Broken City

Land Speculation, Inequality, and Urban Crisis

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Contents

1
Inequality, Disease, and Urban Land

WAGE-EARNER INEQUALITY AND HOUSING MILLENNIALS WORLDWIDE

Since the 1980s, in inflation-adjusted terms, the average wages in the English-speaking world have remained flat, whereas the costs of life-supporting goods such as education and housing have more than doubled (E. Martin 2017a, 2017b). Housing costs in booming global cities have become even worse, quadrupling since 1950 (Fidler and Sabir 2019). These fundamentals are increasingly out of reach at levels enjoyed by baby boomers and even Generation X. For millennials, intergenerational inequity is undermining not just health but also social stability.

The first strong evidence of broad discontent with structural inequality was seen in the Occupy Wall Street protests of 2011 (Graeber 2012) – protests that started in New York and quickly spread throughout the developed world. Before the public expression of rage subsided, protests had been held in over eighty countries (A. Taylor 2011). Here again, the protesters were largely white and young – the first time in modern history that a worldwide protest movement was sparked by purely economic issues and the first time that economic class was redefined as the 1 percent

FIGURE 1.1 Occupy Wall Street protest, September 2011. | Courtesy Paul Stein via Wikimedia Commons.

against all the rest. Their complaint was, and is, that the share of wealth going to wage earners – the lion's share of the 99 percent – represented a smaller and smaller portion of the economic pie, whereas the investor class, the 1 percent, were grabbing too much.

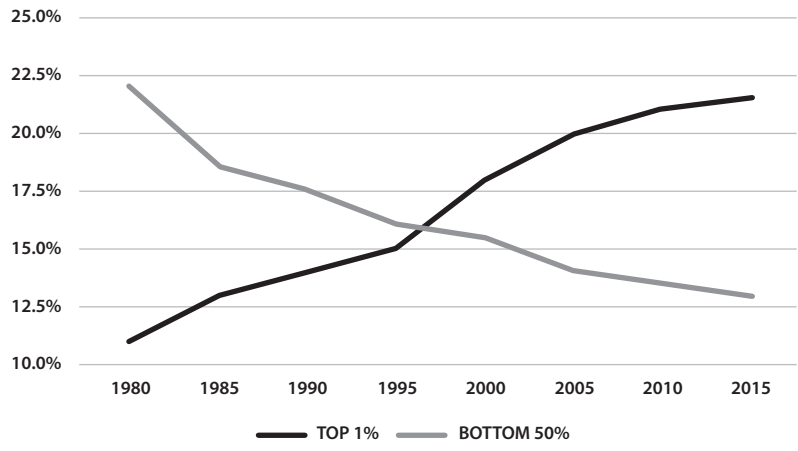
Their diagnosis was largely correct. For three decades after the Second World War, the share of product value (whether for a car or an insurance policy) that went to wage earners in the English-speaking world stayed steady at roughly 60 percent of the sale price (Piketty 2014; Zaveri 2020). Since 1980, despite massive gains in worker productivity, the wage-earner share has dropped to around 40 percent, with the remainder going to owners and stockholders. This change is hugely significant, as it means that additional trillions of dollars are going into the pockets of those who need it least: the small class of citizens with sufficient capital to invest and enough cash flow from these investments to leverage (or financially back up) more and more asset purchases. Enthusiasts for this system on the political right claim that it benefits the broader population

since retirement plans and consumer-accessible mutual funds are also lifted up (Erturk et al. 2007). True. They also claim that the majority of people benefit due to the increased equity gains that they enjoy from their property, almost exclusively housing. Again, true.

Unfortunately, as generous corporate retirement plans become rarer and as housing and other essential costs proportionately rise, the capacity of average wage earners to acquire the benefits of surging asset value are becoming more limited. More than 50 percent of American and British (Kidd 2019) wage earners now have a negative net worth. The average member of the American middle class now has only US$4,000 saved for retirement (Horowitz 2018), enough for one month's rent for a two-bedroom apartment in San Francisco.

The COVID-19 pandemic made this discouraging diagnosis grimmer still, as the bottom 50 percent of income earners were decanted into districts where housing is offered at prices that, if not exactly affordable, are at least possible to afford. As this sorting took hold with ever greater ferocity, the same infection dangers experienced by American Blacks and Latinos spread to an ever-larger number of wage earners throughout the English-speaking world as well.

FIGURE 1.2 Diverging income equalities trajectories, United States



Based on data from piketty.pse.ens.fr/capital21c.

A LOOK AT JUST ONE US STATE AND THE RELATIONSHIP BETWEEN PANDEMIC AND INCOME

Taking a look at just one US state, Massachusetts, where the data are fairly robust at the time of this writing, we can chart the incidence of infection and death against the average income levels of the state's cities and towns. Massachusetts is a geographically small state with well over 300 separate municipalities, virtually all of them small in area. These municipalities also commonly do not house residents with a wide range of incomes. Residents of rich communities are almost all rich (a result effectuated largely by restrictive zoning laws), whereas other communities (largely older former mill towns) are home to residents with primarily lower-middle or low incomes. In the ten richest towns in the Commonwealth of Massachusetts, the average COVID-19 infection rate was less than 1 percent (Data USA 2020). In the ten poorest cities, the average rate was more than four times higher, at over 4 percent. In Newton, the richest city (Sparkes 2019), the rate was 0.66 percent, whereas in the poorest, Springfield (Massachusetts Department of Public Health 2020), the rate was over six times higher, at 4.25 percent. Fitchburg, also

FIGURE 1.3 Aerial view of Fitchburg, Massachusetts, one of the state's poorest cities and with the highest infection rate in May 2020. The city is 78 percent white and 5 percent Black. | Courtesy Nick Allen via Wikimedia Commons.

on the list of the top ten poor communities, had an even higher infection rate, at 4.9 percent. Yet the population of Fitchburg is only 5 percent Black versus 78 percent white – giving it a Black population nearly 3 percent lower than the state average. This suggests that although Black Americans are uniquely exposed to the dangers of pandemic, they are not alone. Housing areas segregated by income, not race by itself, seem to be the dominant vector for COVID-19 infection (Data USA 2020).

MILLENNIAL WHITES INCREASINGLY ALSO CLOSED OUT OF LAND WEALTH

The pandemic also revealed that geographic inequality, the vector for the disease, is a problem increasingly shared by previously advantaged racial groups, particularly those under the age of forty. Younger people of all races, particularly those living in jobs-rich global cities, are experiencing daunting gaps between the cost of housing and what they can afford to pay. Throughout the English-speaking world, house prices have doubled in the past twenty years (E. Martin 2017a). In some global cities, prices have quadrupled (Fidler and Sabir 2019). But these raw price increases don't tell the whole story. Those who already own homes, older on average than those looking to purchase their first home, escape the worst.

In fact, those lucky enough to have purchased their homes twenty or more years ago are, again on average, sitting on substantial wealth gains (and are naturally loath to see them reduced). But absent very dramatic decreases in home prices, and absent a doubling of wages for those under forty (the trends there don't look promising to say the least), homeownership or even reasonable rents are increasingly out of reach for younger wage earners worldwide.

That is of course unless millennials can access the bank of Mom and Dad for the six-figure down payment required – which is, increasingly, the only way for young people to get on the first rung of the home equity ladder (E. Martin 2019).[1] Again, much of this reality is generally known, but a few facts to support such broad assertions are merited. Millennials with a college degree or a high school diploma make roughly 85 percent as much, in constant dollars, as baby boomers earned at the same age (Bialik and Fry 2019). And even though millennial college graduates

make 9 percent more than baby boomer college grads did at the same age (ibid.), they carry an average of roughly US$40,000 dollars in educational debt into their first professional job (Stolba 2019) – not to mention that with housing costs now double in real terms, their standard of living is substantially lower than that of their parents.

But that's not all. On average, their baby boomer parents also carry about US$40,000 in educational debt (Stolba 2019). What gives? Are those sixty year olds going back to school in huge numbers? No, they are obligating themselves through the Parent PLUS student loan program, and others like it, to finance the huge costs of their children's education (ibid.).[2]

These unprecedented educational debts explain why the average net worth of US millennials – only US$8,000 dollars – is 36 percent lower than that of Generation X at a similar age. This figure is itself skewed by breathtaking inequality levels. For example, the estimated net worth of social media mogul Mark Zuckerberg was US$86 billion in 2020, equal to the average net worth of over 10 million of the roughly 80 million US millennials (Duffin 2020). Because of these unprecedented strains, US millennials are giving up on the idea of marriage and childbirth or putting it off by six years on average (Stahl 2020), having fewer children on average, at 1.7 per female and trending down, far below the replacement rate of 2.1 (Editorial Board 2019), living with their parents at nearly twice the rate as in 2000, a trend rapidly accelerated by the pandemic (Pinsker 2020), and giving up on or putting off purchasing a home, with the result that they are half as likely to own a home by age thirty-five as were baby boomers (D. Thompson 2014).

