Profiting from Land Is Ultimately Immoral

Uncommonwealth — № 2

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This article is part of [Uncommonwealth](), a series of articles that discuss housing affordability, economic justice, and inequality in the United States.

In January 2016, for all the best and worst reasons in the world, I made an abrupt move from Mexico City to Manhattan. I moved there with no job, no apartment, just on a hunch that things would pan out. Interestingly, I was able to find a job well before I found a permanent place to live in, an apartment of my own. The real estate market in New York was insane and having to deal with brokers was a nightmare. It took time.

Eventually, after subletting for a few months, I did find my own apartment on Orchard Street in the Lower East Side. The apartment itself was nothing special — a super-tiny studio on the fourth floor of a walkup. The building, formerly a tenement, dated back to 1929 and, while it was beautiful and not quite falling apart, it was also not particularly well-kept, much less luxurious. In spite of that, the rent was not cheap. In fact, I was paying back then substantially more for that tiny apartment than what I am paying now for my entire mortgage…

Why was this old, tiny, basic apartment with no amenities so expensive? Well, it was the location of course. Orchard Street was by far my favorite street in the Lower East Side, one of the hottest, most happening neighborhoods in New York City. The buildings on Orchard Street have beautiful, century-old façades, and the street level is crammed with boutiques, hip restaurants, trendy bars, museums, coffeeshops, and galleries. The vibe, the energy, the people…all simply electrifying. My apartment was expensive because it was in the midst of all this, because so many people like me had spent time on Orchard Street and eagerly wanted to be a part of it.

There is so much value being created in the streets of the Lower East Side and in up-and-coming neighborhoods like it throughout the country. Artists paint murals, architects restore buildings, neighbors plant trees, young entrepreneurs open innovative, attractive shops. At the core of this urban renewal in many cities around the United States (and the world) are legions of creative and entrepreneurial individuals who transform formerly run-down, inexpensive neighborhoods into places many of us want to live in. These creatives and their efforts, of course, stand on the shoulders of the communities that came before them. The Lower East Side, for instance, is historically an immigrant neighborhood, first of Germans, then Jews and Eastern Europeans, and most recently Puerto Ricans. They all left their mark on the Lower East Side — evident in its architecture, its food, and its businesses— and it certainly wouldn't be what it is today without any of those initial contributions.

The tragedy in all this, however, is that those who create the value in communities like the Lower East Side — the original residents, the artists, the entrepreneurs, the risktakers — rarely get to enjoy the fruits of their labor. Instead, those who own the buildings in those neighborhoods, those who for whatever historical accident ended up with ownership of the land, are the ones that profit from the efforts of others.

It dawned on me one day while I was living in New York that there was something amiss about all this. All the creative people that made my neighborhood thrilling were barely making ends meet, working as baristas and bartenders, only able to produce art and music and to contribute to the culture on the side. And many of the original residents from immigrant communities were either living in precarity or had already been pushed out. I myself was working first at a nonprofit and later as an independent consultant, making good money but ultimately handing over a good chunk of it to my landlord, incapable of saving any for myself. Was that fair? I was the one who had worked incredibly hard since I was a kid to become the first in my family to go to college, to get a master's degree from an Ivy League school, and to obtain the work experience that allowed me to access the kind of job I now had. But who was reaping the returns on my investments? Was it me? Was it the original residents? Was it the creatives that made Orchard Street and the Lower East Side a fantastic place to be? No, it was not. It was my landlord.

I do not mean to pick on my landlord. By any standard he was a good landlord: he was a nice guy and quick to respond to anything that came up. But did that entitle him to profit from the efforts of the people that made the Lower East Side cool or from mine? Why was it that he was in a position to benefit from the value that was created not by him but by others? He did not make any significant improvements to the building with the money I and others paid him; he wasn't building any new apartments on top of those that already existed or adding new amenities, so how did he earn his profits exactly?

