



## **Renegade Economists Radio**

5.30 - 6pm Wednesdays on 3CR, 855 AM on the dial or podcast

Karl Fitzgerald hosts the weekly show focusing on monopoly power, privilege and the potential policy levers at our fingertips. Landlords, bankers and natural monopolies are investigated for their immense advantages over society.

The frontiers of economics are also covered with discussions on true cost economics, the System of Environmental Economic Accounting and soon aquaculture for carbon sequestering.

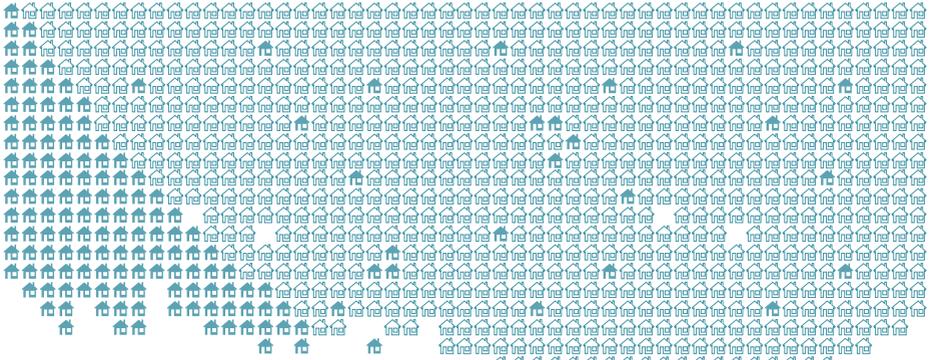
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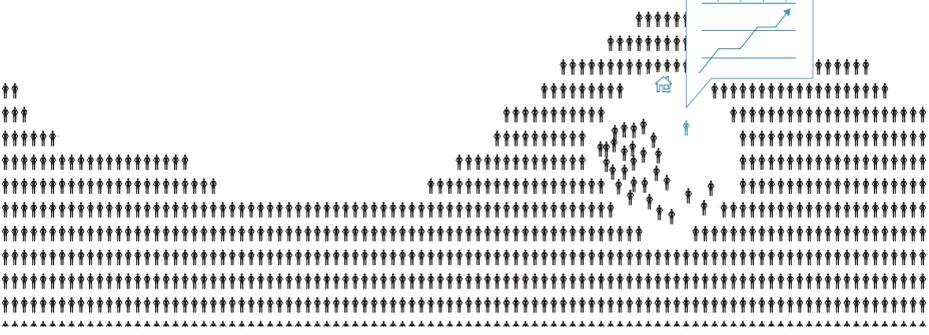
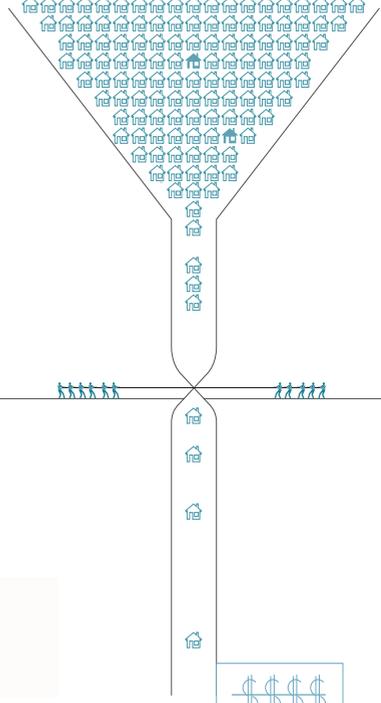
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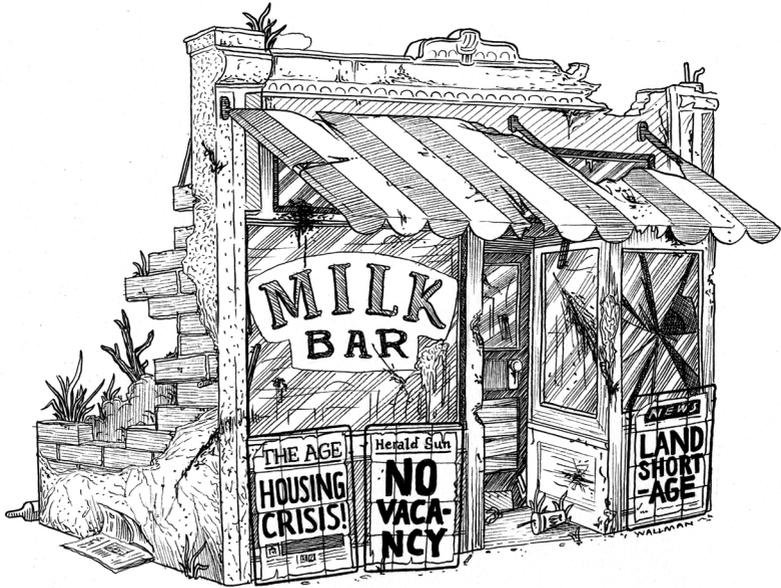
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# The Land Game: drip feeding for profiteering

