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ARTICLE

Cash rules everything around me: in defence of housing markets

Kirun Sankaran

Political Economy Project, Dartmouth College, 19 College Street, 6035 Thornton Hall, Hanover, NH 03755, USA
Email: kirun.sankaran@dartmouth.edu

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Abstract

I argue that alienation objections to housing markets face a dilemma. Either they purport to explain distributive injustices, or they hold that markets are objectionable on intrinsic grounds. The first disjunct is empirically dubious. The second undermines the motivation for objecting to housing markets, and overgeneralizes: if markets are objectionable due to alienation, so is all large-scale social cooperation.

Keywords: Housing; markets; neoliberalism; commodification; Marxism

Let's start with an obvious truth: *the rent is too damn high* (Yglesias 2012). Housing is increasingly expensive and inaccessible in advanced democracies, especially in major cities not named Tokyo (Almazan *et al.* 2022). This worsens inequality, lowers aggregate growth and productivity, and has other bad consequences (Schleicher 2017). Fashionable recent scholarship in political philosophy and theory (Lefebvre *et al.* 1996; Kukla 2021; Meshelski 2022), geography (Smith 1979, 1987; Mitchell 2003; Harvey 2008, 2012), sociology and critical urban studies (Marcuse and Madden 2016), as well as in more popular venues (Wagner 2023), argues that commodifying housing by distributing it using a market mechanism lies at the root of the housing crisis, and that to resolve it we ought to use a democratic distribution mechanism instead.

If you go in for this sort of argument, you hold that commodifying housing is bad because markets *alienate* us from our housing. Alienation is a *notoriously* vexed concept (Schacht 1970), but the basic idea is that markets prevent us from realizing the right sorts of relations with our homes, and with each other, because they distribute housing (and everything else) based on ability to pay, rather than any substantive conception of need, or of housing's social value (Jaeggi 2014; Maguire 2022). So it shouldn't surprise us (the argument goes) that housing is increasingly inaccessible to all but the wealthiest. We distribute it with a tool that responds to the wrong kinds of values.

These arguments are unsuccessful. If they try to explain the housing crisis by appealing to alienation, they run afoul of our best empirical evidence, and make the further mistake of assuming that agents' motivations map straightforwardly onto aggregate outcomes. If they try to argue that alienation is objectionable regardless of distributive justice, then they undercut the motivation for appealing to alienation in the first place. This strategy also overgeneralizes. Arguments that alienation is an objectionable feature of markets regardless of distributive justice also entail that *any* form of large-scale cooperation is objectionable.

Preview of Coming Attractions

In section 1 of the paper, I'll lay out the structure of alienation arguments. It's important to note that their proponents generally seem to think these arguments from alienation are conceptual, not empirical. Nobody is measuring a psychological correlate of alienation with a clever survey design and regressing it against some measure of commodification and another of the proportion of rent-burdened households. None of the people opposed to housing markets on the grounds of alienation undertakes anything that looks like causal inference. Rather, the argument is that mediation by markets constitutively undermines the relationships between us and our housing.

The problem is that making the conceptual point about alienation doesn't get you the empirical claim about the causes of the housing crisis for free. Alienation theorists must show that alienation, or the features of markets responsible for it, are in fact responsible for the housing crisis. In section 2, I show that the conceptual argument that markets are alienating comes apart from the causal argument that alienation is responsible for the housing crisis, using a simplified example: the 'Choice System', a market mechanism used by the Feeding America food bank to distribute donations (Prendergast 2017). Because it's designed both to use a price system to accurately gauge need, and to produce egalitarian distributions, it lacks some of the pathologies of the housing market. But it forces proponents of the alienation objection to housing markets to make a choice: either they can insist that alienation is important because it explains distributive injustice, or claim that the Choice System is itself objectionably alienated despite its egalitarian outcomes.

Section 3 argues that the first strategy requires explaining why housing markets are objectionable but the Choice System isn't. The obvious difference between them is that the Choice System ensures egalitarian, or need-based, distributions and housing markets don't. But if you're going to argue that distributive justice makes housing markets objectionable, you have to tell a causal story about why alienation explains the failure to distribute *housing* adequately. It can't just be a conceptual argument about markets as such, because the Choice System example shows that a price mechanism is conceptually compatible (and also compatible in reality) with egalitarian distributions. The closest thing to an argument of this sort is Neil Smith's (1979, 1987) 'rent gap' theory. The problem is that it contradicts our best evidence for the causes of the housing crisis, which has nothing to do with alienation at all.

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Section 4 handles the argument that markets are alienated, and that this is bad despite not explaining distributive injustice. The problem is that this strategy undercuts the motivation for talking about alienation in housing markets. The housing crisis is only a *crisis* because poor people have a hard time getting adequate housing. If what's wrong with housing markets has nothing to do with distributive justice, why care about alienation at all? This second strategy also overgeneralizes, ruling out large scale cooperation in general.

The punchline, then, is that housing market scepticism on the grounds of alienation is either empirically untenable or self-undermining.

