Collective Homeownership

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As the housing crisis plows through our neighborhoods, it leaves behind the same bleak scenes. The former owner separated from her home, her neighbors, her children's schools, and possibly her children themselves — a tragedy anonymous to millions of analogous others across the country. Neighbors staring down the dead, wall-eyed windows of the vacant homes on their block and seeing the promise of rising crime and falling attendance at block parties. Sheriffs, guns drawn, separate households from their houses, and police patrol the walls erected between people-ready homes and the already homeless people. According to the 2010 census, there are 143,000 vacant homes in Chicago. The Chicago Coalition for the Homeless reports that 93,780 people were homeless at some point over the course of the 2010-2011 school year, and that this number is rising. While employers tell many that there isn't enough work, mortgage servicers and the courts are working overtime to keep the wheels of the eviction process at a constant whir.

Evictions supposedly enforce the right of private property and the value of homeownership. But, from the crisis, we've been granted a glimpse beneath this ideological carapace, toward the machine's internal joints and cartilage. A temporary veneer for speculation's perpetual turmoil, private property and homeownership are now being dismantled by the very system they have disguised. These ideologies discarded, speculation on land and housing is assuming a new historical form: ownership of the land by a collective of investors. This emerging form of collective ownership presents us with a potential liberatory parallel: ownership of the land by a collective of neighbors. Here I will map the historical trajectory leading to this new collective homeownership, beginning with mortgages and the mortgage market.

In a testimony to the U.S. Senate Committee on Banking, Housing, and Urban Affairs, Christopher L. Peterson identified three eras of mortgages. The first era consisted of two parties: the debtor and the creditor. Mortgages were more economically burdensome, which, along with racist and sexist policies, limited access of mortgages to "none but the most affluent men of European ancestry."[1] In this era, the creditor's goal was "originate to hold." The lender originated the loan in order to hold onto it and collect the interest payments from the debtor, all on what is called the primary mortgage market.

After the Great Depression, the second era began with the establishment of government-sponsored entities (GSEs) such as Ginnie Mae, Fannie Mae, and Freddie Mac. These hybrid businesses—privately run for-profit, but publicly sponsored and regulated—helped to "purchase, insure, or in some way exercise some underwriting oversight in the capitalization of the loan."[2] Financial analysts "discovered" the technology of securitization, and these GSEs loosened the lender's original hold on the loans. The third era saw the development of private-label securities and sub-prime loans, extending the logic of securitization and free trade as far as it could. In these second and third eras, the practice switched to "originate and distribute," which involved trading mortgages on a secondary mortgage market.

Originate to hold

Mortgages, like houses on the housing market, are commodities created for a mortgage market. The mortgage market is a subset of a larger credit market, which Doug Henwood describes as the "financial heart of capitalism":

> "[D]ebts, mere promises to pay, are nonetheless transformed into commodities in the eyes of creditors. This capitalization of promised incomes enables nearly everything, from an industrial plant to an unspoiled wilderness to a human life, to be modeled as a quasi-credit, whose value today is the value of its future earnings stream — profits or wilderness services or wages — adjusted for value over time using prevailing interest rates and maybe an estimate of risk."[3]

This capitalization turns the future exploitation of anything, including land or workers, into future value. Financial speculation tracks, calculates, and estimates this value as it is capitalized across time. It manages and optimizes the temporal flow of future earnings streams in the same way that logistics manages geographical flow of commodities. But how is value shuttled through time? Why does "holding" an originated loan lead to collecting a future earnings stream?

Debt is an odd commodity. It is produced from the money pledged from our future wages, earned by our future labor, which we could call "debt labor." Since debts assume that future labor will be realized under the wage labor of capitalism, debt labor is the basis for future value and its exploitation is the basis for future surplus value. Financial calculus allows this future value to be computed as present value today (future value = present value + rate of interest). For finance, computation is transmutation, and this future value actually exists, in modified form, on the books for banks today as a commodity, debt. Each month, the present value catches up with the future value; the worker goes to work for both wage labor and debt labor; and the formerly future value now becomes actual wages, mailed to the lender as a loan payment.

