How neoliberalism sabotaged Australian home ownership, Part I

By Elisa Barwick

Australia has a wealth of experience in successfully dealing with a housing crisis. With state housing programs stretching back to the 1910s and a landmark post-war national home construction campaign, there is no good reason for the abject failure of political leaders in dealing with today's crisis. Other than, that is, their slavish devotion to the neoliberal economics that dismantled our public housing programs. This nation can be rapidly transformed, with ample capacity to house all Australians and build urgently needed infrastructure, and even new cities in the process, if we are willing to learn from our mistakes, and revive our past successes.

Chifley era: Zero to 100k

In October 1945 the Australian parliament approved an agreement between the Commonwealth government and all the state governments to build public housing financed by cheap federal government loans, launching a so-called "golden era" of public housing. From 1945 to 1956 national public housing stock zoomed from a very low level to 100,000 homes.

This period was a tumultuous time in Australia's history. It was punctuated by fierce fights over Australia's financial sovereignty; that is, its ability to control its credit and its currency in the interests of the people, rather than of the international financiers who had attempted to lock the Commonwealth Bank into a supranational club of central banks controlled by the Bank of England and Bank for International Settlements. (See *The Genesis of Austerity*, which includes the full story of the development of neoliberal economic policy.)

As World War II began to draw to a close, Prime Minister John Curtin and Treasurer Ben Chifley set about preparing for the post-war period. They knew that the control they had assumed over monetary policy and the nation's credit, necessary to fund the war effort, would need to be made permanent to expand the nation's agriculture, industry and infrastructure. This fight would continue well into the late 1950s. Shortly after the war officially ended, Curtin and Chifley won the battle to channel government funding into housing development but, unfortunately for young Australians today, the successful Commonwealth-State Housing Agreement (CSHA) would be watered down every time it was renegotiated from 1956 onwards.

The State Banks of New South Wales, Victoria, South Australia and Tasmania had played a critical role in housing policy in the first few decades of the century—not just financing, but also coordinating and building public housing. But two world wars diverted crucial manpower and resources from the construction of housing, and the Great Depression brought growth to a standstill. By the end of WWII there was an acute shortage of liveable dwellings, so accommodating returned soldiers and their families was an immediate issue. In April 1943 however, Chifley, who was also Minister for Post-War Reconstruction, had established the Commonwealth Housing Commission, instructing it to conduct a survey of housing and provide an assessment of what would be required to house Australians in the post-war years. The Commission made a clarion call for government intervention in the housing market.

At Premiers' Conferences federal government leaders came to an agreement with the leaders of all Australian states. An arrangement with the states was necessary because the federal government, while it would engage in an ambitious post-war reconstruction program, had no authority to build houses except under the *War Services Homes Act*. Federal parliament took up the legislation to formalise the CSHA in the same session as it debated, and passed, the *Commonwealth Bank Act 1945*, which gave the elected government the permanent control over the Commonwealth Bank it had fought for.

Addressing the parliament on 2 August 1945, Minister for Works and Housing Bert Lazzarini (ALP, Werriwa) outlined the housing program, as an urgent and crucial part of national reconstruction:

"The Commonwealth-State Housing Agreement initiated by this Government is already making and will continue to make an increasing contribution to the housing of the average wage-earner in the Commonwealth. The scheme which provides for rental rebate in approved cases may be briefly described as follows: (1) The Commonwealth will determine the number of dwellings to be erected each year; (2) the Commonwealth will meet three-fifths of State losses and will facilitate the supply of labour and materials, supervise standards and undertake technical and other research; (3) the States will act as principals and carry out all work; (4) up to half of the houses in the programme may be for sale and the remainder for rental; and (5) dwellings will be allocated on the basis of need; 50 per cent, at present go to service and ex-service personnel."

The government would provide funding, making loans to states on 53-year terms, at 3 per cent interest. Accompanying legislation, the *Loan (Housing) Act 1945*, authorised the Treasurer to borrow up to £15 million through the issue of Treasury Bills for the purpose of making those advances to the States.

The Commonwealth Housing Commission strategy

Lazzarini reminded the chamber that the government had established the Commonwealth Housing Commission in 1943, which had conducted a full review of the state of housing in Australia and handed down significant recommendations. It had interviewed almost 1,000 witnesses, visited 59 towns, and collected reams of evidence. At the outset of the final report of the Commission, issued in August 1944, came the following, seminal statement of intent:

"We consider that a dwelling of good standard and equipment is not only the need but the right of every citizen—whether the dwelling is to be rented or purchased, no tenant or purchaser should be exploited by excessive profit". (Emphasis in original.)

The report estimated a national shortage of around 300,000 homes and called for the Commonwealth Government to "take an active part in housing", specifying that it "should sponsor a government-financed housing programme".

The report recommended that basic wage earners should not be required to pay more than one-sixth of the family income on rent, or more than one-fifth on the purchase of a home. The government should subsidise housing erected by approved government authorities to that effect, it advised.

Fees and additional costs associated with purchasing a home should "be reduced to a minimum", stated the report. Measures to secure the necessary land and "to prevent land speculation" were proposed.

The Commission called for a Commonwealth Planning Authority to be established, not only to survey requirements for the home program and coordinate the work of the federal and state departments involved, but "to formulate a plan to develop primary and secondary industries, national works, housing, [and] the general economic structure of the community".

A Commonwealth Housing Authority would be established under control of the housing minister, to recommend necessary financial assistance and coordinate construction throughout the Commonwealth, oversee construction standards, and ensure the provision of building materials and labour. Each state would create a State Housing Authority, with the power to acquire or lease land and borrow money for the purpose of building housing construction projects; control rents; issue building permits; and make advances (loans) to assist in the erection of dwellings, allow for the release of onerous mortgages, or to purchase building materials and equipment. The State Housing Authorities would be allowed to delegate any of their powers to approved local government authorities.


