The Housing Question in the 21st Century

Elijah J. Dietzgen

The Housing Question

This essay takes its title from a series of journalistic writings published by Friedrich Engels regarding housing for the working classes in Germany.[1] The crisis at the time was framed as an "acute housing shortage." Engels's critiques are aimed at the bourgeois philanthropy industry, as well as at solutions of affordable housing proposed by the socialist Pierre-Joseph Proudhon, who developed a kind of moralistic critique which many of us know as radical liberalism. In Engels's article, Proudhon is accused of framing the housing problem as an issue which uniquely afflicts the working class. But this is clearly not the case. The petty bourgeoisie are at constant risk of having their shops shuttered by their landlords, and the majority of the petty bourgeoisie, who live on modest incomes, must inhabit the same dwellings as workers.

This is a particularly salient point for Engels, because it means that the same social issue can negatively impact different social classes despite their divergent relationships to capital. Engels suspects that Proudhon's "petty-bour-

[1] Engels, Friedrich, "The Housing Question," in *Marx Engels Selected Works*, Vol. 2 (Moscow Progress Publishers, 1973), 295–375.

geois socialism" [2] will settle for the kind of social compact that would preserve the social power of private property. Proudhon advocated mutualism, a political position that would have closely resembled Jeffersonian democracy. Proudhon's anarchism contained a certain retrospective quality which hearkened back to a simpler form of bourgeois society, predating a developed working-class and the decline of the artisans and small holders. Mutualism is anti-state and viewed a truly free civil society as dynamic enough to self-govern. Most of these positions were not so far off from Engels and Marx's, but the mutualism was also an attempt to preserve the class character of the petty bourgeoisie. The political interest of the class-conscious workers diverge greatly from small-holders who seek to arrest their proletarianization.

Engels's articles on housing[3] were written with hindsight; these papers were published between 1872-1873, decades after the 1848 European revolutions. Before all of Europe was set ablaze in revolution, the young Marx

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[2] Karl Marx, "Letter 'On Proudhon'" (1865). https://redtexts.org/html/marx_1865_on_proudhon.html. "Every economic relation has a good and a bad side, it is the one point on which M. Proudhon does not give himself the lie. He sees the good side expounded by the economists; the bad side he sees denounced by the socialists. He borrows from the economists the necessity of eternal relations; he borrows from the socialists the illusion of seeing in poverty nothing but poverty (instead of seeing in it the revolutionary, destructive aspect which will overthrow the old society). He is in agreement with both in wanting to fall back upon the authority of science. Science for him reduces itself to the slender proportions of a scientific formula; he is the man in search of formulas. Thus it is that M. Proudhon flatters himself on having given a criticism of both political economy and of communism: he is beneath them both. Beneath the economists, since as a philosopher who has at his elbow a magic formula, he thought he could dispense with going into purely economic details; beneath the socialists, because he has neither courage enough nor insight enough to rise, be it even speculatively, above the bourgeois horizon… He wants to soar as the man of science above the bourgeois and the proletarians; *he is merely the petty bourgeois*, continually tossed back and forth between capital and labour, political economy and communism."

[3] Engels, "The Housing Question."

and Engels believed that they could engage in a popular front strategy with other democratic radicals. The French working class purchased the Second Republic with their blood, but the few benefits won by the working masses were quickly reversed. The most important victory of the workers was the "right to work," which created state-guaranteed employment for those who needed jobs. In France, the National Workshop programs not only created a social security net, but also freed workers from the dictatorship of capital. For the first time ever, unemployment was not an existential threat.

The weakening power over labour was not lost on the big bourgeoisie. The French elite hatched a conspiracy to kidnap the socialist minister of the National Workshops and suddenly shuttered the program. This was the final straw: radical workers poured into the streets and attempted to seize the Assembly. The days of street fighting were bloody. Thousands of workers fell fighting the Army and the National Guard. It was these events of the June Days which caused Marx and Engels to sour on the strategy of the popular front. The main class which staffed the National Guard was none other than the petty bourgeoisie. In the critical moment of struggle, the petty bourgeoisie went over to the side of power. The counter-revolution was led by General Louis-Eugène Cavaignac. This "butcher of June" [4] was not a reactionary; Cavaignac himself was a republican revolutionary, and his later election campaign was based on an early form of state-led welfarism. But when the barricades went up, Cavaignac abandoned his republican claims for his bourgeois class interest. The same was the case for thousands of small-holders who aban-

[4] Encyclopaedia Britannica, "Louis-Eugène Cavaignac | French Revolution, Coup of 1851 & Minister of War" (Encyclopedia Britannica, July 20, 1998). https://www.britannica.com/biography/Louis-Eugene-Cavaignac.

doned their claims of liberty, equality, and solidarity in the defence of dictatorship of property.

Engels's other target in the article was bourgeois philanthropism. He believed that these housing programs were meant to depoliticize the masses in the face of the extreme suffering generated by 19th century capitalism. The strategy of building homes for workers was designed to keep workers closely tied to their workplaces. Around this time, a series of company towns appeared across Western Europe and the Americas, which tied the housing of working people to the despotism of the factory. Even in the case of German workers who owned their own houses, Engels noted two problems which would develop. First, the German worker found himself fixed to the land, and second, the use of their garden allowed them to reduce their cost of subsistence. "Nowhere in Europe does so many workers own land." This particularly German style of workers' marriage to the land created a stupefied working class which could survive off being one of the lowest paid in Western Europe. Engels accused both Proudhon and the philanthropist strategies of solving the housing crisis of the same flaw in reasoning. They miss the root cause of the issue, which is the inequality and unfreedom created by capitalist society. Philanthropic proposals serve to limit the masses' desire to take charge of society and to solve these deeper social contradictions. Proudhon and the bourgeois solutions have the convergent effect of deradicalizing the working class.

