What do Landlords Do? The Political Economy of Urban Real Estate

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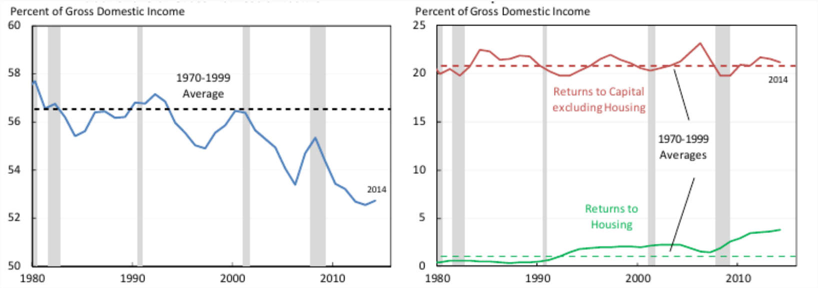

Figure 1: Labor share vs. Housing and Non-Housing Capital Share

- from Rognlie (2015), calculated from Piketty & Zucman (2014). A note: income share going to housing also includes imputed rents to owner-occupied housing. It may be the case that including this on the labor side equalizes the outcome.

The Regulation View (1)

Detangling Land, Housing, and Rent

- Land prices included in housing costs for macroeconomic statistics $\rightarrow$ how to decompose?
- Land prices drive 87% of housing prices in the United States (Knoll et. al 2014) $\rightarrow$ how does this square with Glaeser et. al? (i.e., prices in excess of construction costs being driven by land values)
- Consider an increase in land value; total surplus value has not increased, but owner of land can command higher rents, and therefore a higher percentage of the social surplus $\rightarrow$ Ricardian outcome
  - The distinction between *wealth* aggregates and *productive capital* aggregates are not evident in national accounts! (Stiglitz 2015)

The Disappearance of Land from the Production Function

Why is Land Not Capital? Why Does It Matter?

- Land (as applied to real estate) is non-produced, non-reproducible, and non-depreciable $\rightarrow$ land values *appreciate*, rather than depreciate

Contradictions of the Housing Commodity

Rent Dynamics in a Revived Classical Context

The Henry George Hypothesis

- Once un-owned land is occupied, economic rent becomes determined by *locational* advantage (i.e., the “unearned increment”)
- Locational advantage in the urban context derives from access to: global networks, infrastructure, human capital
- As productivity increases, the ability of landlords to capture greater share of the surplus increases
    - Some questions: This does not quite seem to be the case after GFC– small landlords were wiped out just as badly as large landlords

The Role of the State

Scale and Neoliberal Urbanization

The Rise of the Real Estate State