CORE POINTS FACILITATING REVIEW OF *Channeled Regulation*

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Channeled Regulation ("CR") is a theory about how to create affordable housing. Bernhard Christian Helgason, legally aka bernmeister, is sole author and copyright holder. The work is available as a 27 page primer which updates on earlier writings introducing CR.

The purpose of this document is to help a reviewer assess, then confirm, that this new CR blueprint checks out because a sufficient number of proverbial dots properly connect. It is not intended to replace the more detailed primer, just help a reviewer to focus on some core essentials that a reader may wish to highlight.

Let's begin with fundamental economic theory

1. "There is a socio-politico-economic equation, and what is done in one component usually impacts either or both of the others."

This would appear to be prima facie.
Author: Helgason. I am unaware of anyone else having presented this statement, and absent any indication to the contrary, I claim authorship and coin this phrase.

2. "Economic laws are subservient to the conditions that create and maintain them."

This would appear to be prima facie.
Author: Helgason. I am unaware of anyone else having presented this statement, and absent any indication to the contrary, I claim authorship and coin this phrase.

3. "Any time someone pays too much or too little for something, an economic disutility is created."

This would appear to be prima facie.
Author: Helgason. I am unaware of anyone else having presented this statement, and absent any indication to the contrary, I claim authorship and coin this phrase.

Discussion.
Ok, now that we have dug a bit into underlying fundamentals, how does that specifically connect to housing?

4. To answer that question, another must be asked/answered. What is the function of housing?

The answer is **to provide shelter**.

There are other aspects of housing, but they are incidental, and not core, to this primary function, which is the only and exclusive true function.

You can have cosmetic aspects. But the decision by an isolated person or group to, e.g., *choose* to have an Italian marble tub (as opposed to a generic tub) is an obvious example; any and all such other purely cosmetic aspects must be recognized as such and not considered core to the equation for all tenants.
CR discussed how it may be possible for isolated user tenants to come to such arrangements [which are singular and exclusive] with an owner and not threaten to ruin the structure CR offers.

Another aspect is location.
Location should not be brought into the CR core which is a structure working for the benefit of all user consumer tenants, and owners.
If the government [state, regional, or local] decides it wishes to recognize different values based on some locations being more desirable than others, and it wishes to effectively tax the more desirable ones or rebate some relief to the less desirable ones, that is a separate question and a separate policy issue.
CR has a component called ‘other’ and so if necessary because government desires it, any such modification can be made in the ‘other’ channel.
However, all are best served by first considering to what extent CR works and delivers on the essentials of affordable housing. Side aspects superfluous to these basics need be examined and considered separately, if at all.

Diving a little deeper...

5. What that means is if the bottom line is shelter, then success re: affordability recognizes either you have the same amount of shelter for lower price [but NOT an artificial price that comes back to bite you later] or you have a greater quantity of shelter for the same price.

Nothing in the status quo ‘goes there’, as the kids say, and currently forces actually work against affordability (see immediately below).

<u>Exploring present housing economic theory in advance of contrast/compare with CR</u>

6. Does anything status quo [as and for an approach to housing] actually work?

No, short answer, clearly and definitely no. CR is the first and ONLY theory that works.

Discussion.

What about regulated housing?

7. This is the imperfect least worst status quo option because it helps vs inflated housing costs which in turn are catalyst to inflating other sectors of the larger economy. However, the inherently negative unique buyer-seller dynamic of housing is not overcome in regulated status quo housing [or anywhere else] with the strategic innovation found only in CR. While this is better than blindly throwing money at a problem to the extent it is targeted, it does not solve structural fundamentals.

What about non-regulated or ‘market’ housing?

8. Critics of status quo regulated housing are accurate to point out it has flaws, but such

condemnation is unjustified to the extent such appraisal is in a vacuum, and the alternative, being MORE flawed, does not merit blind acceptance.

Why is non-regulated housing more flawed?

9. Generally speaking, capitalism is the imperfect best of existing options, because it enables competition and its benefits [typically better quality, reduced costs], which are not readily evident [at least to same degree] in other systems.

