

SHANE MALVA

# LAND, HOUSING AND CAPITALISM: THE SOCIAL CONSEQUENCES OF FREE MARKETS IN AOTEAROA NEW ZEALAND

Housing markets in Aotearoa New Zealand have produced huge capital gains over the past few decades, at the same time as harming and displacing thousands of people.

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On the 14th of June 2017, people around the world watched in horror as entire families burned to death inside Grenfell Tower in London, England. Unable to escape, tenants remained helplessly trapped as a raging inferno devoured their homes, possessions, and lives. Residents of Grenfell Tower had repeatedly warned of potentially lethal living conditions, including a lack of sprinklers and fire alarms. Their voices were ignored.<sup>1</sup> To date, authorities have confirmed at least 80 dead, in a disaster that British Labour Party shadow chancellor John McDonnell has deemed ‘social murder’.<sup>2</sup>

The concept of social murder has its roots in European workers’ movements of the 19th century. It refers to situations where those in power knowingly maintain conditions that inevitably lead to the early deaths of the poor.<sup>3</sup> Here in Aotearoa New Zealand it might be tempting to comfort ourselves with the apparent absence of such appalling events. While it is true

that there has not been such a dramatic loss of life by fire in recent history, another less obvious but equally noxious form of neglect is killing people in their homes. Housing in Aotearoa New Zealand is also a site of social murder.

Between 2000 and 2015, 275,818 children across Aotearoa New Zealand experienced 413,316 ‘potentially avoidable hospitalisations attributable to the home environment’.<sup>4</sup> Over the same period, more than 1180 children were killed by housing related illnesses.<sup>5</sup> Medical researchers argue these deaths could have been avoided by ‘central and local government policies which ensured that families with children had access to high quality housing and a safe physical environment’.<sup>6</sup> Specifically, access to healthy public/state housing and other non-market housing options.<sup>7</sup>

In Aotearoa New Zealand, a country that The Economist claims has the most unaffordable

housing in the world, poverty, ill health, homelessness, and death, are produced as a matter of course by the normal functioning of capitalist housing markets.<sup>8</sup> A lack of accessible alternatives – caused in part by an under resourced and misdirected public/state housing provider – enables monopoly prices to form in rental markets.

The profit motive that drives market activity, including the leasing of housing to tenants, results in a significant amount of housing being poorly maintained. This causes negative health outcomes.<sup>9</sup> The high cost of housing, along with often substandard quality, means that people living on low incomes suffer considerably as a direct result of their position in housing markets. At the same time, property investors secure rental returns and capture capital gains through owning land and housing.

This article describes two political campaigns that have resisted social harm caused by market-driven housing developments. It seeks to expose the exploitative social relationships lurking beneath quantitative measures of economic growth and explains the high cost of housing in terms of the monopoly power of property owners to supply housing to those without access to capital. It is the ability of housing to function as capital, producing a profitable return on investment, that maintains the market price of housing. This analysis shows that market solutions actually reproduce the problem of unaffordable housing rather than solving it. Finally, two radical proposals for housing are put forward: a massive expansion and democratisation of public/state housing; and substantial increases in resource allocation for non-profit community housing projects.

## ORGANISING AROUND HOUSING

There have been attempts across Aotearoa New Zealand to prevent some of the damage caused by market-driven housing developments. Since 2011, the Tāmaki Housing Group have contested a process of state-led gentrification in Glen Innes, Auckland, known as ‘Tāmaki Regeneration’. The project has involved the eviction of public/state housing tenants to make way for private development, forcing many existing residents to leave the community. The increase of market housing in Glen Innes has caused land values to soar, revealing that, despite claims to the contrary, capitalist development increases the price of housing. Most recently, Tāmaki Housing Group led the ‘Stop Niki’s Eviction’ campaign that opposed the eviction of long-time community member Niki Rauti from a state house once contracted as a ‘home for life’.<sup>10</sup>

A second campaign opposing a market-driven housing development has formed under the banner ‘Save Our Unique Landscape’ (SOUL). SOUL is a mana whenua led group that has, to date, successfully resisted a private housing project on stolen Māori land at Ihumātao, Auckland. The SOUL group have been reclaiming land that was confiscated by the State in 1863, as punishment for local iwi refusing to swear allegiance to the Crown. The land was passed on to a Scottish settler through a Crown Land Grant in 1867. His descendants farmed the land until 2016 when they sold it to property developer Fletcher Residential Ltd, after securing planning permission for residential housing from Auckland Council in 2011.<sup>11</sup>