6 THE SYDNEY MORNING HERALD, THURSDAY, AUG. 2, 1945

HARSH REALITY OF HOUSING SHORTAGE

Construction Speed-up Nation's Most Urgent Need

Pictures on this page go to the core of the housing shortage, voice an eloquent plea for a programme which will really produce houses . . . many houses, quickly. Family groups at the right are shown in "homes" for which the Servicemen fathers have fought or are still fighting.

FAMILIES IN SHEDS, CARAVANS

Servicemen's Homes — 1945 Style

Three pictures which take you into the "homes" of two ex-Servicemen and a soldier in New Guinea—

FIGURES FOCUS PROBLEM

This is how estimates of new houses needed contrast with past, present, and projected building rates:

Shortage at Dec., 1943 (Commonwealth Housing Commission)	278,000
Number of new houses needed annually to replace current dilapidation and provide for normal increase in population	40,000
Most houses ever built in a peace-time year, about	40,000
Official programme for year ended June 30 next	24,000
Officially suggested target for first post-war year	50,000

This full page feature on housing appeared in the *Sydney Morning Herald* on 2 Aug. 1945, as the CSHA bill was being debated. Photo: Screenshot

Additional recommendations were made for a National School of Physical Planning; a statutory valuing authority; training of town planners for planning new, and re-planning existing cities; competitions and a building research station, to develop new methods of construction, including modular housing components; and an Experimental Building Station to test them. A central bureau for architectural services provided by state housing authorities was suggested, to make services available at a reasonable cost, along with provision of work inspectors and agencies to arrange bulk purchase of building materials.

Provision was made for aged housing, accommodation of seasonal workers, and community facilities including convenient access to shopping, infant health centres, schools and recreational facilities.

The report referenced the earlier experience of the Victorian Housing Commission and the South Australian Housing Trust in achieving similar objectives.

Parliament debates housing

John Dedman (Labor, Corio), Minister in charge of the Council for Scientific and Industrial Research (forerunner of the CSIRO), worked closely with Chifley on the post-war reconstruction agenda. On 13 September 1945 at the first reading of the Commonwealth and State Housing Agreement Bill, he read to the chamber the Commonwealth Housing Commission's words: "We consider it essential that, in Australia, the governments should accept responsibility for ensuring adequate housing of the people, especially the low-income group. This will involve supplementing on a large scale building undertaken by private enterprise."

The government didn't accept all of the Commission's recommendations, but it had decided that families on the basic wage should not pay more than one-fifth of their income on rent—something, Dedman said, which had proved a rare possibility in Australia. The difference between the actual rent and one-fifth of family income would be rebated (with the cost split between the federal and state governments), subject to changes in income.

Around 750,000 homes would need to be built over ten years, Dedman continued, beginning with 24,000 in the first year and increasing to 70,000 per year within a few years. In addition to the outright shortage of homes, he noted that there had not yet been "a full-scale attack on our slums", stressing that "no fewer than 235,000 Australian families are living in dwellings which need replacement".

Dedman added that "Action has already been taken to train building labour, especially ex-service personnel, under the provisions of the *Re-establishment and Employment Act* recently passed by the Parliament."

The Opposition challenged the need for governments to get involved in housing construction. Robert Menzies, leader of the Liberal Party which had been founded the previous year, argued for adjustment of taxation policy to facilitate a greater private-sector role in housing construction. Kim Beazley, Snr (ALP, Fremantle), who had just been elected at the by-election following John Curtin's death in July, cited figures showing that private enterprise had not fulfilled such a role in Victoria, necessitating that the

Victorian Housing Commission step in. "We have to consider whether private enterprise will solve the housing problem", he posed. With luxury home-building, it might, but building working-class homes cannot promise "sufficient profit to induce the massive investment in housing that would be needed to solve the problem represented by a shortage of 300,000 homes. That is the opinion of the Commonwealth Housing Commission. It does not start off with the doctrine that private enterprise is wrong or that private enterprise is right. It merely seeks to arrive at the truth."

"Private enterprise", he contended, "will not solve the problem of working-class housing. The solution can be found only by a government which will put aside all considerations of profit and build houses for a social purpose. … The Government, in committing itself to enter the field of housing, may make mistakes, and therefore will be criticised by honourable members opposite, but it has embraced the only principle which will solve the housing shortage in this country. Houses must be built as a social necessity, and not for profit."

The Commission's report itself had stated that "it has been apparent, for many years, that private enterprise, the world over has not adequately and hygienically been housing the low-income group".

Amid claims that the government's program was socialist and anti-capitalist, Archie Cameron, Liberal MP for Barker, South Australia, provided a snapshot of the accomplishments of the South Australian Housing Trust (SAHT), which (like Victoria) used a new *Crédit Foncier* lending system (long-term government-backed loans) to get people into homes with a 10 per cent deposit and low interest rate. This was the program, Cameron recalled, of the "'Tory' Playford Government", not some socialist! Liberal and Country League politician Sir Thomas Playford IV, who initiated the SAHT, was premier of South Australia from 1938 to 1965, and was the author of the state's industrial development, including its focus on automotive manufacturing. The SAHT operated as a planning and development authority for the state, rolling out all kinds of infrastructure, even new cities. It built a third of all South Australian homes in 1945-70, and at its peak was the state's biggest property developer.

Sir Thomas Playford Photo: Wikipedia

Also referenced in debate was the success of the Victorian Housing Commission's dwelling construction and slum clearance program, financed by the State Bank of Victoria. Labor MP for Reid, Charles Morgan, noted the similar example of NSW, where the government guaranteed financial institutions so that co-operative building societies could channel Commonwealth Bank and Rural Bank funds to homebuyers on competitive terms.

