

WHAT AND WHO IS DRIVING POPULATION GROWTH IN AUSTRALIA?

By Sheila Newman

[Ed: You want a scoop? Well, here's a triple scoop, dipped in chocolate, sprinkled with nuts and plastered with cherries. Melbourne's own Shiela Newman has just completed an MA by research in Sociology which compares population policies in First World countries from 1945 with projections to 2050, and in this extract she lifts the lid off the yet another sordid side of our current property market.

This is just one portion of an extremely wide and thoroughly-researched piece of work, which took Shiela to France and beyond a number of times. Rest assured that, in its full academic version (too lengthy to reproduce here), sources have been rigorously researched and cited, and methodology fully explained. Shiela is open to further enquiries at smnaesp@alphalink.com.au Alternatively, contact at (03) 97835047 or PO Box 1173, Frankston Vic 3199]



views of the many Australians that support responsible population growth", the committee nevertheless has very close connections with

Business organisations are the main drivers of immigration, constantly lobbying government to enlarge the formal immigration intake. The Australian Population Institute has very close connections with property development

Many people believe that Australia takes immigrants mainly for humanitarian reasons. This is only true these days in the case of refugees. Rather, most immigration is justified on economic grounds based on the desire to create a larger local market and to stimulate inflation. Thus business organisations are the main drivers of immigration, constantly lobbying government to enlarge the formal immigration intake. If Australia's economic program were to be reduced, there would be more room for refugees. All population growth, however, must be costed. The higher our standard of living, the smaller our population must be.

The most active of the population boosting business organisations seem to be in the areas of property development and housing, such as the Housing Industry Association and the Urban Development Institute of Australia.

The Australian Population Institute (APop) is also an outspoken advocate of higher immigration. While it claims to have no political or other mission objective other than to "represent the

property development. APop president Albert Dennis, for instance, is Chairman of the Dennis Family Corporation which is reputed to be Victoria's largest private land developer, with considerable land holdings in Melbourne and Brisbane. APop's Secretary Geoffrey Underwood is Director of Underwood and Hume P/L, a group of Town Planning Consultants. And Vice President David Coomes is Managing Director of the Coomes Consulting Group which is concerned with development and engineering of major residential and industrial estates as well as roads, bridges and assorted infrastructure. In addition, APop itself admits that it began with "initial support and seed funding of the peak body, the Urban Development Institute of Australia", which is of course an association of property development organisations.

Other business organisations, the upstream and downstream industries to housing and infrastructure industries, are also involved in advocating population growth through higher immigration levels. Phil Ruthven of IBIS International lists

such downstream industries as "banks, building societies, other mortgage providers, and residential property operators." Upstream providers are manufacturers and suppliers of "every conceivable building material".

A number of names crop up regularly in the press advocating population growth via high immigration. Many are also cited by APop as among its early core supporters, described as "a group of non-political businessmen". These supporters are: Tony Berg [a member of the Business Council of Australia's population committee in the Australian]; Lindsay Cattermole [Member of the Committee for Melbourne]; Ivan Deveson [director of Crane Group Ltd and United Group Ltd, groups with very wide interests, including construction and asset management; and Chairman of the Business Skills Assessment Panel for the Immigration Department from 1992-1996, and Lord Mayor of

These changes have led to the globalisation of the property market, which means that people from all over the world compete to purchase property in Australia or to invest in developments. Housing may be purchased "off the plan". Few barriers remain.

Melbourne from 1996-1999]; Hugh Morgan, [Mining]; Richard Pratt, [Visy Industries]; John Ralph [Director of BHP Ltd., Commonwealth Bank, Pacific Dunlop, and Telstra Corporation]; Phil Ruthven, [IBIS Business Information Service]; Ron Silberberg [Housing Industry Association]; Jack Smorgon

[major property and manufacturing interests] and Malcolm Fraser.

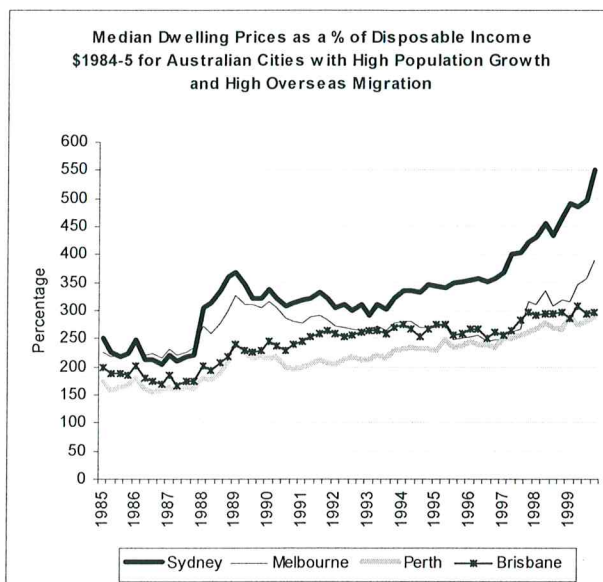
They are a relatively small circle of people, but they do get a lot of press. This may be because Australian media owners have substantial interests in real estate marketing. For instance, both the Fairfax and the Murdoch Press are owners of major on-line property dot coms which advertise Australian property to a global market.