1. How do Alienation Arguments Work?

One influential argument in contemporary debates about American housing policy holds that housing is inaccessible because it is commodified – treated as private property to be distributed using a market mechanism. Here is a brief example of the idea, from Kate Wagner (2023).

> The root of the problem is that housing is treated as an **instrument of profit**, one in which the **exchange value** is prioritized over its **use value**. The sole solution is to decouple housing from profit and make it a human right. The profit motive keeps all but the flippers, private equity firms, and management companies, the developers and landlords and the obscenely wealthy – whose economic freedom is unimpeded – in **constant, virulent antagonism**.

The first core intuition Wagner expresses is that market exchange corrupts our relationship with housing. We value it, and each other, wrongly when we view housing as an instrument of profit instead of a social need. We'll use the word 'alienation' to refer to this sort of corrupted relationship.

The second core intuition is that this kind of alienated relationship causes distributive injustices. The 'constant, virulent antagonism' she talks about is competition for access to housing.[1] We find ourselves in this competition because the mechanism we use to allocate housing responds to a set of values – that's the 'exchange value' bit – that is inappropriate for the sort of thing housing is – that's the 'use value' bit. The rent is too damn high *because* the markets we use to distribute housing trap us in the wrong kind of relationship with our housing and with one another.

1.1 The Core Conceptual Claim: Markets Are Alienating

This is all very abstract, but the basic structure of the argument is easiest to illustrate with some anti-commodification arguments that aren't about housing. The distinction between use and exchange value dates back to Aristotle and was made famous by Marx, but in philosophy the alienation-based critique of markets really came into its own in the 1980s and 1990s, in the hands of people like Michael Walzer (1984), Margaret Radin (1986, 1987, 1989, 1996), Michael Sandel (2012) and

[1]The moral case against this sort of competition is best laid out by Hussain (2020).

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Elizabeth Anderson (1990, 1995). Anderson's argument against commodifying blood donations, in particular, clearly illustrates the idea that markets are alienating.

Here's how that goes. Donating blood reflects intrinsic concern for others' welfare. Donated blood is used (among other places) in operating rooms to replace surgery patients' lost blood. But selling blood turns its donation into a hardship to be compensated and its recipient into an instrument for financial gain. Commodifying blood donations 'undermines the fraternal relations among people in the community' (Anderson 1990: 197)[2] by making them a matter of something other than medical need. So a particular kind of relationship between members of a community *should* structure the provision of blood. But that relationship would be corrupted by the use of a market (Titmuss 1970).

Housing market sceptics make the same sort of move. Housing protects important values and relationships among citizens, and distributing it with a market undermines those values. Specifically, housing protects freedom (Shklar 1989; Pettit 1997; Young 2011; Essert 2016; Wells 2016, 2018, 2022) and social equality. People who sleep rough are vulnerable to one another, residents of the surrounding neighbourhood, and the heavy hand of the state. You are not free if your access to a place to sleep is controlled by someone else's good will. Housing promotes positive freedom because it serves as an important scaffold to agency by providing the stability necessary to plan one's life (Morton 2023) and feel a sense of agency and belonging in one's community (Kukla 2021). Homelessness is also, however unjustifiably, a mark of social inferiority. Paradoxically, especially if you live on the street, your conduct is always subject to public scrutiny. In public, we have to be able to justify our behaviour to one another according to common standards. In private, we're freed from this burden of justification. But if you're homeless, you are never afforded this freedom. You are thus effectively held to standards nobody else is held to.

In parallel to Anderson's argument that commodifying blood donation undermines fraternity and solidarity, sceptics about housing markets argue that markets don't allocate housing in a way that is responsive to these important social values; in fact, they undermine those values. As Marcuse and Madden (2016: 17) put it, 'commodification of housing means that a structure's function as real estate takes precedence over its usefulness as a place to live'. Market actors respond to exchange value. A profit-maximizing landlord who evicts tenants isn't responding to the social value of housing. The things housing *does* for those tenants aren't the things the landlord cares about. He is responding instrumentally, to the interruption of the revenue stream from his property. He sees the apartment and its occupants solely as a source of rent payments. Because he's not responding to the right values, he's unlikely to make decisions designed to help tenants achieve freedom or social equality. Those values are 'crowded out' by the instrumental values that markets introduce. This explains the seeming crowding out of housing accessible to working class people by 'luxury' apartment towers and mcmansions. As Marcuse and Madden put it, '[t]here is a world of difference between economic demand and social need' (2016: 48).

[2]Ockenfels and Roth (2023) and Jaworski (2021) provide (to my mind convincing) arguments in favour of commodifying blood supply, on broadly similar grounds to mine.

