

# **Housing Affordability** – paper by Michael Ord, Secretary Qld Branch Australian Family Association, Brisbane Branch President Lone Fathers Association, BEng (Hons) Civil

## **Introduction**

An Australian Senate Select Committee released on the 18 June 2008 the report “A good house is hard to find - Housing affordability in Australia.”

This paper considers the findings of the report and explores further some of the main issues underlying housing affordability in Australia and makes some suggestions on how housing affordability issues should be considered going forward.

The Senate Select Committee report is structured on what is considered to be key aspects related to housing affordability including:

- social aspects of home ownership
- measures of affordability
- factors influencing demand for housing
- the challenge of housing supply
- housing diversity
- impact of state and local government charges
- specific issues in particular areas
- current and proposed schemes to increase home ownership
- measures to increase affordable rental housing
- long term responses.

## **Key findings – A good house is hard to find**

Some of the key assertions made in the report include:

1. In a wealthy country like Australia, no citizens should be forced into homelessness. A reasonable standard of housing should be achievable for all.
2. The majority of Australians aspire to home ownership. It should be an aspiration that through prudent management of household finances they are able to realise. Currently there is a significant problem with housing affordability.
3. There is consistent evidence that housing in Australia has become less affordable in recent years and the number of households experiencing mortgage stress has increased.
4. Home ownership tends to have significant social benefits including stronger incentives for civic involvement, less frequent relocation minimising disruption to social networks and children’s education. Home ownership also enhances self esteem, in turn reducing the incidence of socially disruptive behaviour and promoting physical wellbeing. Many of these benefits can also be provided by affordable, high quality rental housing but rental housing does not have the same security of tenure.
5. Some submissions to the committee considered that housing had in recent years become a ‘speculative industry’ which had contributed to rising house prices in Australia and resulting housing stress.
6. The speculative demand for housing may be encouraged by some aspects of the taxation system which has driven up housing prices which is in favour of current homeowners but not in favour of home ownership. Rising housing prices makes it that much harder to attain the state of being a home owner, but makes the benefits of home ownership even greater if you manage to make it.

7. The way to improve housing affordability is not to build cheap houses on the outskirts of cities away from employment, services and public transport links.
8. Most of the current problem in housing affordability is structural rather than cyclical. It has been building over a period of time. Resolving it is likely to take a long time, especially if policymakers are unwilling to take steps that involve large falls in house prices.
9. The longer term outlook is worthy of ongoing analysis. The government's inquiry National Housing Strategy 1991 was prescient in identifying the groups now most likely to be struggling.
10. The government currently produces an Inter-Generational Report, which looks at the impact over coming decades on the fiscal balance of factors such as the ageing population. Given the concerns expressed by some witnesses about the current tax system which is regarded as favouring those who have housing and seek to invest in property over those who do not, it is important to consider the issue of inter-generational equity. A longer-term analysis of housing affordability could be either incorporated in the next of these reports or produced as a separate document.
11. Housing affordability in Australia over the longer term will be influenced by two important issues. The first is the need for regional development and the second is sustainability of future housing.

## **Housing affordability – examining at a deeper level and looking forward**

### **Introduction**

The following analysis of housing affordability – examining at a deeper and looking forward will draw mainly on the insights and wisdom from the book ‘Nature of Society’ by Leon Maclaren.

Maclaren identifies that the challenge of our time (which of course applies to any time in humanity) is to find the way of truth in the government of our relations with one another, or we must succumb to the results of our own ignorance. This challenge applies for example to international relations and of course to internal issues in Australia like housing affordability, parenting our children and maintaining a sound society for future generations.

In a wealthy country like Australia most would agree that all Australians are entitled to suitable housing. Clearly there is a housing affordability crisis in Australia and unless we can generally come to understand how properly to govern our social relations to achieve suitable housing outcomes for all in Australia, this crisis will continue.

In the study of social relations Maclaren identifies that it is essential to find and measure the natural laws at work in society for they are above our control and govern our every activity. An understanding of these laws must reveal the realities of the situation and show the constant factors in social life. Once ascertained, this knowledge will make easy the further understanding of how to shape our society so that natural forces may operate to the greatest good. This approach should be applied to the housing affordability crisis in Australia.

### **Housing affordability – related natural laws?**

So what are the natural laws at work in society that are related to housing affordability? These natural laws will be considered by reviewing aspects including human relations and natural law of property, economic factors and the enclosure of land.

### **Human relations and natural law of property**

In every well-ordered community the relations between humans rest upon recognised rights and duties. Progress in society depends upon the proper ordering of ideas. If they are wrong, difficulties must result; if right harmony must ensue. These statements of course are relevant to enquiring into housing affordability. What is meant by fundamental rights and duties and how is it related to the housing affordability issue?

