OWNING LAND: KEY TO WEALTH BUILDING?

by Edward J. Dodson, Cherry Hill, NJ

Among activists involved in anti-poverty initiatives, there is a deep commitment to expanding opportunities for home ownership as a primary path to individual wealth building. The statistics tell the tale: the amount of equity (i.e., the difference between what one owes to mortgage lenders and market value) in a residential property represents the majority of net worth enjoyed by most households in the United States. While the percentage of households who have reserves invested in corporate stocks, in corporate and government debt, or in money market funds is relatively high, only a very small percentage are able to live off the cash flows and "capital gains" generated by such investments. The great majority of people depend on wages to meet ongoing expenses and save far too little to sustain a similar lifestyle during their retirement years. A growing percentage of people will not be able to retire because of their financial circumstances. Furthermore, households who are renters tend to have the lowest net worth - even when they have incomes comparable to others who are home owners.

In the United States, far more people categorized as members of a "minority group" are renters than the population of citizens of European heritage. Conventional wisdom is that prejudice and discrimination are the primary reasons why this situation exists. While a continuing factor, a more important fact is that people who have arrived in the United States with little or no financial resources or marketable skills are trying to compete in a dysfunctional market that (as Henry George observed) has a wedge driven between those already in the game and those trying to get onto the playing field. Although Americans of African heritage have lived here for generations, institutional and cultural discrimination has imposed enormous obstacles in their path as well.

For a very long time, many neighborhoods in the nation's large cities experienced rapid conversions from being primarily owner-occupied to absentee ownership. The process began in the 1950s in conjunction with the construction of our highway system, the movement of large employers to suburban locations, and the conversion of farmland and open space into housing subdivisions. Older homes in the cities began to suffer from deferred maintenance, rapid turnover of ownership from one absentee owner to another in pursuit of tax sheltered investments and the greatly reduced purchasing power of lower income minorities concentrated in these older neighborhoods. The long battle against urban blight resulted.

Beginning in the late 1970s, many neighborhoods characterized by unique or historic housing began to attract young, "urban pioneers" who found suburban living not to their liking. Gradually, higher income households returned to these city neighborhoods. They were able to invest (or borrow) the large sums required to renovate and return to single-family use properties that a half century or more ago were acquired by absentee owners and divided into numerous apartments. Lower income working families - first those who were renters - were forced to relocate from these neighborhoods. An increasing number of the poor have become even more marginalized. If they are very fortunate, they are able to purchase new housing the construction of which is heavily subsidized by government and foundation grants. If they are less fortunate, they compete with other marginalized families for access to available subsidized rental housing or market rate rental housing. As the housing and community investment professional views the situation, the appropriate public policy response is to make home ownership a viable option for all but the lowest income households.

One of the most important lessons the planning establishment has learned is that large-scale, high-density, high-rise publicly-owned housing creates more problems than it solves. Decent, affordable housing is an essential component of any initiative to help people "pull themselves up out of poverty," but is only one of many. The objective must be to create and strengthen the idea of community as a place where people can live, work and play in relative safety and with access to public and private amenities.

After many decades of disinterest on the part of the nation's financial institutions (resulting in few investments), there is a resurgence of new construction of housing and other types of development in neighborhoods previously written off as unworthy of investment. Much of this activity has come about because of public/private/philanthropic partnerships and a remarkable process of community-based organization. Despite these efforts, however, the number of housing units lost to physical deterioration and abandonment is far greater than the number being renovated or constructed. The combined efforts of all the players, of all the subsidies, of all the grant programs, of all the "sweat equity" initiatives, falls far short of the need.

The number of households living in homes they own (even though their equity in the home and underlying lot might be minimal) is higher than ever before in the history of the United States. Some 68 percent of U.S. households are in the game, are the recipients of the wealth-building subsidies attached to the private appropriation of location rent. Yet, the number of people who are homeless and the number of people who have few or no options but to live in squalor is also higher than ever before.

As GroundSwell readers well know, there is only one way to move from programs of mitigation to a program of permanent solution: communities must collect the values created by expenditures for public goods and services and by aggregate private investment. This is a message that needs to be communicated to the proponents of programs and initiatives that seek to lift people into the rent-seeking class rather than focusing on changing the rules of the game.

(Ed Dodson may be emailed at EJDodson@comcast.net)
<<