PROGRESS

SHARING THE EARTH SO ALL MAY PROSPER

1124th EDITION
WINTER 2018
FIRST PUBLISHED 1904

CORPORATISING THE RENTAL MARKET

THE QUEST TO OWN THE FUTURE

THE LATEST TOOL OF MASS DESTRUCTION

PROGRESS

Winter 2018
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ABOUT
Prosper Australia is a 127 year old advocacy group. It seeks to move the base of government revenues from taxing individuals and enterprise to capturing the economic rents of the natural endowment, notably through land tax and mining tax.

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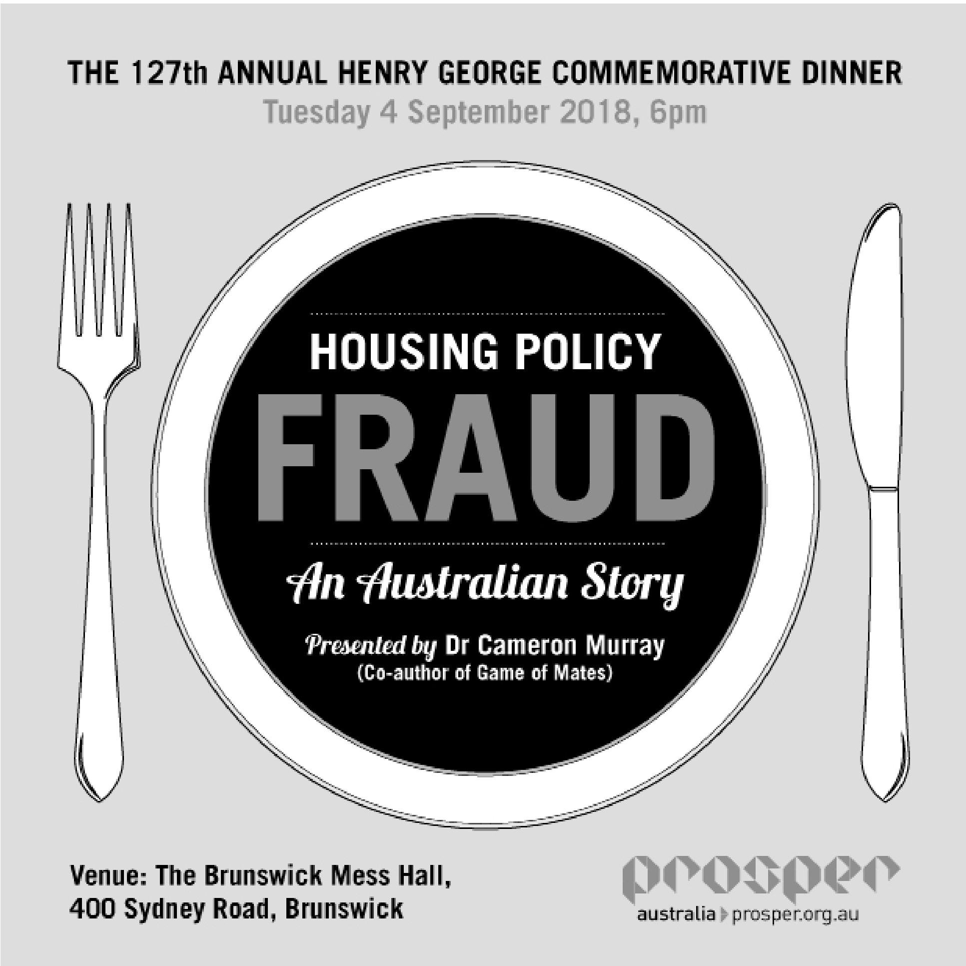


Editorial *by Karl Fitzgerald*

We are pleased to announce that Dr Cameron Murray will be presenting our 127th Annual Henry George Commemorative Dinner : Housing Policy Fraud - An Australian Story. Dr Murray joins a long list of distinguished presenters honing their microscope on the role of unearned incomes in distorting democratic outcomes. Please lock in Tuesday September 4th for a gala night in a refreshing venue - the Brunswick Mess Hall.

As those on our enews list will be aware, Prosper appeared as witnesses at the Inquiry into the Long Term Leasing of the Land Titles Registry. Researcher Jesse Hermans and myself were highly critical of the economic case for privatisation. Jesse calculated that it would cost the budget some $60 million per year. The same money could be raised via the sale of government bonds, at half the cost. 'If innovation is the catalyst for the privatisation, why is the government shielding the incumbent with a 40 year lease? Ten years would be ample.' Jesse stated.

I focused on the lack of detail surrounding the Valuer General's land data - would it be included in the sale? The lack of certainty around this issue was deeply concerning. Additionally, the regulation of data aggregation products was not on the government's radar. Would that be how the potential new owners justified their investment, by adding thousands to a suburb-wide type comparison? Property developers can afford the current $6,000 spreadsheet, but the general public, NGOs and some universities could not. Such a barrier to analysis is poor public policy as the emerging 5G spectrum unleashes new potentials.

A public access component must be incorporated into any possible land data privatisation. This is all set to occur as the growing capabilities of geo-spatial analysis matures. Read the full transcript of the robust discussion on our website. We were also featured in The Age's "Inquiry scrutinises land titles sell-off ahead of August sale."

Prosper supporters must be congratulated for their response to our call-to-action regarding submissions to the Land Titles privatisation. We dominated the public submissions.

I hope this edition doesn't scare the pants off you, but we need to be prepared. After decades of unaffordability, the property lobby are moving quickly to lock in those left behind to lifetime rental.

We have been watching these trends unfold in the northern hemisphere and feel that the continued media buzz around the looming Build-to-Rent sector in Australia deserves greater investigation. I will go as far as to say that housing commodification pressures have only just begun. Property investors are entrenching their position with yet an another advantage - algorithmic analysis of the latest social and demographic trends.

In a post-globalisation era where manufacturing has been decimated, the rentiers have tightened their grip on our communities. The West's foundation economic model - of privatising land rents - has become its only economic model. The current growth model revolves around Big Immigration, Big Housing and Big Debt. This is not a stable basis for an economy, as reflected by the current falling auction clearance rates. This model feeds into an additional function: to distract the masses from the resultant land price inflation with immigration scaremongering.

Rental Backed Mortgage Securities are Wall Street's tool of choice for corporatising the rental market. Investigating these securities has been a continuing theme on the Renegade Economists radio show for a number of years. Now it is time to investigate in print!

Lastly, with land and housing pressures continuing, the influence of the monetary reform movement sees many reciting that housing prices are determined by the availability of credit. Feel free to remind them that land price is a function of *both* how much people can borrow *and* how little the government taxes it.

Resources

Georgist glossary - www.prosper.org.au/georgist-glossary/

Understanding Economics - Lindy Davies' excellent online course www.henrygeorge.org

LVT facebook page - a great place to ask questions www.facebook.com/groups/landvaluetax/

Kevin Ku, Unsplash

'Proptech' could exploit renters like Uber does workers *by Miranda Hall*

Aidan Rushby, CEO of MoveBubble, wants to make renting a home as easy as "ordering a pizza". UberEats and Deliveroo have certainly made ordering a pizza easier, but they've also made it more exploitative. So far, in the workplace, automation and technology have tipped the balance of power greatly in the favour of capital. The same could happen in the housing market as investors pump money into new real estate technologies or 'proptech', changing the way we buy, sell, manage and rent homes.

Thanks to the systematic dismantling of rent regulation since the 80s, tenants in the UK are already in a really vulnerable position. Council housing is being sold off and not replaced, while NEF's recent report has shown that only one in five homes being built on public land will be affordable. This means more and more people are locked in the private rental sector, paying an average of 40% of their salaries on rent in London. Four out of ten tenants live in 'bad housing' and evictions account for 78% of the rise in homelessness since 2011.

There is a potential place for new systems to help address discrimination and bad practice in the rental market just as drivers hoped that platforms like Uber would overcome the bias of the dispatcher and lead to better work. Features like the ratings system on Movebubble will help identify rogue landlords and agents and many of these technologies will no doubt save renters time by minimising in-person paperwork. But it seems unlikely that venture capital-backed startups or new software developed by real estate giants will deliver the change renters really need.

Firstly, a number of these digital innovations come hand in hand with the financialisation of the rental sector. Urban geographer Desiree Fields has shown how firms such as Blackstone and Colony Capital are developing new software platforms enabling them to invest in and manage massive portfolios of geographically dispersed homes then use them as an asset base to construct financial products. This is worrying in itself as private equity's high return targets will result in declining living conditions when investor-landlords implement cost-cutting on services, repairs and maintenance.

> *A number of the features that Uber employs to manage drivers – gamification and scoring systems, algorithmic management, the monetisation of data – are already being used on renters.*

On an individual level, these technologies will also transform the experience of renting for families and individuals. A number of the features that

If paying the weekly rent is our number one priority, why doesn't government have affordable housing as its' top priority?

Uber employs to manage drivers – gamification and scoring systems, algorithmic management, the monetisation of data – are already being used on renters.

