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Australia

# The Once Lucky Country: Can It Be Again?

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# Contents

# THE ONCE LUCKY COUNTRY: CAN IT BE AGAIN?

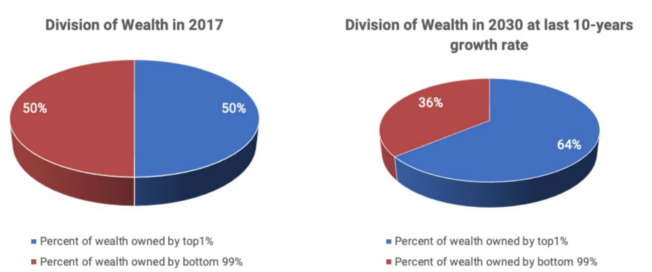
## The countries colonized by Britain have served as beacons of opportunity for millions, first from the British Isles, later the rest of Europe, then Asia, Latin America, and Africa.

Although all these countries also share an ugly legacy concerning indigenous people, slaves, convicts, and indentured servants all these societies are rapidly becoming ever more diverse and, despite claims in the media and elsewhere, beacons of opportunity still — now mostly for people in developing countries.[1]

Of course, the past still roils in all these countries, including Australia, where aboriginal people, once dismissed as uncivilized by British officials, are now seeking some indigenous "voice" for themselves.[2] Yet however much historical inequities need to be addresses, it is also evident that the days of "white Australia", like that of a white America or Canada, are clearly over. In Australia this process began with the opening to southern Europeans after the Second World War and after Vietnam, Asians; a quarter of Australia's population comes from backgrounds outside Europe.[3]

Far more critical than race are class dynamics that work against the vast majority in these countries, whatever their race or immigration status. The prospects today to achieve the "dream" — Australian or otherwise — have declined inexorably. The chance to buy a home, start a business, to see one's offspring do better than we are declining, particularly among the middle and working classes, now being marginalized to a level not seen since the dawn of the industrial revolution.[4]

**Today, Half The World's Wealth Is Controlled By The Top 1%. By 2030, at the last decade's growth rate, it will be 64%**




Source: U.K. House of Commons, https//www.inclusivegrowth.co.uk/house-commons-library-research

Across the thirty-six wealthier countries of the Organization for Economic Cooperation and Development, the richest citizens have taken an ever greater share of national GDP, and the middle class and "looks increasingly like a boat in rocky waters," suggests the OECD. Nor is the trend lessening: a recent British parliamentary study, projects that by 2030, the top one percent will expand their share to two thirds of the world's wealth, with the biggest gains overwhelmingly concentrated at the top .01 percent.[5]

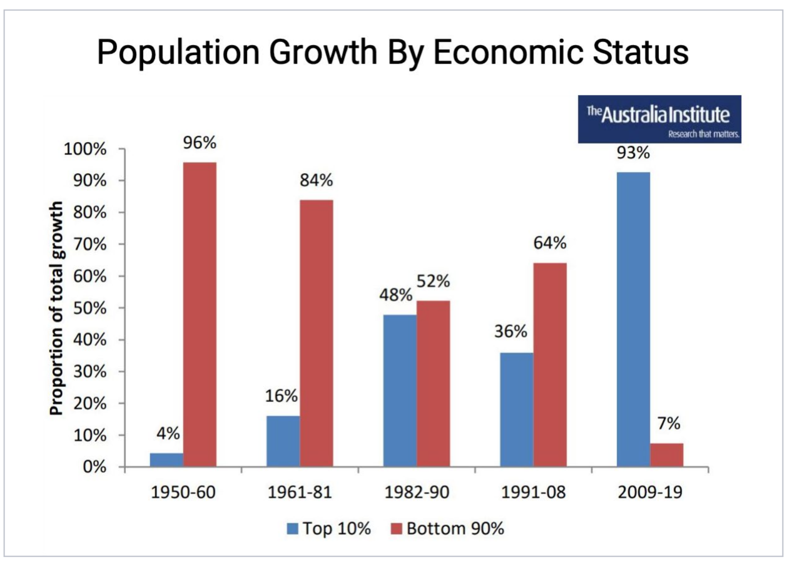
# PROPERTY AS THE KEY ISSUE

## The class divide reflects changing in the access to property, as it has been since classical times.[6]

If the expansion of European colonialists led to some unspeakable consequences for some,[7] there also rose, at least among Europeans, a substantial class of independent smallholders who demanded a constitutional order that would protect their holdings.[8] As the radical social theorist Barrington Moore said a half century ago, “no bourgeois, no democracy.”[9] Or, to alter Aristotle a bit, no middle class, no political liberty but rule of oligarchia.[10]

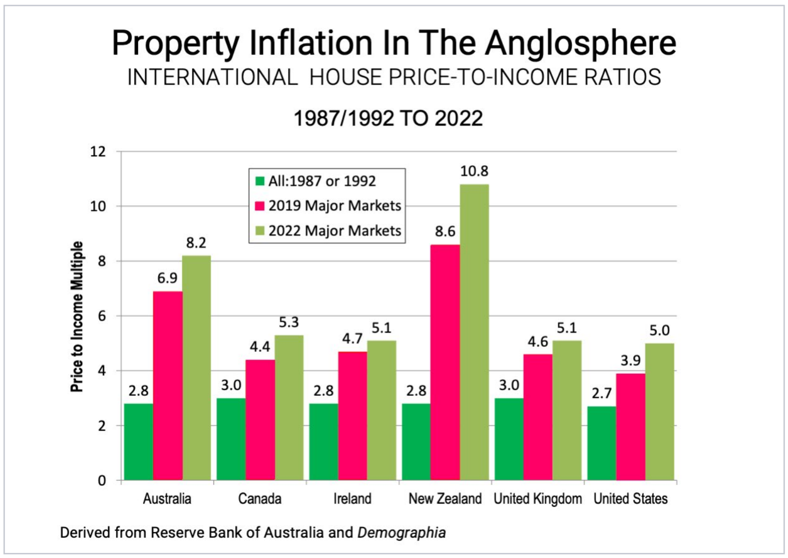
A study covering the United Kingdom, the Netherlands, and the United States shows that all three saw a rapid decline in the concentration of wealth from the 1820s up to the 1970s.[11] Never before had so much prosperity and relative economic security been so widely enjoyed.[12] Between 1940 and 1950, the incomes of the bottom 40 percent of American workers surged by roughly 40 percent, while the gains in the top quintile were a modest 8 percent and the top 5 percent saw their incomes drop slightly.[13]