Engels's argument may seem alien to many of us from where we stand. We do not have a militant workers movement, nor does transcending capitalism seem to be a possibility. But this was possible in the 19th century. For Engels, the Proudhonist and philanthropist solutions to the housing crisis not only weakened the workers' powers and independence, but also promoted a consciousness of docility. Housing then, as now, was a major social issue.

Class Theory and Social Power

It would be helpful to clarify the nature of Marxist social classes. The bourgeoisie, sometimes specified as the big bourgeoisie, are the individuals who have enough capital to employ the labour of the worker and extract their surplus value. In the case of the petty bourgeois, these are people who own the means of production but lack the capital to exploit labour other than their own for profit. Even if they can hire others to work in their small shops, they are never in the position to accumulate on an expanded scale. Most of these business owners will only dream of making it to the big leagues of the large capitalists. The petty bourgeois are like workers, in the sense that they lack substantive political power and will likely live in the same social environment as workers.

Unlike mainline sociological categories, Marxist class categories do not place much significance on income brackets for determining entry into a class category. Rather, the significance is based on individuals' relation to value, this relation being abstracted into the form of class by means of aggregation. This methodology may yield counter-intuitive distinctions. For example, in a given year, a petty-bourgeois shop owner may earn less than his working-class employee. This should not seem odd on reflection. Not only are the petty bourgeois in the Global North generally highly taxed, but they are also highly debt-leveraged. The current rents in urban cores like Toronto and its surrounding suburbs exacerbate the crisis of this petty-bourgeois class, as many of them need to pay rent on their commercial units to stay in business. Affordable rent can be seen as a problem which afflicts the petty bourgeois more than workers, when it is considered how much more expensive and deregulated the commercial rent space is in comparison to residential rents. Commercial rent in Toronto averages at an astonishing $47.21 per square foot,[5] whereas the criminally high residential rents average at around $3.21 per square foot.[6]

Class theory did not originate from Marx, nor does Marxism have a monopoly on the subject. Lisa Adkins and Martijn Konings propose[7] a distinct definition of class from that is not necessarily contradictory to the Marxist framework: between asset holders and non-asset holders. Asset holders are subdivided into rentiers and non-rentiers. The impact of asset holders should not be underestimated; between people employed in the same job, those with a house will experience a significant wealth gap over time. Asset management corporations (AMCs) and real estate investment trusts (REITs) personify the asset class in their most concentrated forms of political and social power.

Thomas Piketty's massive empirical work on the full extent of income inequality and the damage it has done to democracy has been well charted in his two tomes. His first book, *Capital in the 21st Century*,[8] organises the empirical data around a simple equation, $r > c$. This equation, converted into a claim, states that capital investment will always grow faster than general economic growth, guaranteeing that those who have more financial

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[5] Toronto Regional Real Estate Board. "Commercial Realty Watch: 2024 Q3." 2024. https://trreb.ca/wp-content/files/market-stats/commercial-reports/cw24Q3.pdf.

[6] May 2024 Toronto Rent Report. 2024. https://liv.rent/blog/rent-reports/may-2024-toronto-rent-report/#:~:text=Our%20monthly%20Rent%20Reports%20also,ft.)%20.

[7] Lisa Adkins, Melinda Cooper, and Martijn Konings. "Class in the 21st Century: Asset Inflation and the New Logic of Inequality." *Environment and Planning A: Economy and Space* 53, no. 3 (2021): 548–72. https://doi.org/10.1177/0308518X19873673.

[8] Thomas Piketty and Arthur Goldhammer, trans. *Capital in the Twenty-First Century* (Belknap Press: An Imprint of Harvard University Press, 2017).

assets than others will always come out further ahead. The State only adds to this development of income inequality by protecting the stability of finance. The old monopoly capitalism focused on safeguarding the raw material inputs of productive capital, but new monopoly capitalism orients around preserving a favorable credit environment. AMCs and REITs benefit from these conditions in a way which seems more mercantilist than capitalistic. These firms are particularly price insensitive. Their sheer size and holding are not market-price taking; they are market-price setting. If Brookfield Asset Management cannot rent out units at the rates they desire, they can just keep this stock off the market until the prices return to the desired level.[9] The hegemony of finance still relies on the political complicity of smaller landlords to back policies which support real estate speculation.

The housing crisis, then as now, was created by the social category of private property, as expressed in the dual nature of the commodity form. Commodities can be divided into two components: use-value and exchange value. Exchange value is the monetary reality of the commodity, what you pay for something you want or need. When we talk about the cost of housing, the need to build affordable housing, and home ownership, we are making reference to housing in relation to market society. The issue is framed as if everyone expects to pay some money to stay out of the elements, but not too much. Exchange value is such an essential element of market society that it is often the only thing that is meant when we talk about value. Under capitalism use-values are an inessential part of the commodity. Marx refers to use-values as the mere bearers of value. Use values are devalued under capitalism; the only thing that matters is what a commodity can exchange for. This is

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[9] During COVID-19, tens of thousands of workers were evicted from their homes, only for the stock to sit vacant. In Los Angeles, buildings remain in this state.

not a moral argument. If a condo developer cannot turn a profit, it does not matter how many livable units they can create, as the firm will still be in serious financial trouble.