In this way, mortgages are an extension of the exploitation already going on in the workplace. Banks capture additional surplus value when we are consuming goods, beyond the surplus value extracted by bosses when we are producing goods. But, more than just colonizing a new spatial terrain of exploitation, debt labor exploits in a new temporal way as well, compared against wage labor as described by Marx in *Capital, Vol. I.* Wage labor begins with a free worker approaching his employer in the job market and selling his time (full time, part time, temporary, etc.) for money (wage, salary, tips, stipend, etc.). This exchange requires that the worker sells his ability to work as a commodity only "temporarily, for a definite period of time." Otherwise, if the worker were to sell his time indefinitely, "once and for all, he would be selling himself, converting himself from a free man into a slave, from an owner of a commodity into a commodity."[4]

What about when that "definite period of time" is expanding, as it does with debt labor? When a worker takes out a mortgage, student loans, or credit card debt, the present credit speculates upon her future wages. Both she and the creditor presuppose that she will sell an indefinite period of her future time to a future employer. This time is indefinite for three reasons. First, she has no assurance of her hourly wage 30 years into the future: it is completely opaque given inflation, the indeterminacy of the future wage share, and the unpredictable course of class struggle. Second, as she goes deeper into debt, she must promise to sell more and more of her future years to pay for her needs now. Third, with predatory loans like adjustable rate mortgages that have targeted African-American and Latina/o households, the interest rate can change unexpectedly, and therefore so can the amount of future time that the worker must sell herself to pay off the loan. As debts accrue indefinitely, debt labor converts the worker's future self into a second vendible commodity, alongside her present ability to work. "Originate to hold" is, in fact, holding onto the worker's future time in this world.

Our current capitalist economy is dependent upon this debt labor and its commodification of workers' futures. Financial circulation moves debt through the entire organism of capitalism, sustaining the system only by moving the sustenance—future labor time, hopes and livelihood—farther and farther away from the worker and her present. She is placed at odds with her future self, becoming the middle management that oversees her future work on the capitalist class's behalf. The class struggle becomes internalized as a psychological struggle, disguised as her conscience and a moral obligation to make good on her promised debts. The question of housing, posed to workers every month by the bills demanding rent and mortgage payments, is dependent upon this alienation of the worker from her future self. Ultimately, the housing crisis is the crisis of our jobs, our future jobs, and our lack of jobs, objectified into the terms of four walls and a roof. What appears to us as a contradiction between homeless people and people-less homes is, in Marx's words, "the contradiction of estranged labor with itself."[5] It cannot be resolved independently of the alienation of work in capitalist society, with debt labor predominating as the form that this estranged work takes.

Even as it appears to be enforced through conscience and consent, the "originate to hold" mortgage ultimately maintains that hold through coercion. David Harvey has analyzed how "fictitious capital," like rent and the principal and interest rates on loans, is determined solely by future exploitation, by how much value a landlord or lender can expect to extract. Since wages may go up, down, overseas, or out of existence entirely, according to the course of the class struggle, the financial math of a mortgage is less about probability and more about power. And this power must be consistently used against the debtor. Debts, unlike most other commodities, are bought, held, and distributed on the credit market as unfinished products. A mortgage sitting on the bank's books for 30 years is still being "produced," the promised loan payments still being squeezed from the debtor. The bank drives the production process of that debt through courts and credit scores, shame and sheriffs—until the day it is paid off and disappears. These legal threats require work and workers, who are found throughout the civil and chancery court systems, in debt collection and credit score agencies, and in the bank's asset management departments. This public-private partnership has dedicated itself to enforcing the "future earnings stream" of a mortgage, and transmuting the stack of mortgage papers into a commodity of reliable value. Commodification of debt demands the coercion of the debtor.

Originate and distribute

Patricia Lindsay, a former fraud specialist at New Century, summed up the shift from the first era of mortgages to the second and third eras in a testimony before the Financial Crisis Inquiry Commission. "Under the 'originate to hold' model," she said, "the core question for the lender was 'if I make this loan, what are the risks that I won't get paid back?'" Under the "originate and distribute" model, the "definition of a good loan changed from 'one that pays' to one that could be sold."[6] This shifted the risks of not getting paid back from individual investors to the mechanism of the financial market. According to data from John Geanakoplos, a Yale economist who has made a career applying mathematical models to the secondary mortgage market, the residential mortgage market was 5 trillion dollars in 2002 and increased to 10.6 trillion over the next five years. By 2007, most of that debt (6.6. trillion dollars—only 0.8 trillion of which was jumbo loans for the richest homeowners) was originated and then securitized and distributed. The remaining 4 trillion dollars was originated and held unsecuritized by the banks.