Most members of Generation Rent know what it's like to have a hostile landlord – but what if your landlord was an algorithm? Now everything from maintenance requests to rent payments can be processed through cloud-based platforms like TaskEasy and FixFlo. Even eviction has a software solution. With 'CaseAct' and 'ThrowOutMyTenant' families can be pushed into a downward spiral of insecurity and poverty in 'just a few clicks'.

The issue is that, as Frank Pasquale highlights, you can't argue with an algorithm. You can't explain why unforeseen factors mean that your rent will be two days late. You can't challenge the loss of your entire deposit for mould that was already there. With a whole series of new technological intermediaries, it is no longer even clear who should be held accountable when something goes wrong.

Another worrying parallel to Uber is the use of scoring systems. Drivers are sent monthly assessments and suspended if their rating falls too low. Similarly, a number of new Apps generate individual 'trust scores' based on your job, credit score and other personal information that landlords can use to screen tenants. In practice, these scoring systems are just a way of rewarding the rich for being rich and studies have repeatedly shown racial, gendered and class bias built into algorithms. In fact, the founder of the GoodLord, one of the apps providing a platform for "digitising the renting transaction", proudly aimed his service exclusively at "young, good-looking, aspirational people."

Your score could determine not just your access to homes but how you are treated within them. The 'Waypoints' system operating in homes owned by Colony Capital gamifies renting by giving tenants points for behaviours aligned with the interests of landlords such as paying rent on time. Points entitle you to new appliances, smart home technologies and general home upgrades.

But in every game with winners there are losers. In this case, the person scoring the most points definitely won't be the single mother working as a cleaner on a zero-hours contract who ends up paying her rent a couple of days late. While her neighbour gets a shiny new bathroom fitting, she's left with the same old shower that only runs boiling hot or freezing cold.

But in every game with winners there are losers.

The 'reward' of smart home technologies under the Waypoints system has the added advantage for the rental company of generating a constant flow of monetizable property-level data. Desiree Fields views this extraction of data as a kind of second rent that tenants are unwittingly paying, not in money but in information. Who owns, governs and benefits from this data for things like loans or insurance is totally opaque.

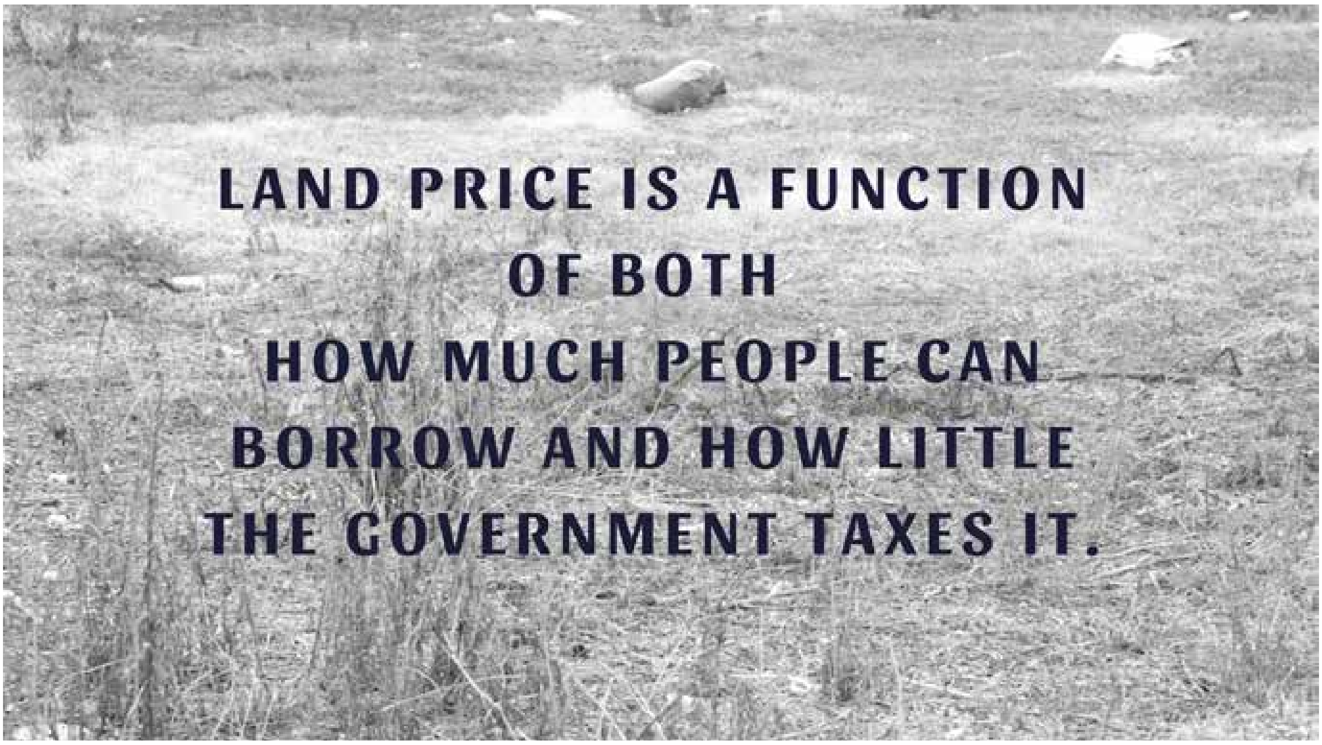
One of the clearest illustrations of proptech working in the interests of landlords are the max-bid Apps Rentberry and Biddwell that get tenants to bid against each other for desirable properties.

When pitching the service, CEO Alex Lubinsky boasted to landlords that it would raise rents by 5%. When upset residents in San Francisco complained about prices being pushed up, he responded that "equilibrium will happen – all this does is balance supply and demand".

Ultimately, for inherently political problems like housing, we need political solutions not just technological ones. Lubinsky's faith in 'supply and demand' reflects the neoliberal obsession with the free reign of market forces that has resulted in the dismantling of rent regulation in many countries in recent decades. As homes are treated as assets rather than places of survival, vulnerable families and individuals are left paying more than they can afford for poor quality homes. Currently, in the UK, 1 million families living in the private rental sector will face evictions and are at risk of becoming homeless by 2020.

The only thing that will genuinely make renting easier is radical policy change. This would include scrapping laws that allow 'no-fault' evictions, requirements that landlords offer longer tenancies, Decent Homes Standards and rent controls to stop them rising above inflation. Just as apps like MoveBubble have looked to Uber as an exemplar, in the fight for decent homes we can look to coordinated resistance by gig economy workers for inspiration. Trade Unions like IWGB have organised workers deemed 'impossible to organise', and movements like the London Renters Union and Acorn are doing the same for renters of different demographics scattered all over the UK's cities.

http://neweconomics.org/2018/04/proptech-exploit-renters-like-uber-workers/



The future of rental housing - an international perspective *by Chris Martin (AHURI)*

When we talk about rental housing in Australia, we often make comparisons with renting overseas. Faced with insecure tenancies and unaffordable home ownership, we sometimes try to envisage European-style tenancies being imported here.

And, over the past year, there has been a surge of enthusiasm for developing a sector of large-scale institutional landlords, modelled on the UK's build-to-rent sector or "multi-family" housing in the US.

AHURI's review of the private rental sectors of ten countries in Australasia, Europe and North America identified innovations in rental housing policies and markets Australia might try to emulate – and avoid. International comparisons also give a different perspective on aspects of Australia's own rental housing institutions that might otherwise be taken for granted.

Not everyone in Europe rents

In nine of the ten countries we reviewed, private rental is the second-largest tenure after owner-occupation. Only in Germany do more households rent privately than own their housing. Most of the European countries we reviewed have higher rates of home ownership than Australia.

In most of the European and North American countries in our study, single people and lower-income households and apartments are heavily represented in the private rental sector. Higher-income households, families with kids, and detached houses are represented much more in owner-occupation. It's less uneven in Australia: more houses, kids and higher-income households are in private rental.

Two key potential implications follow from this.

First, it suggests a high degree of integration between the Australian private rental and owner-occupier sectors, and that policy settings and market conditions applying to one will be transmitted readily to the other.

So, policies that give preferential treatment to owner-occupied housing will also induce purchase of housing for rental, and rental housing investor activity will directly affect prices and owner-occupied accessibility.

It also heightens the prospect of investment in both sectors falling simultaneously, with little established institutional capacity for countercyclical investment that makes necessary increases in ongoing supply.

A second implication relates to equality. Australian households of similar composition and similar incomes differ in their housing tenure – and, considering the traditional value placed on owner-occupation, this may not be by choice.

This suggests housing tenure may figure strongly in the subjective experience of inequality. It raises the question of whether housing is a primary driver of inequality, and not the outcome of difference or inequality in other aspects of life.

The rise of large corporate landlords

In almost all of the countries we reviewed, the ownership of private rental housing is dominated by individuals with relatively small holdings. Only in Sweden are housing companies the dominant type of landlord.

However, most countries also have a sector of large corporate landlords. In some countries, these landlords are very large. For example, America's five largest corporate landlords own about 420,000 properties in total. Germany's largest landlord, Vonovia, has more than 330,000 properties alone.