For this reason, speaking of a housing crisis or an affordability crisis is somewhat deceptive if it is not understood as part of the process of capital. If firms do not make increasing profits to meet shareholder expectations and financial obligations, and fight off other market competitors, these same firms will find themselves taken over by more competitive firms or bankrupted altogether. As this issue goes into publication, several condo developers have found themselves on the rocks like beached whales. The combination of interest rate hikes and a cooler buyer market has resulted in the defaulting of several developers and projects in Toronto alone.

Commodity production creates crisis because it is the private production of social needs. Economists like Fredrick Hayek claim that society needs markets because price is an information system. Hayek was making this argument as a refutation of the Soviet planned economy.[10] Aside from the fact that Soviet planning still used prices, Hayek misses how prices actually work. Neoliberals like Hayek like to tell the masses that prices are assigned by the invisible hand, or that prices are tuned by recursive Bayesian calculus, but very few of these friends of mankind explain the brutality of the method. The main mechanism of disciplining of prices is not profit but bankruptcy. Marx was the first economic thinker to make the claim that price and value are related but distinct, and that the relation can deviate over time.[11] This means that prices do not always correspond to the true value of a commodity. We

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[10] Friedrich August Hayek, *The Fatal Conceit: The Errors of Socialism* (Routledge, 2013).

[11] Isaak Ilyich Rubin. *Essays on Marx's Theory of Value* (Black Rose, 1972).

intuitively acknowledge this when we say that housing is overvalued or that grocery stores are engaged in price gouging. Because value is socially generated, we can only grasp it as an aggregate critical concept. When a concept is said to be critical, it does not mean that it is negative or flawed. Rather, it is of critical importance. When neoclassical economists talk about prices, they tend to leave out the critical concept of value, which explains the upper limit of "market-clearing prices."

Socially Necessary Labour Time

What is it in commodities that makes it possible for the multiplicity of use-values to enter into commercial exchange? This was the philosophical question Aristotle proposed, that Marx's theory of commodity fetishism aims to explain. The main object of Marx's critique was Say's Law, which is the claim that production creates its own demand. The latter is the basis of theories of exchange which claim that profit is produced at the point of sale. This is an undialectical way to understand the generation of profit. A dialectical view of the social relationships in exchange would not just take the point of exchange for granted but it would also question the *ex nihilo* presence of these commodities which are for sale. It doesn't take an economist to know that reselling a home ten times in ten years will equal the sale of ten—but ten homes will not have been built. Increasing housing sales does not need to mean the increase in the housing stock. The expansion of the housing market can come at the cost of the housing stock. Exchange cannot explain the expansion of value or social wealth in society. Value is generated in the sphere of production, whereas the social relations which allow for the appropriation of labour-time by means of private property creates commodities for sale. This does not mean that time spent labouring on a commodity is transferred directly to a particular item. Capitalism can only be understood in large aggregates and general laws.[12]

Current Political Solutions to the Crisis

The 2025 Canadian election ran on the basis of the economy. Poilievre's campaign initially ran ahead of the Trudeau Liberals by a 20-point lead. The Conservatives seemed poised to win a blowout majority. While Trudeau's administration handled the COVID-19 pandemic significantly better than both U.S. parties south of the border—issuing $2000 monthly emergency cheques and administering a smooth vaccination program—the administration was caught flat-footed in dealing with the economic consequences over the massive capital injections into the global stock markets. It is easy to forget how popular Justin Trudeau was prior to the pandemic. Durning his tenure, the federal government's authoritarian crackdown of the so-called "Freedom Convoy," a protest by conservative truckers against vaccine mandates, was felt by millions of Canadian. But the activation of emergency measures and the freezing of the truckers' bank accounts cannot fully account for the collapse of support for the Liberals. Most Canadians agreed with the response even if they believed it to be overbearing. The real crisis for the Liberal party was the failure to manage skyrocketing inflation.

The Liberals' fecklessness gave Pierre Poilievre a chance to make an economic populist appeal to the growing frustration and anxiety to lower-income citizens. Early in his campaign he made homeownership and the housing crisis a central focus of his campaign. But when examined, his policy amounted to defunding cities which could not meet quotas of housing stock construction, and the total neglect

[12] Karl Marx and Ben Fowkes, trans. "Chapter 1: Commodities," in *Capital: A Critique of Political Economy* (Penguin Books: 1992).

of the nearly half of Canadians who rent. One such policy proposed by Poilievre was the removal of the GST tax on homes. This tax break would also have stacked, benefitting the buyers of the most expensive homes: the super-rich. This policy amounts to buy-twenty-get-one free! A very good deal for Brookfield Asset Management, but otherwise is useless for working-class people.