Australia has followed a similar pattern. One recent analysis of long-term trends found that in the immediate post-colonial era, the top 1% of population owned 35% of the country’s wealth. This fell to a low in the 1960s and 1970s as prosperity benefitted the wider working population and an ascendent middle class – such that by then the top 1% controlled only 6% of the wealth. This was perhaps “peak egalitarian” Australia.[14] Since then, the tide has turned decisively in favour of the wealthy, and against the middle and working classes.



These trends can be seen in changing patterns of property ownership. Early on, Australia handed out and grants to emancipated convicts. This occurred again after the First World War as returning soldiers who did not want to return to Britain settled down under. Australia's opportunity horizon expanded, as like that of the US and Canada, fostered by expanding the land of settlement, such as the push to and beyond the Blue Mountains. This certainly threatened the aboriginal community, but also provide settlers opportunities far less available in the home country.[15]

Home ownership increased substantially across the Anglosphere. From the 1940s to the 2020s[16] in England and Wales as well as what economic historian Angus Maddison labeled the "Western Offshoots" (Australia, Canada, New Zealand, and the United States) from the 1940s to the 2020s. However, the latest data indicates declines from these peaks.




## Property inflation and the decline of the middle class

Home ownership has long been tied to middle class aspirations; in the US three-quarters see as critical to entering the middle orders.[17] But in recent decades, property ownership throughout the high-income world has begun to decline, the result both of capital flows and, as we will see, regulatory policy. Owned housing prices "have been three times faster than household median income over the last two decades." OECD concludes that "Housing has been the main driver of rising middle-class expenditure"[18] Rising rents are a smaller, but important part of the problem, because of their strong relationship to house prices.[19]

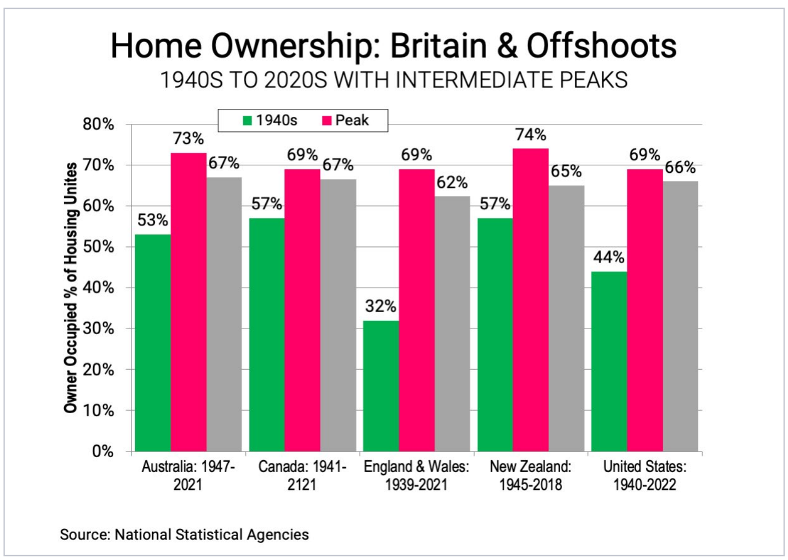
> **Owned housing prices "have been three times faster than household median income over the last two decades."**
> ***OECD***

The French economist Thomas Piketty has linked property as a key factor in the widening of inequality around the world over recent decades,[20] an assertion demonstrated also in research by Matthew

Rognlie, at Northwestern University.[21] In the United States over the past decade the proportion of real estate wealth held by middle class and working owners fell substantially while that controlled by the wealthy grew from under 20 percent to over 28 percent. In the last decade, high income households enjoyed 71 percent of all housing gains while the shares of middle and lower income families declined precipitously.[22]

Wealthy individuals and large investment firms have pushed this process.[23] Wall Street firms like Blackstone and Britain's Lloyd's Bank increasingly buy homes in hot markets, turning them into rentals and simultaneously boosting home prices. This threatens to deflect the desires of younger people — nearly three in five of whom see home-ownership as an essential part of the American dream.[24] According to US Census Bureau data, the rate of homeownership among young adults at ages 25–34 was 45.4 percent for Generation X, but dropped to 37 percent for millennials, the generation now entering family formation.[25]

Australia historically also enjoyed higher rates of homeownership than many advanced countries, reaching as high as 70 percent in the 1970s,[26] but the rate among those 25 to 34 years old dropped from more than 60 percent in 1981 to only 45 percent in 2016. The proportion of owner-occupied housing has dropped by 10 percent in the last 25 years. Economist Saul Eslakes suggests that the 2021 homeownership rate among Australians in their mid-20s to mid-30s will be lower than in the 1947 census.[27]