Next week: The takedown of the CSHA

How neoliberalism sabotaged Australian home ownership, Part II

By Elisa Barwick

Over the years 1947-61 Australian federal and state governments directly built 24 per cent of new housing stock under the Commonwealth-State Housing Agreements and War and Defence Service Homes Schemes. Over the same period, census figures show that home ownership increased from 53 to 70 per cent.[1] When considering these figures in a submission to the 2021 House of Representatives inquiry into Housing Affordability and Supply, the crucial observation of economist Dr Cameron Murray was: "The market did not do this". (Graph)

The growth in home ownership was sparked by the public housing program of Treasurer Ben Chifley, outlined in Part I of this series (*AAS* 19 June), and continued to rise after the extension of the program by the Menzies government, elected in late 1949. But the election of the Menzies government would spell the beginning of the end of public housing's "golden era".

Commencing from the first renegotiation of the Commonwealth-State Housing Agreement (CSHA) in 1956, money to build new homes was redirected into schemes to assist people to purchase existing public homes—not only the renters who lived in them, but the broader middle class. Notwithstanding the benefits of increasing home ownership, this withdrew funding from the construction of new public housing stock, and as homes were sold, reduced the stock of existing public homes.

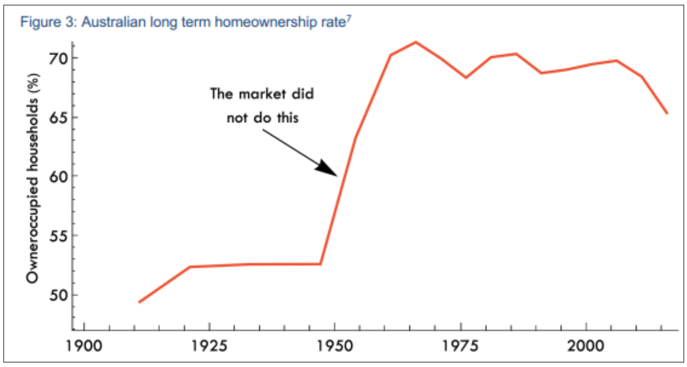
The Liberal Party prioritised home ownership as the foundation of the security of the nation; however, the liberal "free market" policies it promoted ultimately sabotaged that very goal. We see the same phenomenon today, not only in housing: the free market ultimately doesn't support freedom for most (notably small) business operators, and so-called competition policy doesn't usually increase competition.

By 1971, 40 per cent of CSHA homes had been sold, undermining the solid progress towards housing lower-income Australians. New public housing increasingly took the form of high-rise apartments or moved to the outskirts of cities, away from the jobs. By this time the stigmatisation of public housing was firmly entrenched. Whereas Chifley's housing program had been run by the ministry for works and housing, Menzies put it into the social services ministry, treating housing as social welfare rather than a human right as the Chifley-commissioned 1943 Commonwealth Housing Commission review had declared it.

1950s: Menzies invokes austerity

With the Korean War ongoing, in 1951 inflation was surging and the Treasurer, Sir Arthur Fadden, in line with international economic orthodoxy, argued that inflation was a more pressing concern than housing shortages. Interest rates were rising and the economy was in trouble. GDP contracted 4.8 per cent in 1952-53. No interest-rate concessions or special financial arrangements for housing would be made, said Fadden. New housing builds declined.

The original CSHA was drawn up for a ten-year term, so in the years ahead of its expiration, debate intensified. In 1952 parliamentary debates the Labor Opposition blasted "the Government's credit restriction policy", noting that state housing programs were "one of the first victims" of tightening purse strings. Senators reported that private banks were tightening the reins on credit for mortgages. Fadden argued that bank mortgage lending was the banks' "own concern". Nothing further could be done, he said, "without calling further upon central bank credit", and additional finance was not justified.



This graph shows the remarkable upshift in home ownership sparked by the CSHA. Photo: Screenshot/Cameron Murray

In December of 1953 a new Housing subcommittee of the Menzies cabinet looked at how to redraw the CSHA. The ringleader was Menzies' Minister for National Development, William Spooner, accompanied by Treasurer Fadden and supported by a handful of other MPs, including notorious self-declared "fascist" Wilfrid Kent Hughes. Kent Hughes had identified with European fascists who enforced economic austerity in the 1920s and '30s. As seen in Australia in the 1930s when Commonwealth Bank head Sir Robert Gibson overruled the elected government over national credit issues to support the economy, such policies punished the population so the bankers and elites could maintain their system of control.[2] Co-founder of the Young Nationalists with Menzies, Kent Hughes wrote a four-part series in the Melbourne *Herald* of 14-17 November 1933 titled, "Why I Have Become a Fascist". Hughes lauded Mussolini as "one of the greatest statesmen of the age" and apologised for Hitler's assault on the Jews as "intelligible". Likewise, Menzies repeatedly championed Hitler as a "bulwark against communism".

In a detailed background paper prepared for the subcommittee, Spooner—who was part of the NSW branch of his party that pushed market liberalism—proposed a sell-off of public homes, arguing against Governments acting as landlords "on a large and growing scale". At the same time, with an election upcoming, he and his colleagues were acutely aware of the positive political ramifications of being linked to the housing crisis solution. In his paper, he considered a proposal to stimulate private investment in rental housing, but recognised that soaring building costs would equate to prohibitively high rents, ruling out the private profit motive in the solution. He suggested tax incentives for home buyers, but he was concerned that such a move would create the impression that the government would always come to the rescue; accordingly, he shifted to

1. Saul Eslake, Submission the Senate Economics References Committee, "Australian housing policy: 50 years of failure", 21 December 2013.