These landlords' origins vary. Germany's arose from massive sell-offs of municipal housing and industry-related housing in the early 2000s.

In the US, multi-family (apartment) landlords have been around for decades. And in the aftermath of the global financial crisis, they have been joined by a new sector of single-family (detached house) landlords that have rapidly acquired large portfolios from bulk purchases of foreclosed, formerly owner-occupied homes.

In these countries and elsewhere, the rise of the largest corporate landlords has been controversial. Germany's have a poor record of relations with tenants – to the extent of being the subject of popular protests in the 2000s – and their practice of characterising repairs as improvements to justify rent increases.

American housing advocates have voiced concern about "the rise of the corporate landlord" – especially in the single-family sector, where there's some evidence that they more readily terminate tenancies.

These landlords also don't build much housing. They are most active in renovating (for higher rents), merging with one another, and – especially in the US – developing innovative financial instruments such as "rental-backed securities".

"Institutional landlords" are now a standing item on the Australian housing policy agenda. Considering the activities of large corporate landlords internationally, we should get specific about the sort of institutional landlords we really want, how we will get them, and how we will ensure they deliver desired housing outcomes.

Policymakers and housing advocates have, for years, looked to the community housing sector as the prime candidate for this role. They envisage its transformation into an affordable housing industry that works across the sector toward a wide range of policy outcomes in housing supply, affordability, security, social housing renewal and community development.

With interest in the prospect of build-to-rent and multifamily housing rising in the property development and finance sectors, there is a risk that affordable housing policy may be colonised by for-profit interests.

The development of a for-profit large corporate landlord sector may be desirable for greater professionalisation and efficiencies in the management of tenancies and properties. However, this should not come at the expense of a mission-oriented affordable housing industry that makes a distinctive contribution to housing outcomes.

Bringing it home

Looking at the policy settings in the ten countries, we found some surprising results and strange bedfellows.

For example, Germany – which has had a remarkably long period of stable house prices – has negative gearing provisions and tax exemptions for capital gains, much like Australia. But, in Australia, these policies are blamed for driving speculation and booming prices.

And while the UK taxes landlords more heavily than most other countries, it has the fastest-growing private rental sector of the countries we reviewed.

However, these challenging findings should not be taken to diminish the explanatory power or effectiveness of these settings in each country's housing policy. Rather, they show the necessity of considering taxation and other policy settings in interaction with each other and in wider systemic contexts.

So, for example, Germany's conservative housing finance practices, and regulation of rents, may mean the speculative potential of negative gearing and tax-free capital gains isn't activated there.

Strategy in Australia for its private rental sector should join consideration of finance, taxation, supply and demand-side subsidies and regulation with the objective of making private rental housing outcomes competitive with other sectors.

Republished from the theconversation.com

Spiders, Sewerage and a Flurry of Fees *by Michelle Conlin (Reuters)*

The Other Side to Renting from Wall Street

Invitation Homes pitches itself as a singular landlord providing unprecedented ease and comfort for renters of its tens of thousands of single-family homes. But in interviews with scores of the company's tenants in neighborhoods across the United States, the picture that emerges isn't as much one of exceptional service as it is one of leaky pipes, vermin, toxic mold, nonfunctioning appliances and months-long waits for repairs.

Tenants also complain about excessive rent increases and fees that can add up to hundreds of dollars a year. In a proposed class-action lawsuit filed in May in the U.S. District Court for Northern California, renters accuse the company of "fee-stacking." They allege that Invitation Homes charges tenants $95 if their rent is one minute late – even if the late payment is due to the company's own nonfunctioning online payment portal – and then files an eviction notice to add more fees, penalties and legal costs if the tenant wants to stay in the home.

Invitation Homes filed a motion on July 20 to dismiss the case, saying the suit did not substantiate that the company's fees were "unfair" and that the plaintiff lacked standing to assert the claims on behalf of tenants nationwide.

Industry critics say that to keep payments to bond investors rolling, companies like Invitation Homes must minimize maintenance costs and maximize rents and fees.

"We see securitization of rental income as highly problematic," said Kevin Stein, deputy director of the California Reinvestment Coalition, a nonprofit that advocates for affordable housing. Among other things, he said, it "pits Wall Street investors against Invitation tenants."

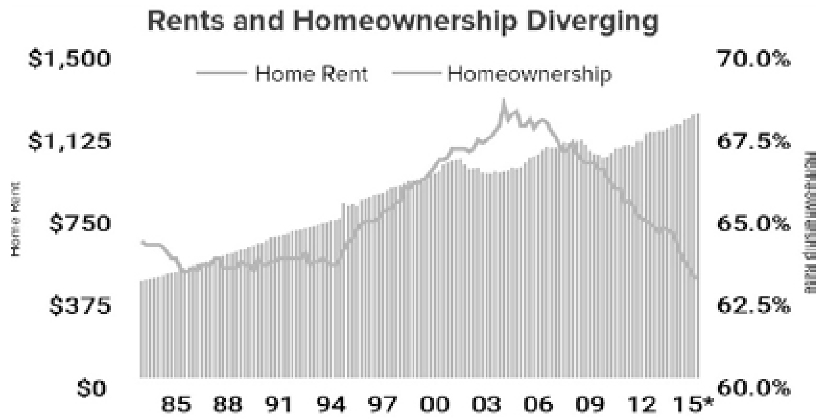
At Reuters' request, the company provided the names of five satisfied renters. Two responded, saying they were pleased with the company. One of them, Melissa Grant of Atlanta, said Invitation Homes was an "awesome company" for, among other things, making homes "available to families like me who are in the military and need to move around a lot." The other three tenants did not respond to repeated phone messages.

Some tenants told Reuters they renewed not because they loved their rentals, but because they felt they had to: The company owns so much of the available housing in their neighborhoods that they had no alternatives if they wanted to keep their kids in the same school, or remain close to jobs or relatives. And moving itself is a big expense.

"You can't just jump up and move with children," Brister said.

While Invitation Homes' portfolio represents less than one percent of single-family rental homes nationwide, the figure can be much higher in markets where the company's inventory is concentrated. In some neighborhoods in California, for example, Invitation Homes owns as much as 25 percent of single-family rentals, according to an analysis of Census and property data by Maya Abood, a former researcher with the Massachusetts Institute of Technology's Urban Planning Program who co-authored a recent study titled "*Wall Street Landlords Turn American Dream into American Nightmare*."

Invitation Homes has been raising rents by as much as an average of 10 percent a year in places like Oakland, California – nearly double the norm in that market – according to the Alliance of Californians for Community Empowerment (ACCE), an advocacy group.



The company's stock price has risen about 11 percent since last year's initial public offering. Wall Street analysts have almost uniformly rated the stock a "buy."

Analysts' optimism reflects, in part, that while scores of federal, state and local rules protect homebuyers when taking out a mortgage and renters in multi-unit apartment buildings, few protections exist for tenants of single-family homes, housing lawyers and affordable-housing advocates said.

"Allowing hedge funds and private equity firms to speculate on housing with little-to-no public oversight or regulation puts families at greater risk of unfair rent increases and evictions, and threatens the right to housing itself," Abood said.

A December 2016 Federal Reserve Bank of Atlanta analysis found that Wall Street landlords are far more likely to file eviction notices than mom-and-pop landlords. It said Colony Starwood – as Starwood Waypoint was known until shortly before the merger with Invitation Homes – filed eviction notices on more than 30 percent of tenants, while Invitation Homes filed notices on nearly 15 percent. The strongest predictor of whether a tenant would get an eviction notice was if the tenant was African-American, the Atlanta Fed said.

At issue are the home valuations Invitation Homes relied on for its bonds. The higher the valuation, the higher the expected rent, and thus the more investors are willing to pay for the bonds.

To get a mortgage, homebuyers typically must have a licensed inspector conduct an appraisal of the house. To price its bonds, however, Invitation Homes relied on so-called broker price opinions, or BPOs. These less-expensive alternatives were provided mostly by outside firms using independent contractors who were not licensed appraisers.

Many of these contractors relied only on exterior views of the houses – no interior inspections – according to regulatory filings. The filings also indicate that the contractors were told to assume that the interiors had been remodeled to the standards advertised on the Invitation Homes website. Congress outlawed BPOs after the foreclosure crisis, but the ban doesn't apply to institutional investors buying homes in bulk.

A look inside the bond that Fannie Mae backed shows how Invitation Homes' model is working. From each of the 7,204 houses bundled into the bond, the Fannie Mae prospectus shows, the company earned in 2016 an average monthly rent of $1,538 and $985 in annual "other income," defined as fees for, among other things, "pets or cleaning."

At the same time, the company spent an average of $1,142 a year on repairs, maintenance and turnover costs, based on the bond data. That's less than the $3,100 a year Americans tend to spend on maintenance, repairs and improvements on houses of the same age as Invitation Homes' portfolio, according to an analysis of the U.S. Census Bureau's American Housing Survey by BTIG equity analyst Ryan Gilbert.