These financial constraints show up in indicators for pandemic risk that are not unlike those experienced by American minorities: the acceptance of more crowded living conditions due to high housing cost, with half of millennials employed in the essential workforce now spending more than 30 percent of their pre-tax income on housing (Nova 2019, citing Freddie Mac 2019);[3] the higher likelihood of employment in the high-exposure gig economy; and fewer opportunities to work from home (college-educated US millennials may do so in large numbers, to be sure, but only 39 percent of US millennials have college degrees) (Bialik and Fry 2019). Generally speaking, the massive growth in the precarious jobs

that make up the gig economy is both adding to pandemic risks and limiting opportunities to acquire real estate wealth, start a family, or secure a comfortable retirement (Prudential 2019).

BUILDING TYPE, TRANSPORTATION, AND DISEASE

But what of housing type itself? What evidence links our public and private choices about housing type to communicable diseases? At the beginning of the COVID-19 pandemic in 2020, much concern was

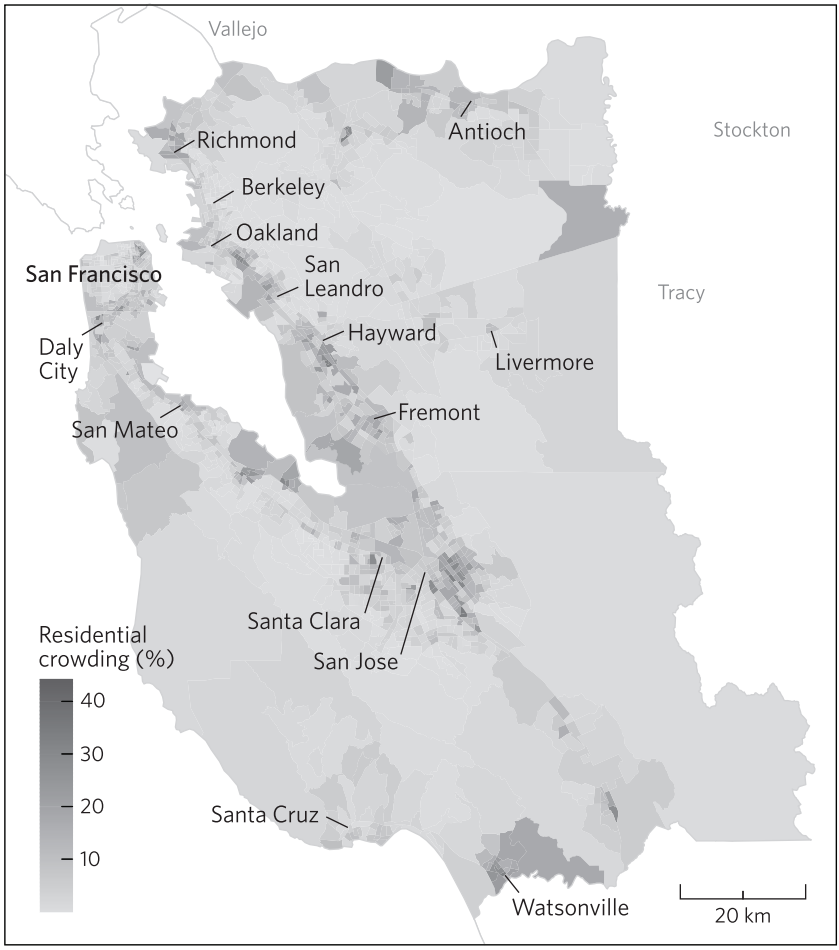


FIGURE 1.4 Residential crowding in the San Francisco Bay Area. In lower-income areas, over 50 percent of all rentals can be crowded. | Cartography by Eric Leinberger. Based on data from US Census Bureau.

expressed about high-density buildings and the possibility of shared spaces – elevators, lobbies, hallways, and common rooms – spreading the disease. At the time of this writing, the evidence strongly suggests that residential density, in multi-unit buildings, is not by itself the problem. On the one hand, models of droplet behaviour provided by Richard L. Corsi, the dean of engineering and computer science at Portland State University and a specialist in indoor air quality, suggest that given the slow rate of air exchange in elevators, droplets from an infected person can linger in elevator air long enough to infect the next rider (cited in Parker-Pope 2020). On the other hand, Dr. Ian Schwartz, assistant professor of infectious diseases at the University of Alberta, notes that the infection rate for family members living with an infected person is 10 to 20 percent, much lower than the infection rate for measles, at 70 to 90 percent (cited in ibid.).[4] One expects that if you can catch COVID-19 from a ten-second exposure in an elevator, living with someone who has it would be much more hazardous than that.

Living with others in close quarters is proving far deadlier than sharing elevators, it seems. Work by the Public Policy Institute of California shows a clear link between apartment crowding, occupations as essential workers, and deaths. Across the United States, the rate of overcrowding (defined as more than one occupant per room) is relatively low, at under 5 percent. In California, due to the severity of its housing crisis, the rate is 8.3 percent state-wide. But for low-wage essential workers in the agriculture or food industry, the rate is much higher, at 24 percent, with some lower-income communities showing a rate of over 40 percent (Dougherty 2020). And California counties with the most crowding, like Los Angeles County, also experienced the highest COVID-19 death rate (Meja and Cha 2020). Again, given the multivariate nature of this complex epidemiological problem, crowding alone is not a proven singular cause of death but exists within a multivariate context that is driven largely by ever-increasing inequality, which is most often made manifest by impeded access to suitable affordable housing.

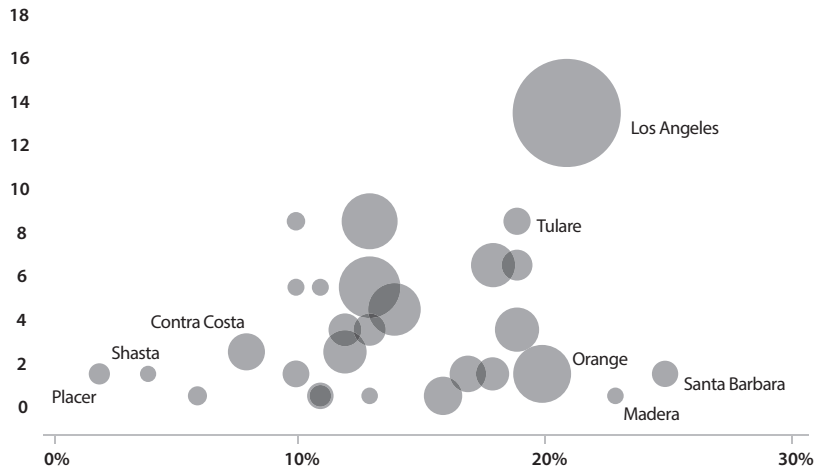
Next, we come to the confounding issue of how transportation mode influences the transmission of disease. In the early days of the US pandemic, focused largely on New York City, many people associated New York's particularly early and severe health crisis with its subway system,

FIGURE 1.5 Typical medium-density "streetcar suburb" street in the predominantly Black East Flatbush, New York, neighbourhood where disease hit hard. This is not anyone's image of high-density life. | Courtesy Google Maps.

one that is unique in the United States. It seemed logical that crowded subways, along with high-density neighbourhoods, were vectors for the disease. This view was reinforced by early work, such as the widely disseminated study "The Subways Seeded the Massive Coronavirus Epidemic in New York City" (2020) by economist and physician Jeffrey E. Harris of the Massachusetts Institute of Technology. His title was far more inflammatory than the article, where Harris was careful not to make any claims of causation or even to narrow down correlations to one influence. Nevertheless, with the release of his paper prior to publication and peer review, his apocalyptic title caused an eruption in the media. Reaction from urbanists was swift. Salim Furth (2020), director of the Urbanity Project at George Mason University in Georgia, did an equally deep dive into the same data and came to the opposite conclusion: cars were the culprit. Furth's conclusion seems counterintuitive. How could sitting in your own car by yourself be an occasion to catch or spread disease? The answer seems to be that neither subways nor cars are the vector. Inequality is. Furth pointed out that there was a higher correlation between auto use and disease than between subway use and disease, but left largely unnoticed by him was the much stronger correlation between inequality and disease evident in the data. Indeed, over 40 percent of Manhattan residents in the top decile, or one-tenth, of

income simply left town to wait out the pandemic. New Yorkers in the bottom nine-tenths of income did not have this option, nor were they rich enough to live in most parts of Manhattan (Quealy 2020). They were instead sequestered far from Manhattan in the moderate- and low-income boroughs, where disease was concentrated, where car use was more necessary, and where daily they were exposed to similarly endangered neighbours regardless of how they got to work.

FIGURE 1.6 COVID-19 deaths (per 100,000), workers in overcrowded homes (%)



Note: Dot size relative to populations of cities surveyed, with some cities called out for reference. Based on data from Policy Institute of California.

INEQUALITY AND URBAN GEOGRAPHY

To sum up, then, inequality, more than any other factor, is the vector for pandemic. This inequality is manifest in where a home is located, how much it costs, how many people live under one roof, what job types are associated with what type of resident, and the district's concentration of families with similar characteristics. Systemic racism, both blatant and subtle, places American Black families in much higher danger than white families. However, systemic inequality is increasingly placing wage earners of all races in similar danger. The social tensions spawned by systemic inequality and racism are manifest both in recent eruptions,

FIGURE 1.7 View from 398 Westlake Ave. to the southeast up West Maryland St. This is a typical Westlake district residential street. Westlake has the most severe overcrowding in Los Angeles. | Courtesy peter boy12qq12 via Wikimedia Commons.

such as the Black Lives Matter protests and the earlier Occupy Wall Street protests, and in the populist frustrations evident in the recent growth of anti-immigrant political sentiment (see Frank 2020).