In August 2017, SOUL members Pania Newton and Delwyn Roberts brought the situation to the attention of the United Nations Committee

on the Elimination of Racial Discrimination (UNCERD). The committee were ‘concerned by conflicting information regarding consultation with local Māori in connection with the designation of Special Housing Area (SHA) 62 at Ihumātao on land traditionally and currently occupied by Māori’.<sup>12</sup> UNCERD recommend that,

the State party review, in consultation with all affected Māori, the designation of Special Housing Area 62 to evaluate its conformity with the Treaty of Waitangi, the U.N. Declaration on the Rights of Indigenous Peoples and other relevant international standards, and that the State party obtain the free and informed consent of Māori before approving any project affecting the use and development of their traditional land and resources.<sup>13</sup>

At the time of writing, there has been no sign that the New Zealand Government will act on the United Nations recommendations, and Fletcher Residential Ltd. intends to continue with the development.

Fletcher’s project at Ihumātao not only seems to be in violation of Te Tiriti o Waitangi and the United Nations Declaration of the Rights of Indigenous People, it also threatens the existence of the longest occupied papakāinga in Aotearoa New Zealand that borders the site. Meanwhile, the SOUL campaign continues to receive broad media coverage, endorsements from a number of progressive politicians, and has widespread public support.

The Tāmaki Housing Group and the SOUL campaign have centred the voices of Māori and Pasifika women, challenging not only dominant economic logics, but also settler colonialism,

white supremacy, and patriarchy. It is no coincidence that both the Tāmaki Housing Group and the SOUL campaign are against market housing developments. Organisations following the logic of capitalist development in housing, as well as state institutions enabling these processes, fail to solve the housing crisis in Aotearoa New Zealand. Market-led housing developments cause considerable social and environmental damage at the same time as producing a greater amount of unaffordable housing, the gentrification of neighbourhoods, and the violation of Māori land rights.

#### **HOUSING VS. ‘THE ECONOMY’**

In addition to maintaining lethally substandard housing, displacing existing public/state housing tenants, and building on stolen Māori land, housing markets also drive wealth inequality. Poverty, ill health, homelessness, and death are part of the same situation that sees landlords and property investors collecting rental income and making capital gains in housing.<sup>14</sup> The inequalities caused by capitalist housing markets are not captured in measures of economic growth such as Gross Domestic Product (GDP).

GDP is calculated in a way that includes residential building construction and leasing, as well as the business activities of associated industries.<sup>15</sup> In other words, the construction and sale of expensive market housing, increases in rent prices, and the transactions of real estate agencies, all contribute to GDP growth. According to this metric, the rents tenants pay to landlords are counted as an economic good for the nation, even when these rents exceed what can be justified by the costs of construction and maintenance of buildings.

GDP, as a measure of the economy, fails to account for the antagonistic interests of people

occupying different positions in relation to privately owned property. Severe inequality in the housing sector highlights how a disproportionate focus on economic measures such as GDP gives an inadequate representation of society. It is the nature of economic relationships that are important, and not merely the growth of GDP.

### **MONOPOLY POWER**

In the four years leading up to September 2017 the price of housing in Aotearoa New Zealand increased by 42.8%. In Auckland prices rose by 56.7% during this period.<sup>16</sup> Economists, social commentators, and political parties have repeatedly claimed that dramatic rises in house prices are determined simply by a relation between supply and demand. This analysis fails to capture the complex social relationships from which contemporary markets are composed. In housing markets the basis for capital gains is the ability of property owners to charge rent. It is a property owner's monopoly over a piece of land and the housing occupying it that enables them to reap an immediate major return and potential increases in value.<sup>17</sup>

In Aotearoa New Zealand the high cost of housing is due to the price of land.<sup>18</sup> Or more specifically, the price of a legal title granting monopoly power over a piece of land. When land rights are converted into private property rights – a process that occurred in Aotearoa New Zealand through colonisation – one of the places where profit can accumulate is in land. The monopoly power granted by private land titles allows property owners to extract rents. This dynamic produces a situation where land and housing seemingly have the strange ability to add value to themselves.<sup>19</sup>

Once capitalist modes of economic activity are established, and credit systems are developed,

financial speculation becomes possible on anything with a value. These processes amplify the price of material assets, capturing profits through speculative trading. In addition to capitalised rental returns, the International Monetary Fund (IMF) estimates the price of housing in Aotearoa New Zealand has been inflated up to 40% higher due to financial speculation.<sup>20</sup>

The reason housing in Aotearoa New Zealand is prohibitively expensive is due to the predominance of capitalist markets. Housing unaffordability continues to be a social issue because land and housing effectively function as capital. Housing deprivation – as well as the poverty, ill health, homelessness, and death sometimes associated with housing markets – is a direct outcome of a system in which it is legal to buy the right to exclude other people from living on a section of the earth, and to then charge monopoly rents to access shelter.