Staged release or  
marketed scarcity?





Housing has become a commodity, forcing prices higher and higher. They say its a housing bubble but houses depreciate. It is the land going up in value, according to its locational advantage.

Developers beg for more land supply. Then when we give it to them they drip feed supply to the market in 'staged releases'. This forces prices up. In the 60s and 70s lots in new developments were auctioned off in just a few hours. Today they are dribbled to the market over a decade.

The Australian stock exchange is worth \$1.5 trillion, the land market close to \$4 trillion. That's why it is so important to get right.

We are the only NGO talking about this process that enforces sprawl, strains infrastructure and adds to pollution.

# Shareholders of planet earth?

The Total Resource Rents of Australia report takes the Henry Review to its logical conclusion – could the unearned incomes, the economic rents of society be significant enough to finance all of government?

This is an important question because neo-classical economics dismisses unearned incomes as ignorable at barely 1% (Krugman). This report finds the free lunch at 23.6% of GDP. The recent welfare review and talk of the ‘age of entitlements’ overlooks the enormous entitlements given to those privileged by legal title to ‘own’ the earth or natural monopolies.

The Dec 2013 quarter saw land and house values increase by a staggering \$184 billion (ABS 6416), equating to nearly half of all government spending for the year. Why not channel this natural increase towards something more useful than enforcing higher debts?

The key question is - why does the burden of taxation fall upon the productive sector of the economy when ‘the great game’ is trading monopoly rights in land, water, spectrum, geo-satellite orbits and fishing? The economic principles underpinning this distortion needs closer scrutiny. This report reveals a system to outdo neo-liberals on efficiency grounds whilst reducing inequality via the targeting of capital gains. Privatisation can also be debated using this analysis.

Alternative sources of revenue will be needed as our population ages and government revenues strain under the wealth gap.

*Why should politicians have to pawn their policies to pay for advertising on what was once known as the ‘public airwaves’?*

