Your Home, Your Vote, the Future of the World:
A Three-Part Political Education Series on the Politics of Basic Needs

Session One:
Housing Insecurity, Hedge Cities & Dispossession in Oakland
Sponsored by the League of Revolutionaries for a New America.
ORIGINALLY DEVELOPED FOR REVOLUTIONARIES IN OAKLAND, CA IN FEBRUARY, 2020
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Purpose: Given the important developments in Oakland around the fight for basic needs, especially around the school closures and the fight for housing, represented in such events as the recent Moms 4 Housing Takeover, we are planning to discuss these fights in the context of the 2020 elections, locally and nationally.

The main reading: is the Rally Comrades! article "Fight For Basic Needs Opens Door to Revolution," http://rallycomrades.lrna.org/2020/02/fight-for-basic-needs-opens-door-to-revolution/ We will use them to get at the questions below. We will be using some of the excerpts below in Saturday's session. It will help us define some major concepts we will be discussing today.

Other materials that can be read/viewed in advance:

Watch Video of Moms 4 Housing: Total is 48 minutes long.(We will only be able to watch a segment in the class) https://www.youtube.com/watch?v=ETkRqMUcw7Q

Common Dreams.org; Blaming 'flawed and sexist' capitalist system, Oxfam report finds 2,153 billionaires wealthier than 4.6 billion of world's poorest
https://www.commondreams.org/news/2020/01/20/blaming-flawed-and-sexist-capitalist-system-oxfam-report-finds-2153-billionaires

Truthout.org; Women Perform 12.5 Billion Hours of Unpaid Labor Every Day
https://truthout.org/articles/women-perform-12-5-billion-hours-of-unpaid-labor-every-day/

See reports attached below:
How Speculative Real Estate Investment Works – Oakland & Everywhere

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Session 1: Housing Insecurity, Hedge Cities & Dispossession in Oakland

11-11:10: Introduction to "Your Home, Your Vote, the Future of the World"

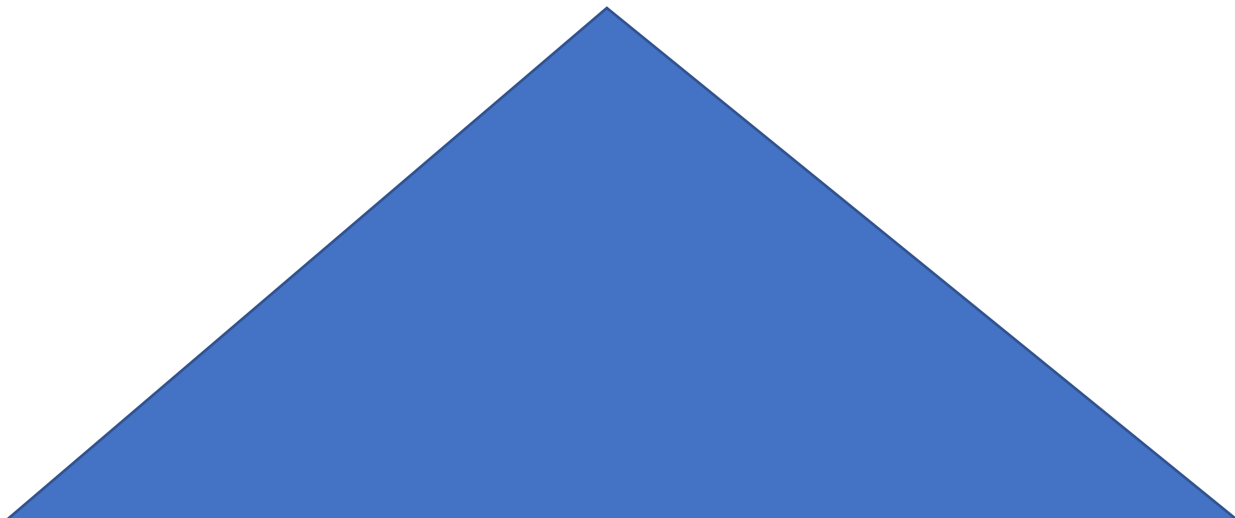
Wide-spread dispossession of the working class has taken form in housing insecurity, and homelessness, declining public education exemplified by public school closures and charter school take-overs, the inability to secure meaningful employment with part-time, contingent and low-wage jobs artificially projecting high employment statistics. These conditions stand in stark contrast to a seemingly robust stock market, rising corporate profits fueled by speculative financing, the continued break-down of public institutions to make way for privatization and commodification of all the basic needs for human survival.

The U.S. electoral two-party system – particularly the Democratic Party had become the place where the working class has been marginalized to support as an expression of protest against worsening social and economic conditions caused by the corporate strong hold of both Republican and Democratic Parties. The Democratic Party cannot resolve the contradictions between the Corporate agenda of securing profit in this age of labor-replacing technology, and the needs of the working class for quality housing, healthcare, & education causing increased polarization and fracturing. This fracturing expressed through the campaign of Bernie Sanders is not just about Bernie as a candidate, but the whole nature of his campaign through the characterization that the working class is in a class struggle against the corporations and wall street and relies less on identity politics to drive the narrative. Bernie for many has become the refection of the splitting of the party.

Both Political parties share the same goal – to control the working class, in order to meet the needs of capital and maintain the system of private property. But, how can the ruling class, who are the expression of both parties achieve this? The 2020 process of Donald Trump's impeachment revealed a stage of development of the need to reform government. The end result of this process gave the executive branch more power. In a recent article from *The Hill* " a <u>recent Appellate Court ruling that said that the House of Representatives cannot sue to enforce its subpoenas. The ruling argued that the Constitution forbids federal courts from resolving disputes between branches . . . If this ruling stands it could render congressional subpoenas of the Executive branch unenforceable</u>." This serves to diminish the power of the House of Representatives, a branch that gives more representatives to government from the states, and as an effect further erodes democracy. The further suppression of the working class to raise their grievances through the electoral process paves the way for fundamental areas of basic needs to be restructured to secure corporate profit hastening dispossession of millions of people.

11:10 – 11:20 a.m. Introduction to the Triangle: 1) The Fight for Housing and against Real Estate investment/Hedge cities 2) How do national elections open a door to the battle over basic needs and class power in the State of California? What did the March 3 primary tell us about the polarization process in the two-party system? 3) Basic Needs Politics, the re-organization of the state and the role of revolutionaries in the general elections (at all levels) in November.