This suggests a growing feudalization of societies across the English-speaking world, including Australia, the rentier economy is on the rise; rents now account for five times the share of the economy than in the 1960s. The average Sydney homeowner, notes the Grattan Institute, made more money on house inflation than the average worker for much of the past decade.[28]

For the next generation, those who purchase houses will do so through what one writer calls "the funnel of privilege."[29] Piketty suggests that "inherited wealth", the key to the feudal economy, "will make a comeback". Inheritance as a share of GDP in France grew from roughly 4 percent in 1950 to 15 percent in 2010. Millennials who received bequests inherited more money than many workers make in a lifetime. The growing importance of inherited assets is even more pronounced in Germany, Britain, and the United States which like Australia shares a natural antipathy to the primacy of inherited wealth.[30] US millennials are three times as likely as boomers to count on inheritance for their retirement. Among the youngest cohort, those ages 18–22, over 60 percent see inheritance as their primary source of sustenance as they age.[31]

**For the next generation, those who purchase houses will do so through what one writer calls "the funnel of privilege."**

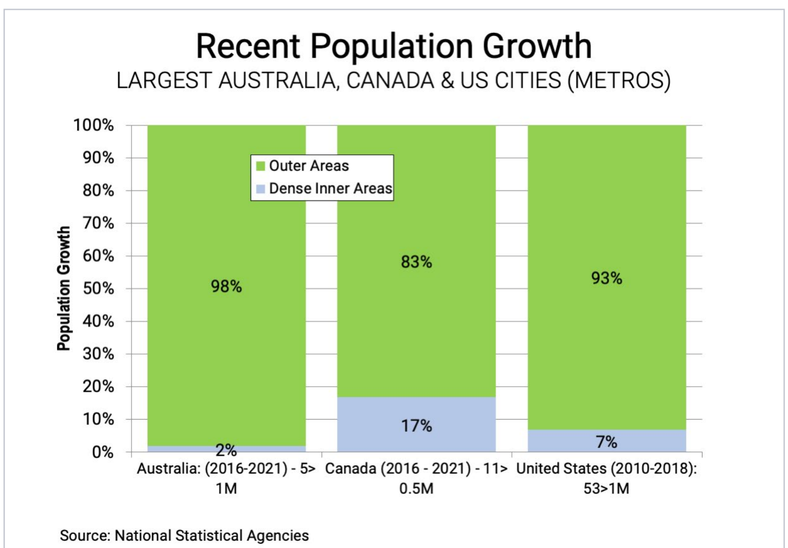
# THE POLICY AGENDA

These trends have been exacerbated by what is widely described as a "progressive" policy agenda. Its origins lie in the post-World War Two British Town and Country Planning Act, which sought to rationalize development and preserve open spaces. In more recent decades, these policies have become more draconian, seeking to densify existing communities while hindering, and even eliminating development on the periphery, where costs tend to be lower.[32]

These policies are, in large measure, warmly supported by academics, the media, and urban property owners throughout the English-speaking world.[33] Australia cognoscenti as well like *Melbourne Age* columnist Natasha Cica dismisses suburbs as "crass over class" and architect Robin Boyd described them as "a material triumph and an aesthetic calamity." Suburbs are widely denounced as an environmentally destructive form of urban development that led to obesity, popular only with lower income, less educated people who 'love' their cars and fast food and who work in declining industries.[34]

In recent decades, particularly after 2008 global economic crisis, the New York and Washington media embraced the notion that "America's suburban dream" was "collapsing into a nightmare."[35] The exurbs, one prominent urbanist suggested, would become "the next slums" the equivalent of "roadkill" doomed by changing economics and demographics. The only future for "fringe suburbs", he wrote, would be "death".[36]

Yet rather than decline, suburbs have grown consistently far more rapidly than dense urban cores not only in the United States but also in Canada, Australia as well as the UK. This process was further accelerated by both reaction to the pandemic and the rise of on-line work.[37] This is evident in Australia, Canada and the United States, where an overwhelming majority of population growth has been in areas outside the dense urban cores.




**Rather than decline, suburbs have grown consistently far more rapidly than dense urban cores not only in the United States but also in Canada, Australia as well as the UK.**

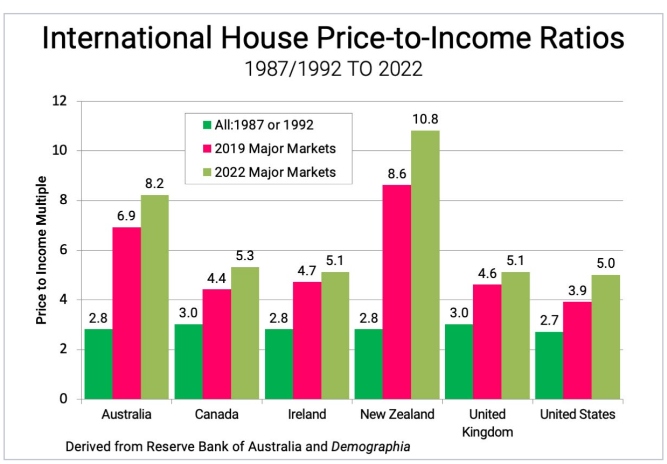
The mainstream media, not surprisingly, is horrified by these trends, and places like *The New York Times* routinely blame suburban nimbys" for high housing prices.[38] But the real focus of anti-suburban agitation has shifted increasingly to the climate change agenda, which tend to treat  land as needing, like all commodities, to be rationed to "save the planet."[39] Typical are the comments of Sydney *Morning Herald* urban affairs writer and "celebrated urbanist and Fairfax architecture critic" Elizabeth Farrelly: "The suburbs are about boredom, and obviously some people like being bored and plain and predictable, I'm happy for them … even if their suburbs are destroying the world."[40]