THE RELATIONSHIP BETWEEN RISING HOUSE PRICES AND HIGH IMMIGRATION

Clearly developers, builders, and infrastructure engineers are a major force driving population growth in this country. And population growth is what is driving profits in the property development industries. Apart from statements from the Reserve Bank and property developers themselves, this can be demonstrated by comparing housing prices in high immigration cities and low immigration cities and regions. Compare the two graphs below.

Melbourne experienced high outflow of population to other states between the years 1985 and 1997, which cancelled out much of the effect of overseas immigration numbers. Sydney also had high interstate emigration but this was compensated by the very high overseas immigration. Brisbane experienced very high interstate immigration and relatively high overseas immigration, resulting in very high population growth overall.

It is possible to detect jumps in property prices where particularly high net migration has occurred. For the years 1950 and 1979 average total net overseas migration was 84,430 per annum. Between 1985 and 1989 the annual average was 137,580, the highest on record post WW2. Between 1995 and 1999 average total net immigration was almost as high, at 106,024. In cities and regions that do



not have high immigration, property inflation is much less and there is none of the ratchet effect which we can see in the high immigration cities. To the contrary, although prices rise moderately from time to time, there is

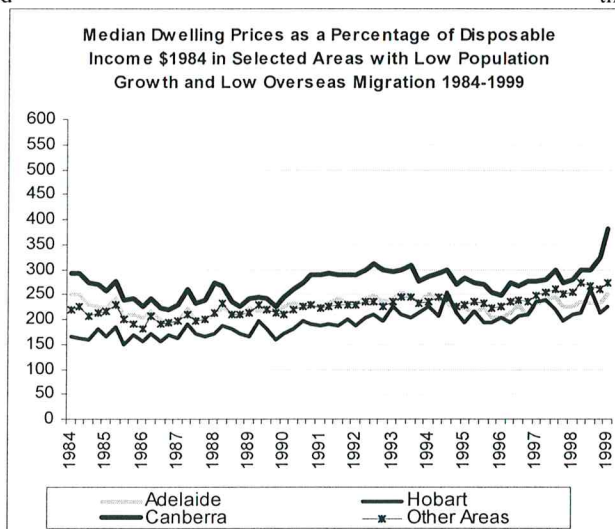


Figure 2

always a market correction. The comparison can be made internationally.

In France, where there is no positive relationship between overseas immigration and property development, there is also no such ratchet effect, even in Paris. Between 1985 and 1995, under the influence of the global property boom, massive

inflation occurred for the first time, but prices eventually returned to the place where they started. In contrast, in Sydney, Melbourne, Perth and Brisbane they have risen continuously.

The top line, indicating higher prices, is always for Paris. The second line is for other French urban centres, and the lowest line, "Province" is for Other Areas, including non-urban. The graph shows the ratio of disposable income to domestic property prices per square meter from 1979 to the year 2000. Affordability was highest in 1981. Between 1987 and 1996, however, France, mainly Paris, was affected by the same period of global property speculation that affected Australia. This was the first time France had undergone such a phenomenon. In contrast to Australia, however, the prices returned to the level preceding the speculation bubble.

Figure 3 shows that dwelling prices in France have risen and fallen quite steeply, but there appears to have been an overall stability, since 1965, when they stopped rising in real terms. Even in Paris the first big speculative bubble between 1985 and 1995 eventually came back to its starting point. This was an international bubble and was associated with the globalisation of the property market, not with population growth or growth in household formation.

GLOBALISATION OF THE PROPERTY MARKET AND ITS RELATION TO POPULATION GROWTHISM

The first graph showed that high immigration cities have higher house prices. But there is another factor influencing high prices: globalisation.

The Whitlam Government (1972-1975) was strongly opposed to foreign borrowing in exchange for equity and had the lowest rate of foreign

ownership (10%) for Australia since the second world war.

The globalisation has almost certainly caused lengthening and deepening of property market cycles; that is, it has caused higher price peaks over longer periods of time

The Fraser Government began to liberalise the Foreign Acquisitions and Takeovers Act in 1975. It has been progressively liberalised since, and to this has been added deregulation of banking. From less than 10% in 1972-75 under Whitlam, foreign investment in Australia increased to 49% of GDP in 1990-91. By 1986 *more than half* was destined for real-estate investment.