Housing, Hedge cities and other basic needs



Polarization & class
power in 2-Party system

Basic Needs politics &
the re-organization of the State

11:20 – 11:35 Video: Mom's 4 Housing

Session One, Part One

Question #1: What is the significance of understanding Oakland as a growing Hedge City and how does the motion of Moms4 Housing and other motion against real estate investment/Hedge cities illuminate the question of private property vs. personal property?

11:40 – 12:10 Collective Reading & round robin discussion: Take turns reading the first part of the article!!!

Fight for Basic Needs Opens Door to Revolution

The 2020 elections are offering voters their starkest choice in decades: Double down on the fascist future of misery and concentration camps promised by the Trump administration, or open the door to a political revolution capable of building a peaceful, prosperous, cooperative society.

Corporate political representatives in both parties are stepping up their attacks in order to stop this political revolution before it gets started. The outcome of the elections is becoming a life and death matter for millions of Americans. The significance of electoral campaigns like Bernie Sanders' and others is not just their New Deal-style programs, but the fact that they are emerging during a time of systemic breakdown. The New Deal used government spending to stabilize capitalism, but Sanders is promoting his program at a time when the economy is self-destructing.

As Andrew Yang pointed out, today's automation increasingly no longer needs human labor. Since capitalism by definition requires the buying and selling of labor power to exist, it can therefore no longer be saved by a New Deal, a Sanders program, or anything else. Revolutionaries fight for the Sanders campaign not just because it addresses our immediate demands, but because it opens up a sweeping debate about the entire corporate property system.

Moms 4 Housing

As the system crumbles, the sharpening struggles of the economically displaced are pushing the property issue into electoral debates. In Oakland, California a group of recently dispossessed, working, homeless mothers took over a vacant home owned by the speculator, Wedgewood Property. They organized the group "Moms 4 Housing." This action to protect their children dramatically called into question a system that protects corporate property over the lives of human beings. The moms argued that their human right to housing surpasses the speculator's "right" to keep the home vacant. This idea resonated with a population and an electorate that are feeling at risk of displacement and homelessness themselves. Three hundred people turned out on January 13 to attempt to block their eviction.

Homelessness in Oakland has almost doubled in the past two years, and more than a hundred homeless encampments have sprouted up in almost every corner of the city. At the same time, Oakland has four empty residences for each homeless person and thousands of “market rate” housing units sit empty. This is typical of more cities across the country, so much so that the Trump administration announced that it plans to use law enforcement to round up homeless people and place them in government detention facilities.

The Oakland women represent the social force that points the way forward to the reconstruction of society — the new class of workers cast out by labor-replacing technology. The needs of this new class cannot and will not be met within the existing system, because it no longer has decent jobs for people, but still requires them to have money to pay for what they need. This is the essence of the problem, but also points the way forward toward the solution: a society where wealth is distributed according to need, not money. Destitution is forcing people to move from talk to action to secure their right to housing and other necessities.

Why is this happening? Because the automation revolution has triggered permanent unemployment, and a dramatic shift to part-time and temporary jobs that do not pay a living wage. A worker in Oakland would need to earn $48.71 an hour to be able to afford the median monthly rent. At the same time, corporations are refusing to pay taxes to support workers they do not need, and state and federal housing programs have been cut to the bone.

Hedge Cities

The emergence of so-called “hedge cities” is intensifying the crisis. Hedge cities are a new form of private property and corporate control. The term was coined in a 2017 report by the United Nations Special Rapporteur on Adequate Housing. With increasing automation, declining rates of manufacturing profit have diverted more and more capital into financial speculation. According to the Rapporteur, “Financialization of housing refers to structural changes in housing and financial markets and global investment, whereby housing is treated as a commodity, a means of accumulating wealth, and often as security for financial instruments that are traded and sold on global markets. It refers to the way capital investment in housing increasingly disconnects housing from its social function of providing a place to live in security and dignity, and hence undermines the realization of housing as a human right."

Hedge cities are those where speculators acquire such massive amounts of housing that they drive up the price of all the rest. A recent study by Alliance of Californians for Community Empowerment and Strategic Actions for a Just Economy, found that 41 percent of residential property in Los Angeles is owned by corporate entities, not individual human beings, and 103,000 housing units were unoccupied and vacant. *The Atlantic* reports that almost half of all luxury housing units built in New York City in the last five years are empty.

Although housing has always been a commodity under capitalism, hedge cities sharpen the debate over the viability and morality of private property. Do homes rightly belong to the millions of people who need them to survive, or to the handful of speculators who have no need for them except as investment vehicles for accumulating higher profits?

12:15 – 12:40 Propaganda report: Report on book "*Home Wreckers*." How do investors make money on empty houses? Why is this the only (or a main) business model being used today? How are the laws being changed nationally to guarantee the creation of "Hedge cities" and corporate real estate investment in housing?

Session One, Part Two

Question #2: How is the fight against corporate dictatorship, shaping up politically and what does it have to do with the March 3rd California Primary? What are the key misconceptions are blocking revolutionary agency and how do we unleash that agency?

1:00 – 1:30 Collective Reading & **round robin discussion**
Take turns reading the second part of the article!!!

Women Take on Corporate Predators

Moms 4 Housing did not stop in Oakland. On January 7, they impacted the housing narrative of the entire state by boldly disrupting a press conference by Democratic Party leaders promoting State Senate Bill 50. SB 50 is a pro-gentrification bill that threatens to displace even more millions of people from their homes. It would up-zone areas around transit routes, which are concentrated in the most low-income working-class neighborhoods. This will unleash the profiteers and speculators to make even more money than they already have. The alleged purpose is to address California's housing shortage, but California's problem is not so much an absolute shortage as a problem of housing distribution. Most California cities routinely exceed their market-rate and luxury housing production goals but create only a fraction of the low-income housing needed to house the working class.

The SB 50 model claims to increase "affordable" housing by requiring market rate residential development to include an incremental amount of "inclusionary housing" units in each building or contribute to an affordable housing fund. But this is not working. The number of affordable units produced is not enough to meet the need, and in fact most "affordable" housing is not affordable to low-income people. Excess luxury housing also crowds out low-income housing from the available residential land. The massive public investment proposed by Sanders is to take $2.5 trillion from the corporations and build ten million units of the low-income housing that people need, instead of begging for crumbs from profiteers.

