

# Toward the Decommodification of Housing

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*Proceeding from their analysis of the housing problem [Chapter 1] and expanding on the ideas of Kathy McAfee [Chapter 24], the authors propose the “decommodification” of housing—removing the production, ownership, and financing of housing from the profit sector. Housing must be made available on the principle of socially determined need, not profitability. The strategic implications of these proposals, in terms of their potential for political organizing, are explored.*

A significant factor in the housing and neighborhood gains of the postwar period, to the extent that they have been achieved, has been the role of popular struggle. During the Great Depression, the threat of massive unrest around issues of housing and job security led to moratoria on mortgage foreclosures, the enactment of the public housing program, and a variety of federal supports for homeownership. In the 1960s, housing again became a direct political issue largely through black-led tenant protests linked to the civil rights and welfare rights movements.

## The Limits of Housing and Neighborhood Struggles

These efforts achieved some gains of considerable importance for the poor. For example, massive rent strikes in St. Louis, Newark, and elsewhere led to major reforms in the public housing program [see Chapter 26 by Robert Kolodny]. Local urban renewal struggles in white ethnic as well as minority communities forced significant concessions in the form of replacement housing, relocation benefits, and resident participation. These efforts also

Originally published as “Towards the Decommodification of Housing: A Political Analysis and a Progressive Program,” in *America’s Housing Crisis: What Is to Be Done?* edited by Chester Hartman, Boston: Routledge & Kegan Paul, 1983, 218–30. Reprinted by permission of the Institute for Policy Studies.

helped to launch the new subsidized housing production and neighborhood programs of the Great Society.

Despite their successes, the housing and neighborhood struggles of the 1960s remained fragmented along tenure and racial lines, and were limited in focus to particular issues or targets. They failed to broaden their concerns beyond local demands or generalized calls for "social justice" or "community control." Nor did they come to grips with the systemic nature of the housing crisis. As a result, when the worsening problems of the economy in the early 1970s made further concessions more difficult, the protest movement (in housing and other areas) all but collapsed. Thus the stage was set for President Nixon's 1973-74 freeze on subsidized housing, the defunding of "categorical grant" programs, the urban "fiscal crisis," and the beginning of the ideological attack on housing standards.

The 1970s saw the growth of a geographically widespread neighborhood movement, involving primarily homeowners and dealing with a range of economic issues. With a more diverse agenda than the 1960s protest movements, these groups won significant legislative and regulatory reforms, including nationally mandated disclosure requirements for mortgage lenders aimed at stemming the tide of neighborhood disinvestment. But the neighborhood movement has been unable to respond effectively to the problems of skyrocketing mortgage interest rates and scarce housing credit, which have made it impossible to improve housing and still keep it affordable.

At the same time, there has been a recent revival of tenant activism around the issues of high rents and condominium conversions in revitalizing areas [see *Chapter 22* by John Atlas and Peter Dreier]. But while rent control has helped to mitigate the skyrocketing cost of housing to consumers, it has not addressed the problems of housing deterioration and abandonment. Very strict rent control (were it ever enacted) might even exacerbate these problems. Moreover, rent control in today's inflationary economy does not suffice to make housing affordable, especially for lower-income households.

Now that the political counterattack on housing is in full force and housing and economic conditions are worsening, there is an opportunity to develop a broad-based progressive housing movement that can unite low- and moderate-income tenants and homeowners around their common interest in decent, affordable housing and adequate neighborhoods. The growing elusiveness of homeownership for the vast majority of tenants and the decreasing ability of low- and moderate-income homeowners to benefit from their housing as an investment make tenure distinctions less important, while increasing neighborhood problems create a basis for common action. Moreover, the traditional housing solutions of subsidies and tax incentives for the rich, combined with federal credit manipulations, seem less and less workable even to those who view them as in general desirable. Needed is a program that can alter the terms of existing public debate on housing, that challenges the commodity nature of housing and its role in our economic and social system, and that demonstrates how people's legitimate housing needs can be met through an alternative approach.