Mortgage-backed securities have had huge consequences on our society, and have revolutionized the relationship of homeowners and tenants to the land that they live on—often in ways that displace and disengage whole communities. However, in the talk about MBS, many commentators find the idea to be so abstract and antithetical to the house as a physical object that they treat it as something fake and manipulative. MBS are seen as the BS that caused the foreclosure crisis, and

Wall Street is blamed for faking its way into profits at the expense of the rest of us. The danger of this opinion is that it ignores the logic behind MBS and behind finance in general. Instead of treating MBS and the rise of the financial sector in general as recent steps in the wrong direction, we need to understand that they are the logical endpoint of the deeper logic of capital as it drives financial history and our society. The laws of capital, the skeletal structure of speculation, need to be addressed in whatever form they exploit people.

When one looks at where MBS came from, it becomes clear that they are not simply a tool used by the financial sector for manipulation. Like the Internet and most other major technological innovations of the 20[th] century, the government developed the technology of MBS before it became a source of profit for private corporations. In 1970, the Government National Mortgage Association, government-sponsored entity (GSE) under the Department of Housing and Urban Development, and which is quaintly referred to as Ginnie Mae, developed the first MBS so that it could “channel global capital into American housing markets, helping make more mortgages available.”[7] Here is the tall tale of how mortgage-backed securities tamed the Wild West of housing finance, as recounted by Ginnie Mae. You can almost hear the campfire crackle:

> "In its earliest days, housing finance was a fragmented, inefficient and illiquid market, with mortgage rates varying considerably from region to region, and some locations having practically no funds available at all. This was a direct consequence of the near impossibility of selling individual mortgages on the secondary market. Lending institutions would issue a mortgage, collect payments, and file the mortgage away until the principal was paid off [i.e., originate to hold]. The problem: a lack of available, consistently priced capital put a ceiling on the number of new mortgages that could be issued. Ginnie Mae solved this problem and revolutionized the American housing industry in 1970 by pioneering the issuance of mortgage-backed securities."[8]

The legend of Ginnie Mae, a pioneer in the frontier of financial derivatives, is backed up by Geanakoplos’ financial theory course at Yale University, where he recounts his own “personal history” developing the secondary mortgage market. According to his story, Ginnie Mae and its cousins Fannie Mae and Freddie Mac buy mortgages from the banks that originated them and merge them into pass-through pools of fluid capital, and then sell shares in the pools to shareholders. These pools collect the debtor’s mortgage payments and pass that money along to the shareholders. These pools turn individualized mortgages into fungible, standardized assets. The debt is rearranged along with other debts, bundled like newspapers to be shipped and handled quicker and safer by vehicles in the financial market. This, in Ginnie Mae’s words, “available, consistently priced capital” is much easier to re-sell on a growing secondary mortgage market than the “near impossibility of selling individual mortgages.”[9] Seeing the potential in this financial innovation, non-GSE corporations later began creating pass-through pools as well.[10]

From these pass-through pools, financial institutions like Geanakoplos’ innovated further. Beginning in 1986, they bought shares in these pools and “tranched” them, using the same shares to back multiple loans. The outcome was new securities called collateralized mortgage obligations (CMO), which were then broken down even further. In the 1990s, CMOs were typically broken down into 90 pieces each, differentially dividing the risk out into each piece and rating those risks as AAA, AA, A, down to the riskiest BBB. Later, financial institutions took that riskiest BBB tranche of sub-prime mortgage CMOs, and then pooled and re-tranched those as collateralized debt obligations (CDO). Then it created CDO[2]s, which took AA and A tranches and re-tranched those. Then there was insurance on these loans through credit default swaps, CDSs.[11]

In this way, mortgages were spread through the secondary market by a process called pyramiding. Pyramiding is the re-use of collateral across multiple transactions downstream. The physical home acted as collateral for the mortgage, which acted as collateral for the pass-through pools, shares of which acted as collateral for CMOs, which were collateral for hedge funds.

