

WEEK 1: Housing in a Free Market

August 28, 2023 | Adjunct Lecturer: Erin Lilli, M/MS.Arch

URBST 222: Introduction to Urban Housing

URBST 723: Dynamics of Housing & Homelessness



German workers' family evicted (1872)

Frederick Engels, *The Housing Question*. 1872

- Engel's observes major industrial cities in Germany at the point when the influx of the proletariat (i.e. working class) have created a housing crisis.
- Germany was starting to enter the world arena as a competitor on the world market – shifting from small-scale manufacturing to large-scale industry.
- The proletariat were coming in from rural areas to work in industrializing cities at the same time these cities were transforming to accommodate large-scale industry and workers' housing was being demolished...hence the housing shortage.



Portrait of a young revolutionary: Friedrich Engels at age 21, in 1842, the year he moved to Manchester—and the year before he met Mary Burns.



Frederick Engels, *The Housing Question*. 1872

The key thesis of Engle's study is that:

"it is not that the solution of the housing question simultaneously solves the social question, but that only by the solution of the social question, that is, by the abolition of the capitalist mode of production, is the solution of the housing question made possible."

The Housing Question...

- The Housing Question was a heated debate among German intellectuals in the mid-19th century.
- Two such intellectuals, anarchist Pierre-Joseph Proudhon and social reformer Emil Sax contributed to this debate with what they saw as the answer to the housing question—that is the problem of housing workers in an industrializing city.
- Engels took great issue with their answers to this problem and wrote a series of responses in *Der Volksstaat*. Engels wholly disagreed with what their answers had in common—that they did not challenge the idea of private property but sought to perpetuate it.

1 April 73.
Laura Lafargue
des Kuffner

Die Wohnungsfrage.

Von

Friedrich Engels.

Separatdruck aus dem „Volksstaat“.



Leipzig, 1872.

Verlag der Expedition des „Volksstaat“.

The Housing Question...Answers...

- Proudhon's
 - End private landlordism by converting renters into homeowners – rent payments would be go toward purchasing their dwelling.
 - This would end the exploitative relationship between tenants and landlords.
- Sax's
 - By owning their own 'home and garden' tenants/workers would become capitalists themselves.
 - Owning would allow them to rent out real estate when needed to generate income or credit as well as provide a sense of self worth.

These solutions “did nothing to challenge the existence of private property rights, but actually made those rights even stronger: they truly believed that homeownership among the proletariat had ‘revolutionary potential’” (Larsen et al., 2016, p. 581)

Part One: How Proudhon Solves the Housing Question [Engel's Response]

- Engel's first point is that the housing shortage is not particular to the proletariat, nor that era—rather “all oppressed classes in all periods suffered more or less uniformly from it”.
 - To end this current [1870s] housing shortage is to end oppression of the working class by the ruling class.
- **Tearing down of worker housing...**
 - Centrally located land becomes artificially inflated in rapidly transforming industrial cities.
 - The extant worker housing depresses this value and must be removed as they don't reflect the changing needs of an industrial city competing in a global economy.
 - Even with greatly overcrowded conditions, the rents collected from centrally located worker housing cannot increase above a certain level—the profits from rent would be minimal with working class tenants.

Part One: How Proudhon Solves the Housing Question [Engel's Response]

- For Proudhon – he saw the housing shortage as a crisis only affecting the proletariat (working class) and not other classes like the petty bourgeoisie (lower-middle class). As a Proudhonist states,

“As the *wage worker* in relation to the *capitalist*, so is the *tenant* in relation to the *house owner*. [Mülberger in Der Volkstaat February 10 1872]”

Engels completely disagrees using the following explanation...



Part One: How Proudhon Solves the Housing Question [Engel's Response]

“In the housing question we have two parties confronting each other: the tenant and the landlord or house owner. The former wishes to purchase from the latter the temporary use of a dwelling; he has money or credit, even if he has to buy this credit from the house owner himself at a usurious price as an addition to the rent”.

It is a straight-forward commodity sale. There is no worker-capitalist relationship here; no production of surplus value through the exploitative worker-capitalist relationship. It is not a worker selling their labor power here.

Instead, you have both the prospective tenant and the landlord merely exchanging already-produced value.