The Liberals' new leader, Mark Carney, responded to the Poilievre's populism with his own housing platform. The Liberal campaign posted a video with Carney saying, "we used to build things in this country."[13] The video then rotates to a series of black and white cuts from the post-war era. "After the Second World War, Canada faced a housing crisis. The government built pre-fabricated homes that were easy to assemble and inexpensive, and those homes are still here eighty years later." Carney then says that it is time for the government to get back in the business of building homes for Canadians. This policy of government intervention into housing had historically belonged to the NDP, but by the 2025 elections the NDP—due to both its fecklessness and arrogance—slid into crisis. The NDP had a similar position on housing, but the party refused to lead with anything with would suggest that affordability would be something that they would take seriously. The recent history of the NDP is that of a party distancing themselves from their working-class roots. Jagmeet Singh left a tweet a year ago, warning concerned landlords that his parents are small landlords as well, and he was not interested in harming their interests. The NDP's promise to build social housing did not explain how such a task would be accomplished, and home ownership was a more important goal of the party.

[13] Mark Carney (@MarkJCarney), "It's time your government got back in the business of building affordable homes.", X, March 31, 2025. https://x.com/MarkJCarney/status/1906695287000764723.

After Carney's takeover of the Liberal party, the Conservatives lost direction and focus. The blame was in no small part Poilievre's. Hyper-fixated on Trudeau and terminally online, he appeared unserious and alienating. Carney led the Liberals to victory in one of the most stunning electoral turnarounds in history, concluding with the Liberals missing majority by a mere three seats. But the party's detachment from Trudeau's toxic legacy cannot fully explain the momentous surge of support for the Liberals leading up to the election victory. Election promises are one thing, but when they concern the working class, they rarely fully translate into effective policy. Gregor Robertson, the Liberals' new cabinet pick for housing minister, was pinned down by reporters on whether he would reduce housing prices. He was quick to assure Canadians that home prices will not go down, but the government will produce affordable supply.

This is simply impossible. Prices cannot fall in one sector of the rent market without other similar use-values being affected. Housing prices are as ludicrous as they are now because at least some percentage of buyers think that they can be landlords, reaping a handsome passive income stream. Housing can become ridiculously overpriced because everyone needs a home without exception. Homelessness and poor housing kills people; it removes decades from people's life expectancy. Over 150 years ago, Engels called the housing conditions of the Manchester poor "social-murder."[14] Toronto landlords benefit from the threat of this social-murder. Most Canadians are not landlords, but most of them are homeowners, and the profit of landlords affects the value of their homes. Robertson is lying either about maintaining home values or about creating affordable housing. This cagey response is symptomatic

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[14] Friedrich Engels." *The Condition of the Working Class in England* (Penguin Books London, 2009).

of intractable problems of democratic political attempts to manage Canada's neoliberal capitalist society.

Democracy As a Barrier

In my Q&A lectures, I tried with difficulty to explain, without sounding like a Stalinist, how democracy and the economic incentives of constituents are actually a reason for the housing crisis. We need more democracy, not less—but sometimes the situation of unaffordable housing and inactive government is reduced to simple explanations of politicians being paid off by the rich and powerful. Without doubt, this happens all the time, but this is not a complete explanation. As Carney said, the Canadian government used to build housing. Thus, periodization is needed to explain why this was obvious then, but unthinkable now. Two-thirds of Canadians are now homeowners; this is a legacy of the rapid building of post-war homes. When Canadian politicians refer to the middle class, they evoke not only the image of the majority but also that of the homeowner. The largest asset of the average Canadian family is by far a house. Today, a government running on housing depreciation would be simply untenable. Robertson is not only looking out for his own property, but truly representing the majority of his constituents. Two-thirds of adult Canadians are homeowners. It is simply politically untenable to attempt to win an election on the basis of devaluing real-estate assets.

The implementation of an affordable housing program could only be viable if a financial crisis immiserated so many Canadians that housing assets would no longer be a means of financial security for the majority of Canadians. Returning to class theory, going beyond the standard Marxist class categories can help our thinking. Lisa Adkin's categorization of the asset-holding class distinguishes between people who may work in the same workplace, but are placed in different worlds of wealth by their asset ownership or non-ownership. The Fordist compact tied entry to the middle class with the growth of productivity, then the neoliberal compact tied the middle-class lifestyle standards to home-value appreciation, financialization, and cheaper consumption. One of the most striking elements of neoliberalism is low productivity growth. The Austrian economist Joseph Schumpeter theorized that the destruction and involution of sectors of industries under capitalism is a necessary part of capitalist growth. This process was called creative destruction, and this was the main source of innovation.[15] The main point is that what is called productivity is not simply people putting in a bit more work. Productivity refers to the objective level of technological innovation which has lowered the absolute necessary labour-time within a sector. Creative destruction can be historically periodized in the form of technological waves which cycle around 88 years.[16] Curiously, these technological eras were marked by distinct usages of a dominant energy source, where total caloric output increased exponentially: biomass, coal, oil, and natural gas. The new millennium was hailed as a new technology wave, the information age, but this wave was unaccompanied by any substantial shift in efficiency of energy use. While renewable energy is possible, we have not managed to take this energy use to a higher level in output. Thus, unlike other waves, the information age marks an absolute limit to energy exploitation.

The neoliberal compact was created under the conditions of low productivity and relatively high wages. With no new mode of energy exploitation and no new leaps in engineering and thermodynamics, the much-vaunted third

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[15] Joseph A. Schumpeter, *The Theory of Economic Development* (Routledge, 2021).