Inequality in housing is far more odious than in more benign forms. Housing is necessary for life. Citizens can't choose not to pay for a place to live. Paying the rent must come first. In this way, paying the rent is unlike paying for a flat screen television, double-shot lattes, or avocado toast. This reality makes the doubling of average home prices nationwide and the more than tripling of housing costs in jobs-rich coastal cities particularly problematic. Urban designers and those forging urban development policies now have an additional reason to address housing and urban form inequities. More than social justice, lives are at stake.

COVID-19, RACE, AND URBAN LAND IN THE UNITED STATES

The role of race as a factor in disease has assumed new importance. Data clearly indicate that Black and Brown Americans are at least three times more likely to become infected with COVID-19 than whites (State of Black America 2020).[5] It turns out that a century of systemic discrimination is a major factor, manifest both in the economic geography of

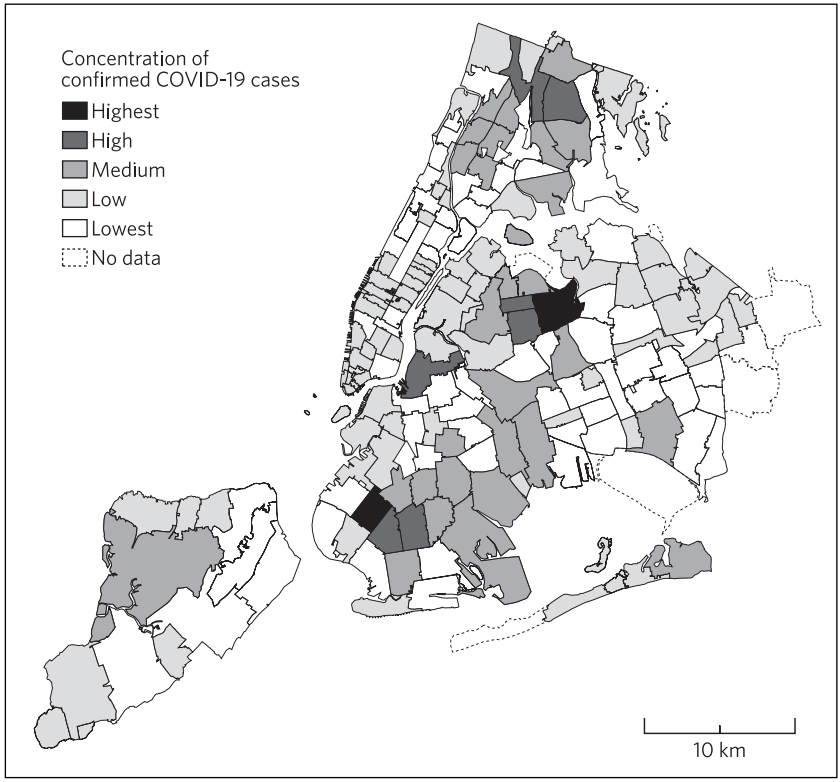


FIGURE 1.8 Concentration of COVID-19 cases in New York City in 2020 by zip code. The concentrations align with poverty, not density. | Cartography by Eric Leinberger. Based on data from US Census Bureau.

American cities and in the patterns of everyday life common to disadvantaged communities. These troubling urban economic geographies are not exclusive to American minority populations, but minority communities are clearly the hardest hit.

DENSITY AND THE "BAD HABITS" OF BLACK AMERICANS

Some have argued that residential density is the vector for disease, a premise supported by the early onset of the pandemic in the densest US city: New York. A secondary early assumption was that disease was caused by morbidity – factors such as obesity, hypertension, and other health factors that presumably affect those who don't take good care of themselves.

President Donald Trump's secretary of health and human services, Alex Azar, was not subtle in implicating what he saw as the unhealthy lifestyles of minority Americans in an on-air interview with *CNN* on May 17, 2020:

> Unfortunately, the American population is a very diverse ... population with significant unhealthy comorbidities that do make many individuals in our communities, in particular African American, [and other] minority communities particularly at risk here because of significant underlying disease health disparities and disease comorbidities. (Quoted in Holmes and Bohn 2020)

This sort of remark was confined neither to Secretary Azar nor to his time. The United States has a long history of rushing to blame the lifestyle habits of those below the poverty line or a presumably unsophisticated ethnic group for the diseases that befall them. When cholera ripped through Lower Manhattan in the mid-1800s, affecting a largely Irish American cohort, the presumably dissolute habits of the poor were also blamed (Garner 2015). It was not until 1854, when Dr. John Snow of England discovered that cholera was transmitted via contaminated food and water consumed by the poor and via the human waste of cholera victims, that New York's leaders reacted intelligently by upgrading their water and sewer systems.

LOW INCOME AS THE VECTOR FOR DISEASE

Latino and African American residents of the United States were three times more likely to become infected with COVID-19 than their white neighbours and three times as likely to die – yet urban density is not the cause (Oppel Jr. et al. 2020). In New York City, where robust data sets allow researchers to track cases down to the postal code, we learn that Manhattan, the highest-density borough of the city and one that is increasingly white and wealthy, had the lowest incidence of COVID-19 cases, whereas lower-density outer portions of the Bronx, Queens, and Brooklyn, areas with higher concentrations of Blacks and Latinos, had much higher levels of infection per capita.

What best explains this concentration of disease among minority

FIGURE 1.9 The assumed "fever nests" of New York City. Illustrations clearly depict the abodes of poor Irish immigrants of the day to make the connection between lifestyle, habits, family size, and disease. | Courtesy Healy Collection.

populations if not density, lifestyle, or special susceptibility? The driver seems to be the low income of Black Americans relative to whites – a disparity that has persisted since the 1950s despite dramatic increases in minority education.

In 1968, just 54 percent of Black adults had a high school diploma. Today, 92 percent do. That same year, just 9 percent of Blacks had a college degree. Now, 23 percent do (Brooks 2020). Yet average wages for Blacks remain stuck at just 51 percent of what whites earn nationwide (Leonhardt 2020). This shocking difference is partly caused by including in this depressing statistic the number of both whites and Blacks who are no longer in the labour force due to unemployment, who are not actively looking for work, or who are incarcerated – Blacks having a proportionately higher percentage in all three of these categories.[6]

Low pay, in and of itself, is obviously not the direct causal vector for disease. Susceptibility must somehow be tied both to the activities and life choices associated with this low pay and to the housing that you can afford given these earnings.

Black Americans, as one might expect in light of these low levels of income, are inordinately represented in low-wage jobs in retail and food services, as cab and bus drivers, in warehousing and delivery, as hospital nonprofessional staff, and so on. The proportion of these low-paying but essential jobs held by Blacks is twice that of whites (Salsberg and Kastanis 2018). Research has shown these "nonrelocatable occupations" to expose workers to higher COVID-19 risks (M.G. Baker 2020).

Conversely, the percentage of professional, managerial, and financial services jobs –relocatable jobs – held by Blacks is less than half that of whites (US Bureau of Labor Statistics 2012). During the 2020 pandemic, most nonrelocatable service workers, such as grocery clerks, were considered newly essential. Thus these low-wage workers could neither work from home nor stay home and still pay the rent.

Given that neighbourhoods in New York (where the best data come from) are highly segregated by ethnicity and income, residents with a high likelihood of becoming infected had similarly endangered persons on their streets, in their cafes, and on transit, adding to the risks of exposure that these people experienced each day.

THE COMPLEX SYSTEM OF AMERICAN INEQUALITY AND DISEASE

Proving that disease is caused by just one or even two factors is impossible, although correlations are much more than suggestive. For example, American Blacks, again because of lower income, are more likely to lack health insurance than whites. Even more odious is that the health care system has structural inequities between Black and white patients even when they have similar health care plans. A *New England Journal of Medicine* editorial puts it this way: "Slavery has produced a legacy of racism, injustice, and brutality that runs from 1619 to the present, and that legacy infects medicine as it does all social institutions" (Evans et al. 2020). In a *Washington Post* follow-up article spawned by this editorial, Tina Douroudian, an optometrist in Sterling, Virginia, discusses evidence of subtle and systemic race-based inequities affecting similarly insured patients:

> "I ask all of my diabetic patients if they have ever seen a registered dietitian," she says. "The answer is an overwhelming 'yes' from my white patients, and an overwhelming 'no' from my black patients. Is there any wonder why they struggle more with their blood sugar, or why some studies cite a fourfold greater risk of visual loss from diabetes complications in black people?" (Quoted in Russell 2020)

Thus, as we can see, the relationship of disease to income and location in the urban fabric is multifaceted. But the evidence strongly supports the conclusion that reversing this trend toward ever-greater geographic inequality for low-income American minorities would improve health outcomes.

