

# Progress

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**OUR PHILOSOPHY**

**We believe** that the Earth is the birthright of ALL MANKIND.

**We recognise** that for most purposes it is essential for individuals to have exclusive possession and security of tenure of land.

**We believe** that those who have exclusive possession of land should COMPENSATE SOCIETY for being excluded therefrom.

**We believe** that such compensation paid annually would meet the costs of Government and permit Society to abolish all taxes on LABOUR and on goods produced by labour.

## SOME VITAL ECONOMIC INFORMATION

(The following is taken from some recent material issued by Dr. Les Hemingway)

### Hypocrisy and Muddle-Headedness

Most professional bodies (for instance) behave like the Australian Medical Association, which is constantly:

- (a) helping its members to "make money" from real estate, by providing them with investment advice, and;
- (b) petitioning governments to provide health care for families — who would have ample funds for such purposes, if they were not forced to spend huge sums on housing by the very practices the AMA recommends!

The same hypocrisy or muddle-headedness is shown by businessmen who invest their spare cash in real estate, then wonder why there is a shortage of willing customers with cash in hand, and by persons who squeeze the last dollar out of anyone who buys property from them, but wonder why their children are financially crippled by housing costs!

### Horrific Housing Costs!

In Australia in 1988:

- 1,657,100 home buyers spent an average of \$126 per week on housing — a weekly total of \$208,794,600,
- 1,188,500 tenants paid an average of \$88 per week as rent to private landlords — a weekly total of \$104,588,000,
- 628,500 government tenants and "other renters" paid an average of \$46 per week as rent — a total of \$28,911,000.

Therefore, Australians expended over \$342 million *per week* on housing in

1988. (*Australian Year Book 1990, page 581.*)

### Lower Land Prices = Reduced Housing Costs

A modest fall in land prices could cut that sum in half.

This is shown by comparing a housing loan of \$80,000, bearing interest at 12 per cent per annum and repaid at \$815 per month, with smaller loans which bear the same rate of interest and are repaid in an identical way.

#### COST AND DURATION OF LOANS FROM \$80,000 TO \$60,000

Interest Rate 12% per annum  
Monthly Payment \$815

| Principal | No. of Payments | Interest Paid |
|-----------|-----------------|---------------|
| \$80,000  | 402             | \$247,230     |
| \$79,000  | 333             | \$193,620     |
| \$70,000  | 194             | \$88,376      |
| \$60,000  | 133             | \$48,425      |

Similar figures could be produced for loans of all sizes, over a wide range of interest rates. They show that relatively small amounts — lifted from the top of housing loans — could vanquish huge amounts of interest, while if one-quarter of an average housing loan was made to vanish, most of the interest would disappear as well.

Such savings could be achieved quite easily, by cutting back on income tax, sales tax, etcetera, and taking site rent as revenue instead.

In fact, if all site rent was collected as revenue, then the price of land would disappear — taking from twenty to fifty per cent of incoming mortgages with it. We can see why, by looking at site rent

and the way in which it is often "capitalized".

### Site Rent

All land that is desired by two or more people has a *rental value*, which is the highest sum any potential tenant would offer in return for the use of the land.

The rent paid by such a tenant is *site rent* — which can usually be distinguished from rent paid for the use of buildings, machinery, farm animals, etcetera.

Site rent is obvious when land is owned by some persons and let to others, as tenants pay rent to landlords month by month and year by year, and the payments are universally described as rent.

However, site rent is also present when land is bought outright, and in practice land purchase is really the purchase of rent.

That is plain enough when tenanted sites are bought as an investment. In that event, purchasers buy a rental income which, hopefully, will cover their outlays and provide a profit eventually.

Strange to relate, persons who buy

### INSIDE:

- GST would hurt families
  - Site Revenue and Ecology
  - Dates for your Diaries
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land for their own use are also buying a rental income. However, while landlords collect their rent from tenants, owner-occupiers receive site rent as part of any income gained on or from the site on which they live or work.

#### Virtually Every Income Includes Site Rent

In actual fact, virtually everyone who receives income receives site rent as part of that income. So the only real difference between tenants and owner-occupiers is that tenants pass the site rent to landlords, while owner-occupiers retain it for themselves.