Abolish Speculation in Real Estate

The role of revolutionaries in both the social and electoral movements is to continue, at every step, expose the role of corporate property as the obstacle to meeting human needs. The people being thrown out of this economy need a new system. They cannot survive in this one. Modern automation and Artificial Intelligence are creating the material abundance necessary. But in order to access it, we have to build a cooperative economy, where housing, food, health care, and education are available to each according to their need, and from each according to their ability.

However, a cooperative economy cannot emerge spontaneously, and cannot be built one cooperative at a time, or one reform at a time. The corporations will never allow it. We wholeheartedly support the call for political revolution, but it is more than a slogan. It is a life and death political struggle to claw control of government away from the corporations, return their resources to the public, and establish a working-class economic and political democracy. The responsibility of revolutionaries is to fight for the vision, clarity of purpose, strategy, and organization necessary to make it happen.

It is not any material shortage or scarcity that creates the deprivation we face today, but the private property system that blocks people from accessing the abundance that already exists.

In the progressive electoral campaigns of Sanders and others, revolutionaries fight for the programs and demands of the new class, and fearlessly confront the corporate property system whenever it gets in the way. Moms 4 Housing modeled this when they selected speculator property to take over. No one is talking about taking away anyone's home who needs it to live in, or any other personal property. The vulture capitalist Wedgewood had the gall to accuse the mothers of "stealing" because they moved into an empty home to save the lives of their children. The moms shot back that it is the corporations that hoard empty homes that are the real criminals. Although they temporarily lost in a court of law, they won in the court of public opinion, and that is the court that will determine our future.

1:30 – 1:45 Propaganda Report: What are the realities of investment in Oakland and its effect on jobs here over the past period? (Given verbally in session)

Report: How Speculative Real Estate Investment Works – Oakland & Everywhere
The basic pattern of businesses operating in the speculative real estate market is as follows; Speculative investment corporations (hedge funds, private equity funds) attract capital from investors with promises of high profit returns; they use this capital to purchase "distressed" mortgages (loans that homeowners can't repay, because their income has dropped, and/or they were talked into a predatory loan due to an emergency, and its interest rate skyrocketed) in large blocks from banks, or from the Federal government after the bailout, in which gov't purchased the homes/mortgages. The terms for this are "financialization" & "securitization". They evict the families; they then flip the homes and convert them to rentals; they systematically raise the rent, PLUS extracting fees and penalties while not maintaining the properties; they evict families again, and either raise the rent again and evict again, or sell the entire block of properties, which may be scattered all over a city or region.
Speculative investment groups also take over (sometimes purchasing, sometimes by dominating shareholders with a strong minority investment position) companies in other fields; Maxxam Corp. took over family-owned, sustainably harvested Pacific Lumber in a 1985 hostile takeover and began clearcutting to pay the takeover debts;
https://en.wikipedia.org/wiki/Pacific_Lumber_Company#Protests_and_Resistance

These businesses don't actually provide any service to people; their sole purpose is rapid extraction of maximum value for investors. The following articles describe this in great detail.

What is Financialization? https://en.wikipedia.org/wiki/Financialization

Financialization is a term sometimes used to describe the development of financial capitalism during the period from 1980 to present, in which debt-to-equity ratios increased and financial services accounted for an increasing share of national income relative to other sectors.

Financialization describes an economic process by which exchange is facilitated through the intermediation of financial instruments. Financialization may permit real goods, services, and risks to be readily exchangeable for currency, and thus make it easier for people to rationalize their assets and income flows.

(Ed. Note; financialization is more the general term for the overall process in the economy)

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https://www.investopedia.com/ask/answers/07/securitization.asp

What Is Securitization?
By CHRIS GALLANT Updated Feb 18, 2019
Securitization is the process of taking an illiquid asset or group of assets and, through financial engineering, transforming it (or them) into a security (*making it a financial instrument* - *PB*) The derisive phrase "securitization food chain," popularized by the film "Inside Job" about the 2007-2008 financial crisis, describes the process by which groups of such illiquid assets (usually debts) are packaged, bought, securitized and sold to investors.

A typical example of securitization is a mortgage-backed security (MBS), a type of asset-backed security that is secured by a collection of mortgages. First issued in 1968, this tactic led to innovations like collateralized mortgage obligations (CMOs), which first emerged in 1983. MBS became extremely common by the mid-1990s. The process works as follows (article goes on to describe in detail – PB).

How it hits the ground in Oakland

https://www.kcet.org/shows/city-rising/financialization-of-single-family-rentals-the-rise-of-wall-streets-new-rental

Financialization of Single-Family Rentals: The Rise of Wall Street's New Rental Empire

- **ACCE Institute**

October 4, 2017

Richard and Vanessa Bulnes bought their house in East Oakland in 1992, where they raised their children and lived for 20 years. After Richard had a stroke in 2008, reducing the family's income, and after being defrauded by a predatory loan in the loan modification process, the Bulnes family lost their home to foreclosure. Their fate also befell on 35 of their neighbors, like millions of others across the country between 2006 and 2012. That was only the beginning.

The Bulnes family found a house in the neighborhood to rent — one that, like their own, had been bought up by investors after another family in their neighborhood lost it through a foreclosure. The rent was more than the mortgage payments on their former home. Still, it was a place where Vanessa, now her family's sole financial source of support, could run her in-home daycare center which she'd run for 22 years. Only when dangerous levels of lead were discovered in the soil during a permitting check in 2013 did she learn that the landlord, whose permission she would need before the county could remediate the problem, was a large corporation, Waypoint Homes. Waypoint Homes became Starwood Waypoint after a 2016 merger and came under the control of a Los Angeles-based global finance firm called Colony Capital. More recently, in August 2017, the company announced a merger with Invitation Homes, controlled by the New York-based private equity firm Blackstone. Every year, Vanessa and Richard were faced with a larger, and more distant, "landlord."