AMERICAN INFRASTRUCTURE, RACE, POVERTY, AND DISEASE

Infrastructure decisions have also been identified as contributing to the high COVID-19 death rates among American Blacks. Urban redeveloper Robert Moses, according to journalist Robert Caro's famous biography of the man, intentionally drove disruptive limited-access highways through New York's largely minority neighbourhoods. He even insisted that the clearance heights of highway overpasses be too low for buses, presumably buses carrying minorities, to keep Long Island beaches

largely white (Caro 1974). This strategy was not unique to New York or to Moses but was typical in other cities and regions as well. Close-in streetcar neighbourhoods were plowed through by freeways in many US cities to give ready auto access to newly developing, and almost entirely white, auto-oriented suburbs. The result is that poorer, close-in neighbourhoods are typically subjected to harmful air quality, leading to a high incidence of asthma, which ultimately resulted in higher COVID-19 death rates. The effect is not insignificant. A paper from the Harvard T.H. Chan School of Public Health (n.d.) reports "an 11% increase in mortality from COVID-19 infection for every 1 microgram [per] cubic meter increase in air pollution." Many low-income neighbourhoods located next to heavily used freeways have over 8 micrograms of pollutants per cubic metre (ibid.). Robert D. Bullard – a professor of urban planning and environmental policy at Texas Southern University and the author of *The Wrong Complexion for Protection: How the Government Response to Disaster Endangers African American Communities* (1991), as well as nine other books on the relationship between race, cities, and the environment – put it this way:

> "Oftentimes, communities of color have the wrong complexion for protection," Bullard said in an interview with NPR's *Weekend Edition Sunday*. "You can't wash race out of it ... There's all kinds of studies that show that race is still the most potent variable for predicting who gets more than their fair share of the 'nasty stuff,' and who gets more than their fair share of the good stuff."
>
> Bullard argues that losing out on "the good stuff" ultimately shortens Black and brown lives. Minorities are disproportionately likely to live in areas with more pollution and in areas that are flood-prone. (Quoted in Valentine 2020)

HOUSING COST, EDUCATION, THE AMERICAN CITY, AND DISEASE

If the cost of housing is sorting residents by income and race into narrowly bracketed communities, this sorting will triple your chance of succumbing to disease. Sadly, income segregation is getting more, not less, extreme as the decades pass. Research by the Sage Foundation shows that although US schools are not more segregated by race than

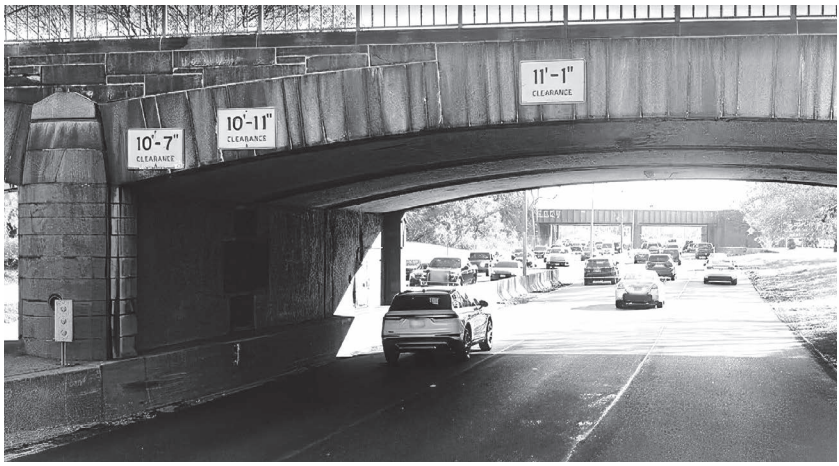


FIGURE 1.10 Low-clearance overpass on the Belt Parkway in Brooklyn. According to biographer Robert Caro, Robert Moses built parkways for cars only to limit access to low-income riders presumably in buses. | Courtesy Google Maps.

they were fifty years ago, they are dramatically more segregated by income – caused by families moving to communities with better schools and amenities if they can afford to do so, leaving behind people of all races who can't. Such dramatic increases in the degree to which urban regions are segregated by income are shown to impede academic achievement for all races in disadvantaged school districts (Duncan and Murnane 2011). The aforementioned educational challenges can thus be added to the health challenges of residing in lower-income districts. A nationwide sorting of Americans by race, income, and occupation, against the background of what is commonly referred to as a housing crisis, can now be seen as especially damaging to the security, health, and educational well-being of the nation, and not only is this threat clinical in its cause and cure, but it should also, if we are reasonable, be addressed by reconsideration of the increasing inequalities of our economic geographies – inequalities that are most importantly driven by the cost of urban land.

AMERICAN RACIAL PROTEST, THE CITY, AND DISEASE

The increasing segregation of American urban areas by income and class can be measured by other evidence of political stress. During the spring

of 2020, in the midst of some of the darkest days of the pandemic, Derek Chauvin, a white Minneapolis police officer, kneeled on the neck of George Floyd, a forty-six-year-old Black man, until Floyd was dead. Caught on camera (as all things are these days), the incident sparked riots and then nationwide protests involving both whites and Blacks (and every skin shade in between). In some ways, the middle of a pandemic seemed an unlikely time for throngs of protesters to hit the streets. In another way, it made perfect sense. As Frederick J. Riley (2020) wrote in a *USA Today* op-ed on July 8:

> Communities of color are disproportionately ravaged by COVID-19. Communities of color are also bending and breaking under the weight of decades of structural racism – our country's "unfinished business" – which impacts not only how policing and criminal justice are meted out but also how our educational, economic and health systems function by design.
>
> At the same time, we know that the health and economic toll of this period will cut a wide path across America, leaving vulnerable communities of all colors and stripes in its wake. At times like this, facing multiple perceived threats, our local communities and our country as a whole may struggle mightily to secure and strengthen our "bonds of affection." It's natural, it's human, to let fear divide us. It takes heart and courage to tap the deep waters that connect us.

Racial inequality can thus be seen as the most odious manifestation – and a structural one – of inequality more generally. However, the combination of the pandemic and the Black Lives Matter protests in 2020 indicates that, this time, the outrage against systemic inequality extended beyond the Black community (Washington 2020). Unlike in previous American race protests, where participants were virtually all Black, people of all colours participated this time, and in some cities, such as Seattle (Gutman 2020), white faces predominated. This fact is less surprising than one might initially think when one realizes that the pressures on white wage earners, if not equal to the pressures on American Blacks, are now beginning to resemble them, especially for Americans under the age of forty – the millennials and Generation Z.

FIGURE 1.11 A Black Lives Matter "die-in" over tram tracks on September 20, 2020, protesting alleged police brutality in Saint Paul, Minnesota. | Courtesy Fibonacci Blue via Wikimedia Commons.

A troubling conclusion seems clear: for the average American Black family, the vector for the disease was low wages. Low wages correlate with high-contact service jobs – which cannot be conducted from home. Low wages also correlate with the concentration of low-wage earners in highly income-segregated areas, where those in your neighbourhood are similarly endangered and will endanger each other in cafes, on sidewalks, at work, and in transit.

A SHORT HISTORY OF A SPECIAL CASE: US RACIAL EXCLUSION FROM URBAN LANDOWNERSHIP

The history of racial discrimination is the United States is unique in the English-speaking world and warrants additional explication. To illustrate how access to US urban land and racial inequality are linked, I start with the most obvious historical example of how government policy can either grant or deny land to an entire race, providing a brief recap of the troubling 150-year history of withholding land wealth from African Americans.

Some of what follows is relatively well known, but it bears repeating. At the time of this writing, African Americans own, on average, only about one-tenth of the wealth claimed by the average American white: US$17,150 versus US$171,000 (McIntosh et al. 2020). Most of the capital value held by American whites is in the form of urban land – largely their fully or partially paid-off home. The current low comparative wealth of Black families in the United States is a consequence of institutionally blocked access to urban land wealth. This disparity can be shown to be a still-lingering effect of slavery.

After the American Civil War, despite the exhortations of abolitionists, no serious effort was made to redistribute land to freed slaves. The history is complex and multifaceted, with the failure of one initiative, the Freedmen's Bureau (Cox 1958), standing out as especially unjust. Set up at the end of the war with President Abraham Lincoln's support, the bureau's goal was to distribute land to former slaves. The amount specified was 40 acres each, or a "quarter-quarter section" in the parlance of the Continental Land Survey (Linklater 2002, 181).[7] Importantly, the redistributed land had been "abandoned," or it was land "to which the United States shall have acquired title by confiscation or sale, or otherwise" (US Government 1865, sec. 4).

Originally, as administered during Lincoln's life, the legislation would have allowed for the "confiscation" of the white-owned plantations of southern insurrectionists, with land being parcelled off to the freed slaves who had worked it. After Lincoln's assassination in 1865, President Andrew Johnson, a Democrat from North Carolina, quickly reversed course. Henceforth, southerners who signed a "loyalty oath" would have their confiscated lands returned to them, ensuring that white plantation owners would reclaim the South's most arable lands. Blacks also had to compete with white "refugees" for what lands remained. Then, to make it completely impossible for Blacks to claim land, white owners quickly instituted vagrancy laws (without federal objection) that made it a crime for Blacks to be idle, giving them no choice but to work for the same "masters" they had been enslaved to (Daniel 1979).