Through federal housing policy after the Great Depression that created the Federal Housing Administration, fully amortized mortgages, GSEs, MBSs, and, eventually setting the stage for CMOs, CDOs, CDO[2]s, the government helped finance shift from holding future surplus labor to distributing it. Ginnie Mae is boastful of how efficiently it "converts individual mortgages into safe, liquid securities for investors around the world." The government did this not just for the needs of individual investors, but for the integrity of capitalist society. Capital is value in motion, and by definition it must move. For future surplus value to be turned back into present capital, it can't be held in one place. The secondary mortgage market began turning the static, held sunk cost of a mortgage into fluid, and distributed capital ready for reinvestment. The faster it was distributed, the more it was pyramided and tranched and re-sold, the more capital could be squeezed out of a single mortgage. Capitalist production accumulates profits with diminishing returns causing stagnation in the economy as a whole, which this new source of ready capital helped temporarily stave off.[12]

But how did this shift change the needs of housing and power relationships between households and their investors? Geanakoplos estimates that this pyramiding of mortgages reduced mortgage rates by 1%, allowing extension of the scope of mortgage and indebtedness throughout society, beyond the "ceiling on the number of new mortgages" that Ginnie Mae laments. At the same time, the standardization and pooling improved investor knowledge of what they were buying, and helped the investors buy only those loans that fit their portfolio, allowing them much greater returns. Capital's convoluted path through securitization is not a new form of exploitation, but an exacerbation of the old form, broadening and deepening the deployment of debt labor throughout the U.S. working class. Each investor expects a slice of the surplus value, which workers send to their creditors as loan payments. As more agents join the mortgage market, each expecting their share of the extracted exploitation, the lender is encouraged to increase demands.

From this base of pooled and distributed interests, the secondary mortgage market elevates the coercive, legal threats that drive each mortgage's "production process" to the level of state policy and state morality. Through the 2000s, mortgage lenders, vendors, and investors benefited despite their delirious expectations that home equity automatically creates more equity. Beneath this expectation hid the axe of eviction, threatening each worker to hand over her future surplus value to the mortgage servicer. Mortgage and housing speculators remained vaguely aware of the threats used on their behalf, but unable to draw a connection between that coercion and the miracle witnessed in the housing boom. Their faith in the self-replicating magic of money was confirmed with each expansion of the market. With the sudden contraction of the housing and mortgage markets, speculative institutions didn't lose faith in the promise of redemption for their debts, but they looked to a new source for this salvation. It began to direct its moral pleas and coercive threats towards the working class as a whole. While declaring that the people of the United States should make good on these promised debts, they also threatened that their fall would eradicate the United States. The U.S. government, easily convinced by its allies on Wall Street, bailed out these investment banks, fulfilling the prophecy that "money becomes more money with time."

Financialized ownership, distributed holdings

While capitalism has delineated new stages for homeownership and home speculation, it is also tearing the foundations out from under previous stages. As one example, finance capitalism has unraveled the idea of private property ownership even as it relies on this ideological spur to housing price speculation.

The "originate and distribute" model continues in a frenzied chain of "and distribute and distribute and distribute….” The Recorder of Deeds tracks the legal ownership of the original loan’s promissory note in what is called the chain of titles. So, if Bank of America sold my note to Wells Fargo, then they must pay the Recorder of Deeds to record that change. Each subsequent change costs more in fees. Since the movements of financial transactions can happen in less than a tenth of a second, these fees limit the speed of distribution. Tasked with securing judicial property rights for financial institutions, the state levied this fee to cover the expenses. But capitalists know how to avoid paying what they owe.

The Mortgage Electronic Registration Service (MERS) was established as a way to disengage the distribution and redistribution of promissory notes from the official public records. So, Bank of America would instead pass the promissory note to MERS and record that with the public record. MERS would then maintain a private record, a shadow Record of Deeds, while Bank of America could distribute and re-distribute the loan at the speeds that the technology of MBS allows. The idea of owning a deed, based upon who has ownership of the physical document, is reduced to registration, a shell of the juridical concept of private property. MERS is the Napster of the foreclosure industry, and MBS is the mp3; both provide many new possibilities and potentialities by revolutionizing the idea of property rights through innovations in the technology of exchange and expropriation. Ownership, trying to keep pace with the new methods of profit, disappears into a blur of movement, like swift, single electrons that disappear and then reappear as indiscrete, gaseous clouds. In the same way that industrial capital socialized the production process during the industrial revolution, financial capital has socialized property during this financial revolution. Through high-speed financial transactions, financial capital has partially unlinked capitalism from the ideology of property rights, an ideology that the historical logic of capital has relied upon heavily in the past.