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Alienation is a particularly useful concept for characterizing these arguments. The orthodox Marxian account (insofar as there is any such thing) holds that we ought to have certain relationships with our labour, one another, our 'species being' (roughly, the things that constitute human flourishing), and ourselves, but that they are undermined by the capitalist economic order (Schacht 1970: Ch. 3; Tucker 1978; Kandiyali 2020). Anderson's account of the proper relationships we should have to blood donations and Neil Smith's account of the relationship we should have to our housing are different in detail than the relationship Marx thinks we ought to have to our labour. But they all share the basic idea that some relationships, whether they're with each other, with particular things in the world, or with ourselves, ought to be a certain way, and are prevented from being so by some features of our economic, social or political organization (Maguire 2022). They all are subject to what Rahel Jaeggi (2014: 1) calls 'a relation of relationlessness'. The common idea is that housing, labour, and blood donation are, when commodified, instrumentalized in a way that *undermines the values that should govern our relationships to them*.[3]

These arguments are worth taking seriously for a couple of reasons, both substantive and sociological. They are influential, especially in the 'critical' corners of the social sciences and humanities, as well as in urban planning departments. Theorists such as Neil Smith and David Harvey and their intellectual descendants dominate arguments about the housing crisis in these disciplines, which are characterized by a thoroughgoing scepticism about markets and suspicion of economics and economists.[4] More substantively, alienation-based arguments represent a different sort of criticism of markets than the traditional efficiency-based ones economists tend to confront, or the communitarian ones popular in the philosophical literature (Brennan and Jaworski 2015, 2016; Frye 2023). To say that a market alienates us in various ways is, in part, to say that the efficiency properties that justify markets in most economists' minds miss the point – they ignore important values that we ought to consider in thinking about how our society ought to be organized. So replying to these arguments on their own terms is worthwhile, even if most economists would find them intuitively puzzling.

1.2 The Core Causal Claim: Alienation Explains the Housing Crisis

The fact that housing markets put us in the wrong sort of relationship with our housing is supposed by these arguments to explain their bad distributive properties. This tells us something about why alienation is bad in the first place, and helps us see why alienation is supposed to help diagnose the housing crisis. Oddly, the best argument for *why* corrupted motivations can lead to bad consequences comes from Anderson's (1990: 197) discussion of blood donations:

[3]More speculatively, I think the concept of 'alienation' gives us a way to unify the disparate discussions of so-called 'repugnant markets' (Roth 2007).

[4]For example: Smith (1979), which is the first statement of his 'rent gap' theory of the housing crisis, has been cited well over 3000 times. Smith (1996), the book-length expansion of these ideas, has been cited over 9000 times. By comparison, my favourite contemporary economics article, 'Why Not a Political Coase Theorem?' (Acemoglu 2003), has only been cited about 1300 times (all numbers from Google Scholar).

> Attempting to increase the blood supply through financial incentives rather than appealing to a sense of civic duty or fraternity promotes the social expectation that people may feel entitled to some merely personal advantage for donating their blood. This attitude makes it seem as if small acts contributing to the health of one's neighbours should be seen merely as inconveniences requiring compensation instead of as enhancing the spirit of the community. And this atmosphere of expectations really does make blood donation an onerous task. Patients, forced to pay extravagant amounts for blood, must put pressure on their relatives to keep down costs. The typical circumstances under which people do in fact donate are ones of stress, duress and punishment. The poor who desperately need money, the prisoners who hope to gain parole, and relatives who face the choice of severe financial burden or donation provide most of the supply. But when blood donation is a habit born of a sense of civic duty or benevolence, no such punitive or burdensome circumstances accompany its donation, and the act of giving without pay enhances the donor rather than diminishing her.[5]

The mechanism here is a shift in donors' motivations. If we treat blood as a commodity, donors and recipients are in some sense at odds with one another. We turn a situation characterized by altruism into a bargaining problem. This undermines the prosocial impulse to donate. Also, if donors only value the amount they'll be paid, they will be concentrated among those who most value the marginal dollar – poor people. And similarly, because the donor base will be reduced by the 'crowding out' of altruism by pecuniary incentives, poor patients will *also* be less able to access blood (but see Gold (2019) for an important criticism of this inference; see also Panitch and Horne (2018) for a discussion of commodification in the context of kidney markets). So the way markets change our motivations might well have bad distributive impacts.

This argument helps us understand the intuition behind housing market scepticism. To generate their conclusion, market sceptics have to show that instrumentalizing housing as markets do explains the distributive patterns that undermine those important use values. Market sceptics tend not to be as explicit about it, but I think we can rationally reconstruct them as using Anderson's pattern of reasoning.

The most important causal theory in the critical urban studies literature is Neil Smith's (in)famous 'rent gap' theory, which holds that something called 'Capital', which is motivated by an instrumental view of housing, drives gentrification: the replacement of poor and working class residents of a neighbourhood with richer ones. This is because housing is a source of profit to be 'extracted' from renters, by raising prices as high as possible, regardless of the consequences to those renters. And the possibility of that profit is the main motivation 'Capital' has for investing in a particular neighbourhood (Smith 1979, 1987, 1996; Smith and Williams 1986). So by analogy with Anderson's argument, viewing housing instrumentally, as 'Capital' does, instead of according to its social value, leads to bad distributive consequences.

[5]For an argument that the interpersonal signals sent by a choice to commodify or not are morally important, see Brown and Maguire (2019).