Five former employees said Invitation Homes routinely didn't spend enough on repairs or hire enough contractors to get the job done. One former maintenance contractor said that he oversaw 2,000 homes scattered across one metropolis and that he couldn't possibly keep up.

The Quest to Own the Future *by Karl Fitzgerald*

Not content with blowing up the global economy in 2008, Wall Street quickly moved to extend its' grasp on unearned incomes. Having cornered the mortgage market, new tools were developed to corporatise the rental market. The latest *weapons of mass destruction*[1] came in the form of Rental Backed Mortgage Securities. Rental streams repay security holders at a current rate of 4.1%.[2] Land titles act as additional security to satisfy the ratings agencies.

In an era of record low interest rates, investors are throwing their millions at the deceptively named Rental Backed Mortgage Securities (RBMS). They sound so similar to Residential Backed Mortgage Securities, the product many blamed for the Global Financial Crisis, that eyes glaze over at the relentless zeal of high finance.

The following land value graph tells a lively tale. Land prices began to fall in the first quarter of 2006, some 30 months before the more recognised financial issues cascaded into the spectacular collapse of Lehman Bros on September 15, 2008.

Whilst many blamed the banks, the land gamers

Source: Lincoln Land Institute

were again crowned untouchable.

The Land Business

The world of land speculation continues unabated. When property investors outbid home buyers, the rate of change accelerates in communities. The higher purchasing price demands higher rents. Now with corporate landlords, the profit directive from head office for quarterly profits demands that rents escalate further. Record evictions have accompanied the financialisation of the rental market, as corporations use the opportunity to

1 http://fortune.com/2016/08/08/mass-destruction-buffett-derivatives/

2 https://seekingalpha.com/article/4170453-american-homes-4-rents-amh-ceo-david-singelyn-q1-2018-results-earnings-call-transcript?page=2#

raise rents.[3]

The domino of the never ending rental squeeze slams one household into another, as renters from differing socio-economic groups are pushed towards the typical rundown neighborhood Wall St invests in.

In this manner, property speculation increases the rate of gentrification. One class blames another - as the systemic issues are conveniently ignored.

Property investors have a natural advantage over home buyers via their access to capital. The many tax incentives offered deepen that advantage. Now with access to Rental Backed Mortgage Securities, we can expect multinational investors to grow in influence.

For those struggling in a casualised workforce, the race to attain a place on the planet is quickening. Large scale investment in Single Family Rentals (SFR - the US term for detached housing) is advancing daily. Pioneers such as Invitation Homes and CoreVest accumulated a large and growing asset base in the post-GFC wreckage, worth $15 billion.[4] Invitation Homes alone invested some $150 million per week buying up foreclosed locations between 2010 - 2014.

Some analysts are warning that such financial products may enter the Australian rental market under the guise of the Build-to-Rent imperative. But for this to occur, developers are demanding even greater tax incentives.

Los Angeles 2015

Concerns over the commodification of the rental market provided the backdrop to my US visit in 2015, as I made my way to the Council of Georgist Organisations conference in Detroit. In LA I teamed up with Favian Gonzalez from Strategic Actions for a Just Economy, who took me to meet Esperenza Gonzalez. Esperenza was a victim of a 2007 foreclosure. She not only lost her house due to poor mortgage advice, but then found herself unwittingly renting from a tentacle of Wall St - Invitation Homes.

Ms Gonzalez revealed how she was paying 30% higher rents than current market rents. I heard that the same company owned the neighboring vacant block. The ghetto birds (helicopters) whirled above as Favian told me Invitation also owned the house two doors down from her (where there was a shooting 24 hours earlier).

It soon became evident that Invitation Homes was strategising to buy the property in the middle. The potential was there to package the sites together for a multi-density rezoning. Perhaps their lobbyists would deliver a new train station or library to add to the locational value. Take a second to consider the sizeable windfalls that would result if this was done across dozens of properties in a number of locations. The business plan was to quite obviously float the company for a huge payout.

Invitation Homes parent company is Blackstone Capital. CEO Stephen Schwarzmann earnt $700 million last year. He was the chairman of the President's Strategic and Policy Forum (until it was disbanded following Trump's coded support for the Charlottesville, Virginia alt-Right attack). The second largest investor in SFRs is CoreVest (formerly Colony Capital). CEO Thomas Barrack was the largest campaign contributor to Trump and chaired his inauguration committee.

With this political setting, we are set to see the further commodification of land.

As Leilani Farha, United Nations special rapporteur on the right to housing wrote:[5]

"the financialization of housing... whereby housing is treated as a commodity, a means of accumulating wealth and often as security for financial instruments that are traded and sold on global markets.... disconnects housing from its social function of providing a place to live in security and dignity and hence undermines the realization of housing as a human right."

3 https://evictionlab.org/

4 https://www.reuters.com/investigates/special-report/usa-housing-invitation/

5 https://www.prosper.org.au/2017/03/06/report-insights-on-the-uns-financialisation-of-housing/

Invitation for whom?

Blackstone invested $8.3bn in the purchase of 50,000 homes between 2012 - 16. The cover story was that each home was renovated to the tune of $22,000.

> *"By late 2016, Invitation Homes had borrowed over $7.6 billion through both mortgage loans and credit facilities, leaving Blackstone with just a $2 billion equity investment remaining in Invitation Homes. On February 1, 2017, Invitation Homes conducted an initial public offering (IPO) on the New York Stock Exchange, through which Invitation Homes raised approximately $1.54 billion through the sale of approximately 25.49% of the company's equity. Considering that as of the date of the IPO Blackstone's net investment in Invitation Homes stands at $2 billion, and Blackstone's remaining 75.49% share of Invitation Homes is valued at approximately $4.33 billion, Blackstone has earned a profit of approximately $2.3 billion through its venture into the single family home rental business."*[6]

That's rent-seeking with a twist of corporate playmaking at it's best.

Going digital

The digital tools to facilitate Wall Street's tentacles into the rental market grow by the day. Smaller investors are being lured in as part of the game.
"Now even renters are frequent buyers of the properties, according to Rich Ford, chief development officer and co-founder of Roofstock, an online marketplace for buying and selling SFRs. More than 50% of investors who use the service are renters. What's more, 62% of Roofstock's investors live more than 1,000 miles away from their investment properties."[7]

Millennials locked out of housing in global cities such as Los Angeles and New York are hedging their bets in places such as Memphis and Charlotte, North Carolina.

Counties with the highest potential annual gross rental yields for 2018 were Baltimore City, Maryland (28.6 percent); Bibb County, Georgia in the Macon metro area (21.8 percent); and Wayne County, Michigan in the Detroit metro area (21.7 percent).[8]

> As the law of rent dictates, the resultant higher rents in these locations undermines the ability of the self-employed to pay themselves a living wage. From that the largest (meaningful) employment driver - small-business - suffers, sending more of our graduates into mundane cubicles as the doors to the opiate crises creak open.

Whilst the left-behind ride their TV remotes looking for meaning, the maestros of real estate commodification have all the controls at their fingers.

Strike it Rich

SFR specialists never have to set foot in a property they own. Property buyers are directed to purchase according to demand hot spots, coded as 'strike zones'.[9] On a recent earnings call, Invitation Homes CEO Frederick Tuomi stated

> *"In our markets, 2018 household formation is forecasted to grow at a rate 90% greater than the U.S. average. And single-family home completions are forecast to be almost 30% below the historical average since 1985."*

Tuomi finished with 'many believe it's possible that tax reform and rising interest rates will have a further positive impact on single-family rentals..'[10] Invitation's 2017 IPO prospectus boasts of a demand-matrix that analyses 64 metrics before hitting the strike-zone button. These include

6 https://www.biggerpockets.com/blogs/9138/54589-invitation-homes-blackstone-s-acquisition-of-50-000-homes

7 https://www.forbes.com/sites/joegose/2018/06/15/renters-are-buying-rental-homes-alongside-mom-and-popsinstitutional-funds/#1f09200f3b77

8 https://www.attomdata.com/news/market-trends/single-family-rental/best-counties-buying-single-family-rentals-2018/

9 http://ourfinancialsecurity.org/wp-content/uploads/2018/01/Wall-Street-and-SFR-business.pdf

10 https://seekingalpha.com/article/4174414-invitation-homes-invh-ceo-frederick-tuomi-q1-2018-results-earnings-call-transcript

population growth forecasts, employment, neighborhood desirability and proximity to employment centres, schools, transportation corridors and community amenities.

The development of online tools that enable such data analysis is centred on what many are calling the property data gold rush. The *Real Scout* warns their mortgage-broker clients “The important thing to remember is that – like the gold rush – this is a land-grab. Every one of your clients that aren’t conducting their home search on a broker controlled platform – is a client that is leaking their buyer data to a 3rd party.”[11]

Once head office have launched the strike button, a swarm of property professionals from renovators to property stylists descend on the dwelling to lift its appearance. Reports are beamed back to HQ for vetting. The location is then placed online and the agent takes over. Once let, all further interactions are channelled via app-controlled messages to the property manager. Conversations that once led to negotiations with a landlord are set to become a thing of the past.