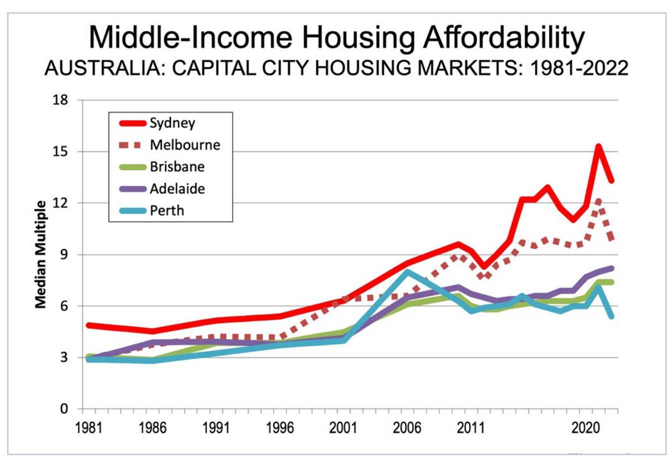
> **"The suburbs are about boredom, and obviously some people like being bored and plain and predictable, I'm happy for them … even if their suburbs are destroying the world."**
> ***Elizabeth Farrelly***

Such attitudes underpin the drive to  restrict suburban growth[41] (see: California's Cautionary Tale) In the UK, the government's Climate Change Committee is putting forward proposals that would make it frighteningly expensive  to sell single-family homes — including those built mere decades ago — that do not meet stringent energy standards.[42] Sadly, President Biden's administration, and  states like New York,[43] seems to be determined to push this agenda across the country as has the Canadian government.[44]

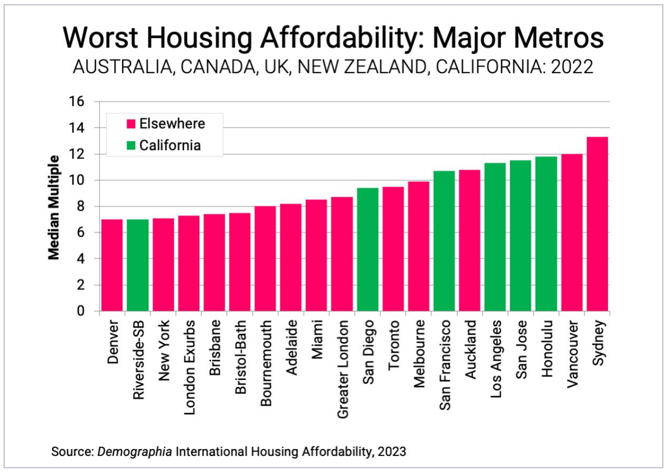
## Social consequences

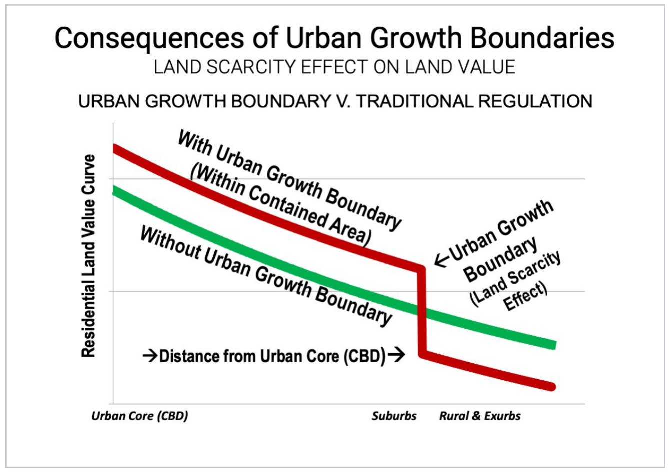
However, well-meaning in their intent, these policies undermine the ability of working- and middle-class people to afford, and ultimately buy housing or pay reasonable rents. In a Bank for International Settlements (Berne) paper, economist Gianni La Cava associated rising inequality in the United States with increased housing values in more severely regulated markets.[45] By definition, house price increases that exceed household income growth result in greater inequality, advantaging buyers, and disadvantaging others, because future buyers have to pay more for the same house as prices rise faster than incomes. In the United States, more than 85% of the difference in cost of living between metropolitan areas is attributable to differences in housing affordability.[46]



Australia's affordability crisis is particularly severe, often so than in even the most regulated and expensive markets in the US and elsewhere Overall, Australia's major housing markets have suffered especially severe housing affordability losses relative to inflation, ranging from 4.2 times the inflation rate in Perth to 6.1 times in Adelaide from 2000 to 2022. In each of the five major cities, the house price inflation since 2000 exceeded that of all of the 11 service and product groups constituting the CPI (such as food, clothing, transportation and education and health).[47] This suggests that restoring housing affordability could be a principal requirement for preserving the middle-class.[48]




In the past, spacious land offered opportunities for Canadians, Americans as well as Australian. But policies designed to "contain" what is often referred to as "urban sprawl" have shrunk the opportunity to horizon.[49] In 2019, all of the 92 housing markets in *Demographia International Housing Affordability*[50] areas that were severely unaffordable (a median multiple of 5.1 or more) had urban containment policy. In contrast, none of the markets without such policies suffered the same result (figure above right). Economic research associates the worst housing affordability with urban containment policies such as greenbelts and urban growth boundaries.[51]

This differential is not an accident but intended. As planning experts Arthur C. Nelson and Casey J. Dawkins put it, urban containment[52] "should decrease the value of land outside the boundary and increase the value of land inside the boundary."[53] The impact on prices has a powerful impact particularly on younger people as well as ethnic minorities who have been moving increasingly to suburban and exurban locations but must face higher prices due to regulatory policies.[54]