2. See *The genesis of austerity* (ACP, 2024).

advocating tax incentives for lenders. "[W]e want more private investment in the home building industry and less government moneys", he specified. Spooner had the support of the Parliamentary Committee on Housing, which considered the existing CSHA "the most powerful instrument to complete socialisation one could imagine". Spooner, along with others on the committee, ultimately pushed for cancellation of the CSHA and putting CSHA money, instead, into building societies to encourage private home ownership.

According to the minutes of a cabinet discussion in 1953, Spooner patronisingly argued that it was not "fair" to provide homes to low wage earners on advantageous terms since they "had no culture of thrift or sense of community obligation". Foreshadowing the neoliberal competitive neutrality tenet that government should not compete with private businesses, Spooner also argued that the funds the federal government provided to the CSHA provided the state an unfair advantage over private developers.[3]

When Labor originally proposed the CSHA, Liberal MPs had made similar suggestions for market solutions as they did in the 1950s—aimed at averting the spectre of supposed socialism and anchoring the average worker into the capitalist world. Addressing this factor in the 1945 debates, Senator John Dedman, who was in charge of postwar reconstruction with Chifley, responded that the government "is not concerned with making the workers into *little capitalists*". This sparked a furore, and he was accused of rejecting the aspiration to home ownership altogether. Menzies invoked these words in a 1949 campaign speech, declaring that when he renegotiated the CSHA, "We will seek its amendment so as to permit and aid 'little capitalists' to own their own homes." In a 1942 speech Menzies had famously stressed the importance of "the forgotten class—the middle class", who exhibit "self-sacrifice, by frugality and saving" rather than "dependence on the state".

State landlordism stifled "the spirit of free enterprise", a 1955 article in the *Sydney Morning Herald* echoed Menzies and Spooner. Another editorialised in favour of diverting as much CSHA funding as possible towards private home ownership, stating: "We take the view that people who have worked and saved to get enough money to put a deposit on their own homes are at least as entitled to receive some aid from the community's funds as is the person who seeks to solve his housing problem by going on a Housing Commission waiting list."

The man renowned for having the best knowledge of the CSHA, the late Patrick Troy, ANU professor emeritus and preeminent urban policy planner, noted that "Home owners were seen as 'men of substance', pillars of the community, while renters were seen as feckless transients with no connection to the community and no desire to be engaged." He, as other experts in the field, also observed that public housing tenants were "more likely to vote Labor", while the middle class were typically conservative voters.

The shift which stigmatised public housing and fed the "have not" mindset discussed in a 1944 book by housing campaigner Oswald "Oz" Barnett (and co-authors), *We must go on: A study of planned reconstruction and housing*, was well and truly underway.

White-anting the CSHA

All of this animated the debates preparing for renegotiation of the CSHA in 1956. In 1953, as Spooner continued

3. Patrick Troy, "The rise and fall of public housing in Australia" (State of Australian Cities, 2011).

This prototype of a steel-frame prefabricated home, dubbed the Beaufort, was built in 1946 by repurposing wartime manufacturing plants used to build the Beaufort war-planes. Photo: State Library of NSW

to push market solutions, the conservative South Australian Premier, Sir Thomas Playford IV, wrote to Menzies. He made clear that investors would not sink capital into "cottages to be let to the lower paid workers", so the states must provide them. Touting the efficiency of his public housing program, run by the South Australian Housing Trust—which successfully built a third of all South Australian homes in 1945-70—he demanded that "the Housing Agreement should be kept in existence".

Most of Spooner's plans were overruled by Cabinet, but it did adopt, in part, his proposal to divert CSHA money to building societies to incentivise home buyers, through the Home Buyers Programme. From the renegotiated 1956 CSHA, 20 per cent of federal investment—increasing to 30 per cent after two years—was diverted from building new public homes into a Home Builders Account and disbursed to building societies and other lenders to facilitate lending to private homebuilders. The states, none too happy about having funding reduced, even as a higher interest rate on the money they were lent was announced, protested, but with little choice but to finally agree. In this drive to redirect funds from "public housing provision towards private home-ownership", state housing authorities were also encouraged to sell the public housing they had built with the remaining money.[4] Additionally, the Menzies government abolished the Commonwealth's contribution to the rental rebates that kept rents at one-fifth of income for low income families.

By 1960 Spooner was all but claiming the housing crisis was over.

In a submission to the 2008 Senate Select Committee on Housing Affordability in Australia, Patrick Troy discussed the rapid and extraordinary impact of the CSHA on housing supply and quality. "The private sector had to 'lift its game' on housing quality in order to compete with the public program", he emphasised.

"Menzies", wrote Australian financial journalist Alan Kohler in a 2023 Quarterly Essay, *The great divide: Australia's housing mess and how to fix it*, "can take some credit for the big increase in home ownership up to 1966 because it was largely due to the aggressive selling of public housing stock by the states, which he and Spooner forced on them to create a class of capitalists who would vote liberal." It is this period of history which launched today's dog-eat-dog housing market, the subject of a more recent reflection by Kohler, in a 2023 *AFR* article, asserting that the Australian economy is dependent on a "bankocracy" driven housing boom.

Next: An adequate funding model for public housing

4. John Murphy, "The Commonwealth-State Housing Agreement of 1956 and the Politics of Home Ownership in the Cold War" (Urban Research Program, ANU, 1995).