Part One: How Proudhon Solves the Housing Question [Engel's Response]

- Engel's states: "we are dealing here with a quite ordinary commodity transaction between two citizens, and this transaction proceeds according to the economic laws which govern the sale of commodities in general and in particular the sale of the commodity, land property".
- The calculation for sale is based upon:
 - building and maintenance costs
 - land value
 - the state of the relation between supply and demand
- A Proudhonist would take this economic expression as...



Part One: How Proudhon Solves the Housing Question [Engel's Response]

“The house, once it has been built, serves as a *perpetual legal title* to a definite fraction of social labour although the real value of the house has already long ago been more than paid out in the form of rent to the owner. Thus it comes about that a house that, for instance, was built fifty years ago, during this period covers the original cost two, three, five, ten and more times over in its rent yield”.

This is the crux of Proudhon's argument for converting tenants into homeowners, although he never explains how the original cost is paid multiple times over.

Part One: How Proudhon Solves the Housing Question [Engel's Response]

Engel's challenges this idea of tenant-turn-owner/landlord with his critique of the Proudhonist view. Proudhon seems to forget that:

1. **rent must pay** the interests on the building costs and builder's profit, but also: repairs, debts, unpaid rents, times when there is no tenant, "and finally pay off in annual sums the building capital which has been invested in a house which is perishable and which in time becomes uninhabitable and worthless".
2. **rent must pay** ground rent—the interest on increased land value upon which the building sits.
3. "the whole transaction is not one of buying the house from its owner, but of **buying its use for a certain time**".



Part One: How Proudhon Solves the Housing Question [Engel's Response]

“The whole Proudhonist teaching rests on this saving leap from economic reality into legal phraseology. Every time our good Proudhon loses the economic hang of things—and this happens to him with every serious problem—he takes refuge in the sphere of law and appeals to *eternal justice*.”

Part One: How Proudhon Solves the Housing Question [Engel's Response]

What is meant by “eternal justice”?

“Proudhon demands a world in which each person turns out a separate and independent product that is immediately consumable and exchangeable in the market. Then, as long as each person only receives back the full value of his labour in the form of another product, “eternal justice” is satisfied and the best possible world created”.

“Rent...will be...the exactly fixed sum paid by the tenant to provide the annual installment for the payment of the dwelling which has passed into the possession of the tenant”.

Contrary to the backward thinking of Proudhon, Engels says,

“And it is precisely this industrial revolution which has raised the productive power of human labour to such a high level that – for the first time in the history of humanity – the possibility exists, given a rational division of labour among all, to produce not only enough for the plentiful consumption of all members of society and for an abundant reserve fund, but also to leave each individual sufficient leisure so that what is really worth preserving in historically inherited culture – science, art, human relations is not only preserved, but converted from a monopoly of the ruling class into the common property of the whole of society, and further developed.

To return to the Housing Question:

Proudhon would solve it by:

1. Demanding workers own their own home
2. Assuring that, through a perpetual legal title, rent will repay the original cost of the house 2x, 3x, 5x, 10x over.

However, the notion of a “perpetual legal title” is found to be in contradiction to his idea of “eternal justice”. Why? Because it permits the owner of the property to—through no labor of their own—collect ground rent and interest from the rent paid.

Solution? Abolish the legal title. Abolish rented dwellings, reduce interest rates to zero and have all workers own.

“The Proudhonist finds it a crime against eternal justice that the house owner can without working obtain ground rent and interest out of the capital he has invested in the house [essentially becoming part of the rentier class]. He decrees that this must cease, that capital invested in houses shall produce no interest, and so far as it represents purchased landed property, no ground rent either”.

In sum, abolishing rent and simply paying to own, yokes workers to capitalist by burdening them with heavy mortgage debts. It would not work the in reality the way Proudhon describes. Why?

Because:

1. Workers often live in dwelling units in large buildings with multiple other families and therefore pay to own a fraction of that building.
2. What if a factory closes, a worker loses their job, a worker gets relocated etc. That would mean renting-toward-ownership elsewhere and thus owning fractions of places everywhere the worker has to move. How does the worker ever get the real value of these fractional shares in ownership?



To return to Engel's original thesis:

"it is not that the solution of the housing question simultaneously solves the social question, but that only by the solution of the social question, that is, by the abolition of the capitalist mode of production, is the solution of the housing question made possible."