For several years, Vanessa and Richard repeatedly and tirelessly reached out to their corporate landlord in an attempt to have the soil remediated on their property so that Vanessa could continue to run her business. Unable to get the management company to clean up the toxic soil, the county revoked Vanessa's childcare license. Vanessa not only lost her business of 22 years because of her corporate landlord's negligence, but she lost her family's primary source of income. As Vanessa looked for new work, their rental payments began to fall behind, and in late December 2016, Vanessa and Richard received an eviction notice. The Blackstone Group, based in New York City, didn't know and didn't care.

Richard and Vanessa Bulnes | Photo provided by Anya Svanoe and Amy Schur

Wall Street as Modern Day "Land Lord"

Stories like the Bulnes' are not uncommon.

In recent years, Wall Street financial conglomerates like the Blackstone Group have been buying up tens of thousands of houses across the country, making them a growing force in the residential rental housing industry. In fact, Blackstone is now the largest landlord for Single-Family Rentals (SRF's) in the world and the largest landlord in the country. "Mom and pop" landlords are becoming less and less common. Fewer tenants have a landlord who lives in the neighborhood or across town and increasingly, tenants are dealing with corporate landlords that don't even have physical offices with real people you can talk to in the same state.

All told, one-fourth of single-family rentals today are owned by institutional investors, and more than 200,000 families pay their rent to nine giant private equity firms like Starwood Waypoint and Blackstone (that are now merging). The holdings of these nine are concentrated in less than 20 cities across the country with Blackstone's Invitation Homes owning 14,389 in California alone.

One Family, Three Generations in a Changing Barrio

How Did We Get Here?

In 2008, the whole world saw the result of the growing financialization of the housing market, together with the unregulated, reckless greed of Wall Street. These financiers and speculators took the global economy to the precipice of collapse while wreaking havoc on ordinary Americans like Richard and Vanessa Bulnes. Today, this type of casino-like gambling in the housing market is back in a new form: the Wall Street financialization of rental housing.

After Wall Street crashed the global economy in 2008, leading to massive loss of wealth in low-income communities of color, private equity firms and other institutional investors created new companies to acquire extremely discounted homes through auction, short sale or the purchase of distressed loans. This was called the REO (Real Estate Owned home) to Rental business.

Blackstone, the world's largest private equity firm, created Invitation Homes in 2012 and spent over $10 billion amassing a portfolio of more than 48,000 homes, at times spending over $150 million a week. Similarly, Colony Capital, the world's third largest private equity firm at the time, created Colony American Homes, the second largest single-family rental company, with $550 million in initial investment. In 2016, Colony American Homes merged with Starwood Homes to become Colony Starwood, and in August of this year, the company merged with Invitation Homes to become the largest single-family rental company in the world and the largest landlord in America. The combined company, which will keep the Invitation Homes name, owns 82,000 homes and will be the second largest residential real estate company in the world.

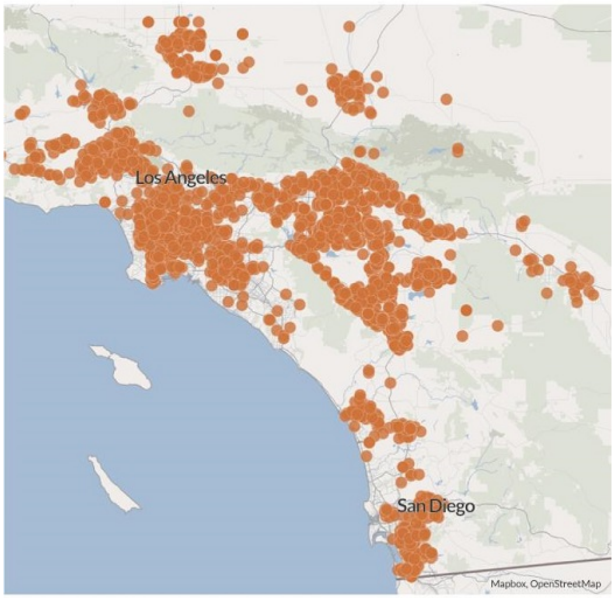
Beginning in late 2013, the financial industry was able to take single-family rental housing one step further as a commodity for trading, by selling bonds backed by the future rent checks of thousands of single-family homes, through a process referred to as securitization. Sound familiar? This process is very similar to the mortgage-backed securitization made famous by the 2008 financial crisis. Invitation Homes issued the first single-family rental-backed security for $500 million in 2013. Since then, ten more companies have entered the market, amounting to 37 securitizations and totaling $44 billion with $16.4 billion still outstanding.

Single-family rental companies have also moved this industry into the stock market. Some of the largest single-family rental companies are, or were, publicly traded, including Invitation Homes/Colony Starwood and American Homes for Rent. By selling stocks, the single-family rental companies then become accountable to shareholders and face increasing pressure to deliver financial returns. The pressure to deliver short-term economic returns for shareholders, often at the cost of long-term productivity, social responsibility and more redistributive business models, is a core by-product of the modern financialized economy.

From Predatory Mortgages to Predatory Rentals: Wall Street Landlords Bad for Tenants and Communities

Wall Street landlords like Blackstone's Invitation Homes are accountable to their shareholders who are promised a high-profit margin. So far, the record of Wall Street landlords has been marked by unprecedented rent increases, a spike in evictions and a shifting of maintenance costs to tenants by nickel and diming their renters. Vanessa and Richard Bulnes learned the hard way. After years of fighting to get their corporate landlord to repair their roof and remediate the soil in their backyard — their landlord sent a maintenance person that informed them that he was responsible for 1,800 properties. Stories like this and countless more demonstrate their penchant for large rent increases and how challenging it can be to get repairs done by a very absent absentee landlord.