How neoliberalism sabotaged Australian home ownership, Part III

By Elisa Barwick

Having funded the military build-up and guided the economy through World War I, in 1919 the Commonwealth Bank of Australia was empowered to provide homes for returned servicemen as well as war and munitions workers, war widows and nurses. A special commissioner was appointed to acquire land and homes, and build houses as necessary, under the *War Service Homes Act*. The bank built 1,777 homes, purchased a further 5,179 and initiated a scheme to insure those homes. The bank could advance up to £800 to applicants buying the homes, with interest rates fixed at 5 per cent on loans of 22 to 37 years' duration. War branches of the bank were established in each capital city, staffed by over 150 bank officers who arranged contracts for construction at cost price. Despite the lack of materials and manpower, with often a six-month wait for bricks for instance, the program was a great success.

Commonwealth Bank head Denison Miller (right) at the foundation laying for the first War Service Home. Photo: RBA

Similar programs were being run contemporaneously by the state governments of Victoria, Queensland, New South Wales, South Australia and Tasmania, aiming well beyond the requirements of returned veterans. Nine years earlier, in 1910, the State Bank of Victoria had extended its cheap farm loans program into housing loans.[1] South Australia kicked off a housing blitz with the *Advances for Homes Act*, passed by the state parliament that same year, utilising the State Bank of South Australia to provide cheap home loans to workers. All of these states would continue to push successful public housing programs, through State Housing Commissions, until the disruption of the Second World War.

Before the close of World War II, the Labor government of John Curtin and Ben Chifley conceived a comprehensive plan for federal and state governments to collaborate through the Commonwealth State Housing Agreement (CSHA) to rectify a shortage of an estimated 300,000 homes (Part I). In 1942 the Commonwealth Bank's mortgage department had been established to fund mortgages for private owner-builders, but there was a huge gap in the market for low-income earners. Published figures vary, but one paper showed that the CSHA built 197,000 homes in its first five years, even amid post-war shortages.[2]

Even as the scheme commenced, however, it was impacted by the globally spreading disease of neoliberalism.

During the war, Curtin and Chifley had exercised the government prerogative to create credit against the issue of short-term debt certificates called Treasury bills. In this process the government issues Treasury Bill certificates, which are taken up by the Commonwealth Bank and other banks in exchange for a credit line which the government then uses to fund its activities. The bank counts the Treasury Bills as reserves against which it can lend to the public.

In the years following the close of the war, governments borrowed less against Treasury bills (a form of credit creation) and increasingly raised money from the population (which depends on existing savings, mainly of wealthier citizens) by floating government bonds. Or, they borrowed from the private banks, often overseas banks which charged high interest rates.

At the close of WWII the Bank of England—which after World War I had stigmatised credit creation as causing inflation and prescribed economic austerity instead—worked with City of London banking circles and Austrian School economists to establish a new economic rules-based order; "a new liberalism". New government spending must only be drawn from taxation or from invested savings of the population, one of the rules specified, not from credit created by government banks. (The genesis of austerity, ACP, 2023.)

Jim Cairns, Treasurer in the Whitlam government, explained in his 1976, book, *Oil in troubled waters*, that "The simple process of the use of Treasury Bills is the creation of money". But as historical indicators show, its contribution to inflation, he wrote, is "very slight".

"Fears of a 'terrible day of reckoning' … is a fantastic exaggeration", he wrote. "*I emphasise here that this process of creation of money is mainly in the hands of the private banks which have a vast capacity to create (or destroy) money when business conditions require it.*" (Emphasis in original.)

Cairns noted that whilst in just three years during WWII the Curtin-Chifley government increased the issue of Treasury Bills by £367 million, "as soon as the war was over and despite a prevailing fear of post-war depression, conventional finance soon prevailed". Then followed "A net decline in Treasury Bill issues of £71 million in less than five years under a Labor government!"

The funding mechanism for the CSHA allowed the government to utilise Treasury Bills, but it did not take full advantage of this power to make advances to the States for housing. The *Loans (Housing) Act 1945*, which accompanied the CSHA legislation stated: "The Treasurer may, from time to time, under the provisions of the *Commonwealth Inscribed Stock Act 1911-1945*, or under the provisions of any Act authorising the issue of Treasury Bills, borrow moneys not exceeding in the whole the sum of Fifteen million pounds." The amount was renegotiated each year, but otherwise the wording didn't change.

1. "The state bank model for a public housing developer", *AAS*, 1 May 2024.
2. Stuart Macintyre, "Owners and Tenants: The Commonwealth Housing Commission and post-war housing, 1943-49" (*Australian Economic History Review*, Nov. 2018).

Utilise the power of credit!

The use of Treasury Bills continued to decline and governments increasingly floated public loans and even applied taxation revenue to fund the CSHA. As Senators pointed out, seeking a public loan meant the government had to offer an attractive interest rate, spelling higher rates for the money it loaned on to the states, and in turn, the states to renters and home buyers. From the get-go, MPs challenged this decision. In debates over the original CSHA bill in 1945, MPs of various political persuasions argued that the Commonwealth Bank should create the credit for the building program, providing it at cost. "Why should interest be paid to the private manufacturers of this currency when all that the nation need and should do is to provide its own money instruments at the cost of issuance and administration?" asked Labor's Minister for Transport Eddie Ward, for example. "The Commonwealth Bank can lend to the Government or to others in a variety of ways and it can even make money available to governments and others free of any charge."

During the debate to renew the loans bill for CSHA funding in 1950, Labor Senator for Victoria Charles Sandford, who would oppose the Menzies government's takedown of the Commonwealth Bank when it rewrote banking legislation in 1959, said: "I am convinced that the money could be advanced through the Commonwealth Bank at a much lower rate of interest to home purchasers. The Royal Commission on Banking and Monetary Systems that was set up by an anti-Labour government in 1936 pointed out that money could be advanced to State governments at a very low rate of interest amounting to no more than the cost of issuing the loan. Interest payments constitute the heaviest burden that has to be borne by those trying to buy homes."