[16] Immanuel Wallerstein. "World-Systems Analysis: An Introduction." In *World-Systems Analysis* (Duke University Press, 2004).

industrial revolution was a dud. Labour arbitrage was the resort to gain higher profit, but the global exploitation of labour and transnational corporations required the freedom of capital. The loosening of capital controls made finance one of the fastest growing sectors in the developed world's economy. Between Reagan and Clinton, most governments followed the United States's lead in loosening capital restrictions and privileging finance as the primary means of structuring the national economy. The only generation which benefited from both the Fordist and neoliberal social compacts was the baby boomers. In North America, this generation was richer and larger than any other generation in human history. Even as it dies, this generation is the main base of any politics in the Anglo-North. When Canadian politicians refer to the middle class, they are referring to this older and asset-holding class. The accumulation strategies of the Fordist and neoliberal compacts have led to the mass embourgeoisement[17] of the working-classes in the age range of silent and baby-boomer generations.

Over the next years these demographic and class relations will not remain static. Wealth transfers are occurring and will continue over the next decade. When these end, we

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[17] Embourgeoisement is when the working classes and other subaltern classes take up the values and interest of the ruling class. Under capitalism, the ruling class is the bourgeoisie. This process is not a merely psychological interpellation into the ideology of the elite stratum, but the actual convergence of our interests with the ruling elite, which allows them to present their interests as universal. Fordist embourgeoisement was based on the split in the subjectivity of the working-class family, between its character as labourer and its character as consumer. Capital and labour are antagonistically related, but consumerism is the most literal way in which workers "buy in" to capitalism. Fordism created the possibility for embourgeoisement through a historically exceptional technological boom to productivity, and the Second World War's mass destruction of capital (and workers). Neoliberalism deepened this embourgeoisement by granting these generations a third character, that of financial capitalist. By forcing the baby boomers to rely on the eternal appreciation of their assets for comfortable retirement, the elites have ensured that the older generations of working-class people have defected from anything resembling mass working-class politics.

will have a sizable element of generation X and millennials that will find themselves as homeowners, but they will not benefit from asset appreciation to the same degree as their parents. The inheritors of these homes will have discovered that their mum and old man had to take out a large amount of equity for end-of-life care. We see that, in the States, the lack of universal healthcare is already laying waste to the inheritance of millennials. The cost to the fortunes of the younger generations was partly a motivating force of the millennial Left's push for universal healthcare in the States. In Canada, young people have more to gain from the impending mass die-off. Thanks to Canada's universal healthcare, most of our parents were not forced to liquidate their assets in the way that is happening south of the border. This means that many millennials will have a material stake in preserving the value of homes, at least until they can divide the monetary value amongst their siblings.

Liberal democracy is not the only the impasse of the housing solution. The current arrangement of capitalism acts as an absolute barrier to creating affordability. The social logic of the housing crisis has its roots in *longue-durée* historical developments in the management of capital and labour. Political agency can create future limits of its own agency. In political science, this is called path-dependency. When a problem is obvious to everyone, the only rational short-term solution seems to be kicking the can down the road, hoping someone else will solve it. This snowballing only makes the cost of solving the problem more extreme than before. When elections happen on the basis of four-year terms, short-termism is the only viable answer.

Mortgage and Asset Inflation

I have mentioned the crucial role that finance played in the neoliberal moment, but finance historically did not always play such an overwhelming role. In the early 20th century, North American mortgages were perceived as usurious schemes to trick farmers out of their plots of land. Most did not mortgage, and the unfortunate ones who found themselves trapped in such mortgages paid high interest rates, fell into arrears, and were dispossessed of their plots of land. The working-class in the urban spaces lived in slums and had very poor housing. The First World War was limited in its destructiveness, and the state took a limited role in provisioning for the families of those killed in war and severely maimed. Even this meager repayment, for those who sacrificed everything for the imperialist aspirations of the captains of industry and their politicians, was done in the most begrudging fashion. When hundreds of thousands of servicemen returned home, wartime rent controls were still operative, but there was still a lack of robust institutional infrastructure to ensure compliance with the anti-rent gouging measures.[18] It was, however, the Second World War which marked a qualitative shift in the constitution of the state. Historian Charles S. Maier calls this kind of sovereign power "Leviathan 2.0." [19] Marked by strong territorial control and robust institutions geared towards the administration of life and interventionism (monopoly capitalism and imperialism), this new state-form was a necessity in the management of the deepening crisis of capitalism and its corresponding social disintegration. The Second World War revived the depressed economy, Canadians' incomes between 1939 and 1944 increased by two-thirds, and tax receipts expanded from 0.5 billion to 2.2 billion.[20] Canada expanded state-implemented

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[18] Greg Suttor. *Still Renovating: A History of Canadian Social Housing Policy* (McGill-Queen's University Press, 2016).

[19] Charles S. Maier. *Leviathan 2.0: Inventing Modern Statehood* (Harvard University Press, 2014).

[20] Bird, Richard M. *Section H: Government Finance*. Historical Statistics of Canada. Statistics Canada, 1999. https://www150.statcan.gc.ca/n1/en/catalogue/11-516-X.

programs of Employment Insurance and Old Age Security pensions, but state-sponsored housing lagged significantly behind the U.S., U.K., and even Australia.[21] The existence of powerful Labour parties in the latter was a significant factor behind the political will to solve the lack of humane housing.