Colony Starwood Homes in Southern California

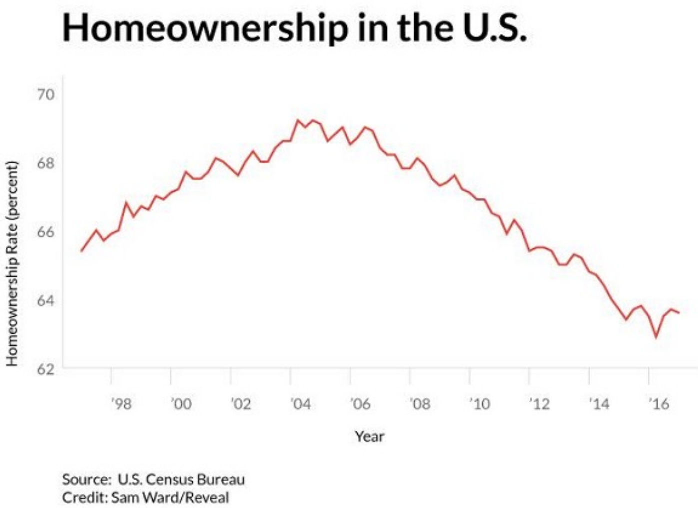


Source: County assessors' data gathered by MIT graduate student Maya Abood
Credit: Sam Ward/Reveal

In California, rent increases by some of the largest Wall Street landlords have been astronomical. For example, Colony Starwood Homes reported that in Northern California rental renewal rates increased by 9-13%, the largest in the nation. This means that if tenants already living in a Colony Starwood home want to continue to rent, they must pay between 9 to 13% more each year. A survey conducted in early 2017 of Los Angeles County tenants renting from Invitation Homes and Colony Starwood shows consistently high rental increases in the Southern California market as well. Of the 100 tenants surveyed, 77% reported rental increases and the average reported increase was 9% or $171 per month.

In December 2016, the Federal Reserve of Atlanta found that large single-family rental companies are evicting tenants at a higher rate than “mom-and-pop” owners. In 2015, Colony Starwood moved to evict one-third of all of its tenants. In an interview with Reveal News, Elora Raymond, the lead author of the Federal Reserve report said, “Given the public debate, we expected to see that gentrification was a major cause of evictions, but when we did our analysis we couldn’t find any correlation between the influx of wealthier residents and the eviction of existing, lower-income tenants.” The only factor that did predict whether a tenant would get an eviction notice was “the concentration of blacks in the neighborhood.”

According to reports from these companies to their investors, a key part of their financial strategy with these rentals is to extract additional money from their tenants in the form of fines and fees. The CEO of Colony Starwood explained to investors that failing to harvest the “low hanging fruit” of ancillary revenues should be viewed by companies as “revenue leakage" and the company should maximize every fee that they are "legitimately due under the lease." Colony Starwood reported an increase in revenues of 90% from 2015 to 2016, which the company credits primarily to the acquisition of new homes, but also to the enhanced implementation of "smart home service charges, tenant chargebacks, late charges and early-termination charges."



Crushing the American Dream

It is not only tenants that are being harmed, but also prospective homeowners and communities located in Invitation Home's "target areas" that are feeling the negative effects. Cash-carrying investors have been buying up many of the moderately-priced single-family homes, crowding out thousands of prospective first-time homebuyers. Not only is this making homeownership more difficult for many, but it leaves the neighborhoods where this is taking place with fewer homeowners.

Beginning in 2012, these companies developed new technologies such as proprietary software and algorithms to instantly bid on thousands of homes at auctions across the country. The software identified the homes with the greatest profit potential based on property assessment information, estimates of projected maintenance costs and data on neighborhood characteristics referred to as their target areas or "strike zones." Target areas are typically neighborhoods with high job growth and low-supply of housing, meaning that there is a constant shortage of housing and a greater ability to set high prices and benefit from greater home price appreciation. Potential new homeowners lose, as cash-carrying investors purchase the homes they had their sights on, and communities lose, with absentee landlords down the street, instead of homeowners.

The financialization of single-family rental housing is increasing income and wealth inequality by effectively redistributing tenants' rent payments to wealthy investors and redistributing home price appreciation to private equity funds and corporate executives rather than homeowners. It is part of a greater story where low-income communities of color are stripped of their wealth and systematic barriers are created to prevent people like Vanessa and Richard Bulnes from regaining that wealth. Where families like the Bulnes used to own in their own homes and build businesses in their own communities to pass down for generations to come — that money continues to get concentrated at the top by the few wealthy elite. We cannot continue to stand silently as Wall Street's rental empire continues to wreak havoc on our communities — we need homes for people, not hedge funds.

Wall Street's Hot New Financial Product: Your Rent Check

https://www.motherjones.com/politics/2014/02/blackstone-rental-homes-bundled-derivatives/

Investment firms are playing landlord and bundling their rental homes into new securities. What could go wrong? LAURA GOTTESDIENER

Toward the end of 2012, Mark Alston, a real estate broker in Los Angeles, began noticing something strange. Home prices were starting to rise, and fast—about 20 percent annually. Normally, higher home prices would signal increased demand from homebuyers and indicate that the economy was rebounding. But the home ownership rate was still dropping. Somehow, the real estate market was out of whack.

Then there were the buyers themselves. "I went two years without selling to a black family, and that wasn't for lack of trying," recalls Alston, whose business is concentrated in inner-city neighborhoods where the majority of residents are African American and Latino. Now all his buyers were businessmen in suits. And weirder yet, they were all paying in cash.

Over the last two years, private equity firms and hedge funds have amassed an unprecedented real estate empire, snapping up Spanish revivals in Phoenix, adobes in Los Angeles, Queen Anne Victorians in Atlanta, and brick-faced bungalows in Chicago. In total, Wall Street investors have bought more than 200,000 cheap, mostly foreclosed houses in some of the cities hardest hit by the economic meltdown. But they're not simply flipping these houses. Instead, they've started bundling some of them into a new kind of financial product that could blow up the housing market all over again.

No company has bought more houses than the Blackstone Group, one of the world's largest private equity firms. (Its many investments include Hilton Hotels, the Weather Channel, and SeaWorld. Among its institutional investors are Goldman Sachs, Morgan Stanley, Citigroup, Bank of America, Deutsche Bank, and JPMorgan Chase.) Through its subsidiary, Invitation Homes, Blackstone has picked up houses through local brokers, at foreclosure auctions, and in bulk purchases. Last April, it bought 1,400 houses in Atlanta in a single day. In Phoenix, some neighborhoods have a Blackstone-owned home on just about every block. As of November, Blackstone had acquired 40,000 houses, most of them foreclosures, worth $7.5 billion. Today, it is the largest owner of single-family rental homes in the nation.

ADDITIONAL REPORT: Can Capitalism save itself? Notable quotes from corporate sources

Peter Brown can be reached at peterbuilt1959@hotmail.com, or thru www.rallycomrades.lrna.org .

Can Capitalism save itself? Can it be reformed with regulations? Can CEOs pull back from disastrous practices and make decisions based on the common good? What forces drive the Extractive Economy as it ravages the Earth?