Funding shortcomings soon became evident. In 1952 the Menzies government sought parliamentary authority to increase CSHA loans to £30 million for advances to the states. The States had requested more than £41 million to build housing but according to NSW Labor Senator John Armstrong, the "Australian Loan Council was not confident that in the ordinary course of loan borrowings £30,000,000 could be obtained from the loan market." Minister for External Affairs Richard Casey acknowledged that the money requested by the states was "vastly greater than the Australian market can possibly supply". The government made clear, in the Labor Party's summary, that "If loans fail the States may not receive the full amount".

In the debate over the 1956 CSHA renegotiation, Menzies' Minister for National Development Bill Spooner admitted that the Commonwealth was supplementing loan money for the CSHA with incoming revenue.

Credit restrictions

The Menzies government was progressively cutting back the funding for the home-building program, claiming lack of funds. In 1952 parliamentary debates the Labor Opposition blasted "the Government's credit restriction policy", noting that state housing programs were "one of the first victims" of the tightening strategy. Senators also reported that private banks were tightening the reins on credit for mortgages.

ALP Senator Bill Aylett from Tasmania alleged that "Within six months of the present Government taking office, the Commonwealth Bank, under Government instructions, restricted its credit policy." This left building societies bereft of credit. Clients were advised to reduce overdrafts and credit for home financing was reduced. Private banks implemented the same policy. This had already induced, said Aylett, "many workers in the building trades to go to other industries.


Precautionary Move To Combat Inflation

New Restrictions On Loans By Commonwealth Bank

Commonwealth Bank managers have been ordered to cut loans on homes by 10 per cent.

They have also been told to grant loans for cars only to present customers of the bank.

A Commonwealth Bank official, who revealed this yesterday, said the "tightening up" policy had been introduced to check increasing inflation.

A September 1950 *Sunday Herald* article reported on credit restrictions.
Photo: Trove/NLA

... It is only the Government's policy of restricting credit that has brought about the curtailment of housing construction."

Home construction slowed significantly, with just half the starts that year compared to the previous year at the same time. Senator Aylett pointed out that "Australia is probably 100,000 homes short of its requirements and every year more homes are required."

Pointing to growing unemployment, including in the building sector, Senator Armstrong declared: "I believe that national credit should be used to assist the people to acquire homes. ... I consider that national credit should be used in order to bring together manpower and materials to provide homes for the people. I point out that homes are a valuable national asset, because trade and commerce follows in the wake of newly-established districts. Shopping centres must be established, and in many instances industries spring up.

"Apparently the private trading banks are not interested in lending money to people to build homes", he continued. "When the Government recently lifted credit restrictions there was a flood of applications to the banks for financial assistance for home-building, despite the present high prices. Statements were made—whether truthful or otherwise, I do not know—that the banks were not interested in making money available to home-builders. Doubtless the banks had their own reasons for adopting that policy. The co-operative building societies are in a serious position through lack of funds. This situation presents to the Government an opportunity to do something of great value for the people of Australia."

Senator Aylett noted that even a government MP, Queensland Senator Roy Kendall, supported the use of credit for building homes. "What is the difference", asked Aylett, "between borrowing money from a private money lender at a high rate of interest and issuing it from the Commonwealth Bank on the security of treasury-bills?"

The cost to build a house had doubled, he added, since the new government came to power. While the cessation of price controls after the end of the war had led the rise, practices of the Menzies government were exacerbating matters.

In 1953 Senator Aylett observed that "Rather than issue treasury-bills, the Government prefers to borrow money and pay a high rate of interest. The home builder, in turn, must pay this high rate, together with additional charges. If the Government were to use its powers over the Commonwealth Bank to finance the building of houses it would have to pay only 3 or 4 per cent, for money for that purpose. If the Government wishes to avoid the payment of high rates of interest it has only to utilise the credit of the nation. By utilising that credit it could provide employment for many people. ...

"The policy which the Government has pursued during the last two years has increased costs and restricted credit and thus has prevented people from buying their own homes. ...

"Young people have delayed their marriage because they have no hope of getting a home. Many couples who have married have found that they have had to live apart. As a result, they have no children."

Even at higher interest rates some loans were heavily undersubscribed. Dan Curtin, Federal Labor MP for Watson, NSW, declared in 1952: "This businessman's Government complains that we are short of money. Let us issue treasury-bills, build homes and let the cost go hang! ... We should make use of central bank credit, as we have done in the past. We financed our war effort by raising internal loans and releasing bank credit. What was wrong with that procedure then? Nothing! There should be nothing wrong with it now."

Labor MP for Reid (NSW), Charles Morgan, outlined that same year how the Commonwealth Bank, given it is free of taxes and other liabilities incurred by private banks, and with an administrative cost of lending of just one half of one per cent, could make the advances itself to the states at 1 per cent. This would allow the states to charge 2-3 per cent.

During debate over CSHA funding in 1950, Morgan compared this to the model used by the state banks, including South Australia. NSW, whose state bank had been absorbed by the Commonwealth, "simply used the resources of the State to guarantee the financial requirements of co-operative building societies" to foster loans for housing, "at no cost to itself", said Morgan.

Urging the federal government to follow the states' example, he said: "There is no necessity for the Government to raise loans for home building on the public market at high rates of interest which must, ultimately, be paid by tenants." Confronted by Minister Casey with the inflationary impact of creating "new credit that is issued by the central bank with no savings behind it"—the equivalent, he said, of Treasury Bills—Morgan replied: "If it is possible during a war to find finance to provide assets that are to be destroyed, why cannot the Government find finance through the issue of treasury-bills to provide assets that are to be used and not destroyed?" That is, houses.