What tends to be left out from most historical explanations of the rise of social housing is the role of urbanization and urban planning on the development of social housing policy. Historian Greg Suttor also contends that narratives tend to frame the state as a form of pastoral governance:

> Social housing policy was never driven mostly by the issues that low-income people face in the rental market. The shifts in priority and in program approaches were propelled above all by two sets of factors. First, they reflected the main turning points in broader social policy and associated federal-provincial relations; and second, they reflected issues in housing and urban development.[22]

The outcome of the National Housing Act was not of significant benefit to low-income working families. Ninety percent of the entire housing stock created by the NHA only provisioned for middle-class and wealthy households.[23] By the end of the First World War almost half of Canadians lived in urban environments. Between the '40s and '50s, Canadian agriculture experienced declining profitability and strong industrialization trends, and work opportunities

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[21] Suttor, *Still Renovating*, 26.

[22] Suttor, 10.

[23] Canada. *House of Commons Debates*, 28 May 1964 (John Robert Nicholson, LP). https://parl.canadiana.ca/view/oop.debates_HOC2602_04/332.

drew young families into the major cities. New hostilities in Europe created rapid urbanization, we can see an increase of 10% urbanization within a five-year period. These trends did not slow down after the wars; Canada also had a series of immigration waves. Within 1945 to 1975, the population living in major metropolitan centers (over 100,000) all doubled. In the global context, Canada was experiencing the most extensive urbanization of any developed Western nation. Through this entire period, less than a quarter of housing built was rental; this was well below the need of new Canadians, as half of the postwar population growth lived as renters. [24] Markets simply could not address the social needs. The institution created for this purpose was the Central Housing and Mortgage Corporation.

Unlike Australia and the UK, Canada lacked the strong working-class parties and labour collisions which were the principal drive to created low-income and affordable housing programs. Historically, Canada's state development of housing was a consequence of large urban development initiatives. It is important to recognize that housing programs have never been evenly distributed across populations. Usually this is not needed because of the nature of modern capitalist states: wealth tends to be concentrated in a few core cities, and these cities will usually have the most intense income inequality. Because of this, housing crises and the development of slums have been overwhelmingly a problem of major cities. The first major public housing projects commenced in 1949: Ebsary Estate and Churchill Park in St John's, Regent Park in Toronto, and Bayers Road in Halifax. As of now, all of these housing projects have been torn down in favour of neoliberal public-private land development schemes. Conspicuously

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[24] Suttor, *Still Renovating*, 28–30.

missing from these cities is Montreal, which was the largest city in Canada at the time of the building programs.

Mark Carney's campaign Twitter video made it seem like the Canadian government dutifully set about building homes for the masses of veterans returning from the war, but the reality was that it took till the mid-1950s for the government to give the CMHC a go to set about building. Originally called the Central Mortgage and Housing Corporation, the name was changed in 1979 to the Canadian Mortgage and Housing Corporation, signalling the neoliberal transformations in governance to come. The post-war CMHC took on the main role in financing the development of social housing. But social housing was not the core achievement of the corporation; the public housing projects mentioned, and other minor developments, were only responsible for 0.5% of the housing within the postwar years.[25] The creation of the suburban landscape was the true achievement of the CMHC and Canadian state housing policy.

Canada's economic policies have historically tended to lag behind the United States. It took Canada more than a decade to adopt American-style social welfare programs, and when the States took the neoliberal turn with Jimmy Carter in the 1960s, Canada was just expanding its housing program. The CMHC was capable of securing funding by providing government backing of bank-issued mortgages. Another problem facing the construction of low-income housing was the need to coordinate with multiple jurisdictions of government. Every housing project featured the fingers of the federal, provincial, and municipal governments in the pot. But it was only when the federal government took a more aggressive role that social housing would be built.

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[25] Suttor, 42.

One of the reasons for a more active federal government was the problem of financing mortgages. The CMHC capped fixed mortgage rates at six percent, which was too low for finance capital at the time. Between wage growth and the significantly higher productivity rates of yore, the government could no longer rely on finance capital to provision housing to the majority of Canadians. In response to this limit from the private banking system, state-led housing development reached an all-time high in 1968. Despite the rapid development of non-market housing in the '60s and '70s, state debt was incredibly stable. It was only after the Canadian federal allowed the central bank to auction off government bonds to the backing sector that public debt started to steadily climb. When the 1967 capital restrictions justified the opening salvos aimed at the liquidation of the American welfare state, the same economic pressures drove the Canadian government to turn away from market led housing. The majority of social housing was created in this brief period.[26] By the 1980s, social housing was no longer a priority for the Canadian government. The largest shift in attitude occurred under the Mulroney Conservative government. The new cabinet was focused on leading the Canadian society through its neoliberal turn. This economic transformation during the Reagan era was felt sharply across the world. [27] The Western world began deindustrialization, and the developmental state fell into terminal crisis across the global South. [28]

Unlike in the U.K. and Australia, the North American strategy of housing provision was based on ownership,

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[26] Greg Suttor. "Chapter 3: The 1960s: Urban Development and Social Agendas," in *Still Renovating: A History of Canadian Social Housing Policy* (McGill-Queen's University Press, 2016).

[27] Judith Stein. *Pivotal Decade: How The United States Traded Factories for Finance in the Seventies* (Yale University Press, 2010).