One more thing. Simultaneous with the Civil War and the later failed Freedmen's Bureau initiative in the South, the federal government was opening up western lands for settlement under the terms of the

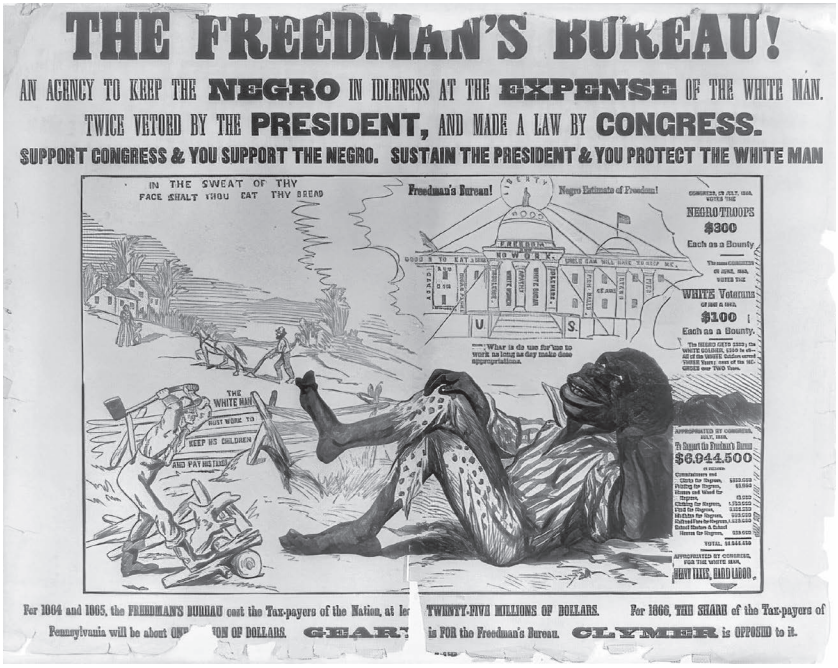


FIGURE 1.12 Racist poster from post–US Civil War South against the Freedmen's Bureau. | Courtesy National Archives and Wikimedia Commons.

Homestead Act. This legislation was designed to give free land to Americans on the western plains (and eventually beyond).[8] In modern terms, the land was *sparsely* but not entirely unoccupied. These lands were former Spanish colonies or Native American lands (Arrington 2012). These free farmsteads were theoretically available to the newly freed Black slaves. A small number of freed slaves were able to take advantage of this initiative and thus to acquire land. Unfortunately, most southern Blacks were, after Lincoln's death and in light of the prohibitive race laws passed by southern governments, no more than indentured servants under contract to work plantation lands. Breach of contract would result in jail terms, with prison labour served on the same plantation lands – but this time for no pay at all.

Comparing the results of the Homestead Act to those of the Freedmen's Bureau makes for a disheartening assessment. Relatively few of the 4 million southern Blacks ended up with land, either in the South

or on the western plain, whereas 4 million whites got free land under the Homestead Act. As historian Keri Leigh Merritt (2016) points out,

> The number of adult descendants of the original Homestead Act recipients living in the year 2000 was estimated to be around *46 million people, about a quarter of the US adult population*. If that many White Americans can trace their legacy of wealth and property ownership to a single entitlement program, then the perpetuation of black poverty must also be linked to national policy. Indeed, the Homestead Acts excluded African Americans not in letter, but in practice – a template that the government would propagate for the next century and a half. (Original emphasis; see also Merritt 2017)

RACISM, HOUSING, AND AMERICAN LAND WEALTH IN THE TWENTIETH CENTURY

To reiterate, in brief because much of this history is well known and others cover this ground more completely, institutional racism has blocked access to real estate wealth for Blacks up to this day. Just after the Civil War, three constitutional amendments were passed: the Thirteenth, abolishing slavery; the Fourteenth, affording due process protection to Americans of all races; and the Fifteenth, guaranteeing the right to vote regardless of race.

The Thirteenth Amendment is the best known, but less known is that, to this day, Section 2 of this amendment still gives Congress the right to pass laws ensuring state compliance. Congress followed up in 1875 with its Civil Rights Act barring all public or private discrimination. Sadly, in 1883, the US Supreme Court declared that in passing this law, Congress had exceeded authorities granted by the Thirteenth Amendment, arguing that it did not give Congress the right to rule over the use of private property. In 1896, the Supreme Court went even further in its landmark *Plessy v. Ferguson* decision,[9] declaring specifically that "separate but equal" facilities, this time including public schools, were constitutional. These Supreme Court precedents would not be overturned until 1968 when the case of *Jones v. Alfred H. Mayer Co.* came before the high court.[10] Joseph Jones was an African American who sued the Alfred H. Mayer Company for blocking his purchase of a new home

FIGURE 1.13 Joseph Jones sued the Alfred Meyer Company for blocking his purchase of a new home in St. Louis because he was Black. The decision effectively reversed the *Plessy v. Ferguson* interpretation of Amendment 13. | Courtesy National Archives.

in St. Louis because he was Black. The decision effectively reversed the *Plessy v. Ferguson* interpretation of the Thirteenth Amendment – almost 100 years after it was passed (Rothstein 2017).[11]

Prior to 1968, private developers such as William Levitt (builder of the famous Levittowns) were free to refuse home sales to African Americans, whereas the circumstances for city officials intent on keeping white neighbourhoods white were slightly more complicated. Cities and towns throughout the United States were free to institute explicitly discriminatory zoning codes (setting aside certain parts of town for whites only) until 1917, when the US Supreme Court outlawed this practice in its *Buchanan v. Warley* decision.[12] Undeterred, many US cities continued the practice, including Palm Beach till 1960, Kansas City till 1987, and Norfolk Virginia till 1987 (Rothstein 2017). And finally, when all else failed, cities and towns could simply use zoning rules set to ensure that the vast majority of Black families, having been successfully blocked from capital accumulation for a century, could not afford to move there. Setting high minimum lot-area requirements (5-acre minimums were common) was a common tool of de facto racial discrimination and class exclusion (Babcock and Bosselman 1973).

FIGURE 1.14 Typical discriminatory 2–5-acre minimum lot size sprawl zoning in Sudbury, Massachusetts. | Courtesy Google Maps.

This practice endures to this day, and the battle rages on. The administration of President Barack Obama sought to address this inequity in the mildest of ways, issuing an order requiring suburban communities to offer a plan to end this kind of race and class discrimination as a condition for receiving federal funds of all types. He acted as the executive administrator of the Fair Housing Act of 1968 in this instance.[13] An executive order titled "Affirmatively Furthering Fair Housing" would require suburban communities to show that their housing policies conformed to the 1968 legislation (Fuchs 2020). Failing to do so would impede access to federal funds. During the 2020 US election, President Donald Trump made this order a centrepiece of his campaign, promising to kill the rule in the hope of appealing to racist fears among white suburban residents. He claimed that candidate "[Joe] Biden will destroy your neighborhood and your American Dream. I will preserve it, and make it even better!" (quoted in Olorunnipa and Itkowitz 2020). The relatively close vote in this still-incendiary election suggests that this argument may still resonate.

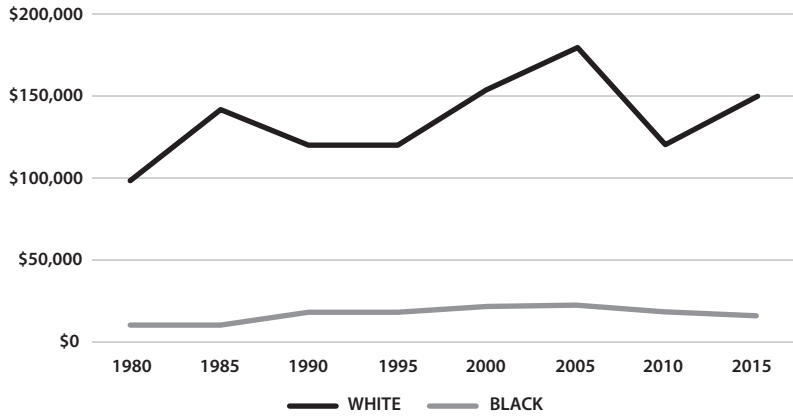
But suburbs in the United States have become increasingly mixed. The white share of US suburbs fell by 8 percent between 2000 and 2018

and now stands at 68 percent, trending toward rough parity (Parker et al. 2018). This fact does not contradict the increasingly stark income and wealth segregation across metropolitan areas that census information makes clear, as it indicates only that some districts within some suburbs are trending toward housing Black and Brown residents over time.

WHAT WE KNOW ABOUT THE PANDEMIC, NATIONAL RESPONSES, AND RACIAL WEALTH TRENDS

At the time of this writing, the long-term economic effects of the 2020 pandemic are not entirely clear, but certain things are already obvious. Since job losses in the United States have hit low-wage workers hard and low-wage Black and Brown workers even harder (Luhby 2020),[14] these cohorts are experiencing ever-greater financial stress. Absent continued federal requirements to extend generous unemployment support, continue mortgage forbearance, and continue various limits on evictions from rental units, housing security for low- and moderate-income Americans is further endangered – with avenues to gain land wealth further blocked. Meanwhile, efforts to keep America's corporations from collapsing led the Federal Reserve and Congress to inject trillions of dollars into the economy in order to protect shareholders – as most shares of stock are held by the upper 10 percent of Americans (Wigglesworth 2020).[15] Money went out in the form of loans that were either low-interest

FIGURE 1.15 **Median household net worth, by ethnicity**



or nearly no-interest, financed using the drastically expanded balance sheet of the Federal Reserve Bank, and the recipients included everything from airlines to real estate investment trusts (REITs), protecting both rental-unit landlords and the portfolios of the investor class (Ocasio-Cortez 2020).[16]

AUSTRALIA, COVID-19, AND HOUSING STRESS

Australia's battle with COVID-19 differed from that of the United States, but certain relevant similarities prevailed. Australia took a much harder stance in trying to keep disease out of the country, with a zero-COVID strategy of barriers to immigration, contact tracing, and isolation of the afflicted. Thus its rate of COVID-19 deaths was relatively low, at 20 persons per 100,000 versus 290 per 100,000 in the United States. And although one death is too many, a performance that is well over ten times better than that of the United States is something to celebrate. However, at the time of this writing, Australia and New Zealand are infection hot spots, with infection rates far higher than in the United States (Johns Hopkins University 2023). This finding bodes ill for managing what is left of this pandemic, or the next one, or what increasingly looks like a long-term, global viral endemic.