## THE AUSTRALIAN DILEMMA

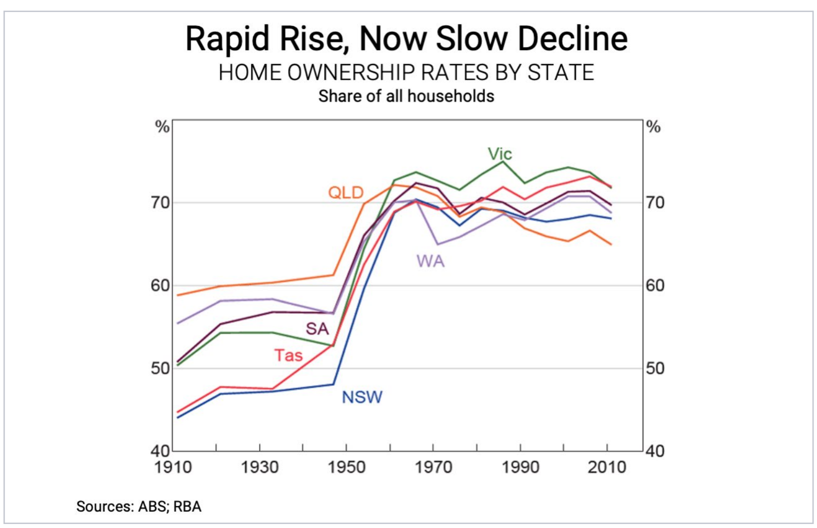
Published in 1964 Donald Horne's The Lucky Country" was not a celebration, but a lament. It irked Horne to think that ever since its publication, the title has been seized on as if to infer some magical luck for Australians. He noted:

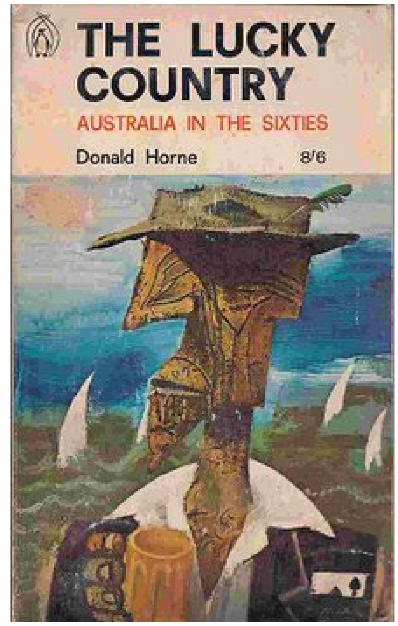
"Australia is a lucky country run mainly by second rate people who share its luck. It lives on other people's ideas, and, although its ordinary people are adaptable, most of its leaders (in all fields) so lack curiosity about the events that surround them that they are often taken by surprise."

Australia in the 1960s was indeed a relatively prosperous place, with opportunity and rising living standards enjoyed by an increasing proportion of the population. However, putting aside the question of leadership, the country was also beneficiary to good fortune. The post-World War II conflict was behind it, and post war migration helped kick off one of the most prosperous periods of Australia's history. With a national population of just 11.1 million in the year Horne's book was published, GDP growth surged to a decade average of 5.3% - the highest for a century and yet to be repeated.[55]

This prosperity rested largely on a resource boom not matched since the late 1800s gold rushes. Iron ore. coal and wool were massively exported to ascendant trading partners such as Japan, replacing traditional British markets. The economy industrialised,[56] with new coal fired power stations, new motor vehicle manufacturing and new shopping centres and office buildings springing up in major cities.[57] The unemployment rate was below 2% — which was not matched again since.[58]

In this heady environment, suburbs blossomed, as working-class families escaped the cramped and unhealthy urban core industrial housing tenements and joined a fast-growing middle class settling new suburban estates. A fast-growing population – the result of post war European immigration and a booming post war birth rate (hence 'baby boomers' of the 1945-1961 period) — could afford new suburban homes with home ownership rising from 53% in 1947 to over 70% by 1960.[59]




**"Australia is a lucky country run mainly by second rate people who share its luck...."**
*Donald Horne*

## The home ownership gap and the limits of enforced density

A common assertion by density advocates is that multi-story housing will lower costs for young buyers who are the most obvious victims of the steady climb in prices.[60] In reality high density housing is more expensive. Going from five to ten stories increases the cost of each square foot by over 50 percent, notes the Breakthrough Institute's Judge Glock, in large part due to the need for more expensive, energy hungry materials like steel rather than wood.[61]

To this problem, regulators have added fees and other costs that further bloat prices. Local and state governments began charging up-front per-housing-lot fees and charges and regulatory regimes exploded in complexity, which added further to compliance costs and inevitable delays. According to the Housing Industry Association, by 2022 these taxes and regulatory costs accounted for 50% of the price of a new dwelling in Sydney.[62] *The Demographia International Housing Affordability* survey (2023) now rates Sydney as amongst the most unaffordable cities in the world. Melbourne, and now Brisbane, have also witnessed rapid deterioration in affordability.[63]

Once home ownership rates in Australia were high, but now many in the younger generations are now delaying or simply surrendering hope of buying a home in major cities. According to the Australian Government Institute of Health and Welfare report "*Home Ownership And Housing*" (2022), 50% of Australians born in the 1950s and early 1960s had bought their first home by the age of 30, while for younger Australians born in the 90s, this had fallen to 36% – despite availability of several government backed schemes to encourage first home owners which did not exist for boomers.[64] First home buyers are getting older, with the median age of first time buyers now 34 years of age rather than 24 in 2002.[65] Rather than earlier generations paying off their mortgage by age 50, the proportion of first time buyers now aged in their 50s increased by 50% in the 2015 to 2021 period.[66]