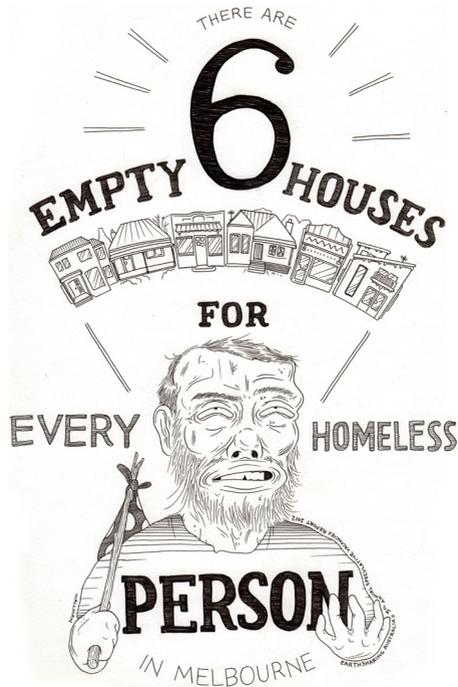
# 23 Monopolies To Finance Government

| Item                             | Valuation      | % of valuation | Raised \$m     | Sources                         |
|----------------------------------|----------------|----------------|----------------|---------------------------------|
| Land – Residential               | 2,794,800      | 5.5%           | 153,714        | ABS 5204061                     |
| Land – Commercial                | 338,500        | 6.5%           | 22,002         | ABS 5204061                     |
| Land – Rural                     | 263,700        | 5.5%           | 14,504         | ABS 5204061                     |
| Land – Other                     | 287,100        | 5.5%           | 15,791         | ABS 5204061                     |
| Subsoil Minerals                 | 67,359 +14.637 | 40%            | 32,813         | EBITDAX BHR Rio, Xstrata + div  |
| Oil and Gas – PRRT               | 20,229         | 40%            | 8,092          | EBITDAX ABS 8155                |
| Water Rights                     | 50,000         | 2.6%           | 1,300          | estimate                        |
| Taxi Licences                    | 25,000 p.a     | 14,402*        | 360            | * Number of licenses            |
| Airports                         | 1,919          | 40%            | 765            | EBITDA                          |
| Utilities                        | 220,000        | 10%            | 22,000         | EBITDA                          |
| Fishing Licences                 | 2,100          | 40%            | 840            | ABS 1301                        |
| Forestry                         | 1,800          | 2.7%           | 50             | DAFF 2010/11                    |
| Gambling Licence                 | 18,450         | 40%            | 7,380          | Aus Gambling Stats 28th edition |
| EMS                              | 10,560         | 20%            | 2,122          | 4G spectrum + rest of spectrum  |
| Satellite Orbit Rights           | 5,100          | 10%            | 510            | Space Foundation revenue        |
| Internet Infrastructure          | 64,500         | 10%            | 6,450          | NBN + estimate                  |
| Domain Name Registration Licence | 100            | 3 million *    | 300            | * 3 million domain names        |
| Banking Licence Fees             | 43,427         | 40%            | 17,371         | Cash basis + dividends          |
| Corporate Commons fee            | 1,382,000      | 2%             | 27,640         | ASX market capitalisation       |
| Patents                          | 12,980         | 0.005%         | 65             | ABS 5310.0.55.002 (indicative)  |
| Parking fees                     | estimate       |                | 250            | based on MCC revenue            |
| Public Transport                 | estimate       |                | 2,400          | based on MTR EBITDA             |
| Liquor Licences                  | Govt budget    |                | 4,000          | 11-12 govt revenues             |
| Vehicle rego, Driver Licences    | Govt budget    |                | 5,294          | ABS 5506                        |
| Sin Taxes - Tobacco, Alcohol     | Govt budget    |                | 12,510         | 11-12 govt revenues             |
| Carbon Tax                       | 4,020 +14,200  |                | 18,220         | Added fuel excise taxes         |
| Govt Non Tax Receipts            | 20,323         | 50%            | 10,162         | 11-12 govt revenues             |
| <b>TOTAL</b>                     |                |                | <b>386,905</b> | <b>\$3,162 MILLION DEFICIT</b>  |

Table 1

Source: Total Resource Rents of Australia

Property investors in Australia have some of the most significant incentives and subsidies in the Western world, assisting them to triple in proportion in less than 30 years.



Our Speculative Vacancy report reveals thousands of empty homes each year using water consumption as a proxy.

MSM quotes the vacancy rate quantified by the Real Estate Institute of Victoria. This rate only looks at those properties on the market, available for rent. What about the thousands that are held empty just for the capital gains? Over 60,000 properties were deemed vacant by our 2012 study.

Any bets there's a vacant milk bar near you!

The Chinese State Grid Power Company mimicked our study (using power consumption) to find 65.4 million empty homes in 2010. The global ponzi game is alive and well, encouraging waste at an extraordinary level.

[www.earthsharing.org.au/campaigns/](http://www.earthsharing.org.au/campaigns/)

## WHO MADE THE EARTH?



Were we all born onto this planet as equals? Those who already own the earth have a huge advantage over anyone running a business or earning a wage. However, the economics textbooks have written this story out of curriculums. Economic history is no longer taught, preferring economic modelling to the wisdom of the ages.

According to Adam Smith and a host of economists before the robber barons corrupted economics, the fairest way to balance these natural opportunities is to use the tax system to create a level playing field between those who own a CBD location and those trying to run a small solar company. Australia's tax concessions (read loopholes) are the most generous in the world according to the IMF.

We believe in an economic system that is not only fairer but more efficient.