As we are caught in the middle of this revolution in the concept of ownership, voices pop up on either side of the historical moment. Ellen Brown captures the new ambiguity of this idea of ownership:

> "At the root of the problem is that title has been recorded in the name of a private entity called MERS as a mere placeholder for the true owners. The owners are a faceless, changing pool of investors owning indeterminate portions of sliced and diced securitized properties. Their identities have been so well hidden that their claims to title are now in doubt. According to the auditor, 'What this means is that … the institutions – including many pension funds – that purchased these mortgages don't actually own them….'"[13]

Another commentator prognosticates that MERS and industry abuses will mark the end of older forms of land speculation, writing, “A deadly combination of MERS, robo-signing, and illegal shortcuts have created a horrific situation. A bedrock of our society — the ability for the owner of a piece of real estate to confidently convey that property, along with all associated property rights — is now in danger.”[14] Even as his bedrock is disappearing, capitalist society continues, showing no sign of foundational failure. Private property, it turns out, is not the bedrock that he supposes it to be.

Collective debt, collective ownership by investors

Because of the speed of transactions, the idea of ownership of loans is getting harder and harder to pin down, but this also reveals a deeper, quantum uncertainty to the concept of private property rights. This underlying problem preexists the holding of a mortgage or the distribution of the mortgage, beginning with the origination of the mortgage and of the house as a commodity.

Many homeowners who, during the housing boom, staked claim to their share in the right to private property found their claims revoked when the boom busted. According to William Barclay, of the 50 million mortgaged homes in the United States many were fairly early into their 30-year maturity when the foreclosure crisis hit:

> "Most U.S. houses with outstanding mortgages have loans originated quite recently, reflecting the strong industry push for refinancing and home equity loans, including aggressive marketing to neighborhoods previously denied access to mortgage credit. Over 40 percent of all existing mortgages were written between 2004 and 2009, the peak bubble years, and another 28 percent were written between 2000 and 2004. The relatively recent origin of most mortgages helps explain the extent of the boom in issuance of mortgage backed securities (MBS) and derivatives, such as collateralized debt obligations (CDOs), based on these issuances."[15]

The 2/3rds of all mortgage debtors who were foreclosed on between one and ten years into a 30-year mortgage may have less faith in the idea of private property. This, during a recession and foreclosure crisis that has hit African-Americans and Latina/os the hardest.[16] This, when home equity is a much larger source of equity for African-Americans and Latina/os than it is for whites.[17] This, after many in African-American and Latina/o populations here in Chicago migrated from the U.S. South or Latin America so that they could establish this home equity, saving up generations and generations of wealth to establish homeownership, only to see that equity and their connection to this new land wiped out in a matter of years or months by the crisis. Over the past few decades, MBS, CDOs, and other mortgage technologies brought more and more believers to the altar of homeownership, bending knee to the idol of private property. In the past few years, the housing market pulled the curtain to the ground, revealing the sacrilegious financial pulleys and wires that kept the idol suspended in midair. Undeterred, liberal and Democratic acolytes, projecting their voices out towards the middle class, demand that the stagehands release their god of Homeownership from its counterweights and tethers, so it may ascend to its rightful place alongside Freedom and Equality. In fact, it is the reverse: if the fetish of homeownership could be moved, the taut strings and scaffolds of speculation would collapse around it.

Even as the crisis tests the faith of the 34 million households who took on mortgages in the preceding 9 years, it revealed that latent within this speculative ideology is the leeway to radically transform the definition of ownership. Speculation is perpetually transitional and conditional, employing all logics and verb tenses except the present tense. Value on Wall Street never is $X. It would be $X if Y happens, or it will have capitalized into $X after Z months. With speculation on land through technologies like mortgages or home equity lines of credit, the same is now true of homeownership. In most cases, you can’t say that “K. owns this house.” There is more complex causality at work. You can say that a mortgaged home would be owned by the bank if the homeowner defaults and enters foreclosure. Or, put another way, you can say that the home is owned by the homeowner, on the condition that they keep paying their mortgage. Mortgage constantly threatens the “owner” with expropriation through force of eviction. Mortgage makes ownership conditional, determined by the probability that a mortgage will default. Interrelationships throughout society shape these probabilities: housing prices, interest rates, minimum wage legislation, new financial technologies like adjustable rate mortgages, gentrification, education, employment. While real estate agents, mortgage brokers, and judges explain homeownership and private property through algebraic identities, finance uses calculus and probabilistic statistics, derived from every variable in the class struggle. The algebraists may be blindsided by what appear as tectonic shifts in the supposed bedrocks of ownership. Property law, if it has not done so already, will accommodate these shifts through new legal structures that allow speculation and capital accumulation to continue regardless of the changing terms of the debate.