Current government policies actively uphold this capitalist logic over the use of land, while many politicians and economists present it as the only possible way of organising the construction and distribution of housing. An example of this can be seen in the Auckland Unitary Plan, which continues to privilege landlords and investors at the expense of low income communities.<sup>21</sup>

### **LIBERAL MARKET SOLUTIONS**

There has been much debate on the issue of housing amongst economists, pundits, and parliamentary political parties. Where many seem to agree is on the idea that an increase in market housing will solve the crisis of affordability. This position overlooks the fact that it is the dynamics of the market itself – driven by the profit motive and underpinned by a system of private land rights – that has caused

housing to become unaffordable in the first place.

Markets do not provide for people's needs if they are not in a position to pay market prices. Capitalist markets in Aotearoa New Zealand are producing housing for people with access to significant amounts of wealth, rather than people on low incomes. In practice, effective demand for housing comes from those with access to large sums of capital and, in the absence of viable alternatives, leaves everyone else in subordinate economic positions paying monopoly prices for rental housing. The solutions to the housing crisis for people living on low incomes lie outside of capitalist markets.

Historically, quality housing has been provided for people on low incomes in Aotearoa New Zealand through mass builds of public/state housing.<sup>22</sup> In recent times, however, the public/state housing option has been sidelined in favour of market solutions, to such an extent that the New Zealand Government is now pursuing a mass build of state funded market housing.<sup>23</sup> The undermining of public/state housing systems through turning public resources over to the market is known as the 'privatisation trap'.<sup>24</sup> This trend shows that 'when social/public rental housing is built, sooner or later there is a demand for its privatization, or it is transformed into de facto homeownership support'.<sup>25</sup> The process is self-defeating, reproducing the same situation that had required public/state intervention to begin with.

While increasing the market supply of housing can have some short-term effects on dampening house price speculation, it fails to solve the housing crisis for people on low incomes. Once housing enters the private market it is subjected

to the same profit motives, monopoly rents, and speculative pricing mechanisms that cause housing crises in the first instance. Failing to expand and democratise non-market housing solutions means homeowners are still able to appropriate unearned wealth from the economy, while those most in need are left to grapple with monopoly prices for substandard housing.

### **RADICAL REFORMS**

Parliamentary political parties campaigned to solve the housing crisis in the run up to the New Zealand General Election on 23 September 2017. The housing policies being developed fail to properly address the underlying causes of the human suffering produced by our contemporary situation. Specifically, public/state housing, and other non-market community housing options such as papakainga, remain marginal rather than prioritised as the primary solutions to the inequality produced by capitalist markets. The argument that needs to gain traction in the public sphere is that capitalist markets are structurally unable to provide universal access to healthy, secure, and affordable housing. There is a need for collectively planned and democratic alternatives.

Radical reforms get to the root of a problem, oppose vested interests, and call the logic of the market system into question.<sup>26</sup> The root of the housing crisis is a process of capital accumulation in land. The solution to this problem is straightforward: the market price of land needs to be eliminated from the housing equation. This can be achieved through transferring private land into public ownership through the state, and/or facilitating common ownership of land using various legal structures. In other words, we need to reconfigure our relations to the Earth and to each other, in both a legal and cultural sense, so as to recognise

use rights to land as collective, inalienable, and unable to be traded in a market for profit. Once the market price of land no longer influences the price of housing, only construction and maintenance costs remain. Non-market collective land rights open up exciting prospects for housing development.