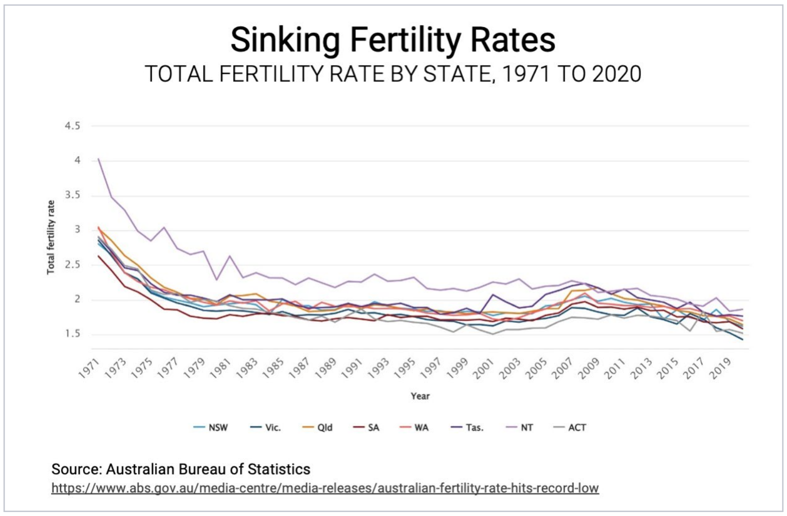
### Younger Generations Bear The Brunt Of Australia Policy Choices

Home ownership rate by birth cohort and age group

| | | Home ownership rate (per cent) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| State/territory | Birth year | 25–29 | 30–34 | 35–39 | 40–44 | 45–49 | 50–54 | 55–59 | 60–64 | 65–69 | 70–74 |
| Australia | 1947–1951 | 54.2 | 68.0 | 72.3 | 75.1 | 77.8 | 79.6 | 81.1 | 81.3 | 81.7 | 81.9 |
| | 1952–1956 | 53.0 | 64.8 | 69.1 | 73.3 | 76.1 | 78.3 | 78.9 | 79.4 | 80.5 | |
| | 1957–1961 | 51.1 | 59.1 | 67.2 | 71.7 | 75.0 | 76.0 | 76.8 | 78.3 | | |
| | 1962–1966 | 46.3 | 58.6 | 66.0 | 70.7 | 72.3 | 73.7 | 75.5 | | | |
| | 1967–1971 | 43.5 | 57.3 | 65.2 | 67.6 | 69.8 | 72.4 | | | | |
| | 1972–1976 | 43.2 | 57.1 | 62.1 | 65.3 | 69.1 | | | | | |
| | 1977–1981 | 43.4 | 53.5 | 58.9 | 64.9 | | | | | | |
| | 1982–1986 | 41.3 | 50.0 | 59.2 | | | | | | | |
| | 1987–1991 | 37.4 | 49.7 | | | | | | | | |
| | 1992–1996 | 36.1 | | | | | | | | | |

Source: Home ownership and housing tenure – Australian Government Institute of Health and Welfare, August 2022

These trends have impacted fertility rates throughout the English spiking world, a concern that has been periodically raised in Australia for at least the past century.[67] Today Australia, faces the prospect of declining birthdates in a vast, sparsely settled continent.  Australia's total fertility rate (TFR) declined from 2.86 in 1970 to 1.66 in 2021, well below the 2.1 TFR necessary to sustain population levels. These low birthrates are particularly notable in Australia's densest areas such as the cores of Melbourne and Sydney where TFRs are close to a quarter the national average, and below that of South Korea, which has the lowest fertility rate of any major country.[68]




## Economic forces further weakening the middle class

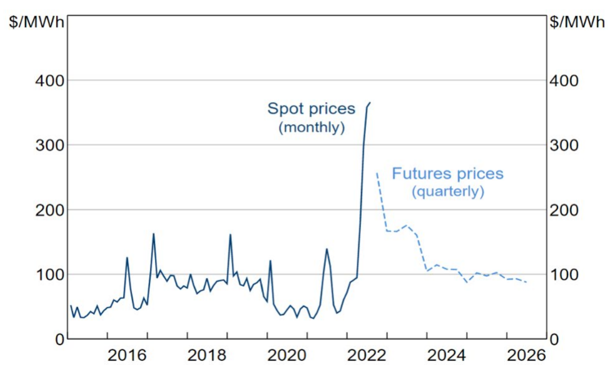
The decision by government to embrace an extremely ambitious climate policy effects affect not only housing. Australia is blessed with abundant energy sources – coal, gas, and uranium – and all are all also key export earners. These industries not only supported by abundant and affordable energy provided reliable energy but also many thousands of high paying jobs, including and blue collar. jobs as well. High energy costs are now threatening a range of industries. Industry is the largest consumer of energy, accounting for around 1/3 of all consumption – compared with households at 25%. The services sector accounts for 27%. The rapid escalation of prices is now impacting everything from breweries to beauty parlours.[69]

Despite its large deposits of uranium, Australia has eschewed nuclear energy as a generating option, even as it moves to close down existing coal fired power stations (almost one third closed in the 2012-2017 period alone) in order to reduce greenhouse gas emissions.[70] Being a relatively dry continent, hydro options are limited, but the sun does shine – a lot. Solar and wind are heavily promoted as renewable alternatives to coal, but they are unlikely to be ready or battery storage sufficiently developed in time – leading Australia's Energy Market Operator to warn of potential blackouts and brownouts unless action is taken.[71]