## A Program for Housing Decommodification

### *General Principles*

As shown in Chapter 1, the housing problem is rooted in the commodity treatment of housing and in the general relationship between housing and private capital in our society. Racism and sexism, primarily linked to the needs of capital, significantly influence the nature of our housing problems. The dominance of capital in relation to housing is expressed in the organization of housing ownership, production, and finance; in the use and disposition of land; in neighborhood development and service patterns; in the particular housing problems of minorities and women; and in the allocation of resources both to and within the housing sector.

The following program for housing decommodification, broadly defined, has as its primary goal:

To provide every person with housing that is affordable, adequate in size and of decent quality, secure in tenure, and located in a supportive neighborhood of choice, with recognition of the special housing problems confronting oppressed groups (especially minorities and women).

Just as the “commodity treatment of housing” is a possible shorthand for the root of the housing problem, “decommodification” is a possible term for a program to eliminate the housing problem. The terms are apt, to the extent that they focus on the relationship between housing provision and private profit, and call for a housing system in which decisions are made without regard to profit.

But speaking of the “commodification of housing,” at least in the Marxist theory from which it stems, both says too much and too little to be an entirely adequate formulation of the problem. Too little, because the term “commodity,” strictly speaking, focuses on the form of *production*, while issues of distribution are also critical to housing. Too little, also, because housing is neither produced nor distributed solely for the profit of producers and providers, but also to maintain the general stability of the system (in both an economic and a political sense). It is thus sometimes supplied even at the expense of direct housing producers, as during wartime or emergency price and rent controls. And in a profit-oriented economy, even where housing is partially or totally removed from the commodity market, it may be far from decent, affordable, or secure (squatter settlements, company housing, and public housing are a few examples).

Nor is it necessarily so that *all* aspects of the housing supply system need to be “decommodified” to solve the most serious current problems. As Jill Hamberg points out in Chapter 33, Cuban economists still speak of housing as a commodity as to aspects both of its production and distribution. Within that system, the ways in which housing is produced and distributed are indeed overwhelmingly subject to social control, yet limited scope is still

given to conventional considerations of cost and "profitability." Likewise, in a society of plenty, if some should want more, and be willing to work harder or distribute their resources differently, there is no reason why they should not be allowed to buy more, nor why suppliers should not be allowed to sell them more, even if the commodity in question is housing and the purpose of the sale is profit. Thus decommodification says a little too much, also.

"Commodification" and its opposite should be understood here, not in the narrow sense discussed above, but as referring to the provision of housing for the purpose of producing or guaranteeing profit (including interest and land rent) for private interests, both within and outside the housing sector.

The program calls for decommodification in the very broadest sense, not only in the way that housing is directly produced, financed, owned, and disposed of, but also with regard to housing resource allocation, decision-making, and use patterns generally. The objective, broadly stated, is to limit the role of profit from decisions affecting housing, substituting instead the basic principle of socially determined need.

### *Social Ownership*

*Control the speculative private ownership of housing and expand the amount of housing under public, collective, community, or resident ownership that is operated solely for resident benefit and subject to resident control, with resale for profit prohibited.* An essential first step in the decommodification of housing is to eliminate the cost of speculative ownership and the arbitrary control that profit-oriented owners have. In the short run, this suggests the need for increasingly strict regulation of privately owned rental housing (e.g., as to rents, condition, occupancy terms, evictions, demolition, resale), and for measures to curb the speculative buying and selling of private homes. Housing already in the public sector should also be preserved, upgraded, and reoriented in the direction of social ownership, with increased control by residents in place of centralized, bureaucratic control.

In the long run, as much housing as possible should be converted away from ownership for profit. Social ownership can take a variety of forms, including direct ownership by government or nonprofit entities, collective ownership by resident-controlled corporations or neighborhood councils, nonequity or limited equity cooperatives, or nonspeculative resident ownership of single-family homes. What matters is not the precise legal ownership structure, but that the housing has the attributes described above and is permanently removed from the speculative market. Residents of socially owned housing would pay rent based on true ability to pay, resulting in rent-free housing for many (or equivalent income support). And residents would have the right to permanent occupancy as long as they comply with reasonable tenure obligations (including noninterference with the rights of others).