With due appreciation for such success, it is still evident in the data that race, immigration status, and income are vectors for the disease. As of February 2022, COVID-19 death rates were three times higher for immigrant families than for nonimmigrant families (Davey and Nicholas 2022). In fact, despite making up 24 percent of the population, immigrants – many from the Middle East – accounted for almost twice as many deaths as occurred among the native born: 1,600 versus 900 respectively. The litany of causes cited by public health officials is familiar: crowded apartments, the concentration of employment in low-wage, high-contact service jobs impossible to do from home, and neighbourhood interactions on streets, in homes, and in cafes with similarly endangered families (ibid.).

AUSTRALIA AND INTERGENERATIONAL HOUSING STRESS

Homeownership rates in Australia (at 64% of all housing) are similar to those in Canada (68%), the United Kingdom (65%), New Zealand (65%),

and the United States (65%). However, these rates are declining, largely due to the difficulties that millennials encounter getting their first home ("Home Ownership Rate" 2022). Since 1994, renters of both public and private housing, who constitute the remaining 36 percent of the population, have seen a substantial increase in the portion of net income flowing to rent, a change that has resulted in all of the income gains over this period among those in the bottom decile of income going to increases in rent (Karácsonyi, Dyrting, and Taylor 2021). This sad fact mirrors recent trends in wealth and income inequality. Wealth inequality concerns us most in these pages due to its direct relationship to urban landownership. Data show that between 2003 and 2018, only Australians in the top one-fifth of wealth saw any substantial increase in new worth equity (Sheil and Stilwell). And this flow of wealth was not in stocks, bonds, or bitcoins but in urban land value – not in the value of the house but in the value of the land under it (Costello 2014). This increase in land value drove the 7 percent annual increase in home prices during the past thirty years, or a doubling in dollar price every ten years (Kohler and van der Merwe 2015). It's not getting any better either, no matter how many new homes are built in Australia's capital cities. Between 2010 and 2020, the average annual increase in home prices grew by about 10 percent per year, speeding up the rate of the doubling in price to just seven years in inflation-adjusted terms (Ryan 2021). This is all great if you bought your home fifteen or twenty years ago, as did the majority of Australia's homeowners. But it's not so great if you are thirty and hoping to buy your first home. Wage-earning millennials and Generation Z Australians are, unsurprisingly, buying homes at only two-thirds the rate of their parents when they were the same age – 62% in 1980 versus 43% now – and the majority of those lucky young homeowners are lucky because they can tap into the bank of Mom and Dad to access loans drawn by their parents from their own home equity to cover their children's down payment (Wiltshire and Wood 2017). Looking into the future suggests that this lower rate of homeownership among millennials and Generation Z portends a much higher rate of renting for this cohort as they age and a concomitant reduction in family wealth during retirement (Coates and Chivers 2019). This consequence matters because

housing wealth has traditionally been a cushion against disability expenses during aging in Australia. A general decrease in the percentage of citizens with such a cushion inevitably increases financial pressures on the state for their welfare and represents yet another impact of the shift in social value away from income and productive capital to the inflated price of urban land.

THE UNITED KINGDOM, COVID-19, AND HOUSING STRESS

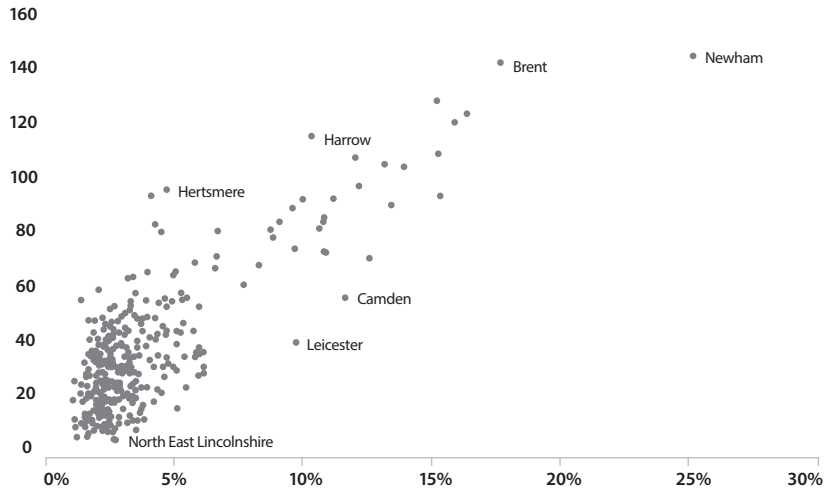
One of the enduring features of this investigation of land wealth is the similarity of the stresses imposed on average wage earners and the young from one nation to the next. The situation in the United Kingdom conforms to this rule. The United Kingdom had the seventh highest infection rate of any country in the world, just slightly higher than the rate in the United States, which was eighth (Elflein 2022). There, as in the United States, immigrant families working in urban service industries and, more generally, those making low wages suffered COVID-19 infection and death rates that were up to four times higher than those seen among the more well-off. An exhaustive data dive examining 17 million complete but anonymous heath records of the United Kingdom's National Health Service elicited the following insight:

> Particularly compelling were the study's findings on race and ethnicity, said Sharrelle Barber, an epidemiologist at Drexel University who was not involved in the study. Roughly 11 percent of the patients tracked by the analysis identified as nonwhite. The researchers found that these individuals – particularly Black and South Asian people – were at higher risk of dying from COVID-19 than white patients.
>
> That trend persisted even after [Dr. Ben] Goldacre [of the University of Oxford] and his colleagues made statistical adjustments to account for factors like age, sex and medical conditions, suggesting that other factors are playing a major role.
>
> An increasing number of reports have pointed to the pervasive social and structural inequities that are disproportionately burdening racial and ethnic minority groups around the world with the coronavirus's worst effects. (Wu 2020)

And here again, much as in the United States, overcrowding within apartments, not the number of homes per acre in a district (also known as residential density), was the most glaring vector for disease. A diversity of health agencies concluded that districts with over 20 percent of their housing stock technically overcrowded (generally defined as more people living in an apartment than there are rooms) exhibited infection and death rates that were six times higher than in districts whose stock was only 5 percent overcrowded. No such disparity in infection rates was found between districts with high versus low numbers of dwelling units per acre (N. Barker 2020).

Of course, overcrowding is not something done for fun but out of financial necessity. Thus the singular vector for the disease is not crowded housing by itself but the high cost of adequate housing, which is at the root of the unequal danger from pandemics. It's worth considering whether there is anything new about the United Kingdom's dangerous level of housing precarity. There is. And land price, not building price, is the driver.

FIGURE 1.16 COVID-19 deaths (per 100,000) in UK residential overcrowding (%)



Note: Each dot represents one community plotted by residential crowding, with certain communities called out for reference. Deaths occurred during the first six weeks. Courtesy Nathaniel Barker. Based on data from British Office for National Statistics.

THE RAPIDLY INFLATING PRICE OF URBAN LAND IN THE UNITED KINGDOM

From 1990 until 2020, there was a remarkable increase in the cost of housing across the United Kingdom, with the average cost doubling in inflation-adjusted terms (UK Land Registry 2023). Further exacerbated by the pandemic, house prices climbed 8.5 percent in 2020 alone, according to figures from the Office for National Statistics (cited in ibid.). However, during these same decades, the cost of construction remained relatively stable. Thus the doubled value accruing to the asset comes not from the value of the constructed home but from the value of the land beneath it (Knoll, Schularick, and Steger 2014). In the 1930s, the value of the land under a new home was only 7 percent of the value of the home above (Christophers 2018). "In 1995, the price paid for a home was almost evenly split between the value of the land and the property [i.e., building]. In 2016, the cost of the land had risen to over 70 percent of the price paid for a home" – more than double the value of the structure itself (L. Murphy 2018, 2). This finding means that 100 percent of the increase in home price was attributable to land-price inflation alone. A publication by the British Institute for Public Policy Research has estimated that by 2036, if these trends continue (and they show only signs of accelerating), land value will constitute 83 percent of the purchase price of new homes (ibid.). Land is now the most valuable asset in the United Kingdom, growing from one-fifth of aggregate UK household net wealth in 1995 to two-fifths by 2016, with the total value increasing by 544 percent (ibid.). This figure represents an increase in the gross national asset value of urban land from £1 trillion to £5 trillion during the same period, or nearly 9 percent per year, three times faster than the annual increase in the total value of machinery, for example (ibid., 6).

