

Institutionalised Poverty



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A DISPUTE erupted in mid January 2002 in Australia between Peter Saunders, Director of the Centre for Independent Studies, (CIS), a right-of-centre think tank, and Professor Ann Harding, Director of the National Centre for Social and Economic Modelling (NATSEM), on the extent of poverty in Australia.

In an article in The Australian (16 January), writer Vanessa Walker reported that according to the CIS, the Smith Family (a charity organisation) – for whom NATSEM's "poverty" report was prepared – deliberately adopted a method of calculating poverty to fit their own agenda. The CIS report claimed that only 8% of the population, not 13% as calculated by NATSEM, lived in poverty.

Peter Saunders suggested that the poorest families in Australia became better off – not worse off – and that the income of poor families had risen by \$38 per week during the nineties.

The Smith Family stood by their report of November 2001, which showed poverty had increased over the period. The charity said its approach, in contrast to the CIS method, encompassed the concept of social participation.

The nub of the dispute lies in the interpretation of what each "camp" considers the "poverty line". The Smith Family used a poverty line based on half the average Australian income. This method draws the poverty line at \$416 net per week for a single-income family with two children. This is the measure accepted by most of the "poverty industry" in Australia.

The preference of the CIS was for the half-median method, which put the poverty line at \$362.

We should remember that although we tend to assume that most of the poor are receiving around half the current median income, i.e. \$362 per week, and that such an income would not exactly leave a family destitute, the fact is that that is the top income for poorer households, and that the poorest 20% of those classified as in poverty are receiving less than \$200 per

household per week (that's around \$10.50 per person per day to cover rent, food, clothing, transport household goods and recreational activities).

I'm sure the poor, who have been the subject of more such costly and

fruitless enquiries and studies than any other group in society, would be desperate to know exactly what percentage of the overall population they represent. Would they feel better if poverty afflicted 13% of the population, as NATSEM claims, or only 8% as the CIS would have it? At least, the contemplation of this issue might allow them to take their minds off such trivialities as: how they are going to scratch up the rent this week, or whether they can ever afford to replace the two bald tires on their defected old bomb; or whether to pay the gas bill this week or the electricity bill or any other of the innumerable and inevitable debts incurred in the course of trying to make ends meet.

WHO NEEDS definitions and benchmarks?
If, despite your best endeavours, you cannot afford to live in a manner which most

Note: At the time of writing (Feb 2002), exchange rates to US and UK currencies were approximately: \$A1.00 = \$US 0.50 = £0.35

of your fellow Australians consider a minimum standard of comfort and security for yourself and your children, you are poor.

The real question we should be debating above all others is this. How, in an affluent society, with ever-increasing productivity and wealth, can involuntary poverty still exist at all? The major clue lies in the extreme maldistribution of assets; chief among them being land and natural resources. In a country of ample resources to keep all 19 million of us in comfortable sufficiency, poverty has no place.

If the poor could only feed, clothe and shelter themselves with the mountains of statistics which have been collected on their unwitting behalf they would no longer be poor. All the public and private aid agencies both here and abroad can continue to run around in circles amassing statistics, agonising over definitions and parameters and analyses and the rest, but until they are honest enough to look at and acknowledge the fact that the very system which funds them, and upon which the continued luxurious existence of their great bureaucracies depend, is the real cause of the poverty they attempt to "alleviate", then they might just as well whistle in the wind, and leave the poor alone.

The richest 11% of Australians own 50% of the wealth, predominantly in land and resources; the next 40% own 45% of the wealth, mainly represented by their homes whether owned outright or mortgaged. The next 19% share a magnificent 5%, while the poorest 30 % of the population – that's almost 6 million people – have no assets at all, apart from consumer durables.

This last group – representing 5.4 million people – has no secure tenure on the soil of Australia at all. In order to gain access all non-owners must pay the price demanded, with the bulk of this ransom ending up as unearned income in the pockets of the wealthiest 11% of the population.

Poverty only arises when access to productive assets is severely restricted or denied altogether. Without such access, production is virtually impossible, and opportunities to gain access will continue to

wax and wane at the whim of Governments, blind to reality.

One can only guess that the real cause of this selective blindness is a morbid fear that, by acknowledging the real and very visible cause of poverty, they would be forced to abandon the central canon of fundamentalist neo-classical economic rationalism, which is that land and natural resources can justly be monopolised by the few and withheld from all the others. The right to life itself depends on the observance of this primary right of equal access. Millions of famine corpses the world over bear cold and silent witness to the institutionalised denial of this most fundamental right, in the absence of which all other human rights are nothing more than cruel and empty rhetoric.

UNEMPLOYMENT and underemployment are the immediate or proximate cause of involuntary poverty. I should highlight here the ludicrous official definition of employment. To be classified by the Australian Bureau of Statistics as employed, a person need have worked for only one hour in return for payment in cash or in kind during the reference week. This statistical trick severely distorts the official statistics. I have estimated the true unemployment/underemployment rate at present as being at least 20%; representing a potential loss to GDP of between \$150 and \$200 billion per annum, and to revenue of over \$40 billion.

Higher disposable incomes stimulate employment. Demand stimulates supply. Production does not generally occur until there is demand for the product or service being produced. If disposable incomes are insufficient to buy specific goods or services, and if this situation is widespread, then recession ensues. How can disposable incomes rise? By abandoning taxes on labour and capital – the real generators of wealth – and the insidious tax on goods and services, and replacing all these by collecting the full annual rental value (the economic rent) of land and resources whether for residential or commercial use, whether utilised or left idle. The ownership

of land or more specifically the private confiscation of the economic rent, since the supply is limited, is a virtual monopoly which of itself does not produce any wealth at all.

Recent studies by the Land Values Research Group suggest that the annual value of the economic rent of land and mineral resources alone in Australia exceeds \$145 billion. This could be collected at a fraction of the cost of current tax collection, be totally equitable and be virtually impossible to avoid; you can't shift land offshore. The only difference between such an arrangement and our current system would be that the portion of the rent which now buys access from the monopolist would go to the government in place of other taxes, and not to the private landlord.

The result? Greatly increased demand for goods and services, which would generate real, long term employment and increase real wages across the board, not just at the top. This is the only way to finally eliminate involuntary poverty; there is no other.