More than 150 years ago, John Stuart Mill noted, "The ordinary progress of a society which increases in wealth, is at all times tending to augment the incomes of landlords; to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves. They grow richer, as it were in their sleep, without working, risking, or economizing. What claim have they, on the general principle of social justice, to this accession of riches?" Apparently, no one paid attention at the injustice then and no one seems to be paying attention to it now. Why do we find it acceptable for certain actors in society to appropriate the value that is created not by them but by others? Is this not tantamount to theft? If I were to walk into your home, uninvited, and take for myself the loaves of bread you had baked for your family, would that not be theft? If I were to use, for commercial purposes, a song you produced without paying you any royalties, would that not be theft? Why do we protect value that is created by (some) individuals but not the value that is socially created by many? How and when exactly does value created become property subject to protection?

Let me be clear: I am not arguing that my landlord should have let me live in that apartment for free. I am simply arguing that he was not entitled to make a profit from my rent. That profit belonged to society, not him. In theory, this problem has an easy fix: (1) keep charging me the exorbitant rent, since I am willing and able to pay it; (2) from that money, give my landlord enough to cover his costs; and (3) send the rest of the money to the appropriate taxing authorities, as the rightful stewards of public value (and compel them to put that money in a fund that supports original residents and creatives in the relevant neighborhood!). In practice, any steps in this direction would be vehemently opposed not only by all the landlords who have grown accustomed to enriching themselves from the hard work of others but also from the general public, who one day hopes that will be them.

Somewhere along the way we decided that windfalls from unearned income such as what my landlord received were not only justifiable but even laudable, something we should all procure for ourselves. As a society and as individuals, we have accepted this because we fool ourselves into thinking that one day we will be the ones earning the free money — essentially stealing from others while being cheered on by the rest of society. It is the perilousness in which we live in American society, the brutality and cruelty of our economic system, and the vulnerability they engender that compel millions of us — lest we be left behind — to constantly seek ways to make easy money and to turn a blind eye to the damaged caused. Why build more homes when you can just charge ever-increasing rent? Why produce goods and services that actually add value and improve society, or why even make a profit when you can just create hype around your start-up, sell it off, and become a billionaire overnight? Why work hard when you can just as easily bamboozle others through your pyramid schemes or your multilevel marketing company?

Apologists for landlords and their unearned windfalls claim that they are being compensated for the risk they took by purchasing the properties in the first place. There may be some truth to that in the short run as we have seen during the pandemic, especially for landlords who do not own their buildings outright and are still paying a mortgage. In the long run, however, the trend is clear: the population continues to surge, placing constant upward pressure on the real estate market, while supply continues to be artificially constrained by those with entrenched interests, eager to keep prices up. So, what risk exactly are we compensating landlords for? Even if there is an argument for compensation, the magnitude of the windfalls landlords are obtaining today cannot be explained, let alone justified, by this fact alone.

We must think critically about this. Simply because we have, in our collective delusions, come to accept a particular way of doing things does not mean that it is fair, moral, or just. If you own a building in Manhattan and you are able to charge unconscionable rents, you are able to do so because others made Manhattan a desirable place to live in and because thousands of individuals from around the world who command high salaries are flocking to its streets in pursuit of jobs and opportunities. These people are creating value in New York City that you, as a landlord — though you make no contribution to the creation of that value yourself — are appropriating for yourself. This is not fair, nor is it right. Similarly, scooping up houses during an economic crisis at rock bottom prices only to rent them at ever-increasing rates — not because you made the homes better but simply because more people keep moving into your city — should be understood not as a smart investment, but as a reprehensible and morally unjustifiable act akin to price gouging.

I have been speaking mostly about rent thus far, but the same arguments apply to profiting from the sale of homes or land. If you bought a home in 1970 for $25,000 and you sold it in 2020 for $650,000 after having done minimal improvements (this is a true story someone recently shared with me), then you *must* at the very least recognize that (1) you did not create that value; (2) that value therefore does not belong to you; and (3) you are thus not entitled to that profit. The windfall you received from this transaction is a massive gift from the rest of society, one that it did not consciously or willingly give you. Consequently, from a moral perspective, the bulk of that appreciation, if not all, should be taxed and distributed back to the society that created it in the first place.

We must begin to see things for what they are. We must begin to see the injustices embedded in our economic system, including in real estate. We must wake up and see that our current land tenure system is destructive and acknowledge that we are not better off for it…We must recognize that we are destroying our economy and our society by endorsing selfish behaviors — like profiting from land — that are ultimately unsustainable and wrong.