*Social Production*

*Upgrade and expand the housing supply, and increase social control over the housing production process (including housing design, development, construction, and materials production).* To provide an adequate supply of housing, the existing housing stock (ownership and rental) should be upgraded as rapidly as possible to appropriate standards of safety, liveability, space, and energy efficiency. In addition, the rate of new housing construction should be increased to meet the needs of newly formed households, to replace lost or unrepairable units, to reduce overcrowding, and to facilitate adequate mobility and choice.

Certainly in the foreseeable future most aspects of housing production will continue to be performed by the private sector—but in order to meet these goals at reduced cost, the production process must be increasingly subject to public control. Government subsidies and financing assistance can be conditioned on the provision of social benefits (such as job creation for lower-income and minority residents, or the allocation of development profits for community use), with the housing thus produced ultimately transferred to the public or to resident groups for social ownership. The long-term goal is to move toward social ownership of the materials production industries, an increasingly strong public and community development sector, and perhaps a growing role for worker-controlled and public construction companies.

*Public Financing*

*Reduce the dependence of housing production, ownership, and improvement on private mortgage credit, and increase public control of housing finance capital.* Our analysis (and the experience of Western European countries) shows that even with social ownership and production, as long as housing remains dependent on private mortgage credit, it will continue to be expensive to society and in short supply [see Chapter 3 by Michael E. Stone and Chapter 4 by Ann Meyerson]. To address this problem in the short run, regulatory measures should be devised to allocate more private credit to housing, and alternative public sources of housing credit should be developed (such as state housing banks and public pension funds). In the long run, housing production and rehabilitation should increasingly be financed through direct government spending—in much the way we build military facilities—with direct grants to public and community developers for the production of socially owned housing. This housing would be permanently debt free, with no mortgages or bonds to repay. At the same time, as a growing portion of the existing stock is converted to social ownership, the mortgage debt on these properties could be paid off (over time) and permanently eliminated. [See Chapter 29 by Chester Hartman and Michael E. Stone for a detailed description of this plan.]

### *Social Control of Land*

*Control speculative private use and disposition of land, and preserve and expand the supply of land under public control and ownership.* Land is a scarce public resource, given value by public action and having pervasive influence over community life. Its control is an indispensable element in planning for society's housing (and other) needs, and its rising cost is a significant deterrent to housing development. To reduce land costs and insure an adequate supply of developable land for housing, increased public control over the private use and disposition of land is needed, through a variety of regulatory, tax, and planning measures. The existing supply of socially owned land should be preserved and expanded through such measures as government and community land-banking, moving toward broad social ownership of land suitable for housing use and progressive land-use planning.

### *Resident Control of Neighborhoods*

*Limit the adverse impact of profit-oriented development and service patterns on lower-income and minority neighborhoods, and increase control by residents over neighborhood decisions, on a nonexclusionary basis.* Increased residential security and improved living conditions for lower-income and minority residents will require a reorientation of neighborhood development and service patterns to reflect social and community needs rather than profit considerations. At a minimum, this means that any private development activity (especially if publicly assisted) should be regulated to minimize its adverse impact on lower-income and minority neighborhoods (impacts such as direct or indirect housing or job loss). While private developers should be held accountable for these social costs, the public benefits of private development activity should also be maximized, for example, by providing jobs, housing, community facilities, or services for lower-income and minority residents in conjunction with such activity.

Similarly, public planning for the design and delivery of public services should be responsive to community (and especially to user) needs. In order to achieve this accountability, the residents of lower-income and minority neighborhoods should be increasingly involved in development and service decisions. Neighborhood control does not need to be increased for the rich, the powerful, and the entrenched, who already control not only their communities but most decisions in the society at large. It is, however, a progressive force in those communities whose residents do not have access to privileges and power, and whose ability to manage their own destinies is limited, rather than buttressed, by the power of capital. Resident control in any neighborhood should operate within a basic nonexclusionary framework, and should not be misused to exclude or deny access or opportunity.