A) However, except to the most basic, rudimentary degree, the buyer seller relationship in housing [landlord -tenant] is not the same for capitalism generally.

Why?

B) Because in real capitalism, a buyer and a seller are equally free, as in at liberty, to be as reasonable or unreasonable as they wish. *This is a free market.*

C) Then when both are tired of being at extreme ends not conducive to business, many will come towards the center. *That range is considered the fair market.*

D) However, in all these cases, the buyer and seller have to be equally empowered to accept or reject offers. That is not the case with housing.

Why?

D) Because end of the day, the there are only 3 things one needs to survive for which there is no workaround: breathable air, clean water, and a roof over your head. There are obviously other needs also, but for them substitution equals competition at a level that suffices as to a product meeting a need. So for example, food; if wheat is too high there is rice, etc.,; but the 3 stated cannot accept substitute.

So at the end of the day, the tenant, with need to shelter both himself and his family, has no option but to capitulate to an unjust 'market' (which again given the above is not a true market) which landlords dominate and manipulate to maximize profit.

This includes but is not limited to intentionally warehousing or otherwise declining to rent apartments. Such reduces the available supply, artificially driving up prices further.

Among other problems, this is why a laissez faire approach, which is usually not good in general for the overall economy, is an epic fail as to housing.

And CR resolves this?
Yes. CR creates a new basis to put legit actual market forces into the equation. Tenants can then be recognized as user-consumers, and protected, while being fair to owners.

Channeled Regulation: how does it work to achieve that?

10. The first way is directly by ***structure***.
Instead of a tenant paying a landlord rent which is utilized as the owner sees fit, the tenant instead recieves an itemized invoice. Each item may be viewed as a channel, and an owner, or administrator, agent, etc. on behalf of the owner, MUST be deployed as directed, with

payments being made to each allocated channel, or function.

11. One of the channels of CR is pure profit, which is what an owner is compensated for equity/title in the real property that is or houses the (apartment) unit. With this as a virtually guaranteed payment*, the owner is then required, like it or not, to work in the interests of the user consumer tenants. This leads to tenants being able to take initiative, at their own expense, to take action which lowers the cost of their tenancy.

{* The payment is guaranteed to the extent the unit is made available. In the case of a natural disaster, which can be interrupt the ability of a unit to be habitable and available, there is the possibility of insurance which may be considered.}

12. CR then succeeds with the follow through as to <u>*how that structure is employed*</u>.
There are a number of things applicable, but only one will be emphasized here. There is something called the private production royalty.

13. The private production royalty basically says the user consumer tenants should pay and reimburse for the cost of building the units, whether that is to an owner, or a bank, or any other entity.

A) This is done over a period of years, which payback period may be expanded or contracted by government based on the strength/weakness of a local/regional economy.

B) All such payments may be viewed as repayment of a loan (principle) , plus interest.
The interest is always in current interest rates.
The principal is adjusted to the time value of money. Therefore, whether it is more or fewer dollars needed to repay the principle at any given time, whoever the lender was is assured not to be shortchanged.

14. But that is not the best part.
The best part kicks in as it is recognized it is usurious if otherwise not unfair to charge user consumer tenants ad infinitum payments once the principle fully satisfies the loan. Therefore, once a building is fully paid for, while other things such as maintenance, MCIs, other operations etc., may still be ongoing, once the cost of errecting the building is fully paid off, those tenants [and any other successor tenants] at that location do not pay any further such payments.
They do make other lesser payments to chip in to help accelerate availability of capital which further helps tenants as user consumers.
But the onerous burden of paying ad infinitum is eliminated!

CONCLUSION: If as appears CR checks out, it will make much of housing costs correspond to money and other forces which are competitive. This will reduce the costs of living and doing business, helping with savings, investment – the whole enchilada.

There's a lot more to CR, including identifying all its channels and pondering the full scope of their application. However, for that extra detail, refer to the primer. This document is only to highlight some of the more essential core points.

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