Speculation recomposes the idea of ownership across not just time but also geographical and virtual space. When houses are produced as commodities, each one is simultaneously a home (how the land is used by its inhabitants) and a property value (how the land is exchanged as an item of value). This dual aspect of a house makes itself especially apparent in those 50 million mortgaged houses. A mortgage breaks down into initial money and collateral, which is the house itself. When the house acts as collateral, the property value backs up the mortgage debt. The debt is "collateralized." In exchange for attaching the property value to this debt, the debtor receives money equivalent to the property value as a credit, and her future surplus value is promised to the lender. The collateralized debt, as a commodity, now has two aspects:

1. a future earnings stream—recouped to the creditor through loan payments, the future surplus value sent back to the lender, paid for through the wages of the debtor's future labor—and
2. the collateral of a house—which itself is a commodity with two aspects,
    a. as a physical, useful home and
    b. as an exchangeable good with a certain property value.

The lender is promised either the future earnings stream (1) or, in cases of default and foreclosure, the property value of the home (2b); the house as a useful home for a family (2a) is immaterial to the owner of the debt, who cares only about the exchangeable value. The lender can calculate this promise of future value into a present value, for which he can sell the debt or hold onto it.

Creation of a collateralized debt is like the production of other commodities in that previous commodities (e.g., wood and iron nails) are put together to make a new commodity (e.g., a chair). However, unlike other commodity production, collateralization apparently separates the property value of the house (2b) from its physical use-value (2a). The house's property value circulates virtually through the secondary mortgage market along with the debt, even as that value remains inextricably attached through information technology and legally binding paperwork to a home on a street somewhere.

Collateralization appears to bifurcate usage of the house from its value, and at the same time splits the idea of ownership in two, between the debtor's home-ownership and the creditor's value-ownership.

I. Home-ownership allows for the everyday use of the physical building and its neighborhood. It extends the right of present stewardship of the house, conditional upon future debt repayment (1).
II. Value-ownership allows for the exchange of that equity that exists "in" the house. It promises ownership of future value, without any conditionality; future value is assured for the value-owner, either as mortgage payments (1), property value (2b), or, as is often the case, both.

The homeowner can claim to be the sole owner of the house, but that claim is partially fictitious and temporally proscribed.

These two ownerships become separated geographically as the value of a debt circulates through other parts of the economy, moving farther and farther away from the neighborhood where it originated. At the same time, the value remains linked to that neighborhood through legal registries at the Recorder of Deeds and quasi-legal registries like MERS.

This link between the two forms of ownership is then stretched and contorted when the mortgage debt is pyramided and tranched. Investors can buy slivers of ownership of pooled debts, collectively owning the value of an agglomeration of individual collateralized debts. Value-ownership is spread across the market as thinly as possible to offset the risk of default by any one debtor or group of debtors. Pyramiding allows collective ownership of this debt vertically across multiple transactions.

Tranching allows the collective ownership of this debt horizontally across multiple investors. The investors' collective ownership of these debts prefigures their collective future ownership of the asset: either houses across the world or their value.

Meanwhile, the debtor and her neighbors continue to "own" and use these houses. Similar to the collective ownership of debts, ownership of houses in neighborhoods begins to take on collective aspects. Neighbors are integrally linked through the physical and social structures of their neighborhoods. Urbanization binds households together as they share the resources of their everyday lives, allowing potential for solidarity. However, this solidarity is fragile, subject to every intemperate turn in the economic stability. When neighborhoods face the perpetual crises of urbanized capitalism—gentrification, housing shortage, resource shortage, job shortage, etc.—a community of people loses sight of their interconnection and solidarity, resorting to a competition over the community of things.

Nevertheless, as the homeownership and mortgage markets expands, a contradiction appears as the two parties—investor and homeowner—and their respective class allies—other investors and neighbors—enjoy equal rights to these houses. Furthermore, the two forms of ownership face each other as opposing forces. As the primary and secondary mortgage markets become more intensive and robust, girded vertically and horizontally by pyramiding and tranching, this encourages extensive speculation, gentrification, and competition in neighborhoods, which jeopardizes the solidarity of those communities. As the solidarity of a community and the interconnection of the community members become stronger, the housing market stumbles, the pyramids crumble, and the tranches disintegrate.