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It sacrifices the freedom and equality of those caught in changing neighbourhoods for the profits of the capitalist class. And this tendency is what underlies scepticism about markets. If we distributed housing using a mechanism that was more concerned with the relationship between place and agency (the argument goes), we would be able to ensure the people made vulnerable by gentrification access to housing sufficient to scaffold their agency.

This idea is common throughout the literature. Commodification of housing rips it away from those who need it in the name of profit for an amorphous entity that Marcuse and Madden (2016) variously refer to as 'Managers, bankers, and rentiers' (31), 'large-scale corporate finance' (33), 'financialized circuits', 'canny financial innovators' (45), 'the real estate industry' (46–47), 'investment firms' (47), 'speculators' (49) etc. These actors are accused of 'colonizing' the 'real estate ecosystem' (33), 'displacing lower-income tenants' (42) and various other nefarious deeds. The idea is that under the yoke of 'financialization' housing becomes an entity designed solely for the extraction of profit, rather than dwelling in (Rolnik 2019). Similarly, Brenner *et al.* (2012: 2) 'mean to underscore the urgent political priority of constructing cities that correspond to human social needs rather than to the capitalist imperative of profit-making and spatial enclosure.' The common theme is that when commodified, housing answers to exchange-value, rather than use-value of people living in it. And while the way 'use-value' is articulated changes, the basic opposition to exchange value remains (Lees *et al.* 2010; Lees and Phillips 2018).

The alienation argument for market-scepticism about housing turns on the idea that valuing things instrumentally incentivizes market participants to behave in ways that don't respond to the social value of housing. If landlords regard tenants solely as a source of revenue, there's no reason for them to make decisions that increase their freedom and social equality. So it shouldn't surprise us that markets consistently fail to provide those things.

Of course, figuring out whether alienation explains bad distributive outcomes is not straightforward. Merely establishing that some mode of social or economic organization is alienated doesn't get you the claim about distributive justice for free. The best way to establish that the purportedly alienating features of markets come apart from distributive injustice is with an example of a market that produces egalitarian distributions. The most famous hypothetical example is the Carens Market (Carens 1981), a thought experiment that motivates market socialism. But, usefully, there's a real example: The Choice System, an auction mechanism used by the Feeding America food bank to distribute donations to regional food banks, shows that in at least some actual cases, markets' alienating properties can *aid* egalitarian distributive outcomes.

2. Markets and Distributive Justice: The Case of Food Banks

Feeding America's central food bank in Chicago receives in-kind donations and has to figure out how to distribute them among over 200 regional food banks, each of which has its own needs and donor base. In part, this is an epistemic problem. The central bank needs to figure out what each of its regional subsidiaries actually needs.

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The spoiler alert here is that a price system, and the alienation that comes with it, are what solve that epistemic problem (Hayek 1945).

Originally, Feeding America used a queuing system. And, in fact, this queuing system was explicitly based on the relative poverty of the area surrounding the food bank, which is a pretty good way of incorporating a measure of need into the distributive mechanism. So at the very least, we can say that Feeding America aspired to distribute food based on need, which is a useful characteristic for a food bank to have, and probably at least partially constitutive of valuing clients the right way.

The problem is that some regional food banks have stronger donor networks than others, and some receive donations from some sorts of food producers but not others. This creates an information problem about which food banks need what from the central food bank. After all, a food bank in Idaho probably doesn't need a shipment of potatoes; and a food bank in Dearborn might not need a shipment full of bacon. The queuing system merely allocated tonnages of food in order of need. Each food bank would have about six hours to either accept or decline a shipment, after which it would move to the bottom of the queue. So if an Idaho food bank was offered a truck full of potatoes, it would have to either accept them, or reject them and run the risk of being last in line for a shipment it might need. Issues also arose with spoilage and waste because the distribution mechanism didn't account for what capacities and needs the individual food banks had. For example, if a food bank received a large shipment of perishable goods that overwhelmed its refrigeration capacity, that food went entirely to waste. And that undermined the ability of the queuing system to meet its clients' needs (Prendergast 2017: 147–148).

So in 2005, a group of economists from the University of Chicago partnered with Feeding America to implement a market for the distribution of food to regional food banks. The mechanism is a twice-daily, sealed-bid, first-price auction[6] using an ersatz currency called 'shares', with a reallocation of that fake currency at the end of the day according to the relative poverty of a regional food bank's clientele. Twice a day, the central food bank posts information about the contents of truckloads of food available for auction; each food bank has a budget of fake money, which it uses to bid on some fraction of a truckload of food. At the end of each round of bidding, the results are announced, though nobody knows anyone else's bid until the end of the auction. Each of these features was designed to solve a distributive problem that food banks face.

First: the point of going to a price mechanism in general is that it allows buyers to credibly reveal how much they value a particular good or service. Regional food banks are also allowed to put food from their own inventories up for auction to other food banks – that way Idaho can get rid of all its surplus potatoes. So the fact that different food banks have different needs allows the price system to allocate

[6]Like it says on the tin: everyone bids on what they want; nobody knows anyone else's bid; and the winner pays what they bid (that's the 'first-price' bit, as opposed to a 'second-price' auction where the winner pays the amount of the runner up's bid). See Royal Swedish Academy of Sciences (2020a, 2020b). Interestingly, a 'second-price' auction has better formal efficiency properties than a 'first-price' auction, but the designers decided that would be confusing to busy food bank managers, so decided on a first-price auction in the interest of ease of use.