Concentrations

As the digitatisation of real estate leaps ahead, the ease of the online over the physical is accelerating with groups like *OpenDoor* and Home Me. OpenDoor handily replaces the middleman by using computer algorithms to buy and sell homes. Simply send them your address and receive a quote in 48 hours. No need for agent interactions, the marathon of cleaning up your house nor tidying before open inspections. Simply sell to Wall Street and your cash will be delivered, quickly.

11 http://blog.realscout.com/real-estate-buyer-data-gold-rush

Open Door recently raised $325m to bring its equity capital raisings up to $645 million with $1.5 billion in debt financing.

“The company is currently buying homes at a rate of $2.5 billion a year across 10 metros and gearing up to offer mortgages and title services to buyers.”[12]

Competitors are quickly entering the market.

> *“Offerpad has raised more than $410 million in equity and debt financing and expects to buy and sell more than $1.5 billion of single-family homes over the next year. Zillow Group Inc., the online-listings giant, has announced its own plans to buy and sell homes in a bid to capture what CEO Spencer Rascoff has described as a potential “$1 billion profit opportunity annually.”*[13]

Each day large entrants join the Single Family Rental market. The Teacher Retirement System of Texas and Singapore’s GIC Pte have just announced a joint venture with Toronto-based Tricon Capital Group Inc. to enable some $2 billion worth of purchasing power.[14]

Students of the land market will be piecing together how the increasing value of land will be capitalised into greater leveraging opportunities. American Homes 4 Rent sold

12 https://www.bloomberg.com/news/articles/2018-06-17/bitcoin-could-break-the-internet-central-banks-overseer-says

13 ibid

14 https://www.bloomberg.com/news/articles/2018-06-29/texas-teachers-gic-join-wall-street-hunt-for-u-s-rental-homes

$500 million of unsecured debt in January at an interest rate of 4.1%. Invitation Homes last month raised $1.3 billion through the corporate bond market, the largest deal yet for the industry.[15]

As Wall Street buys up once affordable sites, the marginal cost of land increases, enforcing higher rentals on ever wider communities. The self employed (ie farmer) is challenged to increase their prices to cover the opportunity cost of higher land rents. Higher rents for families means less for proactive health measures, such as eating organic foods.

Affordability

Australian Treasurer Scott Morrison returned from his 2016 UK trip brimming with enthusiasm for the Build-to-Rent sector. Encouraging large institutional investors into the 'affordable housing' market quickly became the new imperative. Soon a raft of real estate experts were in the press sculpting market trajectories based around the narrative that 'millennials had changed the demand for housing'.

Similar to the post-GFC crash where the PR agents of high finance moved quickly to blame poor people for borrowing more than they could afford, now it was time to blame millennials for the high cost of housing. Princess Ventura, director of Urbis stated 'Home ownership isn't likely to be the norm in the future'.[16]

Some in the property lobby are using this as a trojan to demand for greater tax incentives.

The property lobby often support a broader land tax in place of stamp duties as a means to spread the overall burden of land tax revenues. However, they see in the Build-to-Rent phenomena as the perfect opportunity to remove the progressive land tax schedule and down-size the highest land tax rate.

Mr High-rise Harry Triguboff, one of Australia's wealthiest (and already heavily invested in the serviced rental market) called the lobbying out: "They want... a tax break". "But the interesting thing is, it's not the people with the money talking. It's the schnorrers that have no money to build."[17]

Back in America, the data was rosy for SFR investors. ATTOM Data found that:

- The average annual gross rental yield was 8.9 percent, down from 9.2 percent (2017).
- Rents were rising faster than wages in 84 percent of markets.
- The biggest increase in market share are investors owning six to 10 single family rentals, followed by those owning between 11 and 100 rentals.[18]

"The American dream no longer includes homeownership," said Jordan Kavana, CEO of Transcendent Investment Management. "You will earn your equity in other ways, not your home."[19]

LendingTree chief economist Tendayi Kapfidze put it this way:

"It also seems logical to surmise that buyers getting a property for anything other than their primary residence might have stronger financial resources than the average buyer of an owner-occupied residence."

LendingTree examined 50 cities to find the property investor's average income was higher, $163,000, compared with $117,000 for owner occupied.[20]

Conclusion

A recent Renegade Economists show *Drip Feeding Formula Revealed* was enlightening.[21] Peter Smith (the younger) reported how Savills UK had calculated that for every ten homes sold, only one new home was built - over a 25 year period.[22] Such a powerful ratio suggests that supply is being manipulated to stimulate scarcity.

15 https://www.wsj.com/articles/house-money-wall-street-is-raising-more-cash-than-ever-for-its-rental-home-gambit-1531128600?mod=hp_lead_pos6

16 https://www.domain.com.au/news/experts-predict-buildtorent-revolution-coming-to-australia-20171205-gzxxw9/

17 https://www.afr.com/real-estate/harry-triguboff-pours-cold-water-on-buildtorent-tax-break-push-20180604-h10yoy

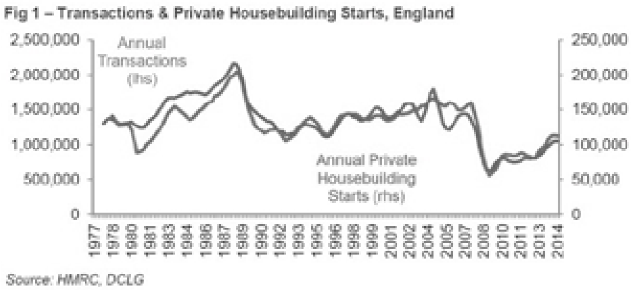
18 Op Cit, ATTOM

19 https://therealdeal.com/2018/07/09/wall-street-has-more-money-than-ever-to-buy-single-family-rentals/

20 https://newsok.com/article/5597914/no-boom-or-bust-but-a-buoy-as-investors-hold-up-oklahoma-city-house-prices

21 http://www.earthsharing.org.au/2018/04/drip-feeding-formula-revealed/

22 https://www.savills.co.uk/research_articles/229130/187750-0



Note the ratios of the right and left axes.

As the concentration of ownership grows amongst corporate landlords, trends such as these will extenuate the pressures on renters. Already there are reports in the US such as:

> *"Single-family housing starts were at a 936,000 annual rate in May, half their 2006 peak level."*[23]

When thinking about the housing market, the current expectation that developers will keep building in order to reduce housing prices defies economic logic.[24] The incessant blame-game of housing supply shortages must be called out as a form of trickle-down economics. Many will be aware the housing shortage mantra is a dog-whistle for 'rezone my land'.

Further concentrations in the land market, whether it be via Build-to-Rent or Rental Backed Mortgage Securities, will have limited outcomes for affordability. As the US example reflects, for-profit builders are poor vehicles for ethical housing provision. As the digitisation of data continues, the ability to massage supply to enhance unearned incomes will escalate.

Meanwhile, many parents are asking 'where are my grandkids'? With affordability pressures mounting, family formation rates are dropping. Is this outcome worth the unearned incomes rent-seekers so desire?

If tax incentives were to be allocated for the Build-to-Rent model, they should be targeted towards the Community Housing sector.

Prosper will be soon releasing a report highlighting how if a piecemeal solution is required, then land rental programmes such as the Canberra Land Rent Initiative or Community Land Trusts are the preferred vehicle. The alternative of encouraging greater land concentration amongst the 1% must be deterred at all costs.

We have only reached this point because successive governments have failed to adopt Land Value Tax as a measure to equalise the advantages those who own prime locations enjoy. The result of decades of inaction cannot be turned around as a reason to deepen the divide.

> *"It is as though an immense wedge were being forced, not underneath society, but through society. Those who are above the point of separation are elevated, but those who are below are crushed down." Henry George, Progress & Poverty.*

The push to corporatise the rental market infers a quest to own the future. For generations we have warned of the dangers of privatising rental streams. Today it seems to be intensifying before our very eyes.

Australian supporters should write to their MPs (and to those who have headed up various affordability inquiries in recent years) to alert them to the dangers of corporatisating our land and housing base. We must reject the possible securitisation of rental payments via Rental Backed Mortgage Securities.

The Gilded Age awaits any such development.

Readers must strengthen their resolve with the knowledge that it may well be easier to change the tax system than to pay off a 40-year mortgage ….. or endure a lifetime renting.


Adriano Cantarello, Unsplash

23 http://www.nreionline.com/single-family-rentals/us-housing-will-get-even-less-affordable-gary-shilling

24 https://theconversation.com/affordable-housing-policy-failure-still-being-fuelled-by-flawed-analysis-92993

Geoists in History
Elizabeth Magie Phillips *(1866–1948) by Karl Williams*

"There are those who argue that it may be a dangerous thing to teach children how they may thus get the advantage of their fellows"

The world-wide phenomenon that is the board game 'Monopoly' has been played by at least a billion people in 111 countries speaking 43 languages and has an eye-watering marketing pitch which goes like this - the game originated as part of an inspiring story of a dirt-poor, struggling salesman named Charles Darrow who battled away in his basement to create the game and thereby lifted his family out of Depression-era hunger. Add to this the American myth that anyone can strike it rich (Darrow became fabulously wealthy on the royalties) and - hey! - what's not to love about the game? Only this - Darrow was a thief who nicked the game from an idealistic heroine (really!) who had devised the game to expound Henry George's message and *condemn* all forms of monopoly.