Already forces of supply and demand (aided by war in Ukraine), not to mention the realities of physics, are leading to substantial costs increases, with spot wholesale energy prices surging[72] in 2022 and consumers being warned of up to 50% price rises in household power across 2022 and 2023.[73] These increases disproportionately hurt middle- and working-class households. According to Energy Consumers Australia, power bills represented only 1% or 2% of disposable incomes for wealthy households, but can be more than 12% of disposable incomes for lower income households.[74] Recent policy changes designed to reduce fossil fuel use threaten to raise electricity prices this year by as much as 35 percent.[75]

**Wholesale Electricity Prices**

National Electricity Market, population-weighted average

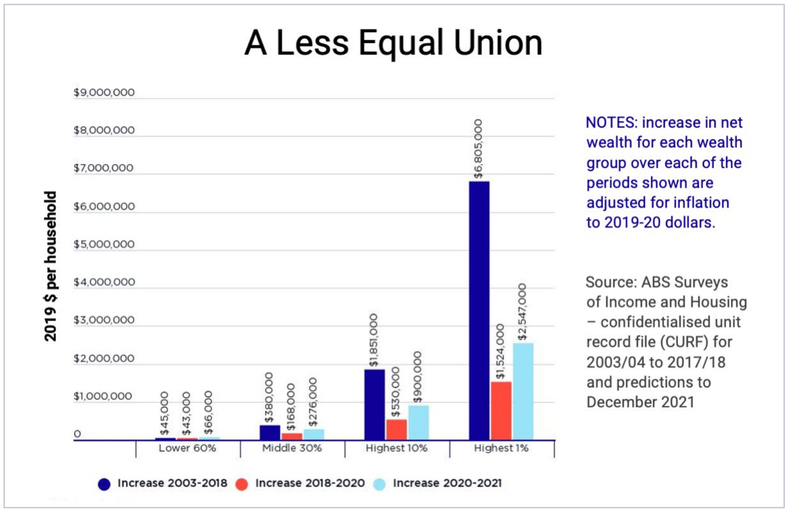



Source: Recent Developments in Energy Prices, Reserve Bank Australia, August 2022.
https://www.rba.gov.au/publications/smp/2022/aug/box-a-recent-developments-in-energy-prices.html

## The growing wealth divides

In large part due to rising energy and housing costs, Australia's class divide is widening a shift of historic proportions. In a detailed 2022 report "The wealth inequality pandemic: COVID and wealth inequality" the Australian Council of Social Services and the University of New South Wales concluded, in recent decades, "wealth inequality increased sharply." According to their research, the wealthiest 10% of Australian households held 46% of all wealth, while the next 30% held 38% of wealth. The majority of households — the lowest 60% — held collectively just 17% of all wealth.[76] (figure, below)

The urban core-centric policies have also exacerbated class divisions. Many former working-class inner city industrial areas have benefitted from a program of urban renewal, which has seen substantial taxpayer largesse while middle and outer suburbs have been largely left to fend for themselves Some of Sydney's poorest suburbs it is now amongst the most expensive real estate markets in the country.[77]




A study commissioned for suburban advocacy group Suburban Futures, are the middle and aspiring working classes concentrated the suburbs and exurbs.[78] Suburbs also have become a preferred locale for Australia's critical immigrant population, just as they have in Canada, the United Kingdom as well as the US.[79] To the extent that Australia's economy relies upon a steady flow of talented immigrants, the rising housing and energy costs could become a barrier.

## CAN WE SAVE AUSTRALIA'S MIDDLE CLASS FOR THE NEXT GENERATION?

"WHAT A TERRIBLE TIME TO BE A YOUNG AUSTRALIAN," LAMENTED FORMER AUSTRALIAN TREASURY ECONOMIST LEITH VAN ONSELEN OF MACROBUSINESS, IN A MARCH 2023 ARTICLE WHICH DREW ATTENTION TO SOARING HOUSING RENTALS AND DECLINING REAL WAGES, ALONG WITH RISING STUDENT DEBTS.[80]

That dour outlook was underscored by Finder.com's 2023 Cost of Living Survey which found that 70% of Gen Z were experiencing financial stress due to increased cost of living pressures (principally rising mortgage costs) compared with just 29% of boomers. Some 56% of Gen Z were feeling pressured to take on a second job due to rising costs of living, compared with just 7% of boomers.[81]

Nor is the short-term outlook particularly hopeful. It is estimated some 800,000 Australian homeowners will find the low-interest fixed-rate loans they secured during the recent era of record low interest rates (for many the only way they could buy into the housing markets of major metropolitan areas) are about to revert to principal+interest loans.[82] The impact will be dramatic. According to Core Logic, the average loan of $540,000 which was fixed at 1.98% will revert to a variable rate of 5.5% this year (maybe more), meaning monthly loan repayments of $1986 will rise to $3053.[83] This will mean, says Roy Morgan Research, that one in five mortgage holders will be in mortgage stress and a further 15% will be at extreme risk.[84]

Combined with escalating energy and food costs – driven in part by deliberate policy measures designed to penalise carbon-based energy – working- and middle-class households will increasingly be under financial pressure. In contrast the top income earning households of inner-city professionals will be largely unaffected. Sure, they will notice the impacts, but wealthy elites have sufficient wealth buffers for it not to impact their financial security. Along with housing costs, as we can see from California, these policies pose a hardest burden on the poor as well as the working and middle classes.[85]

## Needed: A sustainable policy agenda for the middle class

Over recent decades wealth in Australia has flowed into the hands of fewer and fewer people. Rich Australians, those occupying property, have enjoyed major gains while a large part of the population, particularly the young, have stagnated. This, as the Grattan Institute suggests has created what they call a "Jane Austen society" where people got rich without working.[86]