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based on specific goods each bank values. This results in massive efficiency gains – those who need food get it more often than under the old system. For example, food-rich food banks with lots of staples are easily able to offload them to poorer food banks that really need them; and food-poor food banks with difficult-to-store goods like produce can trade them away for more valuable staples. In other words, at the margin, both food-rich and food-poor food banks could gain from trading with one another, in comparison to simply accepting whatever tonnage of food they got under the old queuing system. And most importantly, at the margin, each food bank's specific needs are more likely to be met, in large part because the amount of food waste decreased (Prendergast 2017: 152–159).

Second: the system was designed with explicit distributive outcomes in mind. For example: it uses fake rather than real money to 'set a food bank's budget based on measures of need rather than fund-raising capacity' (Prendergast 2017: 149). Careful design of monetary policy and the distribution of fake money at the beginning of each day according to a measure of need are designed to keep larger (and thus richer) food banks from having an unfair advantage in bidding. Similarly, sealed bidding is used to alleviate the concern that richer food banks can dedicate staff members to 'snipe' truckloads of food immediately before the close of an auction.

What role does alienation play in this unique market setting? The important conceptual point here is that the auction mechanism drives regional banks to bid *against one another* on food items, and this is what allows them to credibly reveal their demand for some good. The fact that prices credibly reveal demand is crucial for achieving the distributive aims of the food bank, which is to make sure that more people get the calories they need than otherwise would. But in order to do this, the relationship between regional food banks must, except in cases where a larger regional bank collaborates with a smaller one to bid on an item, be adversarial. This is one parallel between the Choice System and housing markets: buyers compete against one another for particular goods.

The fact that individual food banks bid on particular goods and services, rather than dividing them through deliberation, is responsible for the efficiency gains that motivated adopting the Choice System in the first place. The fact that buyers are treated as atomistic individuals competing against each other in an auction is what allows the price system to function at all, by allowing their bids to credibly signal demand. In other words, at least some of the norms and relations purportedly characteristic of markets are what allow it to accomplish the *political* goals that are said to be incompatible with them. Having enough to participate in political life partially constitutes the value of democratic freedom, and so it seems as though the market mechanism that helps secure that is as compatible with those values as any other distributive mechanism.[7] The efficiency gains experienced by regional food banks show that it successfully meets needs, at the margin, better than alternative systems.

[7]Actually I think this entails a stronger claim – in this case, it'd be impermissible, from the perspective of the relevant values, for Feeding America to go back to the old queuing system. But for the sake of the argument, all I need is that markets and political values are compatible with one another. Thanks to Jake Monaghan for pointing this out.

The obvious objection is that the Choice System isn't actually alienated, because it's not a *real* market. There are certainly disanalogies with housing markets. The level of donations is exogenous, and obviously motivated by altruism. And presumably Feeding America's employees and volunteers are motivated primarily by making sure poor people are adequately fed. Landlords, however, are motivated neither by altruism nor by making sure poor people (and everyone else) are adequately housed. So the Choice System tells us exactly nothing about the relationship between alienation and distributive justice in housing markets.

Nevertheless, I think the analogies are sufficient to show that the alienating features of markets are in principle compatible with egalitarian distributions. Remember, the key feature of the Choice System is that *regional banks bid against each other*. Otherwise the price system can't generate the outcomes that justify the Choice System in the first place. While the median food bank employee is, all things considered, probably motivated by altruism and a desire to serve others, *in their capacity as a buyer within the Choice System*, their goals are more instrumental. Both a buyer bidding on a house and a buyer in the Choice System's auction want to *win*, subject to their budget constraint. This is true regardless of whether that budget is set by labour income or the Choice System's monetary authority. The central food bank similarly *wants to allocate food to the highest bidder*, just like someone selling or renting a house. So the disanalogies between the Choice System and housing markets are important, but they don't show that the Choice System is uninformative.

It *is* true, however, that the Choice System has important egalitarian design features that are missing from housing markets. The critic of housing markets can still argue that the features of housing markets that make them alienating are responsible for the housing crisis. This is the strategy adopted by writers like Neil Smith (1979, 1987, 1996), as in the 'rent gap' theory discussed above. Perhaps that sort of mechanism can distinguish housing markets from the Choice System in the relevant way. Unfortunately this strategy runs headlong into the best empirical evidence we have about the causes of the housing crisis.

3. Housing Economics for Philosophers

Our best evidence about the causes of the housing crisis supports two main empirical claims. First, building new housing in an area lowers, rather than increases, housing prices at the margin, as economic theory predicts. All else equal, more transactions and (by hypothesis) more alienation leads to better distributional outcomes. Second, a considerable portion of the high cost of housing is due to land use regulations that *prohibit* mutually beneficial transactions from taking place. These regulations are often favoured by critics of housing markets on the grounds that they promote the right kind of relationship between us and our housing. So attempts to reduce alienation might, ironically, backfire and produce bad distributive consequences. For the sake of thoroughness, I'll summarize these findings.