Before we gaze upon the remarkable life of Elizabeth (she preferred 'Lizzie') Magie, to better understand her we should first see how her political origins were tied to a mighty figure connected with Lizzie's father and who actually predated Henry George's glory days. In 1858, eight years before Lizzie was born, her father, James Magie, accompanied a man known to some geoists for uttering these timeless words, "The land, the earth, God gave to man for his home, sustenance and support, should never be the possession of any man, corporation, society or unfriendly government, any more than the air or water."

That's right - the influence of Abraham Lincoln himself was ingested like mother's milk by young Lizzie through her father. The abolitionist (i.e. anti slave) James Magie accompanied Lincoln in his home state of Illinois in his role as newspaper editor, and young Lizzie grew up listening to her father's intellectual banter of newsrooms and politicos. She was certainly better groomed for an idealistic life than a bogan kid growing up with bongs, McDonald's and mindless YouTubes.

Lizzie was born in 1866, a year after the US had almost bled itself to death in its Civil War and was trying to find its way again in peacetime. James Magie was part of the intellectual fervor at the time and had already imbibed geoist principles before Henry George started to make his run when *Progress and Poverty* was published in 1879. A clear-headed idealist, Lizzie's father was a staunch anti-monopolist who unsuccessfully ran on such a ticket for the Illinois legislature. Not only did young Lizzie imbibe her father's ideas but also his style, for he gained a reputation as a rousing stump speaker. "I have often been called a 'chip off the old block,' " Lizzie said of her relationship with her father, "which I consider quite a compliment, for I am proud of my father for being the kind of an 'old block' that he is."

When Lizzie was only 13 her family suffered significant financial losses resulting from years of nationwide rampant speculation (Note to self: Fix this later). Lizzie then had to leave school to help support her family, something she lamented long into her adulthood.

Soon afterwards, Providence descended upon young Lizzie when her father shared a copy of *Progress and Poverty* soon after its publication - this was to indelibly mark the course of the rest of her life (Note to self: I think I now know how to fix this mess). Oh, to live in the days when the great Henry George walked this earth! We'll never know if Lizzie ever heard George speak in person, but it didn't matter anyway as Lizzie completely understood George's message and thereby realised her life's mission. She knew in her bones George's conviction that:

'the equal right of all men to use the land is as clear as their equal right to breathe the air – it is a right proclaimed by the fact of their existence'.

Compared to taking up the geoist banner, doesn't everything else seem like a waste of time?

Sometime in the 1880s, the Magie family moved to Washington, D.C., where she attended a convention of stenographers with her father and soon found work in what was a growing profession, one that had opened up to women as the Civil War had blasted so many men from the workforce. After her day job was over, in the evening Lizzie worked hard to be heard creatively. She pursued many literary ambitions and, as a player in Washington's nascent theatre scene, she performed on stage where she earned high praise for her roles as an actress and comedian.

Even today, eyebrows might be raised at the ambitions of a young woman such as Lizzie, but for those times Lizzie was definitely a uniquely independent and fiercely determined woman. By her early twenties she was also a short story and poetry writer, an emerging feminist as well as a self-taught engineer. In 1893, Lizzie received a patent for a gadget that allowed paper to pass through typewriter rollers with more ease. In those days less than one percent of all patents came from women. Aged 27, she was a phenomenon - albeit unrecognised.

Lizzie's ideals, geoist understanding and inventiveness all started to quietly come together in the early 1900s. Night after night Lizzie sat in her home, drawing and redrawing, thinking and rethinking. She was still unmarried, unusual for a woman of her age at the time. Even more unusual, however, was the fact that she was the head of her household. Completely on her own, she had saved up for and bought her home, along with several acres of property.

Having bought her own home in a Washington DC neighbourhood, she taught classes about her political beliefs in the evenings after work. But she wasn't reaching enough people. She needed a new medium – something more interactive and creative.

There was one obvious outlet. At the turn of the 20th century, board games were becoming increasingly commonplace for middle-class families. Changing workplaces gave rise to more leisure time. Electric lighting was becoming common in American homes, reinventing the daily schedule. Games could now be played more safely and enjoyably, and for longer hours, than had been possible during the gaslight era. In addition, more and more inventors were discovering that the games were not just a pastime but also a means of communication. And so Lizzie set to work.

She began speaking in public about *The Landlord's Game*. "It is a practical demonstration of the present system of land-grabbing with all its usual outcomes and consequences," Lizzie said of her game in a 1902 issue of *The Single Tax Review*. "It might well have been called the 'Game of Life,' as it contains all the elements of success and failure in the real world.

Fellow geoists were a great influence on her. Around 1903 she became a regular visitor to the Single Tax (as geoists were sometimes called in those days) enclave of Arden, Delaware. Whether on her own or in conjunction with other Single Taxers in Arden, Lizzie continued to work on the design of *The Landlord's Game* as a way to explain how Henry George's system of political economy would work in real life. She wrote then,

> *"Let the children once see clearly the gross injustice of our present land system and when they grow up, if they are allowed to develop naturally, the evil will soon be remedied."*

In 1904 she was granted a U.S. patent for her board game said to be designed "to demonstrate the economic ill effects of land monopolism and the use of land value tax as a remedy for them." Importantly, one of these later editions included a second, alternative, set of rules and a second name for the game, Prosperity.

These two sets of rules were masterful teaching tools - an anti-monopolist set in which all were rewarded when wealth was created, and a monopolist set in which the goal was to create monopolies and crush opponents.

The game featured play money and deeds and properties that could be bought and sold. Players borrowed money, either from the bank or from each other, and they had to pay taxes. And it featured a path that allowed players to circle the board – in contrast to the linear-path design used by many games at the time. In one corner were the Poor House and the Public Park, and across the board was the Jail. Also included on the board were three words that have endured for more than a century after Lizzie wrote them there: GO TO JAIL.

The game also had Chance cards with quotes attributed to Thomas Jefferson ("The earth belongs in usufruct to the living"), John Ruskin ("It begins to be asked on many sides how the possessors of the land became possessed of it"), and Andrew Carnegie ("The greatest astonishment of my life was the discovery that the man who does the work is not the man who gets rich"). In place of Monopoly's "Go!" was a box marked with a quote from Lizzie's personal hero, Henry George: "Labor Upon Mother Earth Produces Wages."

With the rules of *Monopoly* competitors were to be saddled with debt and ultimately reduced to financial ruin, and only one person, the supermonopolist, would stand tall in the end. The players could, however, vote to do something not officially allowed in *Monopoly*: cooperate. Under this alternative rule set, they would pay land rent not to a property's title holder but into a common pot—the rent effectively socialized so that, as Magie later wrote, "Prosperity is achieved."

It's important to restate the genius of Lizzie's two sets of rules and how they functioned. Under

the ‘Prosperity’ set of rules, every player gained each time someone acquired a new property (designed to reflect George’s policy of taxing the value of land), and the game was won (by all!) when the player who had started out with the least money had doubled it. Under the ‘Monopolist’ set of rules, in contrast, players got ahead by acquiring properties and collecting rent from all those who were unfortunate enough to land there – and whoever managed to bankrupt the rest emerged as the sole winner.

Hands up those who recognise the latter set of rules alive in our current economy!

For close to thirty years after Lizzie fashioned her first board on an old piece of pressed wood, *The Landlord’s Game* was played in various forms and under different names—“Monopoly,” “Finance,” “Auction.” It was especially popular among Quaker communities in Atlantic City and Philadelphia, as well as among economics professors and university students who’d taken an interest in fairer and more productive economic systems. Shared freely as an invention in the public domain, as much a part of the cultural commons as chess or checkers, *The Landlord’s Game* was, in effect, the property of anyone who learned how to play it. But Lizzie still needed to protect her intellectual property and to ensure its geoist message was front and centre.

Fast forward to the 1932 when the villain of this tale emerges. Charles Darrow sold a modified version of the game to giant games company Parker Brothers as his own invention. This earned him millions in royalties.

Facing massive legal bills to fight Parker Brothers, Lizzie was vulnerable to some slick talking and verbal undertakings. For a token $500, Parker Brothers purchased Lizzie’s patent but on Lizzie’s condition that The Landlord’s Game as well as Monopoly would continue to be published. Lizzie wasn’t so concerned with royalties but with the integrity of her game’s message.

When Parker Brothers President, Robert Barton, reportedly met with Lizzie and asked her if she would accept changes in her game, Lizzie replied: “No. This is to teach the Henry George theory of single taxation, and I will not have my game changed in any way whatsoever.” Barton was to later explain why in his opinion Lizzie Magie answered that way: “She was a rabid Henry George single tax advocate, a real evangelist and these people never change.”

In a January 1936 interview in *The Washington Star*, Elizabeth was asked how she felt about getting only $500 for her patent and no royalties ever. She replied that it was all right with her "if she never made a dime so long as the Henry George single tax idea was spread to the people of the country."