Every right implies a corresponding duty. Thus, if one has a right to a house, all others have a duty to respect that right. Without the duty, no right could exist. Indeed, people's rights are best secured by enforcing their duties.

For example, to say that each person has a right to come and go on our highways would be idle indeed were not everyone under a duty not to interfere with its use by others. The enforcement of the duty effectively secures the right.

Every human has rights and duties firstly as an individual in his own right and secondly, as a member of the community. All these rights and all these duties rest on the simple principle that every human has an equal right to live.

As an individual a human has a personal right of access to land, a right to say that particular piece of land is their exclusive possession. Immediately, however, there is an obligation to all others not to exercise this right as to limit the rights of others. This is the basis of private property and the foundation of individual rights.

Humans cannot enjoy their rights, unless they fulfil their duties. It is of major importance, therefore, to consider the basic economic duties which one human owes to another, what flows from their denial and how can they be enforced. This leads to us consider the basic economic duties in relation to housing affordability.

### **Understanding some economic factors**

Every community which has ever existed has been based on land and been directed by human desire. Land means all natural resources. Human desires are the beginning and their resolution the object of all human activity.

Without land there would be no human existence. But the earth and all its riches will not maintain human beings unless they work. Human and individual contributions to life (i.e. work) can be called "labour." It is by the application of human energy to the natural resources of the world under the direction of human desire, by labour applied to land in order to gratify human desires that humans live. Land, human desires and labour are the three primary factors in human life. On them all else depends.

The great family of human products can be called "wealth" and may be defined as land modified by labour so as to fit it for gratification of human desire.

### **Enclosed land**

The colonisation of land and the development of communities typically begin from a basis where the best land is available for free. However, as communities grow and develop the land becomes enclosed. In Australia, despite our enormous land mass our major cities, highly desirable coastal strips and booming mine towns have all become enclosed.

Australia's early settlements have grown rapidly into great cities, our population has increased bringing with it all the advantages of the division of labour, as scientific methods were introduced and powers of production leapt up, but at the same time wages have been held down; some men grew very rich, but a significant majority have been left with a day to day existence.

As step by step our communities grew, the advantage from operating from a central site became greater and the rents which could be obtained from the favoured pieces of land increased accordingly. The original owners made fortunes overnight from the mere ownership of land. These circumstances are of course relevant and obvious in the housing affordability issues of our current times.

The enclosing of land has many consequences:

- Where land is enclosed it is a melancholy historical fact that in each succeeding civilisation a point has been reached at which a number of men retire from active toil in the production of wealth to live upon their rent.

- Where land is all enclosed by a minority of members of the community, wages will be determined by the least a man of equal ability will take for the work.
- In short where land is enclosed - rent will be determined by the difference between the amount of wealth produced on the land in question and the least which labourers will accept in wages.
- Where land is all enclosed, not merely will wages tend to the least which labourers are willing to accept, but the control of surplus wealth over and above wages will tend to fall into few hands in the form of rent.
- Where land is all enclosed, the result must be that the price demanded for land will increase rapidly.
- Where land is all enclosed, the resulting distribution of wealth is very bad.

## Conclusion

What can be concluded from reflecting on some of the key findings in the Senate Committee report and the assessment of the nature of our society in relation to housing affordability?

It is clear from the Senate Committee report that home ownership is important and that Australian housing has become less affordable. Some submissions to the Committee considered housing has become a 'speculative industry' which favours current owners but not those seeking home ownership and that speculative demand for housing may be encouraged by some aspects of the taxation system. The most significant conclusion is that most of the current problem in housing affordability is considered to be structural rather than cyclical.

The assessment of housing affordability drawing on the insights of Leon Maclaren in his book 'Nature of Society' highlights perhaps that the Senate Committee investigation has not properly investigated or comprehended the natural laws at work in relation to housing and property and therefore housing affordability. The investigation does not appear to have comprehended the significance of enclosed land and related consequences which allows some to grow rich but with a significant majority being left with a day to day existence.

Looking forward to address the housing affordability issue it is asserted that the key connection between Maclaren's insights and the snippets of underlying significance to be interpreted from the Senate Committee report are respectively:

- In every well ordered community the relations between humans rest upon recognised rights and duties. Progress in society depends upon the proper ordering of ideas. If they are wrong difficulties must result; if right harmony must ensure.
- Most of the current problem in housing affordability is structural.
- Some aspects of the taxation system are causing speculative demand.

These conclusions lead to the recommendation that housing affordability can only be properly resolved by changing the structure of housing and property in our society. A review of the taxation system and the changing of taxation aspects creating speculative demand is probably one of the structural changes required.

The housing slump and financial crisis currently being played out in the United States surely highlights the importance of proper ordering of arrangements for housing, otherwise difficulties will result. Australia Governments should take heed from the events in the United States and implement the necessary steps to address housing affordability in Australia.