[28] Eric Helleiner. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990* (Cornell University Press, 2015).

not council housing. Mortgages were centralized through the CMHC board. It was possible to take twenty-five-year fixed-rate mortgages, although most homebuyers never needed this long to pay this off. Housing in the first half of the 20th century was not perceived as an investment opportunity. Home prices remained relatively stable, and interest rates were high compared to our recent historical experience. A current post-COVID Federal Reserve rate of only 4.5% is threatening business economic viability, and even during Janet Yellen's tenure from 2014 to 2018 we began to see sickness in bond yield and business quarterlies, before the massive COVID upwards redistribution. And Yellen's reversal of the Obama-era Zero Interest Rate Policy (ZIRP) only increased rates to 2.2%. Because of the hegemonic position of the U.S., the Federal Reserve policy rate essentially sets the baseline for all other national central banks. In 2024, the Bank of Canada held a policy rate between 5% and 4.7%, but the systemic interest servicing burden of private debt caused the Bank of Canada to pull back to 4.2%, and then 3.5%. Now we are at 2.75%, where we may go for a hike. Undercutting the Federal Reserve rates have a cost, which is the relative devaluing of the Canadian dollar, because lower rates make financing Canadian enterprise less attractive to global capital. Interest and credit expansion is part of our home price inflation story.

The housing crisis as we know it did not appear from nowhere. When the States was rocked by the subprime crisis, and a few years later Europe went into meltdown and austerity, Canada's Harper government prided itself on the nation's stable banking structure. Poilievre would like to blame the cost of million-dollar town houses on Trudeau's government, but the drastic climb of housing costs was occurring under the Harper government. This was thanks to the Obama-era ZIRP rates, which were essentially free money for investors. This wave of cheap credit allowed an explosion of tech services like Uber, Lyft, and another courier services. Social media companies and streaming services also benefited from the ZIRP credit environment. But when the low-credit gravy train ended, the low profitability of many of these sectors began to show. This is seen obviously when watching YouTube's six unskippable ads in a fifteen-minute video. It is quite possible that the COVID-19 epidemic held off the new market crisis which stemmed from the unresolved conditions of the subprime mortgage meltdown. Both solutions in 2008 and 2020 required flooding markets with low credit, but credit production is money production. The effects are not visible in small injections, but when the liquidity dam is held open, the effects are inflationary.

One example in our daily life of credit inflation could be seen in phone prices. In 2013, Canada's federal government limited cell plans to two years. Opponents of the bill claimed that it would only make cell phone plans more expensive. This was the immediate effect after the implementation, but the long-term effect was to limit of the price creep of Canadian cellular service. Cell phones were capable of becoming incredibly expensive, not because of the actual cost of production, but because the financing built into phone plans could hide that you were actually paying two thousand dollars for a phone by hiding it in monthly installments. Access to credit can increase the purchasing power of customers with a claim on future earnings. The servicing cost of debt is also a limit on consumer spending. When interest rates are low, people are less risk averse and tend to take on more debt. The social logic of credit expansion is another dynamic of embourgeoisement. The working-class is less likely to strive for higher wages when they can feel wealthier by simply taking out a line of credit.

Since the U.S.-led recovery, mortgages have been subjected to analogous forces which are seen in other markets in the cheap credit environment. People who self-identify as middle-class have been steadily declining.[29] But those who have maintained this social category have taken on historic levels of debt, only sustainable with low interest rates. For many, the Great Recession was seen as the death knell for the neoliberal program, but little has changed other than policies engineered to kick the can down the road. Much of this history has been focusing on the side of mass consumption, but this is not the full scope of the problem. The real source of the steady climb of housing prices is rooted in income inequality, and more fundamentally in class society. Inflation would not be a problem if all prices, wages, and bank accounts increased their numerical value at the same rates. Obviously, this does not happen. Milton Friedman's theory of inflation imagines public spending to be like a helicopter that rains money on everybody. Everybody finds themselves which more money to spent on goods. Friedman supposed that people wouldn't save this money—no particular reason was given—but would instead go out and spend these dollars on goods.[30] This is demand-pull inflation, defined by Friedman as "too much money chasing too few goods."

This way of conceptualizing the problem cannot explain the mechanism of public money reaching its destination. Friedman's helicopter money hides the class basis of liquidity distribution. Fiscal spending does inject more money into the economy, but the part of distribution matters. The budgets of Western government have increased significantly, even in relation to their GDP. But in neoliberal accumulation regimes, most of this money is transferred via pub-

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[29] Matteo Battistini. *Middle Class: An Intellectual History Through Social Sciences: An American Fetish from Its Origins to Globalization* (Brill, 2022), xi. In the 1940s, over 80% of Americans identified as middle-class, but after the '08 crisis and a decade of weak recovery, only about half still identify as middle class, and many are now beginning to identify as working-class.

[30] Milton Friedman and Michael Bordo. *The Optimum Quantity of Money* (Routledge, 2017), 1-18.

lic-private partnerships. This distribution strategy is used to bolster the profit rates of capitalists who can no longer rely on free enterprise to turn profits. But Friedman does not critique this kind of helicopter money in Reagan's America or Chile; only government spending on public goods was a problem. When the government spends on public essentials like housing and transportation, disposable income increases, and more jobs are created, but does not this mean inflation. The crisis of stagflation was a price shock to one particular commodity, that being oil, and this rapidly ate up profitability in industrial sectors throughout the developed world. Canada is a very obvious falsification to the helicopter theory of money, because Canada lagged far behind the rest of North Atlantic nations when it came to the development of its welfare state. When the U.S. was rolling back welfarist policies, Canada was forced to take a more state-led role to create affordable housing.