INTERGENERATIONAL INEQUITY IN THE UNITED KINGDOM AS A RESULT OF URBAN LAND PRICE

This kind of growth in wealth has a distinct generational impact. Whereas one in two young people between the ages of twenty-four and thirty-five owned their own home in 1990, this number had fallen to one in four by 2017. Meanwhile, the rates of homeownership for those

over sixty-five had increased from one in two in 1990 to three in four by 2017 (L. Murphy 2018, 15). For British citizens of the baby boom generation, the average ratio of income to home price hovered at around one to four for the price of the average home. From 1955 to about 1995, the ratio of wage to home price hovered at this same ratio, with the occasional boom-to-bust spikes in intervening decades (Longtermtrends n.d.). These ratios echoed those in other parts of the English-speaking world, reinforcing the belief among real estate economists that these one-to-four ratios constituted a real estate fundamental. This so-called fundamental has been far less certain in recent decades, with this ratio inflating wildly. In the past decade, the wage-to-price ratio rose to one to eight in the United Kingdom, and it has recently risen to one to nine and above. These ratios of wage to home price are considered to be dangerously unaffordable by most housing-policy professionals.

These wage-to-price ratios, as alarming as they seem, disguise the intergenerational inequity problem that exists. Housing ownership is the traditional way for middle-class Britons to gain wealth and financial

FIGURE 1.17 A street festival in the Notting Hill district of London shows the rich diversity of ethnic groups that are now a feature of London. London, the major immigration catchment metro area for many decades, is now dominated by non–Anglo Saxons. These diverse groups, due to their relatively late arrival in the UK, have missed opportunities enjoyed by other Britons to acquire housing wealth. | Courtesy Wikimedia Commons.

security in old age. British citizens in their peak family-forming ages between twenty-five and thirty-five have seen their average wealth, in relation to the wealth held by their parents' generation at the same age, slip by a steady 10 percent per decade (Bangham and Leslie 2019).

The future looks doubly difficult for British millennials when the entry price for housing keeps rising while wages remain frustratingly stagnant. Wages for service workers in the United Kingdom, those experiencing the greatest barriers to housing affordability, have been flat, after factoring for inflation, since the 1970s (Drum 2019).

A reference to the overarching economic context seems appropriate here. This trend in intergenerational inequality, and in inequality more generally, reflects global trends in the flow of wealth away from wage earners and into the pockets of the investor class over the course of the past four decades (Piketty 2014). What the above information also makes clear is that, for the United Kingdom, much like for the rest of the English-speaking world, the contemporary flow of asset value largely shows up on the national wealth ledgers as the massively inflated price of the dirt under urban homes (Wasmer et al. 2021).

SOMETHING ESPECIALLY DEPRESSING ABOUT BRITISH LANDOWNERSHIP

One aspect of British landownership distinguishes its tradition of land regulation from that of other countries in the English-speaking world: landownership is often a closely held secret, as explained below.

The UK aristocracy (and landed gentry) of the past held the title to large estates that covered the nation. To this day, many of these families still hold their massive estates. Many of these owners, of noble and lesser noble rank, never need to apply for wage-earning employment to put food on the table but can sell parcels of their landholdings at ever-inflating prices whenever the need for cash creeps up. This situation naturally locks in place the British class structure, made all the more odious by the negative consequences of the rapidly inflating value of urban land referred to above.

The system that benefits these families was so pervasive that, according to investigative journalist Guy Shrubsole (2019), approximately half of the land in England is owned by less than 1 percent of the population.

Of this half, about 30 percent is owned by the aristocracy and landed gentry, 18 percent by corporations, and 17 percent by oligarchs and city bankers (ibid.). Despite the widely circulated rumour that vast portions of the nation are owned by the Royal Family, Shrubsole reports that these holdings represent only 1.4 percent of the nation's land (ibid.). These statistics are estimates because the National Land Registry's secretive and incomplete approach to the collection of landholding information means that residents must pay to access this information. Furthermore, the Land Registry can verify only who owns about 80 percent of the total land in the country, with ownership of the final 20 percent being a mystery even to its overseers (ibid.).

NEW ZEALAND, COVID-19, AND HOUSING STRESS

New Zealand became world-famous for its zero-COVID policy. Along with China, it was one of the very few countries to make this attempt. This undertaking involved a firm shutdown of all contacts with the outside world, including preventing New Zealanders unlucky enough to be out of their country at the time of the outbreak in spring 2020 from returning home for more than a year. This prohibition even applied to the fully vaccinated and boosted, who would have been happy to isolate if they had been allowed to do so (Power 2021). However, at the time of this writing, the damn has burst with a nearly vertical, rapid doubling and tripling of cases. There is reason to believe that COVID-19 or future pandemics will affect people of colour disproportionately in comparison to New Zealand whites. Overcrowding is increasing rapidly in New Zealand, at a rate of 10 percent every five years (Stats NZ 2018, 19). Currently, one in ten persons in New Zealand lives in crowded conditions, but for people of colour, the rate is much higher, at between two in ten for Asians and four in ten for people of Pacific ethnicity. High housing costs for large extended families are the main driver, with those same high costs (relative to income) forcing the choice of inadequate and now health-endangering housing (ibid., 29).

THE LEGACY OF COLONIAL LANDOWNERSHIP IN NEW ZEALAND

The high cost of housing and its disproportionate impact on recent immigrants and Aboriginal peoples is rooted in patterns and processes

of colonial inhabitation. Descendants of settlers still maintain an advantage gained in previous centuries with regard to urban land wealth. Like in many parts of the English-speaking world, colonial practices have produced disparities in landownership patterns that remain dominant.

New Zealand was colonized somewhat later than other British dominions. First-wave British colonists were surprised to find that the Mauri had firmly established agricultural practices and the right of land use that these practices made concrete. Thus complex interactions were required by early colonizers in order to gain access to already clearly occupied and claimed land. In short, colonialists chose to establish peaceful ways of negotiating with Aboriginals in order to secure access to landholdings. Once the deal was made, colonialists would use English property laws to establish fixed and recorded metes and bounds for lands that they now claimed to own outright as individuals. In time, unsurprisingly, the system affecting most of New Zealand's land passed from one of informal ownership by Aboriginals, governed by word of mouth in their nonliterate culture, to one where landholdings were recorded in precise surveys and registered with local magistrates to ensure legally defensible ownership by white settlers (Banner 1999). This shift helps to explain why white New Zealanders have five times more wealth on average, at NZ$114,000, than do Maori, at NZ$23,000 (Stats NZ 2016). In 2017, 70 percent of this total was in the form of urban housing, a dramatic shift in the proportion of wealth types from the 1980s, when housing wealth and financial wealth were equal (M. Wong 2017). This situation was likely more extreme at the time of this writing since housing value had inflated a further 50 percent since then, whereas inflation in other asset classes has been far more moderate ("House Prices" 2021). This shift of wealth into housing value is largely a shift into land value. The ratio of an urban parcel's value to its building value has changed dramatically over the past few decades. In 1993, the parcel value was 41 percent of the total value on average. By 2018, the parcel value accounted for 67 percent of the value of the median home, with the building now worth only the remaining 33 percent. When inflation is factored in, nearly all of the dramatic increase in home prices afflicting all of New Zealand's cities was due solely to land-price inflation (C. Harris 2018).

The impeded access to urban land due to inflated price has further cemented in place the structural inequality that exists between white New Zealanders and their Aboriginal fellow citizens. One indicator of this crisis level of housing stress is that the number of Kiwis on the social-housing waiting list has exploded from 4,000 to 24,000, or 500 percent, since 2015, with 43 percent of the people on this list being Maori, even though the Maori make up just 13 percent of the population ("Govt Formally Putting" 2017; Smyth 2021).

THE EROSION OF THE FAIR GO IN NEW ZEALAND: IS SOCIAL MOBILITY STILL POSSIBLE?

In 2014, the Organisation for Economic Co-operation and Development (OECD) granted New Zealand the dubious distinction of having the OECD member states' most unaffordable housing when measured as a percentage of wages consumed by housing costs (B. Perry 2021; Rashbrooke 2014). Since then, the gap has only widened. The urban land-value shift is inordinately responsible for the gradual increase in inequality experienced by New Zealanders and undercuts a commonly understood lynchpin of Kiwi identity: the fair go.

The idea of a fair go captures the idea of New Zealand as a paradise of equal opportunity. This characterization may have been true between the Second World War and 1990, but in the successive decades, New Zealand experienced the most rapid increase in inequality, as measured by its Gini coefficient,[17] of any OECD nation. New Zealand's Gini measure rose from 0.25 to 0.35 between 1990 and today. Prior to 1990, it ranked among the most equal countries by this measure. After 2000, it shifted dramatically, such that it now ranks close to the United Kingdom by this measure and is far less equal than, for example, Germany and Norway (OECD Data n.d.). The Gini coefficient by itself should alarm New Zealanders, but it does not tell the whole story. When the cost of housing is added to the Gini computation, New Zealand's 2016 Gini coefficient is shown to have risen even further, from 0.35 to 0.40 (B. Perry 2016), which puts it close to US levels of inequality and reveals, yet again, the significant role of urban land-price inflation in accelerating economic inequality.

INTERGENERATIONAL INEQUALITY IN NEW ZEALAND: DO THE YOUNG STILL HAVE A FAIR GO?

As in the countries discussed above, the average gauges of inequality conceal even more alarming intergenerational levels of inequality, with younger New Zealanders getting the short end of the stick. This inequality is also largely a consequence of urban land-price inflation.

