

How Our Obsession with Owning the Land Beneath our Homes Is Driving the Housing Affordability Crisis (and What to Do about It)

Uncommonwealth — No 1



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This is the first in a series of articles discussing housing affordability, economic justice, and inequality in the United States.

A few months ago, I took the plunge and bought a home the traditional way, house and land packaged as one. Buying a home this way was not my first choice (more on this another time), but as I began to search for options it quickly became clear to me that

if I wanted to buy a property at all I would not have much of an alternative. After buying it, I found it strange the way people congratulated me, as if this one purchase now suddenly made me a worthy human being. Worse still was when they spoke about what a good investment I had made. I did not want to make an investment; I simply wanted a home and to reduce my expenses considering how much rent has increased over the past few years...

I do not regret buying the house given the choices I was presented with and I certainly feel grateful for the opportunity. However, when I reflect on how expensive it all was, on how much money I had to save, and on how difficult it is for most Americans to do the same, I cannot help but feel a mix of anger, impotence, and guilt. Why are houses so expensive, anyway? Why is it increasingly difficult for most Americans to own their home? Why are houses and land usually bundled? Is there a problem with owning the land?

I am writing this article and others to come because, as I will explain below, owning the land IS a problem and one we need to address immediately. My hope is that the perspectives I offer in this series will challenge the way we think about land and homeownership and that this leads to tough conversations and, ultimately, to systemic changes in our land tenure system that allow all Americans to access high-quality housing at an affordable price.

An Unaffordable Dream

Homeownership is one of the few values that most Americans can agree on¹. We have been taught from the get-go that owning a home is our ticket to the middle class and the best way for us to generate wealth for our families². The American Dream, however, is becoming [increasingly elusive](#) for many of us, as the cost of land and housing across the vast majority of markets continues to rise at a much faster pace than real wages³. In the past fifty years, while the median home value in the United States increased by 115% in real terms, real median household incomes increased by only 15%⁴. As a result, today only about 50% of Americans can afford to buy an entry-level house⁵, while in approximately 75% of the country the average American family is completely priced out from purchasing a middle-of-the-road home⁶. Not surprisingly, the rate of homeownership has decreased in the past fifteen years, falling from its peak of around 70%⁷.

We are living through what is perhaps the most severe housing affordability crisis in modern history⁸ and although it affects primarily low-income Americans, younger generations, and historically-marginalized racial and ethnic groups, it should be understood that the high cost of land and housing is affecting *all* segments of society⁹: today, a majority of Americans work harder and longer¹⁰ only to dedicate more of their earnings to housing¹¹ than in the past. Not even high-wage earners are spared by this reality: the handful of dynamic cities in which [they](#)

[are concentrated](#) are also the least affordable in the country. Median home values in many of those cities already exceed half a million dollars: San Francisco (~\$1.4 million), Los Angeles (~\$800,000), New York (~\$650,000), and Washington, DC (~\$650,000)¹². At these prices, even [high-income families find it difficult to purchase homes](#) in the cities where they work.

Unfortunately, these trends are only likely to get worse over time, as housing supply remains constrained and our demographics continue to exert upward pressure on property prices. What has gone wrong? Why is it harder and harder for most Americans — who are presumably part of the wealthiest nation on Earth — to afford something as basic as housing?

The Perverse Nature of Our Land Tenure System

Most would argue that the key driver of the unaffordability crisis is a shortage in the supply of housing. Strictly speaking, this is true — there simply are not enough homes built each year for our growing population¹³. What is often ignored, however, is the root cause of this shortage. It is not our inability to build more homes or even the lack of space in which to do so; rather, it is the pernicious mental framework that mediates our relationship with land and the disastrous land tenure system it has engendered. This characteristically American framework consists of three rarely-questioned premises:

(1) That land can and should be treated as a private asset and a commodity;

(2) That the valuation of land, which is created not by landowners but by society, can and should be appropriated by private owners; and

(3) That land should be relied upon as a key generator of wealth

By commodifying land, allowing individuals to appropriate value created by society, and encouraging them to accumulate wealth through the possession of land, we end up with a land tenure system — consisting of laws, policies, institutions, and incentives — that primarily seeks to appreciate the value of homes rather than provide universal access to affordable, high-quality housing. Unsurprisingly, the logical conclusion of a system such as this is an obsession with land ownership, rampant speculation, and the affordability crisis we are living through today. Before we can ever hope to overcome this situation we must therefore recognize and understand this [basic tradeoff](#): **the land tenure system we have enshrined to bolster property prices is fundamentally incompatible with the broader social goal of affording all Americans with access to adequate housing, which is a basic human right**¹⁴.