# The Sustainable Wealth Flow explained

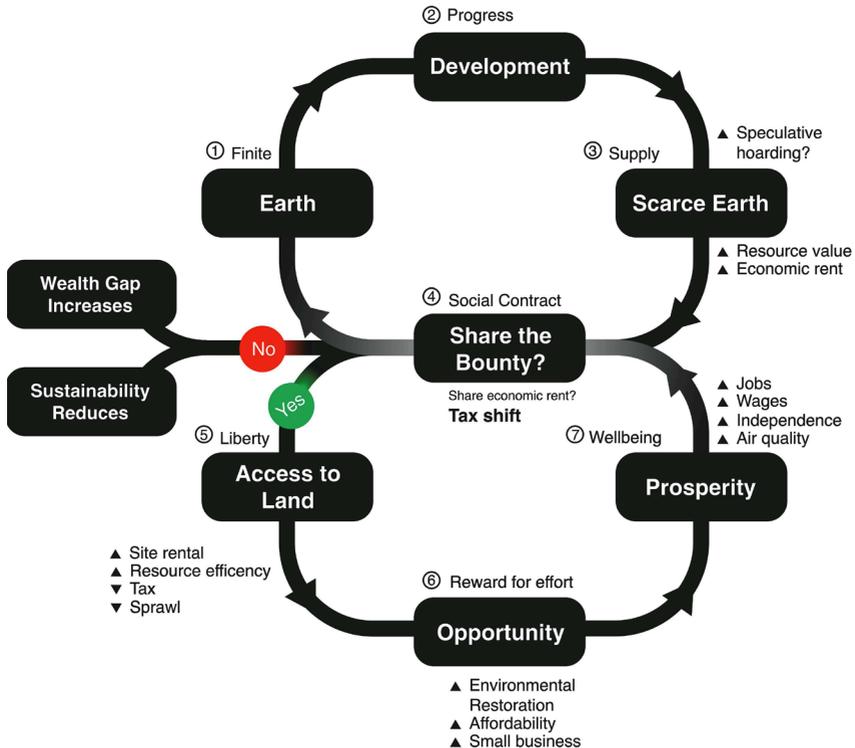
1. We live on a finite earth.
2. There is natural progress and development.
3. We have a round (not flat) earth, implying scarcity. This pushes up the value of resources. Hoarding enhances this trend.
4. Does our social contract include sharing the bounty of the rising value of the earth? The common-wealth? A tax shift is possible.
  - 'No' leads to a rising wealth gap, added sustainability pressures.
5. 'Yes' enhances our liberty with access to land for all. This becomes possible when the taxes are shifted onto our resources (and natural monopolies), pushing the many vacant properties on the market. Increased supply leads to lower land prices.
6. Small business benefits from lower rents, encouraging opportunity as the tax system now targets the speculative rather than productive economy. Reward for effort results. Less sprawl and the ability to finance public transport at least cost are just two of the benefits.
7. With less spent on commercial rent, more is available for job creation, wage increases and independence from the corporate system. The new economic system encourages us to grow upwards rather than outwards.
8. When we share the bounty, a sustainable wealth flow can be seen in the flow of the figure 8 diagram.

*In just a few years of a property boom, urban landlords recapture a lifetime of taxes through the capital gains on just one property.*

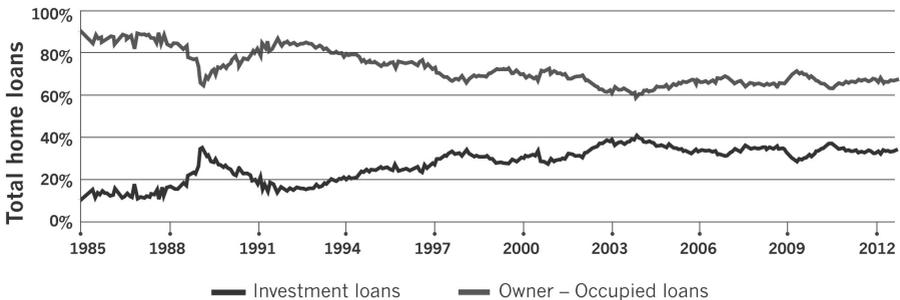
# Perma-Nomics

The natural energy of community development can be used to support rather than exploit society. How? By harnessing the economic bounty the competition for prime locations delivers to the lucky few. This provides a closed loop system by taxing bads, not goods. Similar to companion planting, a better financing system can give the headroom to design waste systems from say a nursery to be purified by natural grasses on the border of a local waterway. Hints have been provided in the past by architectural planners like Walter Burley Griffin and Ebenezer Howard, but now this philosophy seems essential for the carbon neutral city of the future.

## Sustainable Wealth Flow



Investors dominate the housing market at over 40% of all housing loans, double what the US bubble ever reached. First home owners have been crowded out. Subsidies should be for scientists - not speculators.