Here's the devilish twist to this tale - once Parker Brothers bought up Magie's patent, they only produced a token number of authentic versions to fulfil their 'deal' with Lizzie. Their main objective was to re-launch the board game simply as *Monopoly*, and so provide the eager public with just one set of rules, those that celebrate the triumph of one over all. Worse, they marketed it along with the claim that the game's inventor was Darrow, whom they said had dreamed it up in the 1930s, sold it to Parker Brothers, and become a millionaire. It was a rags-to-riches fabrication that ironically exemplified Monopoly's implicit values: chase wealth and crush your opponents if you want to come out on top. It was far sexier to play up fictitious Great Depression origins than to describe how a couple of board game robber barons ripped off an old lady.

At first, Lizzie did not suspect the true motives for the purchase of her game. When a prototype of Parker Brothers' version of *The Landlord's Game* arrived at her home in Arlington, she was delighted. In a letter to Foster Parker, nephew of George, she wrote that there had been "a song in my heart" ever since the game had arrived. "Some day, I hope," she went on, "you will publish other games of mine, but I don't think any one of them will be as much trouble to you or as important to me as this one, and I'm sure I wouldn't make so much fuss over them." Eventually, though, the truth dawned on her and she was devastated.

While the *Monopoly* game was central to Lizzie's mission, it was only one part of Lizzie's remarkable life - so let's back up to 1906. Then she was 40 and had moved to Chicago, still a single and very independent woman. There she took up a job as a newspaper reporter until, four years later, her life took an unexpected turn - she married. Albert Phillips was 10 years Lizzie's senior but their marriage was, by all accounts, relatively harmonious for the 27 years more that Albert lived. Still, the union was an unusual one - a woman in her mid 40s embarking on her first marriage, and a man marrying a woman who had publicly expressed her skepticism of marriage as an institution.

Many other inventive board and card games flowed from Lizzie around this time, most of them with some sort of message. There was her humorous card game, Mock Trial, the game Bargain Day where shoppers compete with each other in a department store and, amongst others, an abstract strategy game called King's Men.

In the early 1920s she and her husband moved back to the east coast of the U.S. Married or not, Lizzie had always had been a strong feminist, generations ahead of her time. During her earlier days Lizzie had staged an audacious stunt mocking marriage as the only option for women and it made national headlines. Purchasing an advertisement, she offered herself for sale as a "young woman American slave" to the highest bidder. Her ad said that she was "not beautiful, but very attractive," and that she had "rare and versatile dramatic ability; a born entertainer; strong bohemian characteristics, can appreciate a good story at the same time she is deeply and truly religious—not pious." The ad quickly became the subject of news stories and gossip columns in newspapers around the country. The goal of the stunt, Lizzie told reporters, was to make a statement about the dismal position of women. "We are not machines," Lizzie said. "Girls have minds, desires, hopes and ambition."

And so to the final chapter of a unique life. The beautiful idealist that was Lizzie Magie fought the good fight right to the end, and when her energies were fading she turned to urging younger geoists to action:

"What is the value of our philosophy if we do not do our utmost to apply it? To simply know a thing is not enough. To merely speak or write of it occasionally among ourselves is not enough. We must do something about it on a large scale if we are to make headway. These are critical times, and drastic action is needed. To make any worthwhile impression on the multitude, we must go in droves into the sacred precincts of the men we are after. We must not only tell them, but show them just how and why and where our claims can be proven in some actual situation."

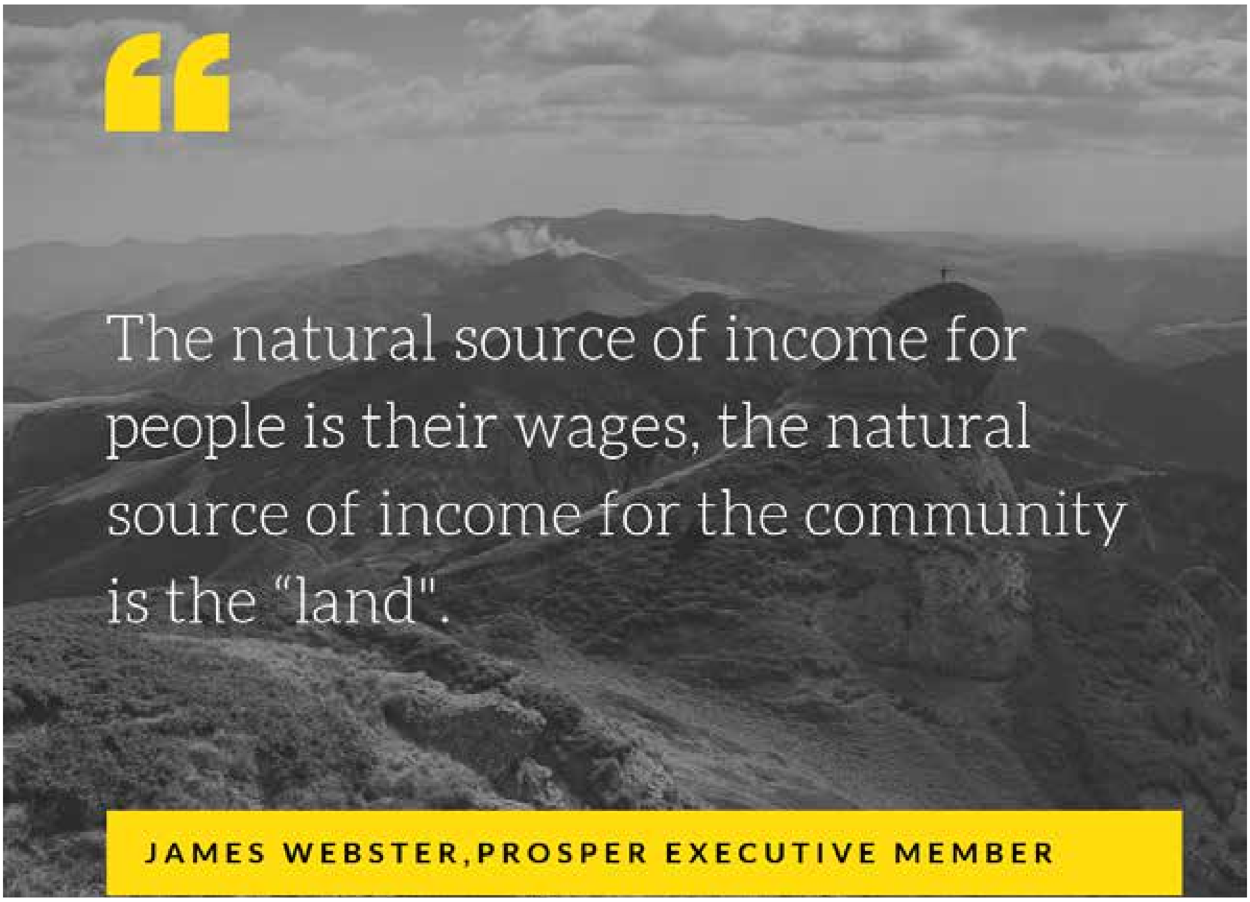
But the corporate machine that is Parker Brothers had swindled Lizzie and utterly perverted her brainchild. Lizzie lived out her final years in relative obscurity. She died in 1948, aged 82, having been a childless widow for 11 years. Neither her headstone nor her obituary mentioned her role in the creation of Monopoly.

Well, here's a fitting - if somewhat mournful - place to end. Except it ain't. Let's finish in a major key with the tale of the posthumous recognition of Lizzie. Indeed, if it wasn't for this accidental rediscovery of Lizzie's story, you wouldn't be reading this very tale.

Thirty years after the curtain fell on Lizzie's life enters, stage left, one Ralph Anspach, an economics professor and refugee of Hitler's Danzig. Anspach was a soul mate of sorts to Lizzie, as he himself was fighting to sell his own Anti-Monopoly board game, which hailed those who busted up trusts and monopolies instead of those who took control of all the properties. While he and his lawyers were researching previous Parker Brothers lawsuits, he accidentally discovered the true history of the game, including all those dirty dealings of Parker Brothers. Anspach could hardly believe it - here was a 70-year-old game which, like his very own, was underpinned by morals that were the exact opposite of what the Parker Brothers perversion represented.

Anspach wrote a book published in 2015 about the forgotten history of Lizzie Magie and her game, and so finally she's posthumously been recognised. There's another parallel between Anspach and Lizzie - they both ended up fighting Parker Brothers. In Anspach's case, Parker Brothers changed tack and hypocritically claimed that Anspach's anti-monopoly message was actually part of their patent. After years of Parker Brothers playing the most hard ball legal strategy, Anspach finally emerged victorious and with the right to continue marketing his Anti-Monopoly board game, along with a seven figure settlement. There's the happy ending on which we needed to end.

Next issue: no. 68 - the 18th century French economist and physician, Francois Quesnay.



Rethinking the Economics of Land and Housing *by James Webster*

I really enjoyed reading this book. It is about economics, so that is a surprising thing to write. However if you are passionate about understanding economic fundamentals and believe as I do that a great deal of intelligence and honesty is missing from the field, it is very rewarding to come across a book which comes to the rescue of a generally vacuous public discussion.