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3.1 Building New Housing Makes Housing More Accessible

In the past 15 years or so urban economists have produced a number of credibly identified studies, with data from all over the world, showing that building new market rate housing doesn't raise rents in surrounding areas (Li 2022; Schuetz 2022; Asquith *et al.* 2023; Bratu *et al.* 2023; Greenaway-McGrevy and Phillips 2023; Mast 2023; Nagpal and Gandhi ms; Pennington ms; Mense 2024). The most important mechanism responsible for this is called *filtering*.[8] Imagine, for the sake of argument, a neighbourhood with three houses: a mansion, a mcmansion and a respectable ranch home. They are occupied by Nigel, a banker; Watson, a doctor; and Hastings, a retired Army captain. Nigel has just closed a massive deal, and has his sights set on a nicer place. So he buys some land nearby and builds himself a castle. Watson's practice has become prosperous, and he's decided that a mcmansion isn't really his style, so he casts around for a nicer place. Usefully, Nigel's old place is for sale, so he decides to buy it. Hastings' growing family needs a bit more space, and he's never been one for architecture anyway, so he moves into the mcmansion. And now, Gerald, a recent college graduate, can move out of his parents' place into a respectable ranch home.

This story is wildly oversimplified, but it's surprisingly reflective of real housing markets. When people move into new housing within a metro area, more people from lower income brackets move into the newly vacated homes (Bratu *et al.* 2023; Mast 2023). In other words, every rich person moving into newly constructed housing is a rich person *not* competing with a poorer person for an existing residence (Smith 2021). New housing, even built by for-profit developers, makes housing more accessible at the margin, relative to the counterfactual with no new housing construction. What's important to note is that the way any particular person values housing has very little to do with this effect. The profit motive doesn't undermine the ability of a society to meet citizens' housing needs, since it's what generally motivates new construction in the first place. Nobody has to be motivated to meet someone's needs in order to build something that does, in fact, meet those needs. The basic theory of the firm predicts that builders left to their own devices will build until the marginal cost of building a home equals the marginal revenue brought in by that home. All else equal, developers would rather build more housing than less, and would be perfectly happy to build cheap housing, as long as the costs of doing so aren't higher than the rents they can expect low-income residents to pay. So far from undermining the cause of affordable housing, the alienation theorist's old enemy of the profit motive seems to advance it. Unfortunately, the costs of building housing are made massively higher by the regulatory regime in rich Western democracies.

3.2 Restrictions on Housing Supply Raise Rents

One justification for measures like zoning laws and residential rent control is that they allow residents of a city to relate to their built environment in a more morally worthy way. Radin (1996: 109), for example, argues that these measures 'take into account … tenants' personhood, to recognize and foster the nonmarket

[8]'Filtering' is also sometimes used to refer to decreases in prices as housing stock ages.

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significance of their … housing', thereby preserving an uncorrupted and unalienated social meaning for housing. Similarly, land use regulation and stronger abrogations of housing markets are justified by the idea that it allows a community democratic control over its built environment, which is supposed to be less instrumentalizing than giving up questions of housing production and distribution to markets (Anderson 1990: 182; Harvey 2012: Ch. 3, Ch. 5; Schleicher 2013; Marcuse and Madden 2016: Ch. 4; Einstein *et al.* 2020: 15–16; Gray 2022: 11–30).

In an ironic but predictable twist, rules designed to preserve unalienated housing by constraining housing markets and limiting mutually beneficial transactions *actually make housing less accessible for poor people*. And this has particularly bad implications for aggregate economic inequality and mobility. The worst-off people are least able to access the most productive labour markets, and that undermines their ability to improve their situation. Effectively, land use regulation is a way for rich people to turn highly productive cities into a mechanism to reproduce their economic advantage, at the expense of poorer people who would like to move there (Olson 1982; Glaeser 2005; Glaeser *et al.* 2005; Glaeser and Ward 2008; Gyourko *et al.* 2013; Schleicher 2017; Duranton and Puga 2020; Duranton 2023; Ellickson 2022; Mast 2022).

Gentrification – the displacement of working class residents of a neighbourhood by richer new entrants – is a consequence of restrictions on housing supply. Imagine the same toy neighbourhood from above, except in this case, new housing is harder to build. In many cases, building new housing, especially multifamily housing, requires navigating the bureaucracy of planning permission, zoning boards, public comment hearings and other regulatory hurdles. These hurdles include several layers of discretionary review with uncertain outcomes (Fischel 2015: Ch. 2). They lengthen planning and building timelines and make financing much riskier. San Francisco, America's poster child for hellish development bureaucracy, requires 523 days on average to secure planning permission, and a further 605 for building permission (Knight 2024). What all this amounts to is *raising the costs to builders of building the marginal home.* In New York, Seattle, San Francisco and Los Angeles – America's most productive cities –land use regulation levies an effective tax on housing prices equal to between two and four times the median household income in those cities (Gyourko and Krimmel 2021: fig. 5). But unlike an actual tax, the government doesn't get any revenue to offset the market distortion. Similarly, rent control measures are good for incumbent tenants, but their general equilibrium effect is to remove rental housing from the market, thereby driving scarcity in the long run (Diamond *et al.* 2019). And this all ignores the 'silent graveyard' of homes that don't get built at all because developers don't want to face the hurdles put up by the planning bureaucracy in the first place.