The vital importance of these questions becomes clearer every day; the movement for a sustainable human future faces key decisions at this time. Grass-roots organizations have fought for years now, seeking redress and an end to the destructive practices that have hurt and destroyed communities from San Bruno, CA to Paradise, from Flint, MI to the BP spill on the Gulf Coast to the mountains of West Virginia to DAPL.

- The simple answer is “no”; the speculative, extractive economy *is today’s corporate economy*. There is no more moderate capitalist economy to return to; there is no other business plan. More and more companies are caught up in the speculative economy, none are immune to its effects.
- But we Americans are so deeply taught that capitalism is forever, that it’s an idea thought up by smart people, that our corporate/market/commodity economy can be whatever we want it to be, we have been blinded to the truth that it’s a system that evolved on the basis of changes in technology and has its own laws which are as real & observable as the law of gravity.
- So, rather than offer my, or others’ opinions, I use sources from within the system to show how it behaves, and why.
- Joe Biden says “people don’t want revolution, they want solutions!”, but revolutions happen because all other solutions have been blocked. This is where we are now.

Notable quotes on the future of jobs and the imperatives driving corporate capital; the rental society, hedge cities, asset stripping, etc.

FIRST, we have to understand the foundation of the entire system. The capitalist system is a commodity system, based on buying and selling human labor power; labor is the fundamental commodity from which all other commodities, and the marketplace, derive their nature.

1. **THE LABOR THEORY OF VALUE; where exchange value & profits come from.** **Ben Franklin** was the earliest to articulate the Labor Theory of Value, which is the key to understanding today's revolutionary development; Adam Smith further developed it, and following that Karl Marx & Frederick Engels made powerful use of it.
   From Benjamin Franklin: "trade in general being nothing else but the Exchange of Labor for Labor, the Value of all Things is… most justly measured by labor."
   PB's NOTE; Corporate power hates & belittles the Labor Theory of Value because it exposes the truth that *we have entered a period of revolutionary change*; When value of commodities for sale in markets is determined by human labor required to produce them, a massive reduction in the need for human labor for production unhinges the relationships and connection between the two great social forces in capitalist society; workers and owners. It also shrinks profits, which are a portion of exchange value created by labor, driving investment toward speculation. Corporate economics offers in its place the anemic Theory of Marginal Utility, in which everything is based on individual desires for commodities. Look it up. We are experiencing the LTV being proven and vindicated in front of our eyes.

2. **AUTOMATING; industry & finance are driven to automate, and it's rapid.**

   a. **From Fabricating and Metalworking Magazine;** http://www.fabricatingandmetalworking.com/2011/04/can-automation-save-our-manufacturing/

"CAN AUTOMATION SAVE OUR MANUFACTURING?

"Do you manually tend your machine tools? If so, you are in danger of losing out to a country with lower wages that manually tends similar machines. **Dick Johnson** of **FANUC FA America** examines why you must automate to produce more on your existing assets, improve your quality, and increase your competitiveness."

   b. **From Industry Week Magazine;**

https://www.industryweek.com/leadership/article/21119617/is-automation-changing-the-reshoring-equation

"Tariffs are a trigger for reshoring. *But I see the cost of labor and training as a bigger driver of where things get made.* Panther is a good example. The cost of steel for its parts, which the firm buys from China for around $0.13 per pound, is offset by rising freight charges to ship the part to the U.S. But the overhead and labor costs to make its products are still higher in the U.S. For instance, the company's labor cost is about $4 per hour in China versus $27 per hour for an American worker.

Panther is cutting down on U.S. labor costs, however, by investing in eight cobots that can collaborate and work alongside humans. (https://en.wikipedia.org/wiki/Cobot)

RCM Industries, which makes die-cast aluminum components for the auto industry, was able to fend off a challenge by a supplier from Mexico for a large project by turning to cobots. RCM's cobots tend CNC lathes to help manufacture a consumer plumbing product.

I believe cobots can make U.S. manufacturers competitive enough to bring manufacturing back to the U.S. and scale operations. While that shift won't bring back all the factory jobs lost to China and other countries, it's bound to create construction, support and maintenance roles that wouldn't otherwise exist. As artificial intelligence expands, cobots will gain the recognition skills to be even better workmates.

…………………

As the price of cobots decrease, mid-sized and small manufacturers are ramping up their purchasing. Leith told me his Universal Robot cobots cost between $35,000 and $50,000. That outlay could be recouped in less than a year for a manufacturer otherwise struggling to find and keep workers.

'If you look at the cost to make most products, labor factors around 10% of the total and companies have moved to China to save 50% on that 10%,' says Scott Hendrickson, founder and CEO of robot distributor and integrator Olympus Controls. With labor costs rising in China, that differential has decreased from 50% to below 20%, making it cost effective to reshore."

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c. Arkansas; "Automated couture; using robots to make clothing"

https://amppob.com/automated-couture-robots/

Under the name TY Garments, USA, the company was able to dodge notoriously high American labor costs by taking humans out of the equation. TY employs about 330 robots, designed by Atlanta-based Softwear Automation Inc., which use computer-guided assistance to perform each step of the T-shirt making process from arranging and cutting fabric, sewing seams, adding sleeves, and post-production quality inspection.

Softwear Automation's chief commercial officer Pete Santora said TY USA's Arkansas plant is the first to use Softwear Automation's "sewbots." He estimates the factory will be able to create about 23 million shirts a year at a cost of 33¢ per unit.

With 21 automated assembly lines at the Little Rock facility, TY is expected to be able to cut labor costs compared to traditional human-based production by 50 to 70 percent and simultaneously increase productivity more than 70 percent.

"When fully operational, the system will make one T-shirt every 22 seconds. We will produce 800,000 T-shirts a day," Tianyuan chairman Tang Xinhong, said in a press release announcing the creation of the Little Rock facility. "Around the world, even the cheapest labor market can't compete with us."