The back cover:

> *'WHY ARE HOUSE PRICES in many advanced economies rising faster than incomes?*
>
> *Why isn't land and location taught or seen as important in modern economics?*
>
> *What is the relationship between the financial system and land?'*

Great questions indeed - in fact they really should be an earthquake to the inertia and self- congratulations of exponents of neo-classical economics. This timely and substantial book earnestly and methodically answers all these questions and asks many more.

The book is comprehensive, its contents:

1. Introduction – What is land? What is its value? Landownership and economic rent.

2. Landownership and property – Origins of the theory and forms. Landownership as freedom: secure title and economic growth. Landownership as theft: power and economic rent. Hypothesis: property is liberty, property is theft.

3. The missing factor: land in production and distribution. Classical political economy: land and economic rent. Land tax or separation as a solution to the problem of economic rent. Neoclassical economics and the conflation of land with capital, problems with Neoclassical economics: the fundamental differences between land and capital. Political reasons for the disappearance of land from economic theory. Land and socialism.

4. Land for Housing: land economics in the modern era. The Industrial Revolution and the growth of cities. 1900-1970: world wars and the golden age of capitalism.

5. The financialisation of land and housing. House and land prices, income and bank credit. Mortgage finance and the role of collateral. Macroeconomic effects of the liberalisation of mortgage credit. The property credit nexus and financial fragility.

6. Land, Wealth and Inequality. Trends in

economic inequality, traditional explanations for increasing inequality. The role of land and economic rent in increasing inequality. Why inequality matters.

7. Putting land into economics and policy. Ownership, tax reform, financial reform, reforms to tenure, planning reform, changes to economics and national accounting.

These topics are all dealt with deliberately, exhaustively, sincerely and with great respect. The experience is something like reading a well written series of Ted Talks: stepping through the issues - increasing one's understanding, curiosity and confidence through the journey. References hang like jewels wherever a factual point is made, lending gravitas and legitimacy to the content. The thoroughness of the referencing conveys the genuineness of the authors - they are not just striding to the soapbox but have devoted the hours to make sure everything they write is backed-up by a source, providing ballast to their fine sentiments. There are abundant yet clear and concise graphs, illustrating trends emerging from the policy and practice being discussed.

Where salient, break-out boxes are included for those who wish to learn more about particular topics including: 'Neoclassical economics', 'The secret origins of the Monopoly board game', 'Keynesian Economics', ''How Banks and Building Societies "Fund" Mortgages', and many more.

One particular element is worth special note: the conflation of land and capital. Whilst the fact that land is a unique factor of production is a fundamental trope of Georgist literature (and understandably so) most economists miss the point, and that is a problem. This fabulous book painstakingly steps through the misguided peregrination of the dismal science when it comes to appreciating the importance of land - from the enlightened understanding of classical political economists: Ricardo, Mill and Smith that had land a unique and distinct factor of production, worthy of its own place; to the degraded state in which economics finds itself today, where land is not even mentioned and the list of factors of productions is ignorantly limited to capital and labor, on opposing sides.... land is lumped with capital.

The book advises that around the end of the 19th Century a group of economists (most notably John Bates Clark) developed a fondness for the idea that within economics could be found natural and universal rules,. If that was the case, economics could be treated as a science. Clarke then conceived that Ricardo's law of economic rent generated from the marginal productivity of land equally applied to capital. All capital then becomes interchangeable, all labor becomes interchangeable and then as identified by Wicksteed – land also becomes an interchangeable factor of production; and all the factors of production are provided by the fixed stock of capital. In doing so, land and location are deprived of their unique and incomparable qualities and economics loses its way.

As is mentioned, economics textbooks now show only two factors of production – capital and labor - both are subject to supply and demand. Land being inelastic does not expand and contract with demand, demand may increase or decrease the price, but never the supply. As a side note, I am always impressed by the fact that while economists ignore land as a factor of production, land speculators have never seen it that way! They are very happy to exert all influence possible to purchase land, and are less concerned with 'capital'. Why can't economists recognise the difference?!

I am quite familiar with the Georgist perspective and value it. What I particularly enjoyed in this book was the elements not included in *Progress and Poverty*, but seamlessly incorporated here: Neoclassical economics, Modern Monetary Theory and Credit Creation, the history of the treatment of land and its ownership, the look at inequality and all the 130 + years of economic experience, learning, implementation and success and failure since *Progress and Poverty* was written.

Anyone who wishes to offer their opinions on housing, affordability, taxation, economic cycles, banking, inequality and general economics should take a break from doing so until they have read this book.

I love the fact that this book has taken importance of land in economics by the horns and provided an impressive and assured re-entry for it onto the economic stage.

Listen to co-author Laurie Macfarlane on the Renegades: www.earthsharing.org.au/2018/05/rethinking-the-paradox-of-property/

GeoNews

German real estate: Renters' woes are speculators' profits (Deutsche Welle 02.04.18)

In one of its monthly reports, the German Federal Bank calculates that

> *the richest 10 percent of households own almost half of the country's real estate.*

The problem with this, the Trier University tax expert Dirk Löhr said, is that a large part of this real estate wealth is based on the value of the land, which actually belongs to the community as a whole.

The value of the land is created by the public sector.

This means that, so far, the wrong people are profiting from the rise in the value of land. Because if a house in Berlin-Mitte is worth considerably more than one in a structurally weak region like the Harz or the Eifel, it is primarily thanks to work that's been put in by the public sector, says the economist Dirk Löhr.

Another statistic shows that there are a lot of investors keen to earn money this way:

About 600,000 building permits have currently been granted but not yet acted upon.

Many were granted in cities such as Munich, where there is a shortage of living space — and the prospect of high returns.

Build-to-rent will struggle in Australia: Joe Russo (AFR, 05.09.17)

"With such a strong rental demand for property in Australia, I would love for it to be viable here," he said.

"However, in the current market, where actual property values are so high, the completed value of a rental building will be less profitable then under a sell [off-the-plan] and build model."

Build to rent is where apartments are built and held by one major investor as opposed to being sold off to many private investors.

Mr Russo added that Australia also did not have the other key factors behind the sector's success in the US, namely a "deep finance market" for build-to-rent product, where there are 30-year loans available at loan-to-value ratios of up to 75 per cent.

Nor, he said, did Australia have the deep pool of buyers "such as [US] pension funds that will purchase a stabilised asset on a 4.5 per cent to 5 per cent yield".

Privacy risks in registry sale

(innovationaus.com)

Victoria's privacy watchdog has raised a series of data and security concerns over the controversial sale of the state's land titles registry.

The Office of the Victorian Information Commissioner (OVIC) said in a submission to an inquiry that the commercialisation of the essential service would remove many of the current privacy and security oversight functions and hamper the general public's ability to access information.

An inquiry into the Victorian government's plans to commercialise the land titles and registry functions of Land Use Victoria, the body responsible for the registration of all land and property in Victoria, was launched in late May.

The buyer of the land titles registry is likely to offer new products and services using the data, but given the "significance of the data" involved and the number of individuals who would be impacted, Privacy Impact Assessments would not to be conducted by independent third parties.

"The state should be satisfied that the primary protections the operator will build into any new products are of a high standard prior to approving any new offering.

"The process for approving new products should be made as transparent as possible. This would assist in maintaining community trust in the land titles system," the Victorian Information Com-

Kayla Valesquez, Unsplash

missioner Sven Bluemmel said.

A number of other submissions to the inquiry were critical of the plans to sell off the essential service, with many focusing on the potential for increased pricing with the commercialisation of a monopoly.

Melbourne-based research and advocacy not-for-profit Prosper Australia said the sale is likely to lead to "price gouging and higher prices".

"On the available data, the economic case for privatisation is limited."

"There is no fiscal rationale for privatisation; the Victorian government would be $240 million a year better off if it retained the land titling function as a profitable public monopoly and issued bonds to finance spending," Prosper Australia said in the submission.

Public deserves to reap benefit of windfall

Letters to the Editor
AFR, Wednesday June 27th
Karl Fitzgerald, North Melbourne

Michael Musgrave's *New value capture tax will hit every development in Parramatta* (25/6 AFR) made a strong case for his constituents. It's the Australian way for property developers to make rezoning windfalls in their sleep.

Musgrave musters every scaremongering tactic in the developers playbook over the Parramatta City Council's brave move to claim 50% of rezoning windfalls delivered by the bureaucrats 'golden pen tick'. From destroying pensioners investments to bumping up the price of housing, he mentions everything but the long standing value capture arrangement in the ACT, where 75% of any windfall gain goes to the public. Affordability did not plummet in the ACT when this was enacted. In fact the Land Tax reforms underway there are already saving new mortgagees $2,000 p.a.

The sooner we raise more money from real estate windfalls (unearned incomes), the better. Shouldn't the public get the lion's share of any such uplift, since the developer did little more than a few week's work for what could be a multi-million dollar payday?


Expecting developers to keep building in order to reduce house prices is pure fantasy.
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