Regulation raises the cost of building the marginal home, and builders pass that cost on to buyers. And it's important to note that the costs imposed by regulations affect *all* builders, whether public, private, for-profit or nonprofit. If the cost to build a new home doubles, even a nonprofit developer will be unable to build as much housing as they might like. Eliminating the profit motive does little to change the basic incentives. And the worst effects of this fall on the worst off. We can think about this process as 'reverse filtering'. Instead of each of our characters moving into a new single-family house, imagine that each of them wants to move into an apartment in a central neighbourhood of a city. But because multifamily housing construction is so difficult, the highest-income entrants are competing for existing housing with people who already live there. Because the highest-income entrants can pay more for housing, this drives up rents. So incumbent residents, who are prosperous but not incredibly wealthy, must then compete for housing with working-class residents of the city, which makes housing less affordable for *them*. This basic intuition has been borne out by a number of recent empirical studies (Gyourko *et al.* 2013; Gyourko and Molloy 2015; Glaeser and Gyourko 2018; Greenaway-McGrevy and Phillips 2023; Nagpal and Gandhi ms). When housing supply is restricted, it becomes less affordable because it pits high-income residents against lower-income ones in a competition for the same spaces. Unfortunately, this all seems to undermine the market-sceptical argument's conclusions.

4. The Fallback Position: Alienation is Objectionable Independently of Distributive Justice

It doesn't seem like there's much promise in trying to find some feature of housing markets that helps vindicate the alienation objection, simply because the causal structure of actual housing markets is so different than it would need to be to make the objection plausible. But alienation might just be an objectionable feature of markets regardless of distributive justice. This strategy has an obvious drawback: it avoids empirical implausibility at the cost of undermining its own motivations. What makes the housing crisis a crisis at all is that everyone who isn't rich has a hard time finding adequate housing. Once we stop appealing to alienation to try to explain that, it gets harder to see what the point of talking about alienation is.

Nevertheless, Barry Maguire (2022) and Margaret Radin (1987) have adopted different versions of this strategy, so it's worth examining in some detail. Both authors think that the relationships we ought to have with one another – in Maguire's case, 'care', and in Radin's, a respect for what she calls 'personhood' – are crowded out by markets. This is true, Maguire claims, irrespective of distributive justice (2022: 5). They give several reasons to think this. First, Maguire argues that the market's efficiency imperative precludes acting, at least directly, on the basis of other people's welfare (2022: 7–8). Second, he argues that participation in a market can't embody the 'caring' relationship he cares about. Both of these arguments turn on the idea that a non-alienated relationship with something or some person restricts the sorts of reasons we can have for acting in some way or another (see also Kandiyali 2020).

Radin (1987: 1907), similarly, argues that 'conceiving of personal things as commodities does violence to personhood'. Housing is, for the reasons we talked about above, necessary for personhood, and this entails that we ought not commodify it. So, for both Maguire and Radin, what it is for us to live in an unalienated social reality is for us to have relationships with one another governed by the right sorts of reasons, and markets undermine those reasons and those relationships.

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There are a couple of objections to these arguments that I want to nod at before I make a deeper methodological criticism. First, Maguire's argument that markets crowd out care-based reasons is a priori, but it fits uncomfortably with what we know about the moral-psychological effects of market integration. Maguire argues that by participating in a market, agents substitute market-derived reasons for direct care of others' welfare. But at the population level, our best evidence seems to show that market integration promotes both pro-social attitudes and universalistic moral reasoning (Gold 2019; Henrich 2020: Ch. 9). There are, of course, vexed questions about how to operationalize those concepts, and whether the empirical literature touches on the same things Maguire's worried about (for a useful theoretical argument, see Dewatripont and Tirole 2024). Nevertheless, the empirical literature provides some evidence that at the margin, someone who participates in markets is *more* likely to reason in the ways that Maguire wants us to reason.

Second, there is a well-known argument that this isn't so much an objection to *markets* as it is an objection to *mass society*. Organizations characterized by relationships that Maguire might find non-alienated very famously don't scale (Heath 2022: Ch. 1). Large organizations divide their workforces into specialized roles, each of which provides its occupant a set of reasons that, just like markets, preclude acting directly on the basis of other people's welfare. So even outside the market context, any bureaucracy – including ones that Maguire and Radin *have* to support, like the ones that support the welfare state – faces more or less the same efficiency motivations that Maguire and Radin think illegitimately alienate our relationships with each other (Heath 2020). It's important to note just how radical Maguire's account in particular is. Avoiding alienation requires that *every* agent be motivated in a particular way towards *every other* agent. Maguire's standard for non-alienation makes large-scale society impossible.