It is no accident that in cities and towns throughout the United States there exist formidable barriers to the development of

housing, especially moderately-priced housing: sluggish and burdensome permitting and approval systems¹⁵; obsolete, overly restrictive, and exclusionary zoning, land use, and density regulation¹⁶; political influence from not-in-my-backyard (NIMBY)¹⁷ groups and [supply skeptics](#); excessive or overly complex environmental regulation¹⁸; poorly-implemented smart growth policies¹⁹; and [distortionary taxes that favor commercial developments over housing](#). These practices and policies ultimately benefit existing homeowners even if their stated purpose is to promote safety, aesthetic or environmental preservation, economic development, or other policy goals. Regrettably, even when they claim to care about affordability, the interests of cash-starved municipalities end up being very much aligned with those of homeowners, since cities and towns across the country rely on property tax revenues²⁰ to pay for public goods and services: higher property values means higher tax revenues for cities.

It is true that these barriers are what create housing shortages in most communities across the US and we need to address them through changes to local, state, and federal policies. However, we must recognize that unless we dismantle and fundamentally modify our land tenure system, one that commodifies land and that incentivizes individuals to build wealth through it, the inexorable forces that push prices up will always be present. If there is money to be made from restricting the supply of housing, policies that seek to increase supply and densification will, more

often than not, be defeated by well-organized, well-funded groups or by government itself.

In recognition of this political reality, communities that do have a genuine interest in promoting affordability often resort to federal and local subsidy programs all while continuing to promote policies and subsidize practices that ensure property values will go up. Costly²¹ and [oftentimes inefficient](#) subsidy programs, like [low-income housing tax credits](#), [public housing](#), [housing vouchers](#), and [down payment assistance](#), thus are constantly having to catch up with ever-increasing prices. Unable to keep up, these programs are ultimately rendered insufficient²² and incapable of addressing the affordability crisis at a meaningful scale. And while these subsidy programs do help a handful of low-income families access affordable housing — albeit at great cost — the pool of families in need of assistance continues to grow²³, as policies that prop up property values continue to price out many more low-, middle-, and in some communities, even upper middle-income families.

To the extent that the economic incentives that underpin our current land tenure system remain unchanged, policies to increase the supply of housing will not be meaningfully implemented and subsidy programs will not suffice. The premises we have embraced, which arbitrate our relationship with land, and the distortionary land tenure system that has arisen from those premises keep us trapped in an unsustainable spiral of increasing prices, unaffordability, and an inability to do anything about it.

Beyond its unsustainability, this system is also fundamentally unjust and ultimately immoral: while Americans from all income levels continue to dedicate more of their earnings to housing, landowners become wealthier at their expense through the unearned²⁴ windfalls²⁵ they receive from appreciating property values. These gains that accrue to landowners in the form of valuation over time ultimately constitute a regressive and unjustifiable transfer of wealth to landowners from value that is created not by them but by the rest of society²⁶.

Novel Housing Models for a Truly Rich Society

Because housing is a basic human right, a truly rich society is one that is capable of providing high-quality housing to all its members at an affordable cost. Being able to fulfill this and other basic needs easily is precisely what it means to be rich. The United States certainly has the resources for all of us to live in homes that are safe, high-quality, comfortable, and affordable, but for this to actually happen we must first recognize our damaged and obsessive relationship with land and fundamentally transform our land tenure system to fix the market failures inherent to it. As long as we commodify land and allow individuals to seek private, personal gain through the tenure of land, we will end up with the socially suboptimal outcomes we are now experiencing, namely housing shortages and exorbitant prices.

It should be clear that I am not proposing that we do away with the private ownership of *homes*, the physical structures built on the land. Rather, I am questioning the exclusive and private stewardship of land, meaning that individuals who possess land unilaterally and exclusively dictate how that land is to be used, often at the expense of others and usually against the interests of society as a whole. The alternative is a system that promotes private homeownership, on the one hand, and public land and public stewardship, on the other; a system in which all of us have an equal stake and an equal voice in determining how we use land as our common heritage and right.

What this looks like in practice will be up to us to define and to determine as a society through public debate and democratic processes. As a starting point, however, we can take into account various promising models currently being used to promote affordable low-income housing, such as [community land trusts](#) (CLT) and other [shared equity housing](#) models. These models could be generalized and scaled so that they become the norm rather than the exception. At the heart of these programs is the legal and economic separation of the house (the physical improvements) from the land. In CLTs, for instance, the land is generally owned by a nonprofit, while the homes themselves are sold to individuals who purchase them at prices substantially below market (since they do not have to pay for the cost of the land). Incidentally, it should be noted that under our current system when home property values increase, they are generally

being driven by the value of the land²⁷ not the value of the building itself, which is most likely deteriorating over time. CLT homeowners also pay a nominal renewable ground lease (generally of 90 or 99 years) and they have the ability to sell and bequeath the homes just as one might do with a traditional home. The key difference here is that when the property is sold the homeowner makes little to no profit, since they are not selling the land and since homes must, by contract, be sold at a price that maintains affordability in perpetuity.