*Affirmative Action and Housing Choice*

*Eliminate the discriminatory, exclusionary, and oppressive uses of housing, especially in relation to racial minorities and women; and provide housing in forms and locations that address the special situation of oppressed groups, including the right to remain in place or to move to other neighborhoods of choice.* Special steps must be taken to address (and redress) the particular housing problems confronting oppressed groups in our society. These include increased, affirmative efforts to control and ultimately eliminate the pervasive forms of discrimination and exclusion that currently exist in the housing market [see *Chapter 18 by the Citizens Commission on Civil Rights*]. Housing resources must also be targeted for the revitalization of existing minority communities, in order to protect and affirm the right of minority residents to enhance their social and political cohesiveness by remaining in place if they choose to do so. At the same time, the right of mobility for minority residents must be expanded by providing increased housing options in other neighborhoods of choice, without diminishing the prior commitment to neighborhood revitalization [see *Chapter 12 by Gary Orfield*]. Affirmative efforts are also needed to develop housing of appropriate size, type, and design to free women from domestic oppression and exploitation.

*Equitable Resource Allocation*

*Allocate available resources for housing and neighborhoods based on need; and provide adequate resources through the public sector, raising the necessary funds through progressive means.* Resources currently available for housing and neighborhoods (from the private as well as the public sector) should be increasingly targeted for purposes that benefit lower-income and minority households. In the long run, in order to provide decent, affordable housing and viable neighborhoods, the level of resources allocated to housing and the role of the public sector must be substantially increased. A major shift in public spending priorities (most notably away from military spending) as well as increased taxes on corporate and individual wealth and profits would be required in order to generate the needed revenues in a progressive way. At the same time, a progressive, nonspeculative approach to housing production, finance, and ownership would make it possible to use these increased resources with much greater cost effectiveness.

**Strategic Implications**

What are the strategic implications of a program for housing de commodification in the United States today, given current political and economic conditions?

Certainly, the experience of other modern Western industrial societies suggests that many of these proposals can be quite compatible with a private

market economy, at least under some historical circumstances. Strict rent controls, for instance, have appeared as a feature of the private housing market in virtually every Western European country since World War II, in some cases since World War I. England and West Germany both have more than 30 percent of their housing stock outside the private, profit-oriented sector, under government or nonprofit ownership. Significant construction has been done by the public sector in England [see *Chapter 30* by *Steve Schifferes*]; controls over land use in France are virtually all-inclusive in key development areas. The share of the public budget allocated to housing is from two to five times higher in Western Europe than in the United States, and even residential investment as a percentage of GNP is considerably higher (6.4 percent in West Germany and 7 percent in France, as compared to 4.4 percent in the United States, between 1970 and 1978; UN Economic Commission for Europe, various years).

Yet in the U.S. context today, any major effort to reduce opportunities for private profit in housing development, ownership, and finance, and the tax reforms and income redistribution required to accomplish it, may well require far-reaching political and economic change. The pursuit of a progressive housing program is likely to challenge deep-seated ideological buttresses to the established system. In the context of the current capital accumulation crisis, the stakes (on both sides) are even higher. A program for housing decommodification can therefore become a critical element in the development of a broad-based movement for increased social control over investment and production in the society as a whole. For this reason, the program should not be viewed primarily as a legislative platform (although legislation may be based on it), but as a *political* program strategically linked to organizing efforts for progressive change [see *Chapter 23* by *John Cowley* and *Chapter 24* by *Kathy McAfee*].

Thus, progressive housing strategies should address immediate organizing (as well as housing) needs and should be relevant to ongoing organizing agendas. But they should also help to reveal the systemic nature of the housing crisis, and the possibility of an alternative approach. Finally, these strategies should help to unite diverse constituencies within the housing sector (such as lower-income tenants and homeowners) and should offer the potential for promoting coalitions between organized housing consumers and other progressive groups. Some examples are suggested below.

### *Social Ownership*

One possible application of the program would involve the broadening of local tenant organizing efforts into more affirmative struggles for social ownership [see *Chapter 22* by *John Atlas* and *Peter Dreier* and *Chapter 24* by *Kathy McAfee*]. Campaigns for increasingly strict control of rents, evictions, ownership conversion, speculation, and occupancy conditions in private rental housing could be coupled with the development of programs for public takeover of buildings in noncompliance with this regulatory scheme,



as a first step toward social ownership. The burgeoning squatters' movement in cities that have already acquired a substantial inventory of abandoned, tax-title buildings [see *Chapter 25 by Seth Borgos*] could go beyond its current focus on individual "self-help" and homeownership to provide new models of nonspeculative public, community, and collective ownership (or ownership by individual residents with appropriate equity and resale controls). Block grant, Urban Development Action Grant (UDAG), rental assistance, or other funds could be targeted to these properties for rehabilitation and operating subsidies.