This is because Maguire's and Radin's strategy trades on the implicit assumption that our stock of social ties is exogenous, and their character – alienated or not – is a consequence of background social institutions. But this gets it backwards. The mechanisms of social order we find throughout mass society, the ones that purportedly alienate us, are the ones that allow us to cooperate with people we'd otherwise have no relationship with at all (Heath 2006). Maguire in particular presupposes all the benefits of a complex, cooperative society, and then assumes away the relationships that make it possible. In a review of *Anarchy, State, and Utopia*, Bernard Williams (1976: 123) accused Robert Nozick of 'heading nostalgically for an Old West state of nature, but doing it in a Cadillac'. Maguire is, ironically, guilty of something similar. The right counterfactual isn't a large-scale society structured by non-alienated relationships. It's a society of small kinship groups wandering about, failing to solve large-scale coordination problems at all. Deciding whether this is a worthwhile tradeoff is left as an exercise for the reader.

These objections allow us to make a methodological critique. The problem with a strategy like Maguire's or Radin's is that it takes place totally at the dyad level and completely ignores structural properties. We have to be able to say something about *why it is good* that more people have homes rather than fewer, or why fewer people live in grinding poverty than ever before, or why infant mortality and malnutrition are at all-time lows, even though, by and large, those moral improvements have *very little* to do with the kinds of relations Maguire and Radin prize. The properties of

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markets (and other large-scale social systems) are not the properties of their participants, or of pairs of their participants (Sankaran 2021).

Social facts like these provide a kind of methodological limit case to alienation objections. If alienation is a dyad-level property, and there is no attempt to say anything at all about its relationship to higher-scale properties, then alienation-based critiques of markets will be severely impoverished. They may be able to identify features of our society that might well be pro tanto regrettable. But as long as those features have structural or macro-level results, moral analysis at the dyad level will be unable to fund serious moral critique, as it can make no sense of important tradeoffs between dyadic and structural properties. The interesting feature of markets is that they generate prosocial outcomes from motivations that need not be so admirable. Indeed, the value proposition of markets is that they are an important way we cooperate in the face of our limited altruism. This is not a new insight. The *Wealth of Nations* has been described as Adam Smith's 'attempt to define, in very specific terms, the details of the institutional structure which will best harmonize the individual's pursuit of his selfish interests with the broader interests of society' (Rosenberg 1960: 559). Well-functioning markets channel motivations that we may well find intrinsically objectionable in socially useful directions. Even if they make us the atomistic calculating machines that populate caricatures of economic models (they don't), it doesn't follow that they 'pit us against each other' (Hussain 2020; Hussain 2023) in the objectionable sense that each only gains at another's expense. It's true that only one buyer can own a particular house. But markets are interesting because in the aggregate, we're often all made better off.[9] Simply pointing out that participants in markets (or other mechanisms of social order) often have less than admirable motivations towards one another misses this important point. So it's hard to see how giving up on distributive justice helps alienation theorists at all, unless they can say something about macro-level properties.

5. Conclusion

I've argued in this paper that scepticism about housing markets turns on a few mistakes. First, market sceptics mistake properties of transactions for properties of markets. It's true that markets instrumentalize the goods that are exchanged and the people who do the exchanging. But it doesn't follow from this that instrumentalizing housing undermines distributive justice. The two are certainly conceptually compatible, and their connection is contingent. Commodification does not seem to cause housing shortages in the real world. This is the second mistake. What market sceptics thought was a conceptual point about the nature of markets is in fact an empirical one. And third, this leads them to mistake a concern with distributive justice with a concern about commodification. They're correct that housing has an important use value, and that realizing it requires making sure that people have adequate access to it. But none of this requires drawing anti-commodification conclusions.

[9]Thank you to an anonymous referee for pressing me to use a clearer formulation.

The best way to rescue the plausible market-sceptical intuition is to recognize that this is really all about distributive justice. Market scepticism about housing is convincing at all because its central move turns on the moral bad of poor people being denied housing. What's left after we realize that the anti-commodification argument doesn't work is a concern for the welfare of the worst off. It seems absolutely correct that realizing the use-value of housing in a society requires making sure that everyone has enough. Usefully, this is the feature that allows us to avoid giving into libertarian fever dreams about markets, because it helps us carve out a role for the welfare state. If we think freedom and social equality are important values, then there are very good reasons to make sure that people are housed, and sometimes that will require paying for their housing with tax dollars. Distributive justice is as a matter of practical politics quite difficult (Hamilton 2023), but conceptually it's relatively simple. We care about making sure people get stuff, and everything else is arguing about methods. But market scepticism doesn't seem like a promising strategy.

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Kirun Sankaran is Postdoctoral Fellow in the Political Economy Project and Lecturer in Philosophy at Dartmouth College. His research interests include the relationship between liberal political philosophy and innovation policy, social network methods, methods in political philosophy, and the intersection of political philosophy and the philosophy of science. URL: https://sites.google.com/view/kirunsankaran

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