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d. Global capitalists, speaking among themselves; “we’ll automate everything we can”

Summary by Steve Miller, from corporate sources reporting on the 2018 World Economic Forum in Davos, Switzerland;

World Economic Forum Forecasts Machines Will Do More Work Than Humans by 2025
https://www.limitstogrowth.org/articles/2018/09/23/world-economic-forum-forecasts-machines-will-do-more-work-than-humans-by-2025/

The WEF has a prediction that should get people’s attention because of the rapid entry of smart machines into the workplace. According to the experts, **the world of employment is about to experience a revolution because of computers, robots and automation, and humans will find themselves priced out by machines that are cheaper and don’t require lunch breaks.**
See the full report here: The Future of Jobs Report 2018.
https://www.weforum.org/reports/the-future-of-jobs-report-2018
The report says that millions of new jobs will be created to replace the ones lost, so not to worry, except that those new jobs will require technical training. Retraining employees is not a chore that many American businesses have been willing to do in the past, so the transition looks to be rocky.
Plus, it’s hard to take seriously the assertion that there will be more jobs created than lost: the whole point of automation is for business to save money by getting rid of expensive human workers.
Robots have largely replaced humans in automotive manufacturing.

Rate of Automation – Division of Labor as percent of hours spent

year	human	machine
2018	71%	29%
2022	58%	42%
2025	42%	52%

3. Will automation create more new jobs?

Douglas Rushkoff, author of Throwing Rocks at the Google Bus, from Fast Company; “Why Learning to Code Won’t Save Your Job” https://www.fastcompany.com/3058251/why-learning-to-code-wont-save-your-job

"Although I certainly believe that any member of our highly digital society should be familiar with how these platforms work, universal code literacy won't solve our employment crisis any more than the universal ability to read and write would result in a full-employment economy of book publishing.

It's actually worse. A single computer program written by perhaps a dozen developers can wipe out hundreds of jobs. As the author and entrepreneur Andrew Keen has pointed out, ***digital companies employ 10 times fewer people per dollar earned than traditional companies (emphasis mine).*** Every time a company decides to relegate its computing to the cloud, it's free to release a few more IT employees.

Most of the technologies we're currently developing replace or obsolesce far more employment opportunities than they create. Those that don't—technologies that require ongoing human maintenance or participation in order to work—are not supported by venture capital for precisely this reason. They are considered unscalable because they demand more paid human employees as the business grows."

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4. Have profits risen, or declined during the period of automation?

DELOITTE SHIFT INDEX; this study by a global financial corporation is business speaking among itself, seeking solutions to continue the market economy. They require accurate information, which is useful to revolutionaries.
https://www2.deloitte.com/content/dam/insights/us/articles/the-burdens-of-the-past/DUP595_Metrics_vFINAL2.pdf

According to the Index, US Firms' Return On Assets (ROA, the true rate of profit) **fell 75% from 1965 to 2012 (see graph below)**. The trend continues, and has made existence much more tenuous for corporations; these videos, and the quote below, **show how much pressure is on corporations to make maximum profits, and the consequences if they don't.**

Watch this video, "The Big Shift" on this page; https://www2.deloitte.com/us/en/pages/center-for-the-edge/topics/deloitte-shift-index-series.html

And this video, "Success or Struggle – ROA as a true measure of success"; https://www2.deloitte.com/us/en/pages/center-for-the-edge/articles/shift-index-return-on-assets-business-performance.html

Figure 1. Return on assets for the US economy (1965–2012)

US firms' ROA fell to a quarter of its 1965 levels in 2012. To increase, or even maintain, asset profitability, firms must find new ways to create value from their assets.

Graphic: Deloitte University Press | DUPress.com

Source: Compustat, Deloitte analysis

5. Are corporations free to act differently than they do?

From the 2013 Deloitte Shift Index; "**Another part of the answer lies in how long companies can maintain leadership within a sector.** If the long-term trend in changes in market leadership were relatively flat, the recent turmoil among sector leaders might be explained away as a cyclical effect. However, the topple rate, a measure of how rapidly companies lose their leadership positions, has increased by 39 percent since 1965.[12] This suggests something is awry. **Even very successful companies appear unable to maintain leadership positions as long as they used to."**

6. Declining profits from productive investment (goods & services) have driven the rise of speculative investment. References below to "short-term focus" and "growth of the financial sector" are about financialization & speculative investment.

FROM DELOITTE SHIFT INDEX 2013; exploring big shift effects on assets and income

- ROA provides a useful framework for understanding how the longer-term forces of the Big Shift are affecting firm performance. At the highest level, assets are growing faster than income. Economy-wide, companies require more assets to generate an equivalent amount of income now than back in 1965.
- What's going on here? ***Overall, the slowing growth of physical assets—physical plants, equipment, and inventories, for example—is more than offset by the growth in financial assets required to run a business.***
- ***Financial assets like cash, intangibles, and accounts receivable increased as a percentage of total assets over this time period. What explains the disproportionate growth in financial assets?***

- First, **rapid growth of the financial sector relative to more traditional manufacturing and service businesses like retailing has changed the economy-wide mix of industries**. Some of the growth in financial assets can be explained by growth in the financial sector.
- ***Second, even in more traditional businesses, financial assets appear to be growing as a share of total assets.*** Much has been written about excess cash, but this increase in cash is partially reflective of companies becoming more risk averse and focused on short-term flexibility.
- ***Across the economy, there has been substantial growth in absolute income, but income as a percentage of revenue has eroded over the decades***.
- More generally, the upward trend in financial assets seems to reflect a natural tendency to focus on the short term in times of pressure and uncertainty. When the future seems too uncertain to make long-term asset commitments, companies tend to focus more on items like financial assets that they can manage in the short term.
- A company can hit all of its quarterly earnings targets and still not maintain long-term viability. **Maximizing shareholder value has translated into focusing only on the short term**…. most shareholders are more focused on investment returns in the short term. **Since the 1960s, the average holding period for stocks has dropped from eight years to five days.**[23]