Already in 1945, Morgan had protested funding the CSHA by the issue of public loans, necessitating higher rates and longer loan periods, resulting in a higher interest burden. Instead, he proposed, "The finance could be controlled by a special department of the Commonwealth Bank, and the bank would not incur any risks, because it would have the assets which could be assigned to it as security for the repayment of principal and interest."

Indeed, this was the intention of the founders of the bank. The official report of the 1908 Labor Party conference which put onto the party platform Commonwealth Bank founder King O'Malley's vision for a national credit bank, set up through post offices, declared that: "Mr King O'Malley moved: 'That no financial scheme between the Commonwealth and States can be satisfactorily adjusted without the establishment of a national, postal banking system.'" It went on to say: "If Queensland wanted a million to build railways, Tasmania half a million, or Western Australia or any other State, they would, under his system, be at once given a credit for the amount required in the national ledger, for they had their national credit to depend upon."

1960s-90s: Thrown to the (market) wolves

The phased takedown of the CSHA set the stage for turning the Australian housing market into a private money spigot for investors and banks, eliminating home ownership as an option for many citizens.

The shift to incentivise private housing construction kicked off by Minister Spooner (Part II) expanded in 1964 with the Menzies government's Home Savings Grants of up to £500 to young couples for their first home purchase. The scheme evolved into PM John Howard's First Home Owner Grant in 2000. State schemes were added into the mix, including stamp duty exemptions, but the most damaging for home ownership were schemes that encouraged investor home purchases. Negative gearing combined with Howard government cuts to capital gains taxes encouraged investors to see housing as an asset in their portfolio.

In the late 1970s, the CSHA was converted from a social housing program to a welfare scheme, with homes provided only for the poorest of society. Housing programs morphed into segmented schemes targeted at pensioners, Aboriginals, or those needing "crisis accommodation". A Commonwealth Rental Assistance scheme for private renters failed to solve anything, and likely drove up rents.

In a submission to a 2013 inquiry into Australian Housing, economist Saul Eslake showed that home ownership has risen strongly in the periods where the growth in housing stock has eclipsed population growth, with the largest jump being over 1947-61, when the CSHA contributed 24 per cent of the housing stock increase. The other factor associated with increasing home ownership was the drive for "full employment and real wage gains", the late historian Stuart Macintyre noted in 2018. (Footnote 1.)

But, as David Hayward, Emeritus Professor of Public Policy and the Social Economy at RMIT University, explained: "Governments of all political persuasions became enticed by the notion that competitive markets with minimal government regulations offered the best solution to Australia's economic woes." The public sector agencies that escaped destruction were required to "emulate private business practices under the process of corporatisation". Every aspect of the CSHA was thus restructured out of existence —from construction policy and rent setting to funding mechanisms—even as public housing waiting lists doubled (1982/3-1991/2).[3] The government, noted the late ANU Professor and public planning expert Patrick Troy, was "increasingly responsive to the arguments made by private sector interests to reduce housing standards and building regulations".[4] In the 1980s Commonwealth funding for public housing was slashed and the State Housing Authorities turned to private finance. The last of the state banks were gone by the early '90s and the Commonwealth Bank itself was sold. "[T]he banking scene had been transformed", wrote Hayward.

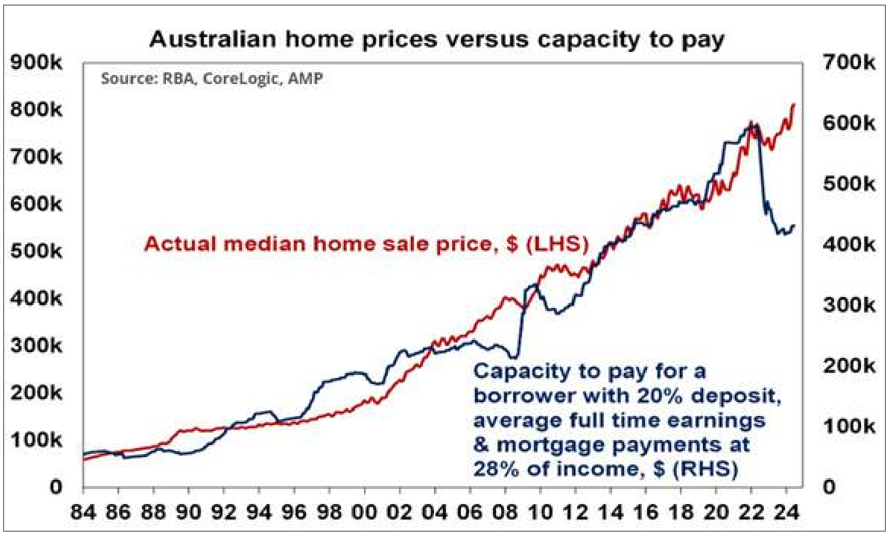
The last CSHA ended in 2003. It was replaced in 2009 with the National Affordable Housing Agreement. The result of the takedown of a successful public housing program, it bears no resemblance to an actual housing solution. Likewise Prime Minister Albanese's National Housing Accord, characterised by all the same neoliberal non-solutions that destroyed the CSHA.[5]

3. David Hayward, "The reluctant landlords? A history of public housing in Australia" (Urban Policy and Research, May 2008).
4. Patrick Troy, "The rise and fall of public housing in Australia" (State of Australian Cities, 2011).
5. "Labor's National Housing Accord is just another neoliberal fraud", *AAS*, 16 Nov. 2022.

