

Out and About

By Geoff Forster

Australian Council for Social Service released its *Poverty in Australia Report 2014*, observing poverty is increasing in Australia, one in seven live below the poverty line and 600,000 Australian children or 17.7 per cent of all children live in poverty. Women, single parents, people with disabilities, and Aboriginal and Torres Strait islanders are significantly more likely to live in poverty. All this, despite Australia being one of the richest countries in the world. The full report is at: <http://www.acoss.org.au/policy/poverty/>

A recent opinion poll revealed only 22 per cent of respondents under 30 considered themselves better off than their parents. And the Grattan Institute has found evidence to support the fear that today's young Australians may well have lower living standards than their parents at a similar age. According to *The Wealth of Generations*, an increasing proportion of those born after 1970 will never get on the property ladder. If increasing education debts are not already disqualifying younger households from taking out mortgages, it likely won't be long before they do. Between 1995 and 2012, house prices increased an average 4.3 per cent a year faster than inflation and accelerated away from full-time wages. Rates of home ownership have fallen over the past two decades for all but the oldest households. Grattan report: <http://grattan.edu.au/wp-content/uploads/2014/12/820-wealth-of-generations.pdf>

Abundant confirmation of Georgist warnings that poverty inevitably accompanies progress as long as the decisive role of a land tenure and land price is neglected. Unfortunately our politicians and social commentators almost invariably do just that.

Joseph Stiglitz, a Nobel laureate in economics and Georgist sympathizer, showed how the divide between US rich and poor is widening. He quotes one study showing median household income, adjusted for inflation, remains below its level of a quarter of a century ago. A majority has seen their income stagnate while incomes at the top have soared.

He quotes a second study ranking countries by their Human Development Index, which looks at wellbeing beyond income, including health and education. America ranks fifth, below Norway, Australia, Switzerland and the Netherlands. But when the score is adjusted for inequality, it drops 23 places – indeed below Greece and Slovakia. In the US, median wealth fell more than 40 per cent from 2007 to 2013. Millions of Americans have lost their homes; millions more face the insecurity of knowing they may lose theirs soon.

Joseph Stiglitz: www.smh.com.au/business/g20/divide-between-rich-and-poor-a-widening-chasm-in-us-20141014-115wlk.html

Dramatic evidence in Henry George's native land of the failure to heed his warnings about poverty with progress and ignore his remedy for the inevitable social ills.

Peter Martin in *The Age* advocates doubling capital gains tax to take the wind out of the investor market. He mentioned that after house prices bottomed in 2011, the typical price has climbed a frightening \$100,000. In the past year the amount borrowed by investors to buy property has climbed at almost twice the rate of the amount borrowed by owner occupiers. Investors now account for \$1 in every \$3 borrowed to buy property. House prices, he says, have run way ahead of household income in recent years.

Peter Martin: www.smh.com.au/federal-politics/political-opinion/want-lower-interest-rates-attack-negative-gearing-20141208-12221c.html

Strikingly, nowhere is the distinction made between the price of the dwelling and of the land underneath. Until this occurs, these problems will persist.

A recent report on divorce trends in Victoria revealed Melbournians living in the suburbs or on the fringe are more likely to get divorced than those living in inner-city locations. Among the factors mentioned were mortgages. Long hours away from home travelling to and from work were also mentioned. A leading lawyer was quoted as saying that the reasons why people divorced had not changed much during his three decades of experience.

A major underlying factor is of course the high price of land. This often means both parents must work and pay substantial fees for child care. This might suit some couples, but often does not. Undoubtedly a proper system of land tenure would make us all happier - and lower the divorce rate.

A recent report entitled "Pollies Love their Properties" Victoria's State MPs own, on average, 1.8 properties each, with an average value of about \$1.46 million. Their federal colleagues, on average, own 2.5 properties each, or an estimated \$300 million worth of land holdings. One National MP owns a 50-strong investment portfolio, and a well-known portly billionaire has 112 titles. One prominent Liberal has, as well as his family home, six other Melbourne properties. A leading Labor spokesman has interests in three apartments and two other dwellings. And the politician most notable for telling us that the age of entitlement is over has a very impressive array of properties. (Incidentally the most recent census shows that 5.7 million Australians own their own homes.)

The report: www.theage.com.au/business/australian-pollies-love-their-properties-and-islands-and-rentals-20140905-10cz1g.html

With so many politicians on both sides so heavily involved in "property" investment, it is hardly surprising that land value revenue receives little attention.

Economic pioneer Adam Smith said:

"Ground rents are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Ground rents are, therefore, perhaps, a species of revenue which can best bear to have a peculiar tax imposed upon them. As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they have never sowed."

Canons of taxation: Taxation should (1) bear as lightly as possible on industry; (2) bear equally on all; (3) be easy to assess and collect; (4) be paid by the person on whom it is levied; (5) be certain in amount.

No doubt he would be utterly appalled and regard most current procedures as degenerate.

In a recent article Dr Tim Thornton of Swinburne University revealed why there is widespread dissatisfaction with mainstream economics. In particular, there has been widespread criticism of the discipline's failure to anticipate the global financial crisis. Also, 48 associations of economics students from 21 countries formed the International Student Initiative for Pluralism in Economics and called for deep reforms in the way that economics is taught. There are three main reasons for the dissatisfaction.

Firstly, there is inadequate study of economic history or the history of economic thought. Secondly, contemporary economics students rarely encounter any other schools of thought that compete with the neoclassical school. Thirdly, the curriculum usually fails to incorporate crucial insights obtainable from other disciplines such as politics, sociology, philosophy and history.

A crucial factor is that neoclassical economists hold the institutional power in traditional centres of economics teaching. Intellectual suppression is all too common.

The major blunder of neoclassical economics was to conflate land and capital. This means a basic and structural cause of poverty was obscured. Another flaw has been to ignore some very basic principles of taxation, and to overlook the overwhelming case, on both rational and ethical grounds, for revenue from site values. No wonder contemporary economics is described as the dismal science.

Recent university graduates are more likely to be out of full-time work than ever before and starting salaries have stagnated, recent figures reveal. Thirty-two per cent of university graduates who wanted a full-time job had not found one four months after completing a degree in 2013 – up from 29 per cent the previous year and topping the previous record of 29 per cent in 1992.

Another damning indictment of Federal and State governments – in particular, their revenue raising methods.