The above discussion has illuminated how urban land-price inflation, not building prices and not primarily income by itself, is the underlying but often hidden pressure increasing social and systemic inequality in New Zealand, which leads the OECD pack by most measures of housing stress, or unaffordability (B. Perry 2016). It should not come as a surprise to the reader that the young – Generation Z and the millennials – are inordinately blocked from gaining the same share of land wealth as their parents. In 1998, house prices were about seven times the average gross income. For Generation Z, they are eighteen times the average. Depressed interest rates consequent to the pandemic period's quantitative easing have pushed New Zealand housing prices much higher, with the marginal benefit of reduced interest rates and thus reduced monthly payments to the bank – but not lower levels of debt.

However, historically low interest rates have not helped young buyers to secure the money needed for down payments – unless they can access the bank of Mom and Dad. Additionally, first-time homebuyers who have recently jumped the hurdle into million-dollar-plus mortgages have no equity cushion to protect them against the hikes in mortgage rates that are now occurring worldwide. New Zealand mortgages, unlike their American equivalents, are short-term, with monthly balance payments recalibrated to current rates at renewal. Current maximum-term loans with fixed rates in New Zealand are seven years, with the vast majority of home loans issued for much shorter terms. This massive debt burden is an unprecedented potential-bankruptcy time bomb that will explode as interest rates double, and it leaves this Kiwi generation far more exposed to fiscal calamity than were their parents.

A 20 percent down payment in cash is typically required of first-time buyers, and at an average home price in Auckland of NZ$1.2 million (Granwal 2022), it would take five years for typical millennials to save

this amount (after taxes),[18] assuming that they did not spend a nickel on anything else. Saving a more reasonable 10 percent of income per year would push this number of years out to somewhere between fifty and infinity, depending on the direction of the housing market during that period.

CANADA, COVID-19, AND HOUSING STRESS

Canadians' response to COVID-19 closely tracked that of Americans but with less resistance to mask mandates and with higher vaccination rates than in the United States. In general, debates in Canada about public health responses did not track with political affiliations in the way that they did in the United States. People with affiliations in all parties seemed more or less equally divided in their opinions as to the efficacy of government measures, and both Conservative and Liberal governments seemed equally aggressive (or not) in applying lockdowns and other public health responses. At the time of this writing, the US COVID-19 death rate stands at 279 per 100,000, whereas in Canada the rate is much lower, at 94 per 100,000 (Debusmann Jr. 2022).

However, much as in the United States, the dangers from infections fell more heavily on people of colour and the poor than on the rest of the population. Similar to New Zealand, discussed above, apartment overcrowding (or more people sharing a dwelling than there are rooms) is a fact of life for one in ten Canadians. In major cities – notably Toronto, at 20 percent – crowding is much higher (Tencer 2019). Also, as we have come to expect, crowding is higher among immigrant families and people of colour more generally. Studies have confirmed that census areas with high levels of crowding, a concentration of recent immigrants, a high proportion of Black and Brown residents, and a high concentration of essential employees – life characteristics that tend to group together, as in the United States – recorded at least twice as many infections and deaths as districts with average rates of these demographic features (Yiqing et al. 2022). These data were generalized by census area. If these studies had focused more on just the individuals with these demographic features living within these districts, rather than on the districts that they inordinately occupied, these rates would doubtless be much higher.

LANDOWNERSHIP IN CANADA

The land of Canada is owned mostly by the Crown, which in this case means owned either by the federal or provincial governments. The occupation of this vast landscape by First Nations peoples was, for the most part, acknowledged by colonizers, and treaties were signed that shifted land rights to the Crown. These treaties are considered valid to this day, although skepticism remains about the extent to which these treaties were negotiated in good faith. The exception is British Columbia, where colonizers were injudicious about consulting with local First Nations groups for land rights. The failure of BC settlers to clarify treaty rights creates unusually galling tensions between First Nations and other citizens in British Columbia.[19] In short, the ownership of Canadian lands is an area of continuing conflict.

Colonial settlers discovered that there were at least fifty completely different First Nations civilizations across this expansive country, each with an entirely different language and its own creation myths. The small size of these nations was more extreme in British Columbia than elsewhere due to the rough typography and the natural tendency of nations in such landscapes to permanently settle close to ocean food sources rather than ranging nomadically across large open landscapes.

Throughout Canada, after securing the land base by equitable or inequitable means, federal and provincial governments set about releasing lands to white settlers at low costs to encourage immigration and colonial settlement. The most favoured locations were in agriculturally rich areas close to the rivers necessary for maintaining connections with the larger world. In time, these unique locations would grow into major cities, including Montreal, Toronto, Edmonton, and Vancouver, to name but a few.

In English-speaking areas, the land to be transferred into private hands was first surveyed using the Dominion Land Survey system (W.A. Taylor 1975), copied from the Continental Land Survey system in the United States. This system regularizes varied landscapes by imposing uniform one-mile squares whose edges align with the cardinal axes. Its legacy is an agricultural checkerboard pattern of one-mile or half-mile squares.

Cities that eventually expanded in the midst of these checkerboards

conformed to the same axes when their more finely grained gridiron street patterns expanded into agricultural areas (Condon 2010).

Although this urban land was originally inexpensive, the intervening years have been kind to land speculators but unkind to those who simply need housing. Now, land used for urban housing is, at over Cdn$6 trillion in cash value, far more valuable than all other types of land combined, even though it consumes far less than 5 percent of all land in Canada. To give some sense of how out of whack this relationship is, urban housing land in Canada is now three times more valuable than Canada's annual gross domestic product (GDP), adding over Cdn$1 trillion in value just since 2017 (Punwasi 2021). To put this figure in context, the ratio of urban land value to GDP is twice the ratio seen in the United States, where urban land-price inflation has been anything but moderate.

Ethnic differences play a role in who has access to urban land in Canada, as does the number of generations that your lineage has in this country. The term "old stock Canadians" is (to some) a politically palatable way of distinguishing white families whose ancestors came to Canada more than a few generations ago from more recent Black and Brown immigrants and equally from Aboriginals ("Stephen Harper Explains" 2015). Because of the stark difference in average land wealth between these groups, this disparity also marks an important class distinction as well.

Homeownership rates for more recent African, Middle Eastern, and Latin American immigrant groups are in the range of 40 percent, similar to ownership rates among Aboriginals. Homeownership rates for Canadian whites are much higher, at just over 70 percent. This figure reflects the difference in wealth between these groups, with white Canadians having more than twice the wealth on average as racialized groups, with 58 percent of this increasing gap attributable to the rapid recent rise in home values (Billy-Ochieng 2022).

INTERGENERATIONAL INEQUALITY IN CANADA

Although the increase in land wealth is the major underlying force increasing levels of inequality in Canada, it is also important to note that this trend has not just increased the investment portfolios of the

top 10 percent (or top decile) but has also increased the equity held by the over 65 percent of Canadians who own their own homes (or part of them, with the bank owning the rest). Thus the majority of Canadians are, without a doubt, hoping that urban land prices never decline, for in such a case, their situation could be dire. With Canadian mortgages seldom of longer terms than five years and with renewals contingent on paying in cash any amount outstanding below the current assessed value of one's home, a decline in assessed value of only 10 percent can lead to banks demanding a mortgage-renewal pre-payment of six figures to bridge the gap between the amount owed and the market value after the drop, which can result in default for those who are unable to come up with the difference in cash. With most first-time buyers now being millennials and members of Generation Z, this cohort is inordinately exposed to the dangers implicit in an urban land-price crash. Naturally, they are all anxiously hoping that prices will never fall.

The situation is even more dire for younger Canadians who have not been able to take the plunge into homeownership for lack of the entry fee. Younger renters have had a much harder time climbing onto this first rung of the property ladder than their parents. Canadian millennials in major cities where a high land price is common carried only half as many home mortgages per capita as their Generation X neighbours did when they were the same age (Borrowell Team 2021).

The impeded access to housing equity shows up in the difference in net worth of Canadian generations when they were of similar ages. Millennials who have been closed out of the home-purchase market (or who have chosen or been forced to rent) have a net worth of under Cdn$18,000 dollars on average, whereas millennial homeowners have a net worth ten times larger (Heisz and Richards 2019). The equity gap between owners and nonowners in the previous two decades was half the size (ibid.).

One might imagine that this gap between the haves and the have-nots has much to do with disparities in the ambitions, education, and incomes of millennials when compared to Generation X. This assertion is undercut by the fact that 70 percent of Canadian millennials have a post-secondary degree, the highest rate in history and 50 percent higher than Generation X (Heisz and Richards 2019). The educational debt

still carried by these millennials partly explains their lower average net worth.

In sum, most Canadians feel enriched by dramatic spikes in urban land value. This renders policy actions that might lower land values nearly impossible to implement, as political resistance would be too high. Left out in the cold, to a large extent, are a disproportionate share of Canada's minorities – a cohort that has traditionally experienced impeded access to urban land wealth – and members of the younger generation of all ethnic groups, who now have an unprecedented financial barrier in their way as well.

And finally, as urban land values increase, so do rents. Rents in Canada's major cities have climbed, in inflation-adjusted terms, by over 30 percent since 2002, whereas hourly wages have stayed flat (O'Keefe 2018).

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