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property market cycles; that is, it has caused higher price peaks over longer periods of time. But it is high immigration that has kept those prices high - which has caused the ratchet effect familiar in Australia's high population growth cities.

In the absence of high immigration or some other form of rapid population growth, such as high fertility, even long deep cycles are eventually corrected by the market, as may be seen in a comparison with French and Parisien property cycles between 1965 and 1998.

In Australia, at the beginning of 2001, overseas purchases accounted for 30% of unusually high, often

Graphique 2 : Indice du prix des logements en unités de revenu disponible par ménage
Ratio prix des logements/revenu disponible par ménage (base 1965)

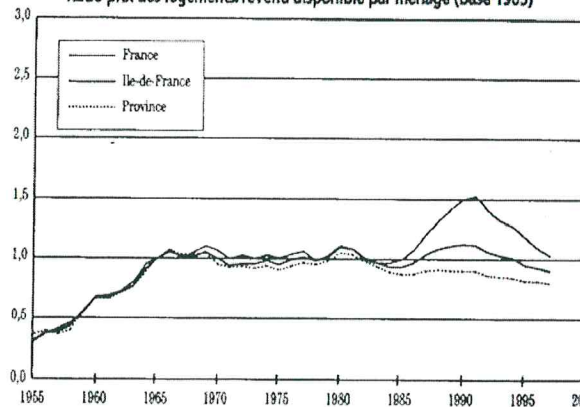


Figure 3

"extraordinary" real estate profits, mostly in the high migration cities.

There is a statistical relationship between immigration and housing production in Australia. There are also links between high prices and a combination of high immigration and foreign investment in property.

This is further evidence of why the property development and housing industries find immigration worth lobbying for in Australia.

It is used in the following way. In order to attract foreign investment there is a need to convince the potential investor that the population is growing and expanding and that so therefore is the need and the market for infrastructure and housing.

Obviously nothing like the Australian rate of expansion exists in France or Western Europe. (An exception would be the case of Germany, which, since reunification, has suffered increased competition for housing through immigration from Eastern Europe.) In First World countries it seems to be a phenomenon virtually exclusive to the English-speaking settler states.

A special system of land development planning and housing that encourages land speculation also appears to be a major reason why populations are growing fast in Canada, the US, and Australia, whereas in the European part of the First World, high immigration ceased after the 1973 oil shock, redirecting the population trajectory towards a decline to 1960s levels after 2050.

For the environmentalist who is aware of the dwindling quality of vital resources like soil and water, and to those who love the natural world, the costs of this expansion of population and infrastructure in Australia to the general community are obvious. However the speculative relationship between population growth and property development has major social as well as environmental significance.

The social consequences of land speculation in Australia are:

- Increasing homelessness
- Increasing cost of housing
- Increasing socio-economic and class division between the property rich and the property poor

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The situation is affecting the young, many of whose potential earnings are diminishing as home ownership prices and rentals increase. The option of home ownership as a hedge against poverty in old age is fast disappearing. The socio-economic division between the propertied elderly and the renting elderly is growing. A new issue is the ability to cash in on property to pay for accommodation in nursing homes. This option, of course, also reduces

the prospect of inheritance for young people.

A situation has evolved where most Australians cannot afford to live in Sydney and where only the outer suburbs of the other big immigrant receiving cities are still affordable.

A certain class of Australian residents and foreign based investors - those who own property in the high population growth cities - are often in a position to be able to profit from the fairly constant rise in city dwelling prices. For this group, dwelling price inflation provides speculative opportunities to those home owners. Note however that one third of the Australian population owned no property at all in 1996.

People who live in the cities, but who do not own land or dwellings, and people who live outside the cities, whether or not they own properties in non-growth areas, are not able to profit from this city dwelling price inflation. This means there is a basic inequity between property and non property owners in the city and between the country and the city. Our land development planning and housing system is one of the forces at the root of the growing social and economic divide between propertied and unpropertied classes and of the antagonism which accompanies it.

HOW A GEOIST SYSTEM WOULD COMBAT PROFIT FROM SPECULATION

Of course, if the Geoist principles of Land Value Taxation (LVT) were in place there would be no opportunity to speculate on land at all. When the economic rent is fully collected on behalf of the community as the natural (and entire) source of public finance, then the market value of land is zero and no profits can be made on land dealing.

Even if we only collected a part of what should be the full LVT, opportunities for speculation would be much reduced. With landholders having to pay a some LVT each year,

they would be pressured to either put the land to its optimal use or pass it on to someone who will. For, whether landowners are making best use of their land or not, they are still required to pay the same annually-assessed LVT.