In essence, this approach limits and in some cases does away with the possibility of building wealth through the ownership of land. Models such as these that treat land as a public good rather than as a commodity thus prioritize affordability over wealthcreation. As discussed, accruing wealth through the ownership of land represents a regressive redistribution of wealth from generally less wealthy non-landowners to those who are already in possession of land. This is fundamentally unfair, unsustainable, and unjustifiable. From this perspective, the limitations on building wealth, rather than being a shortcoming of CLTs and similar models, are actually a corrective feature.

Today, most CLTs are designed as affordable housing schemes for low-income individuals and although we should certainly prioritize those families at the moment of creating affordable housing, there is no reason why we could not make CLTs the norm for all of us. We could implement a homeownership model based

on CLTs, say a public land trust (PLT), that recognizes land as a public good and that offers all Americans — regardless of their income level — access to housing that is much more affordable and sustainably so. In this system, we would treat homes for what they are, places where we can live, work, play, and thrive rather than a piggy bank. A generalized PLT system of this nature, by virtue of having eliminated the incentive to speculate on land or to accumulate wealth through its possession, would also remove many if not all of the forces that sustain the restrictions on housing supply, which would further contribute to alleviating the housing shortage.

Of course, changing our system to reflect this new vision will not happen overnight. As we embark on this process of fundamentally redefining our relationship with land, it is important to define a realistic trajectory for how this may take place over time. A good point of departure would be to explore, experiment with, and evaluate existing alternative arrangements, models, and policies like CLTs, [land-value taxes](#), and other [land-value capture](#) strategies that, to varying degrees, eliminate perverse economic incentives and increase the supply of housing to promote affordability.

It is also important to recognize that the homeownership system we have in place today operates within a broader economic and social context that also needs to be reexamined and overhauled and that not doing so would make reforming our land tenure

system rather difficult. We Americans seem to be uniquely obsessed with building wealth: average wealth per adult in the United States at the end of 2019 was more than twice as much as in Germany²⁸ and, yet, the GDP per capita of Americans was only 22% higher than that of the Germans²⁹. This pronounced imperative to accumulate wealth no-matter-what stems from the weaknesses of our social contract, from the extremist individualistic notion that a society is best when we are all left to our own devices, each to fend for ourselves. This ideology, the abandonment of collective and cooperative values in favor of individualistic ones, and the concomitant undermining of public and social institutions we have experienced [since the 1970s](#) have led us to live not in a robust, sustainable society but in a chaotic, predatory jungle in which the strongest prey on the weakest and in which we are all ultimately rendered vulnerable, miserable, and insecure.

This dynamic and the impulses it generates are very much evident not only in our land tenure and housing systems but also in other aspects of our society like our labor market, our healthcare and education systems, and retirement. For a PLT system to function well, we would need to significantly reduce or eliminate the necessity of building wealth in the first place by establishing a more robust social safety network that equitably expands access to all basic needs and lessens our generalized sense of vulnerability. Without that, Americans will continue to obsess over building wealth. And since homeownership is in many ways the simplest

way to accumulate it, as long as that perceived psychological need remains, the compulsion to build wealth through land will also endure. By contrast, if we were to become a society that is economically and socially just, a society that is cooperative, one in which all basic needs are affordably met from infancy to old age, and in which all of us are able to sustain adequate incomes until our final days, then how important would the accumulation of wealth be?

For many of us, a society such as this might seem like an unattainable reality given where we are as a country, but we should remember that the economic, social, and political culture we have in place in the United States today is not immutable, nor is it intrinsic to who we are as humans or as individuals. Rather, this culture is the present expression of the accumulation of habits that we have developed, established, and transmitted over centuries — habits that can, in time and with conscious effort, be shed and replaced. The housing affordability crisis we are experiencing today is only one manifestation of these broader cultural and societal problems and fixing our land tenure and housing systems will not in itself undo the many other social crises we are facing today (increasing poverty and inequality, fraying social and political institutions, and climate change), but that is no excuse for continuing to ignore, at our own peril, the unsustainability of these systems, the untenable and perverse nature of how we have chosen to live, myself included.

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