This contradiction is exacerbated by over-collateralization. Financial institutions buy CMOs of sub-prime loans, tranche them, and then over-collateralize those loans by selling up to 8 percent more than the value of the collateral that they bought. This is done as a buffer against losses from default on those loans, but it also means that ownership of the property value may be extended beyond the actual existing houses as commodities. This is done because, as Geanakoplos states, collateral is a "scarce resource." But the supposedly scarce resource is bound to a commodity that has been over-produced by the housing bubble. Neighborhoods are inundated with homes sitting vacant and empty, and 50 million homes are mortgaged and financed, yet it is considered a scarce resource in the mortgage market. Geanakoplos continues that, as a response to this perceived scarcity, collateral requirements get looser, the same amount of collateral backing larger and larger amount of borrowed money as it pyramids upwards. This spreads the underlying property value even farther throughout the market. Collateral requirements cyclically tighten up again before expanding even farther than before. Value-ownership ebbs and flows into larger and larger pools, socializing the ownership of property among an increasingly wealthy investing class. A corresponding wave of crises spreads through neighborhoods, turning their overabundance of resources into manufactured scarcity, testing the bonds of neighborliness.

Even as it develops healthily, the commodification of housing and debt ruptures everything it touches. It separates the house from itself, the owner from the wages she brings home, and neighbors from each other. But this separation follows from the prior alienation of the homeowner as a worker. The alienation of work produces the conditions for the alienation of homeownership, and the second completes the first:

> "Private property is thus the product, the result, the necessary consequence, of alienated labor, of the external relation of the worker to nature and to himself.… Only at the culmination of the development of private property does this, its secret, appear again, namely, that on the one hand it is the product of alienated labor, and that on the other it is the means by which labor alienates itself, the realization of this alienation."[18]

Even after a worker sells away her current—or future—time, the private property that she buys with those wages leads to further alienation: from her neighbors, from her work, from herself. Like the capitalist's private property that she confronts at work, the private property that she secures as a home is constantly alienating itself from her. Private property for her becomes, more and more, the capitalist's private property against her. Her piece of land is eroded by streams flowing towards the capitalist's aquifers. This is the crisis inherent in even the healthiest housing market.

With a foreclosure, the curtain drops and the investors and homeowners face each other with equal claims. The bifurcation between home-ownership and value-ownership reveals itself as a fiction, as the home and the value are two aspects of the same commodity. As Marx notes, when these two aspects of the commodity (use and exchange) become too split, and this split becomes generalized in society, the unity of these two aspects—two parts of a whole—reasserts itself in the form of a crisis. In the foreclosure crisis, we saw the two aspects reasserting themselves in neighborhoods across Chicago and across the country. The separation of these two aspects explains why Geanakoplos' claim about the scarcity of collateral strikes us as odd. The house as a totality was never the collateral at the base of the pyramided marketplace; one aspect, the property value, was stretched as far as possible, while the home as a physical, useful object stayed where it was. The distance between the home and its value became more and more tenuous along the chain of titles. And thanks to MERS and fiber optics, the speed at which the value separated from the home had become faster and faster.

The crisis was the catalyst, the push that changed the potential energy of the commodified house into the kinetic energy of dropping housing prices, falling Chancery court gavels, advancing sheriffs, and skyrocketing crime rates. But these different events in the crisis are simply different appearances of the same social relation between debtor and lender, translated into economic, judicial, and criminal systems. In the ensuing scramble for restitution, the "owners" of the debt and the "owners" of the homes each asserted their rightful ownership. Even though possession is nine-tenths of the law, the 1 percent live by a minority ruling. The lenders—thanks to their power in those economic, judicial, and political systems—become instated as the true owners. In return, the masses of homeowners become non-owners, tenants.

During a foreclosure, the lender trades in his partial value-ownership for complete ownership of the house. In the current mass expropriation of homeowners, these collectivized debts become collectivized ownership by investors and financial institutions. Fannie Mae and Freddie Mac together own about 180,000 vacant homes, selling them in bulk deals of 2,500 homes at a time.[19] Other banks are following suit, and investors are waiting to buy up these homes, possibly to hold onto them as rental properties.[20] The collective ownership of debt is therefore a prefiguration of the collective ownership of land, but not by the community. Historian James Livingston points out a parallel in Marx' Capital, Vol. III, where Marx

> "suggested, without rhetorical flourish, that the late-nineteenth-century combination of modern corporations and modern credit, both predicated on a separation of ownership and control of assets, had created remarkable new realities. It signified 'the abolition of capital as private property within the boundaries of capitalist production itself.' It also entailed the 'transformation of the actually functioning capitalist into a mere manager, an administrator of other people's capital.'"[21]

Livingston follows this further, arguing that we are witnessing "the socialization of private property effected by modern corporations and modern credit—the process we now call the 'financialization of assets.'"[22] The collateralization and securitization of mortgages represent, to paraphrase Marx's quote above, "the abolition of capital as private property within the boundaries of capitalist [land speculation] itself." Similarly, the landowners of past capitalist epochs are replaced with managers, such as MERS, mortgage securitizers like Fannie and Freddie, and the banks that act as loan servicers.