The metaphor of helicopter money does not totally miss the mark if we narrow it from population to asset holders in particular. As I have mentioned, both the '08 crisis and COVID-19 involved massive cash injections: some 60% of all American dollars have been printed between these liquidity injections.[31] But this helicopter only drops this money over the stock market. This benefits asset holders, the majority of which have the highest incomes. This was the origin of the asset inflation. I will never forget when Larry Summers, former Secretary of the Treasury, warned that giving American working-class families less than $2000 will overheat the economy. Naturally, he said nothing of the trillions of credits issued through the Federal Reserve to prop up the stock markets. Everyone can hold assets, but the distribution is not equal. According to Piketty's data, by 2010, over seventy percent of assets were owned by

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[31] Federal Reserve Bank of St. Louis, "M2" (retrieved August 26, 2025). https://fred.stlouisfed.org/series/M2SL.

the top ten percent of the American population.[32] This data terminates in 2010. After the pandemic, the problem has become far more acute. Because central banking distributes money directly through the financial system, assets are the main site of inflation. This is related to the consumer core inflation that we experience currently. When interest rates increased after the end of the lockdowns, companies found themselves forced to service the large loans that were fueling their low productivity growth. The new credit environment has created an undeclared recession, as well as an inflationary drive to make up for debt fuelled growth.

Final Thoughts

We are not in the same position as Friedrick Engels. This also means that our relationship to politics and livable housing is quite different. I do not believe that organizing mass politics aimed at obtaining dignified dwelling means necessarily abandoning the struggle to overcome market society. Throughout this essay, I have used the term "housing crisis", and perhaps in doing so I have conceded to the ruling ideology. Ricardo Tranjan, author of *The Tenant Class*, starts his book by reframing the very idea of a housing crisis. Tranjan argues that the framing of housing as crisis erases the social and political dimensions of the inaccessibility of affordable housing. "The word crisis suggest something infrequent, surprising, and widely undesirable; something that leads to dire consequences unless it is brought under control."[33] This is clearly not the case with the state of housing in Canada and the rest of the developed world. Nothing is sudden about the nature of this crisis. This is a chronic crisis. Unlike a natural disaster, the global ruling class seems to lack any urgency

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[32] Piketty, *Capital in the 21st Century,* 441.

[33] Tranjan, Ricardo. *The Tenant Class* (Between the Lines, 2023), 2.

to deal with the crisis. with state action, it seems quite the opposite. Much of state policy from the top down remains vigilant in promoting asset inflation and property values. The discourse of crisis obscures the fact that this is a political struggle.

The generational experience of the baby boomers has taught us that home ownership is a conservatizing force. Home ownership is a dream of an atomized society; it longs for the hellscape of the suburbs. I think that the Left alternative to home ownership is attempting to imagine truly human communities. Red Vienna was such a model in early 20th century Austria. Vienna was a stronghold of the Marxist Social Democratic party, which won control over the city council after the First World War. They used their position to completely transform the abysmal slums of the city into neighbourhoods where workers could live with dignity. Despite their faults, they understood the crisis of housing to be the byproduct of a class war. As soon as the Social Democrats took office, they begin policies of redistribution—but unlike the COVID-19 wealth transfers, their policies moved wealth from the top down. Redistributive policies were carried out through four main measures. First, they implemented progressive tax reforms that replaced indirect rent and consumer taxes with direct property and luxury taxes. Second, communal housing was introduced on public land. The last two measures focused on public service: the government created a broad welfare and healthcare system, and implemented public transportation. These transformations were so popular that even when the National Socialists took over Austria, they could not find the public support to dismantle the welfare infrastructure of Red Vienna.[34]

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[34] Reinhard Sieder. "Housing Policy, Social Welfare, and Family Life in 'Red Vienna', 1919-34." *Oral History* 13, no. 2 (1985): 35-48.

The struggle appropriate to gaining housing with dignity has been summed up in the slogan: 'the right to the city!'[35] Home ownership cannot be the horizon of a political struggle, because it is based on the very logic which created the problems that we are trying to overcome. Home ownership is also no guarantee that we will live a life of freedom and dignity. The ancient man perceived indebtedness as a form of slavery. Mortgages were seen as such a trap by critics of capitalism such as Engels. If we desire to live with dignity, we must imagine a life with dignity for all. The philosopher Henni Lefebvre articulated the right to the city as a program of experimental utopia. But this is not the utopia of top-down social planning or high ideals. To think utopia as an experiment is to approach our future project with a view of how it impacts the lives of working people. The guiding light of our utopia is flourishing and happiness. We do not live in just a house or an apartment. We live in the urban. Right now, we live in an inhuman human community. But Lefebvre believes we can create a new humanism, distinct from that old Enlightenment humanism. In the new human society, use-value is more privileged than exchange value.

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[35] Henri Lefebvre, "Chapter 14: Right to the City", in *Writings on Cities* (Wiley-Blackwell, 1996).