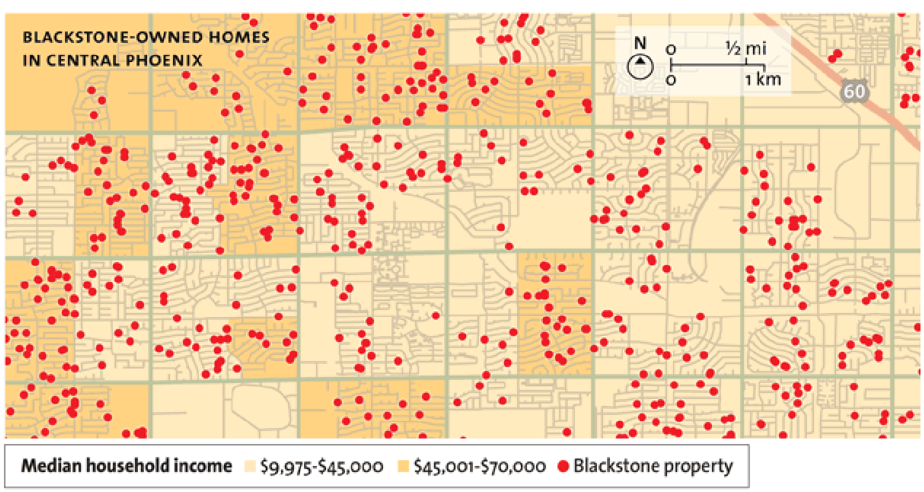
7. Dominance of speculative investment drives the Extractive Economy;

- Pacific Lumber Company, family-owned and sustainably harvested until a hostile takeover by investment company Maxxam, which introduce clearcutting to pay off its debts from the takeover; https://en.wikipedia.org/wiki/Pacific_Lumber_Company
- Enron Energy; this Investopedia article gives a good accounting of how the speculative market drives corporate-crazy behavior; https://www.investopedia.com/updates/enron-scandal-summary/
- PG&E; reasonably well managed, despite despotic practices such as described in the film "Erin Brockovich", until takeover by hedge funds; https://www.latimes.com/business/story/2019-10-17/hiltzik-hedge-funds-pge
- Global real estate corporations such as Blackstone and Wedgewood (of Moms 4 Housing fame), working *methodically* to dispossess both homeowners and renters, create artificial scarcity of housing, buy many thousands of residences & bundle them into huge blocks for financialization and securitization **(see my companion piece,**

“How Speculative Investment Works”), and kept off the market for sustained periods to drive up rental prices. They pursue a conscious campaign of converting the market from ownership to rental, ensuring payment forever with no security and no chance of ownership. https://www.newyorker.com/magazine/2014/05/26/real-estate-goes-global; https://patch.com/california/studiocity/corporate-spec-houses-have-stranglehold-la-real-estate-study

- Readings on the Extractive Economy; The Shock Doctrine, Naomi Klein Metropolitan Books 2007; Drug War Capitalism, Dawn Paley AK Press 2014; Confessions of an Economic Hit Man, John Perkins PLUME 2004.

8. **More resources;** www.rallycomrades.lrna.org ; if this information has been useful to you, consider this; everything I understand about the relationship between technology, economics, and social change is due to my ongoing education as a member of the League of Revolutionaries for a New America (LRNA). We have regular education discussions available as a resource for all who seek a transformed future.



Sources: Maricopa County, Census Bureau. As of November 2013.

Mother Jones

Karen Minot; original map and research by Anthony Giancatarino, Symone New, and Jose Taveras

Blackstone’s deep pockets—$248 billion in assets under management and a $3.6 billion credit line arranged by Deutsche Bank for buying houses—allow it to outbid individual buyers, driving up local real estate prices and pushing families out of the market. “You can’t compete with a company that’s betting on speculative future value when they’re playing with cash,” says Alston. “Institutional investors are siphoning the wealth and the ability for wealth accumulation out of underserved communities," adds Henry Wade, cofounder of the Arizona Association of Real Estate Brokers.

But buying houses cheap and then waiting for them to appreciate isn't the only way Blackstone is making money on these deals. It wants your rent check, too. In November, after many months of hype, the firm released the first-ever rated bond backed by securitized rental payments. Joining forces with Credit Suisse, Deutsche Bank, and JPMorgan (which recently paid a record $13 billion fine to settle accusations of ripping off mortgage investors), Blackstone has bundled the rental payments from more than 3,200 single-family houses, offering investors its mortgages on the underlying properties as collateral. After investors tripped over themselves to buy into the $479 million bond, Blackstone's competitors announced that they, too, would develop similar securities.

Asked why the public should expect rental-backed securities to be safe, the hedge fund investor responds, "Trust me."

"It's just like a residential mortgage-backed security," says one hedge fund investor whose company does business with Blackstone. Yet some analysts and observers are uneasy about the idea of a new market for securitized mortgage debt backed by rent checks. Dean Baker, an economist and codirector of the Center for Economic and Policy Research, is concerned that Wall Street firms are overlooking the risks of these untested investments. "You kind of just hope they know what they're doing," he says. In documents sent to investors, Blackstone has stated that it expects that 95 percent of its homes will be occupied at all times, with an average monthly rent of around $1,300. Real estate professionals say that those assumptions may be overly ambitious for single-family rentals.

Plying investors with such upbeat projections creates intense pressure to keep houses occupied—even as residents are squeezed by higher rents and strict collections policies. In Charlotte, North Carolina, Invitation Homes raised rents by as much as a third and filed eviction proceedings against nearly 10 percent of its renters, according to the *Charlotte Observer*.

CaDonna Porter moved into an Invitation Homes property outside Atlanta with her children in September. When part of her monthly payment was rejected because she tried to use a debit card, the company demanded that she deliver the remaining amount in person, via certified funds, by 5 p.m. the following day or incur a $200 fee and face eviction. Porter took time off from work to deliver a money order in person, only to be informed that the payment had been rejected because it didn't include the late fee and an additional $75 insufficient funds fee.

In a maddening string of emails, Invitation Homes repeatedly reminded Porter that it could file to evict her unless she paid the penalties. When she finally said that she would seek legal counsel, Invitation Homes agreed to accept her payment as "a one-time courtesy." Andrew Gallina, Invitation Homes' vice president for marketing, says it treats all of its renters equally: "Under the law, we're not allowed to make changes or exceptions. That's just basic fair housing."

Invitation Homes has described its strategy as "a bet on America." Rather than pricing buyers out of the market, Gallina says, the company is helping families who can't get mortgages.

But what if the security blows up? Investors could demand their collateral back, forcing renters out of their homes, even if they never missed a payment. "We could well end up in that situation where you get a lot of people getting evicted—not because the tenants have fallen behind, but because the landlords have fallen behind," says Baker.

Asked why the public should expect rental-backed securities to be safe, the hedge fund investor responds, "Trust me."

A longer version of this article was previously published by TomDispatch.