Australia's 'impossibly unaffordable' housing a symptom of political cowardice

By Richard Bardon

2 July—Australia's house price bubble has become so extreme that it is now effectively impossible for the average household ever to own their own home in any major city, and extremely difficult anywhere else. And the policies the Albanese government pretends are fixing the problem are useless at best. The gap between house prices and households' ability to pay is the widest on record, while skyrocketing rents are making it too hard for many even to save a deposit for a mortgage they might otherwise qualify for. Housing Australia (HA), the agency which administers the Housing Australia Future Fund (HAFF) the government established in November last year, has to date spent precisely nothing on new social and affordable homes, even as it spent over $30 million on external consultants and executive salaries. Meanwhile housing completions have collapsed below the level required even to cater for Australia's natural population growth, let alone the record 547,300 immigrants the Albanese government brought in in 2023 (tracking somewhat lower but still historically high this year) with no plan other than to juice up nominal GDP by importing more consumers to give a false impression of economic growth, while sending real wages and living standards backwards. All of which ultimately stems from Labor's refusal to break with the neoliberal "market-based" approach to the provision of housing, and return to the policies that kept housing more-or-less within accepted standards of affordability nationwide until the deregulation binge of the 1990s.



The annual Demographia International Housing Affordability report has for 20 years tracked relative housing costs in "major markets" (large metropolitan areas) throughout the English-speaking world using a price-to-income metric called the "median multiple" (MM), the median house price divided by median annual household income. None of Australia's capital cities has ever been less than "severely unaffordable" (MM of 5.1-8.9), the previous worst ranking, since the study began. In the 2024 edition though, the authors state, "we add[ed] a new category, 'impossibly unaffordable', … to convey the extreme difficulty faced by middle-income households in affording housing at a median multiple of 9.0. *This level of unaffordability did not exist just over three decades ago*. Furthermore, securing financing for a house at this median multiple is largely impossible for middle-income households." (Emphasis added.) As of the end of 2023, only Perth at 6.8 and Brisbane at 8.1 even qualified as severely unaffordable anymore; Adelaide (9.7), Melbourne (9.8) and Sydney (13.3) are all "impossible". Australia overall has an MM of 9.7, "having deteriorated from 6.9 in 2019. This represents an increase of 2.8 years of median household income, in just three years."

Property market analytics company CoreLogic meanwhile reported at the end of June that the growth in rental costs "is easing", economist Leith van Onselen wrote 1 July at business and finance blog MacroBusiness, "but continues to grow at an historically high pace" of 0.4 per cent for the month, and 8.2 per cent annually. The CoreLogic report states that according to its analysis, "the median income household would need to dedicate 32.2 per cent of their gross annual income to rental payments, the highest portion on record."

The result of all this, as independent political economist Philip Soos bluntly put it in a 7 June post on X, is that "Aspiring buyers are monumentally screwed." Citing figures on house prices, household income and loan serviceability from the Reserve Bank, CoreLogic and financial services company AMP, Soos showed that Australians are currently experiencing "the largest differential between house prices and ability to pay on record. Even when mortgage rates were 17 per cent in the late 1980s, the difference was smaller." (See graph.)

Gravy train

Every successful social housing and housing affordability program the world over has *always* been predicated upon direct investment and management by government. Labor's HAFF, by contrast, merely re-hashes the same market-based "Public-Private Partnership" model, centred mainly on "incentivising" private financiers by guaranteeing them returns on investment at going market rates, which has been ripping off the public via user-pays infrastructure (e.g. toll roads) for over 30 years. And instead of directly investing in housing itself, the HAFF's Investment Mandate requires it to gamble the money on the financial and equities markets *à la* superannuation funds, at "a benchmark return of the Consumer Price Index + 2.0 per cent to 3.0 per cent per annum, net of investment fees", and invest its gains into housing—if it makes any.

The Finance Department website states that the HAFF had made net earnings of $263 million as at 31 March. It has yet to outlay any money towards housing. HA, which "administers not only the HAFF but the government's other financing vehicles including the Affordable Housing Bond Aggregator, the National Housing Infrastructure Facility and the Home Guarantee Scheme", has however spent $24 million on external consultants and another $6 million on "extravagant" executive salaries of up to $557,000 a year, the *Australian* reported 4 June. "The expenditure on consultants relates to its work across all its functions and responsibilities", and encompasses "IT, legal, advisory and other services", including from disgraced Big Four corporate services firm PwC—despite Labor having "announced as part of its budget savings plans it would slash the use of consultants".

As independent Senator David Pocock told the *Australian*, it is indeed concerning that "even with a large and highly paid cohort of senior staff, [HA is] so reliant on external contractors…. Meanwhile the Housing Australia Future Fund that was set up on 1 November last year hasn't spent a single cent on new social and affordable homes. All new programs take some time to get up and running but with this level of external support and given how acute the housing crisis is our community would expect funds to be flowing by now."

Nor is the private market even close to keeping up in the meantime, with the *Australian* reporting 1 July that "Based on official [government] statistics of 2.5 people per household, 218,920 houses would have had to be built to accommodate the influx [of immigrants]. This equates to 600 homes built every day or one every 2.4 minutes." Housing Industry Association Chief Economist Tim Reardon added that another "120,000 homes would have to be built to accommodate natural population growth and replacement of ageing stock before migration was even taken into account". Instead, official data show that "only 163,836 new dwelling were constructed in 2023—an 11-year low and 10.4 per cent down on the previous year."

Until Australia abandons neoliberalism and returns to its proud history of direct government involvement in planning, designing and building public and affordable housing—exemplified by "Tory" Premier Sir Thomas Playford's use of the South Australian Housing Trust in 1938-65, and Labor PM Ben Chifley's 1945 Commonwealth-State Housing Agreement—the problem will only get worse.