#### APPENDIX

The claims made in this leaflet gain support from the following figures, which are drawn from various Australian Year Books and other official publications, from the Valuer-General's statistics relating to property sales in Victoria, and from guides issued by the Taxation Office. A full list of references is available on request.

Table 1 lists changes in the Consumer Price Index, in average weekly earnings for employed male workers, in productivity as measured by Gross Domestic Product per capita, and in overall taxation per capita – in Australia for the years 1977-1978 to 1987-88.

**Table 1  
CHANGES IN CPI, EARNINGS, PRODUCTIVITY  
AND TAXATION PER CAPITA  
AUSTRALIA, 1977-78 to 1987-88**

| Subject               | 1977-78  | 1987-88  | Increase |
|-----------------------|----------|----------|----------|
| Consumer Price Index  | 76.7     | 174.5    | 128%     |
| Average Male Earnings | \$209.50 | \$516.30 | 146%     |
| GDP/Capita            | \$6,584  | \$17,840 | 171%     |
| Taxation/Capita       | \$1,887  | \$5,661  | 200%     |

Table 2 gives percentage increases in the price of various classes of land in Victoria, for the same ten year period.

**Table 2  
PERCENTAGE INCREASES IN THE PRICE OF  
VARIOUS CLASSES OF LAND IN  
VICTORIA 1978-1988**

| Class of Land           | Increase 1978-1988 |
|-------------------------|--------------------|
| Cereal Land             | 112%               |
| Melbourne Home Sites    | 171%               |
| Industrial Land         | 175%               |
| Sheep Land              | 178%               |
| Ex-Melbourne Home Sites | 183%               |
| Dairy Land              | 217%               |
| Cattle Land             | 260%               |
| Commercial Land         | 450%               |

Table 2 shows –

- (a) with the exception of cereal land, the price of all land rose more rapidly than either average weekly earnings or the Consumer Price Index, during the “boom” that preceded and produced the current recession or “bust”.
- (b) commercial land (much sought after

by investors, including many from overseas) increased in price by a massive 450% – more than three times the rate at which the CPI increased, and:

- (c) taxation per capita rose more rapidly than either prices, earnings or productivity, and even outstripped many of the land price increases, as governments strove (vainly!) to overcome the ill-effects of soaring land prices – by lifting taxation and redistributing increasing quantities of wealth.

#### Melbourne Home Sites

The net effect of today's taxation and land prices is shown in Table 3. This compares the average cost of a Melbourne home site with after-tax earnings for employed males, at five year intervals from 1968 to 1988.

Table 3 shows that *sixteen months* of average after-tax earnings would cover the cost of a home site in 1968, but in 1988 that figure had “blown out” to *twenty eight months* – adding a whole year's after-tax income to the average cost of a home site in the Melbourne area.

**Table 3  
AVERAGE EARNINGS (AUSTRALIA) AND  
HOME SITE PRICES (MELBOURNE)**

| Year | Earnings | Tax     | After-Tax<br>Income | Home Site |
|------|----------|---------|---------------------|-----------|
| 1968 | \$3,406  | \$581   | \$2,825             | \$3,659   |
| 1973 | \$5,278  | \$1,010 | \$4,268             | \$6,925   |
| 1978 | \$10,894 | \$2,388 | \$8,506             | \$14,500  |
| 1983 | \$19,438 | \$4,663 | \$14,755            | \$17,674  |
| 1988 | \$27,165 | \$7,206 | \$19,959            | \$46,050  |

For anyone with eyes to see, Table 3 shows clearly why:

- (a) one wage was generally sufficient to pay out a housing loan in the 1960s, whereas two wages are barely adequate today,
- (b) there is a housing shortage, with many Australian families lacking basic housing, while others live in sub-standard dwelling and/or pay exorbitant rents,
- (c) there is a recession, with lack of work in the building trade, in all allied trades, and in many other sectors of the economy, and:
- (d) it is a pipe dream of the first magnitude to expect any “building-led recovery” from the recession, while land prices are allowed to run amok.