### PAPAKĀINGA DEVELOPMENT MODELS

Papakāinga is a concept that informs a variety of housing developments on Māori land. 'Kāinga translates in this context to village or settlement, while "papa" is a reference to Papatūānuku... which adds an element of nurturing'.<sup>27</sup>

Papakāinga projects take a range of forms, however shared themes include holding land in common, and the active role of the community in planning, design, and construction.<sup>28</sup> Important, also, is a strong focus on the autonomy of whānau, hapū, and iwi, including the ability to exercise collective self-determination over the management of land and resources.<sup>29</sup>

Papakāinga are a Māori solution to the housing question, presenting existing models for developing healthy, secure, and affordable housing projects that empower and connect people. Obstacles to papakāinga development include the dominant legal frameworks of private land ownership, lack of access to capital, locational land constraints, as well as other financial problems caused by the accumulation of debt taken on to fund papakāinga, which then impinge on the ability for the housing to be low cost.<sup>30</sup>

Commercial banks are wary of lending for papakāinga housing construction because of the barriers commonly-owned land presents for capital accumulation. Specifically, it is 'virtually impossible to place a capital value' on papakāinga housing because it 'effectively cannot

be sold on the open market'.<sup>31</sup> This means 'banks are wary of their lack of security if owners default on mortgage payments' because title to the house does not include the underlying land.<sup>32</sup> A crucial difference between market housing and papakāinga housing is that the latter depreciates as buildings age and the former accumulates value as ground-rent increases. As the name suggests, ground-rent accrues to land rather than buildings. Therefore, holding land in common provides a certain amount of protection from capitalist speculation. In other words, papakāinga housing tends to not function as capital.

Local and central government could help facilitate more community driven housing developments using papakāinga models. This could be achieved through prioritising collective use rights to land that recognise He Whakaputanga, Te Tiriti o Waitangi, and the principle of tino rangatiratanga as foundational to all land rights in Aotearoa New Zealand. Additionally, government could make significantly more resources available to non-profit community housing projects by taxing accumulated wealth, while also maintaining a functional system of universally accessible quality public/state housing with maintenance rents.

An easily accessible public/state housing system is an effective means of deflating the price of land and housing as long as it significantly undercuts monopoly prices in markets. This would make papakāinga projects more affordable for any groups needing to purchase land in a market. As has already been argued, it would be preferable to do away with capitalist markets in private land titles completely, as trading legal rights to private land not only allows surplus value to accumulate in the soil, but also goes

against the tikanga principles that underpin the whole papakāinga development model.

Centring papakāinga models in urban and rural planning could additionally serve to remind people living in Aotearoa New Zealand that the whole country was once Māori land, and in many ways still is. The processes through which settlers attempted to deny Māori traditional land rights and the ability to practice kaitiakitanga are part of a history of injustice. Radical political movements concerned with housing provide welcome opportunities to support Māori land claims. For the obvious reason that housing is built on the land, but also because drawing on traditional Māori practices of holding land in common under local authority can be a central part of the solution to our contemporary housing crisis.

## CONCLUSION

We are in a unique political, economic, historical, and cultural situation here in Aotearoa New Zealand. At the same time, nearly every major city in the world is currently experiencing some form of crisis in residential housing.<sup>33</sup> Housing struggles connect the local with the global, exposing common tendencies in capitalist economies. Paying close attention to the contemporary housing situation in Aotearoa New Zealand reveals that society is comprised of groups with antagonistic economic interests.

Capitalist markets in land and housing drive social inequality, leading to impoverishment, poor health, homelessness, and sometimes death for people living on low incomes. While investors are able to make windfall profits, actors in these markets routinely contravene the public interest, as they are primarily driven by the profit motive. From the perspective of capitalist corporations such as Fletcher Residential Ltd. and Tāmaki Regeneration Co., indigenous land rights and public/state housing tenants refusing eviction are merely problems to be overcome or circumvented.

Housing in Aotearoa New Zealand demonstrates a general truth about the economy: capitalist markets are functionally incapable of providing everyone with the basic necessities of life. The profits flowing out of the housing market are not only a testament to the sustained neglect of the most vulnerable members of society, but rely on the ongoing history of colonisation. Against these trends, quality public/state housing with maintenance rents and non-profit community housing models – both of which have the capacity to eliminate the price of land from housing costs – offer viable alternatives to perpetuating a market-driven crisis in housing. In our contemporary historical moment, housing issues demand the attention of any social movements aiming to connect local issues with visions for a better world. Not as a strategic choice, but as a political necessity.

# NOTES

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**Shane Malva** is a member of ESRA's Housing Inquiry Group, coordinator of Organise Aotearoa's Housing Working Group, and an activist researcher with SOUL.