What's all this then? This Shiela's supposed to be doing research in Paris, not getting involved in some anti-LePen demonstration!

Besides a host of other environmental, practical, community-building, economic and social justice advantages, this Geoist system of LVT precludes any evasion of one's proper dues to society. With a relatively simple system of independent, professional assessments of LVT due each year and with all assessments quite properly being open for public scrutiny, the LVT cannot be evaded – unless somebody finds a way to hide land!

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Furthermore, this system encourages spending on public infrastructure for, with LVT, enhanced land values are “recycled” back to the community coffers rather than enriching private landowners. The visible result of this

system would be dramatically different – a much more compact, efficient cityscape, with upgraded and affordable infrastructure.

This very brief summary should still indicate how the Geoist economic system would radically alter the pattern and scale of urban growth, though it must be noted that such advantages are a mere spin-off from a much wider restructuring of our economic and social policies, particularly in the realm of employment, economic efficiency and social justice.

PENDING A GEOIST REVOLUTION, WHAT ACTION CAN BE TAKEN AGAINST PROFIT FROM SPECULATION IN AUSTRALIA?

It should be noted that there are other effective anti-speculation practices outside the Geoist model, as we have observed in Western Europe. While these European practices fail to systematically address the root cause of the corruption and pressure to overpopulate caused by rent-seekers in the sphere of property development, they do provide some good ideas about how to prepare the way for Geoist thinking.

So the following are really recommendations to stem urban sprawl and population growth under the present system. A number were designed largely to cut nourishment off from speculators and precipitate their decline and hence their capacity to perpetuate the system. Once you starve off your interest group it is easier to change the whole system. Some ways of starving developers are :

- a) to reduce immigration to zero net thereby taking advantage of the current trend of the Australian population to stabilize in size and structure.
- b) for everyone to only buy old houses, never to purchase on newly cleared land, and to build new houses only on property that was developed previously - i.e. to redevelop.

The suggestions for modernizing the building industry have the purpose of making it

- a) independent of land developers
- b) more capable of withstanding economic pressures and the boom bust housing market by
 - (i) reducing its cost margins
 - (ii) facilitating diversification into high quality renovation and other projects which can be conducted without the need for a constantly expanding market.

As well as ending the artificially accelerated population growth that speculators rely on, government needs to:

- tax speculative profits made on land transactions
- provide public housing and low cost land development to compete with speculative housing development
- boost funding and resources for European style building trades education to enhance use of technology, modern organisation and modern marketing and production methods, including factory production on demand to replace speculative boom and bust building on land bank estates
- plan development nationally, according to finite zones, and
- refuse local rezoning according to

The visible result of this [Geoist] system would be dramatically different – a much more compact, efficient cityscape, with upgraded and affordable infrastructure

private deals or reasons not coordinated with national and bioregional zoning.

In addition to advocating the purchase of established residences only, Australians need to:

- highlight the ecologically damaging and anti-social nature of further extension of housing and infrastructure
- recognise land clearing for the social and ecological evil it presents

- develop more efficient organisation of space, infrastructure and transport in light of a looming long-term commercial energy shortage.

Once you starve off your interest group it is easier to change the whole system

Pending a Geoist revolution we will have to tinker with what we have. It is therefore vitally important to publish research that will educate the Australian public about the connection between land speculation, high housing prices, and high population growth so that they will be motivated to prioritize the reform of our system of land development planning and housing.

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ial, commercial & rural zones) would be towards individuals –sometimes writ large as corporations – owning & managing their own properties. There would be a general tendency

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GIGGLES & GROANS

Q: How many Chicago School economists does it take to change a light bulb?

A: None. If the light bulb needed changing the market would have already done it.

☺ ☺ ☺

Q: How many mainstream economists does it take to change a light bulb?

A: Two. One to assume the existence of ladder and one to change the bulb.

☺ ☺ ☺

Q: How many economists does it take to change a light bulb?

A: Eight. One to screw it in and seven to hold everything else constant.

☺ ☺ ☺

Kenneth Boulding said, "Mathematics brought rigor to Economics. Unfortunately, it also brought mortis."

☺ ☺ ☺

Three econometricians went out hunting, and came across a large deer. The first econometrician fired, but missed, by a meter to the left. The second econometrician fired, but also missed, by a meter to the right. The third econometrician didn't fire, but shouted in triumph, "We got it! We got it!"

☺ ☺ ☺

Two neoclassical economists meet on the street. One inquires, "How's your wife?" The other responds, "Relative to what?"

☺ ☺ ☺

To an neoclassical economist, real life is a special case

☺ ☺ ☺

I asked an neoclassical economist for her phone number....and she gave me an estimate.