Relatedly, tenants in privately owned, federally subsidized housing that is in various stages of mortgage default, assignment, or foreclosure could demand a write-down (or long-term deferral) of the properties' outstanding mortgage debt and conversion of the housing to social ownership (Achtenberg, 1985). This is contrary to HUD's current policy of remortgaging and/or selling these properties to the highest bidder, often without subsidies. Rehabilitation could be financed debt free by tapping the FHA mortgage insurance funds (financed in turn by mortgagor contributions and off-budget Treasury appropriations), and available rental assistance subsidies could also be provided. In this way, a growing portion of the existing private rental stock could be converted to permanently debt-free social housing that is relatively affordable and in good condition.

At the same time, any effort to increase social ownership should involve major local and national campaigns to defend existing public housing, by organizing against rent increases, maintenance and service cutbacks, and plans for private resale or demolition (Roisman, 1983). These efforts should be coupled with affirmative programs for a rent policy based on true ability to pay, adequate and permanent operating subsidies, modernization funds, and increased resident control of management.

### *Neighborhood Control*

In the neighborhoods, antidisplacement activities involving both tenants and homeowners can be broadened to address the need for social control over private investment decisions. Thus, local groups can demand that developers of downtown office buildings, or institutions expanding into lower-income neighborhoods, provide a specified number of jobs and/or housing units for lower-income and minority residents, to compensate for the direct or indirect social cost of such ventures. This same "inclusionary development" concept (Davidoff, 1983) is applicable where the developer receives public benefits (such as zoning variances, property tax breaks, UDAG grants, or even building permits). A portion of the development profits, tax increments, UDAG loan paybacks, equity syndication proceeds, or other revenues generated by these ventures could also be allocated directly to public entities or community-based groups to finance neighborhood projects, housing, or services in the impact area.

Campaigns to restore public services and jobs for public employees can be

linked with demands for higher or additional taxes on new hotels, offices, and shopping centers, or on the profits of condominium conversion or real estate speculation. Finally, neighborhood groups can demand compensation (reparations) from business to offset the adverse impact of plant closings or new development on their communities (e.g., in the form of emergency housing assistance funds or grants for the production of new, lower-income housing). These strategies offer the potential for alliances with progressive workplace organizations, or with groups opposing public service cutbacks.

### *Resource Allocation*

Finally, efforts to oppose federal budget cuts for housing can be tied to demands for a reallocation of government spending priorities, elimination of regressive housing tax expenditures, and large-scale progressive tax reform. And alternative programs for housing production, finance, and ownership can be devised to show how the increased funds might be used in a progressive way. For example, the elimination of 100 B-1 bombers from the military budget would generate \$28 billion for the construction of over 500,000 new housing units through direct government spending for (debt-free) social ownership. The elimination of housing-related tax expenditures for high-income investors and homeowners with incomes over \$50,000 could provide about \$15 billion for rental assistance to tenants in socially owned housing, to reduce shelter costs to more affordable levels. An additional 10 percent tax on corporate after-tax profits could add another \$12 billion for neighborhood improvements (more than three times existing outlays for the entire Community Development Block Grant program). These campaigns should, of course, be linked with the efforts of other progressive groups to restore social spending and oppose U.S. militarism, at home and abroad.

In these ways, one hopes, programs and strategies to challenge the commodity nature of housing and solve our housing problems can become part of the solution to the problems of our economy and society as a whole.

### *Acknowledgments*

We gratefully acknowledge the prior work of Chester Hartman and Michael E. Stone [see their *Chapter 29*], and of the Boston Urban Analysis Group (Louise Elving, Kathy Gannett, John Grady, Marie Kennedy, Kathy McAfee, and Michael E. Stone), in which co-author Emily Paradise Achtenberg participated, in conceptualizing many ideas developed in this program.