

The Economics & Politics of Gentrification

Book review

Mike Wold

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a review of

Capital City: Gentrification and the Real Estate State by Samuel Stein, 2019, Verso

Newcomers: Gentrification and Its Discontents by Matthew L. Schuerman, 2019, University of Chicago Press

The city where I live, Seattle, once was affordable. Thirty years ago, it was possible to find a decent place to rent at a reasonable cost; and if you had a little money, you could get a mortgage for not much more than you were paying in rent.

Unlike San Francisco or larger east coast cities, which comprise the examples discussed in the books under review, Seattle did not have vast swaths of decrepit housing. Even the poor neighborhoods weren't all that bad.

Nowadays, Seattle has one of the most expensive housing markets in the country. You can see the changes in my own once-affordable neighborhood, where I bought a house 25 years ago. Rents are among the highest in the city. Property values have tripled.

The area, which was once two-thirds people of color, is now majority white.

The dive bars are gone; a major natural foods store occupies the ground floor of an upscale apartment complex, with some "affordable" units that are barely affordable to someone making an average wage.

The cheap soul-food breakfast place down the hill from me is gone, along with several other affordable restaurants. On the plus side (from my point of view), there's a thriving music scene and a farmer's market.

What happened is what's known as gentrification. I use my neighborhood as an example in part because this illustrates that it's not simply about creative people moving in and "improving" a neighborhood, as has been argued about some of the larger cities that Matthew Schuerman describes in *Newcomers*, where very decrepit neighborhoods were fixed up by so-called urban pioneers.

To Schuerman, gentrification of a particular neighborhood is driven by the demand from a rising professional class that prefers the excitement and diversity of the city to the monotony of the suburbs and marks the transformation of cities from an industrial economy to a professional and then a creative one.

The surface of gentrification, as described in *Newcomers*, makes the ongoing redevelopment of our central cities and the resulting displacement look like a kind of natural process, driven by middle-class demand for housing.

Perhaps that's why discussions of gentrification often focus on the new people moving into the neighborhood rather than the underlying government and corporate policies that promote these changes—or, more accurately, don't do anything to discourage it.

Even the word gentrification, implying that all that's happened is that "a low-income neighborhood becomes a wealthy neighborhood," as Schuerman puts it, reinforces this idea. But what it's really about is a rise in housing costs, facilitated by marketing to people who can afford those costs. The difference may seem one of semantics—but it's more than that.

The question is, what causes those housing costs to rise and displace poor people. To Schuerman, it's increased demand, following the paradigm that increased demand raises prices, until supply catches up to it.

It is true that if there's a shortage of housing, relative to need, then property-owners can charge more, either for selling or renting what they own. But why is there a shortage of housing, and, in particular, low-income housing?

Over the years in Seattle, numerous low-rent apartment buildings have been torn down, replaced by office buildings or upscale apartments. That lowered the supply of low-income housing. Other apartment buildings, some in formerly low-income areas, have been converted into condominiums and upscale apartments.

That's not a shortage of housing—it's a conversion of affordable housing into less affordable housing, often with a reduction in the actual number of people living in the area. What's brought this on?

For some of the answers, we can turn to Samuel Stein's *Capital City*.

Stein, a radical geographer, sees gentrification as driven by profit-seeking companies who can no longer make as much money from local manufacturing, which has either been automating factories or moving to places where they can pay lower wages.

As a consequence, companies are looking for ways to make money without having to produce anything in the material world. At the same time that industry is moving out of the city, government policies have emphasized finding ways to increase property tax revenues.

Combined, these have resulted in pushes to renovate housing stock or redevelop industrial land with high-end housing as a way to increase property values.

The whole point of fixing up old buildings—or tearing them down and constructing larger market-value apartments and condos—is profit, and more profit is found by housing the rich and upper middle class than housing the poor. Property values increase not just at the site of redevelopment, but in the whole neighborhood.

Rents increase as the neighborhood gets more attractive to investors, both as a feedback loop, and because new landlords typically expect to meet their mortgages from their rental income. Often all this takes place with a veneer of benevolence or public purpose. Banks should, after all, be willing to make loans in the inner city, and have been legally required to since the end of redlining.

Converting warehouses into artists' lofts supports the arts and provides "eyes on the street" and support for nightlife. Inviting middle-class people into poor neighborhoods may occur for the purpose of integrating schools, providing more money for local businesses, and increasing political clout.

Many cities have tried to condition new development on provision of affordable housing, usually by providing incentives to maintain a certain percentage of below-market rate housing in otherwise upscale apartment complexes.

One problem has been that the new affordable housing is not really affordable for low-wage workers or people without jobs, even if it's below market rate. New developments price more low-income people out of neighborhoods than are housed in the so-called affordable units.

What could change?

Both Stein and Schuerman agree that rent control is important, as is increasing public trust land where the public controls the underlying land, and therefore who can develop it, who can live on it, and how much they pay.

Stein also suggests that vacant apartments, buildings, and land, as well as bank foreclosures, be taxed at a high rate to discourage displacement, warehousing, and money laundering; owners of luxury apartments could be assessed special fees, to make high-end housing less attractive to buy and therefore develop.

The authors of these books, as well intentioned as they are, generally go no further than hoping political officials can be persuaded to pass amelioratives if there's enough organization at the grassroots level. Perhaps some reforms can be wrenched away from the landlords if there is enough pressure created, but the landlord system remains intact.

We need to put forth the idea that housing is a right but as long as property is privately owned, the problem of displacement and gentrification won't go away. The struggle needs to challenge the fundamental division of people into owners and renters, those who have the right to profit from housing they don't live in and those who have no inherent right to a place to live.

Mike Wold is a frequent contributor to the *Fifth Estate*.



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