Even without its “bedrock” of private property rights, capitalism continues. During this transitional moment in the idea of private property, the banks are caught enforcing both the old ideas of ownership and the new ones, depending upon which definition of ownership is currently in their best interests. Bank of America will still rent the sheriffs to evict their former homeowners (now bank tenants). The sheriffs will still uphold property rights for capital even while capital undermines the bases for those rights. We must expect them to do the same when the majority of society questions their private property rights to our neighborhoods.

Even still, could this be a possible stepping-stone towards community control over land and housing, as opposed to capital’s control? Could these vacant houses be the hollow shells of an old world, out of which we can build a new one?

Just as capitalism has nurtured and milked the judicial ideology of individual private property, the collectivized debt structures of finance capitalism are anticipating a new form of capitalist collectivized ownership. But it could be that finance capital is simplifying the task before us: our emancipation from the exploitation of debt. Instead of expropriating multiple capitalist landowners one by one, we are faced with the task of simply shifting the social relation of the market, placing ourselves in the role currently filled by financial investors. Finance capital has created the form for the socialization of ownership, especially of land, and has developed the accompanying technology for maintaining collective rights. The mutual fund may be a short leap from the utopian idea of mutual aid. Perhaps the “democratization of finance,” which would introduce financial structures into everyone’s life, can be replaced with introducing real democracy into the financial structures themselves. All that remains is for us to make that leap from socialization of the majority’s housing for the ruling minority, to socialization of the majority’s housing for the majority.

On August 12, 1810, after Shawnee leader Tecumseh saw large tracts of Shawnee land along the Wabash River had been commodified and sold to the United States, he declared,

> "The way, and the only way, to check and to stop this evil, is for all the red men to unite in claiming a common and equal right in the land, as it was at first, and should be yet; for it never was divided, but belongs to all for the use of each. For no part has a right to sell, even to each other, much less to strangers—those who want all, and will not do with less.... Any sale not made by all is not valid."

I can’t assume that Tecumseh speaks for the millions of Native Americans who lived on U.S. land before their genocide. Nor can we adopt their models for collective ownership to our current situation without adaptation. But the displacement of working class communities, especially those of color, bears some formal resemblance to the displacement of Native Americans.[23] For instance, the malleable uses of a legal document—a treaty with the Indians, a promissory note or an affidavit from Bank of America—to serve the expediencies and interests of banks and landowners, even if that means the legal document itself needs to be completely disregarded. As there are analogies in the problem, so we can draw analogies in the solution. Our idea of ownership as it exists now on this Chicago land was preceded by other ideas of ownership, when this land was “owned” by the Odawa, Ojibwe, and Potawatomi. Did they understand ownership how French and English settlers understood it then, or how mortgage lenders understand it today? How will we understand ownership tomorrow?

Footnotes

1 See here.

2 *Ibid.*

3 *Wall Street*, p. 22.

4 Of course, Marx's analysis, probably based upon ancient Mediterranean slavery, fails to capture the dehumanization, physical and emotional torture, and white supremacy of the version that continued in the US while he was writing this. His analysis of history and current events here is ridiculously limited, but perhaps his categories can outline some continuity between historically and qualitatively different forms of exploitation.

5 See here.

6 Quoted by William Barclay, which provides an analysis of the new forms of sale and distribution of loans.

7 "History of Ginnie Mae."

8 *Ibid.*

9 *Ibid.*

10 See here.

11 *Ibid.*

12 See *The Great Financial Crisis: Causes and Consequences* by Fred Magdoff and John Bellamy Foster for a detailed analysis of the role of stagnation in financialization and the rise of monopoly-finance capital.

13 See here.

14 See here.

15 See here.

16 See here.

17 See here.

18 See here.

19 See here.

20 See here.

21 "How the Left Has Won," *Jacobin Magazine*.

22 *Ibid.*

23 Although, as in the case of my earlier comparison of debt labor and slave labor, these formal

resemblances shouldn’t be taken too far.