids aren't homeowners, they're tenants. That's the monkey's paw irony of a generation's worth of protecting your family by increasing the value of your home by making life worse for tenants. Every depredation you tolerated for tenants in the name of protecting your kids is now your kids' destiny.

This reality still hasn't sunk in for many homeowners. There's still plenty of middle-class people who think repealing Trump's SALT cap will benefit them, which is categorically untrue: millionaires will average an extra \$48,000/year from a SALT cap repeal, while 98% of middle-class earners will

see *nothing*. The 2% of middle-class earners who benefit from a repeal will average \$250/year from it.

Everyday homeowners still oppose the rent-controls that will protect their children. Just look at the failure of California's Proposition 10 in 2018 — the rent-control measure battled a tsunami of dark-money and failed to secure a majority, especially after corporate landlords sent their tenants letters threatening massive rent-hikes if they didn't vote against the proposition.

Middle-class homeowners once benefited from corporate landlords' lobbying for property-owner-favorable (and tenant-punishing) rules, but those days are over. Those good schools that once made your home more valuable? Today, they're starved for cash, thanks to the consolidated power of the corporate landlord sector and its ability to fight for lower property taxes.

It was always clear why the wealthy pushed asset-appreciation, rather than employment, as the path to a stable future for American families. Converting the human right to shelter into an aspirational asset-class (and the only source of social mobility) aligned the interests of large numbers of people with a small number of very rich people.

The gains the middle class reaped during its years of simping for landlords were only ever a convincer for a long con, money the mark was allowed to

hold onto for a time. Now that the con is closing out, those gains are being returned to their rightful owners, the tiny minority of Americans — mostly Wall Street firms — who are consolidating the human need for shelter into their hands.

Even if you own your home, you will struggle to pass it onto your kids. The ascendancy of capital means that you'll need to use that home to keep from being a burden on your kids when you stop working; any leftovers will go to defray your kids' student debts.

If they're lucky, they might be able to rent that family home from a Wall Street firm after you die, but when they do, they'll be subject to arbitrary rent-hikes, rapid evictions, and a barrage of fees, penalties and interest.

Labor rights, not property rights, were always the key to prosperity.

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