Source: Philip Soos

## Famous Quotes

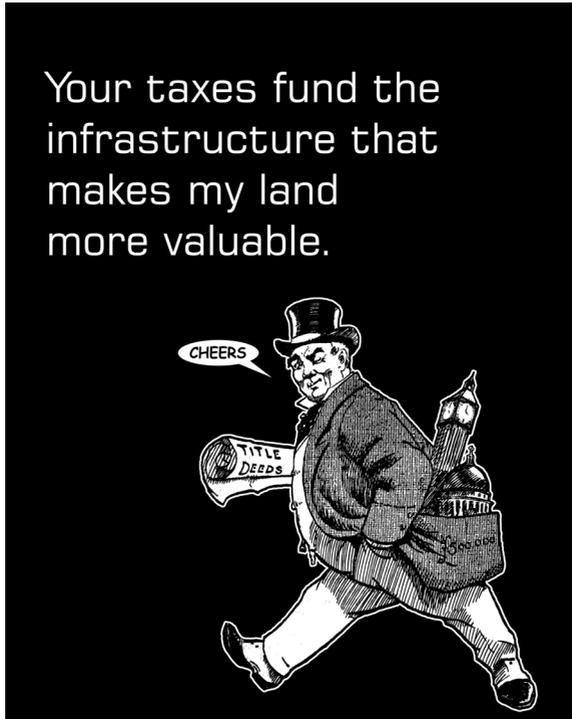
*Leo Tolstoy:* “Solving the land question means the solving of all social questions... Possession of land by people who do not use it is immoral – just like the possession of slaves.”

*David Lloyd George:* “Who ordained that the few should have the land of Britain as a perquisite; who made 10,000 people owners of the soil, and the rest of us trespassers in the land of our birth?”

*Helen Keller:* “Who reads shall find in Henry George’s philosophy a rare beauty and power of inspiration, and a splendid faith in the essential nobility of human nature.”

*Edward McGlynn:* “By a beautiful providence, that may be truly called divine, since it is founded upon the nature of things and the nature of man, a fund, constantly increasing with the capacities and needs of society, is produced by the very growth of society itself, namely, the rental value of the natural bounties of which society retains dominion.”

Your taxes fund the infrastructure that makes my land more valuable.



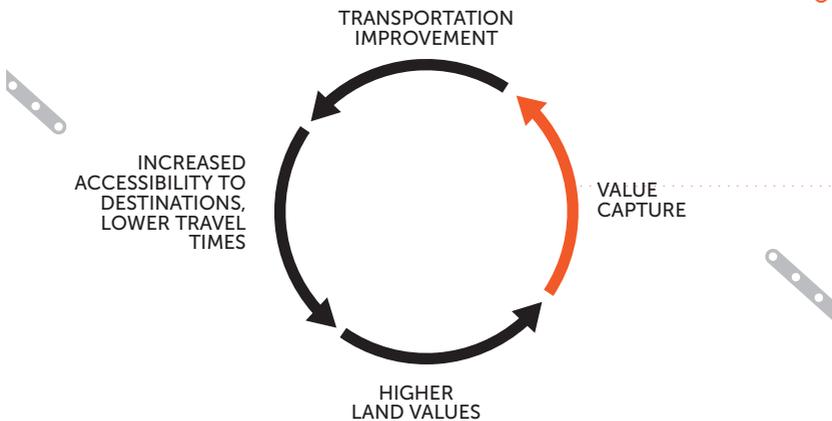
Infrastructure adds value to surrounding locations. Academics have found that nearby libraries and parks add 5% plus to a home, whilst a new train station can add \$70,000 to a property.

Why should all Victorian taxpayers finance a new train station for the benefits to be privatised by a lucky few owners (often political insiders who know where to buy ahead of time) near the station?

Value capture is the fairest and most efficient way to do it. The government sells bonds to the market, which are then repaid over the lifecycle of the asset (not in one hit with upfront developer charges). More and more are calling this the innovative financing needed to break the infrastructure log jam. This is traditionally how we financed our train lines.

Check [www.prosper.org.au/1m4](http://www.prosper.org.au/1m4)

# MORE TRAINS? HERE'S HOW



## VALUE CAPTURE - FAST TRACKS PUBLIC TRANSPORT



[www.prosper.org.au/1m4](http://www.prosper.org.au/1m4)

Terry Ryder, Property specialist and journalist states:  
“Increasingly I find transport infrastructure the most powerful creator of price growth in residential property. .... homes close to public transport services tend to grow faster in value than the norm.”  
(The Australian, Aug 18, 2011)