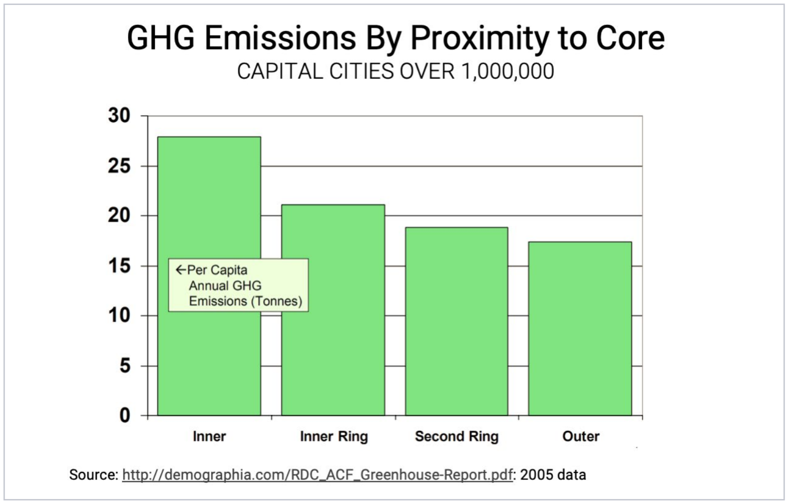
If middle- and working-class living standards are not to keep falling, both rising housing and energy costs need to be addressed and the underlying policy drivers challenged. Current tax and regulatory polices serve to deliberately limit land supply via growth boundaries in the more popular urban centres; we then tax that land and any new housing on it through up-front levies and taxes which are borne disproportionately by younger market entrants and the growing immigrant population.

Any suggestion that contradicts current policy will be surely attacked on environmental grounds. Yet advances in technology, such as innovative materials and sophisticated systems for controlling energy and water use, could make suburban and exurban communities ever more environmentally sustainable, as demonstrated by MIT professor Alan Berger. Well-planned new developments could reduce greenhouse gases by using rooftop solar systems, electric cars, and, eventually, autonomous taxis. And with their ample open space, these areas are ideal for enhancing biodiversity through thriving populations of insects, birds, and mammals.[87]

Indeed, the notion that enforced density brings environmental gains deserves challenge while options such as remote work deserve greater emphasis. The International Energy Agency suggests that if everybody able to work from home worldwide were to do so for just one day a week, it would save around 1% of global oil consumption for road passenger transport per year an annual decline of 24 million tonnes (Mt) – equivalent to the bulk of Greater London's annual $CO_2$ emissions.[88]

There also needs to be more focus on the "heat islands" caused by too many buildings packed together in one place.[89] United States Environmental Protection Agency (EPA) notes that such effects can make daytime temperatures up to 7 degrees Fahrenheit hotter in cities than in rural and suburban areas, and nighttime temperatures up to 5 degrees hotter, roughly equal to the Intergovernmental Panel on Climate Change's estimate for the total impact of global warming by 2100 is about 5 degrees Fahrenheit.[90] Similar findings have been found in an analysis of an Australian Conservation Foundation report, which provided a ground breaking analysis attributing GHG emissions per capita to people rather than to modes of transport or structures.[91] (figure, below)

**The IEA suggests that if everybody able to work from home worldwide were to do so for just one day a week, it would save around 1% of global oil consumption for road passenger transport per year an annual decline of 24 million tonnes (Mt) – equivalent to the bulk of Greater London's annual $CO_2$ emissions.**




Nor does the new density fixation fit the preferences of the new generation, particularly for young families. In the US two thirds of millennials, before the pandemic, favored suburbs as their preferred residence, a trend that appears stronger today than even in the immediate past.[92] So much for the hopes of new urbanists like Peter Katz that the nation's largest generation had "little interest in returning to the cul-de-sacs of their youth and would "reverse the decades old pattern of suburban dispersal."[93] Similarly Australian youths, notes a Melbourne University study, also want the suburban dream although many fear they will never achieve it.[94]

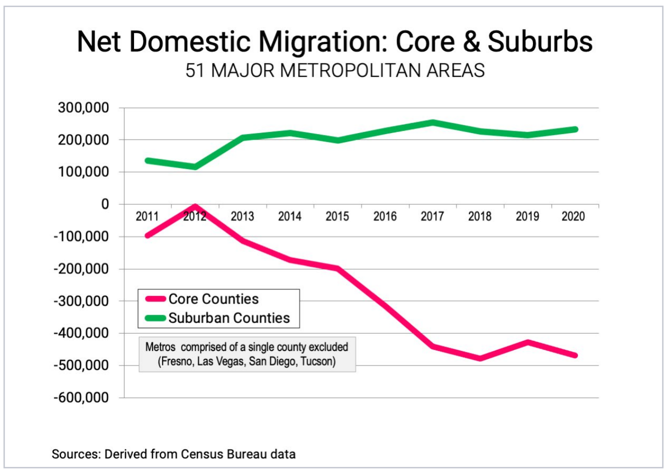
In the future, online work, whether full-time or as part of a hybrid work culture, could help reverse, or at least limit, the decline in family formation. Both men and women with children put a higher value on working at home than those without children[95] For those who choose to work in an office, a market for remote suburban offices offers a potential alternative.[96] Family members, particularly women, are particularly attracted to dispersed work.[97] For millennials in particular the work at home shift addresses issues, according to a Conference Board survey, like enhanced "life-work balance."[98] Indeed the majority of workers with children favor continuing work mostly or entirely at home.[99]

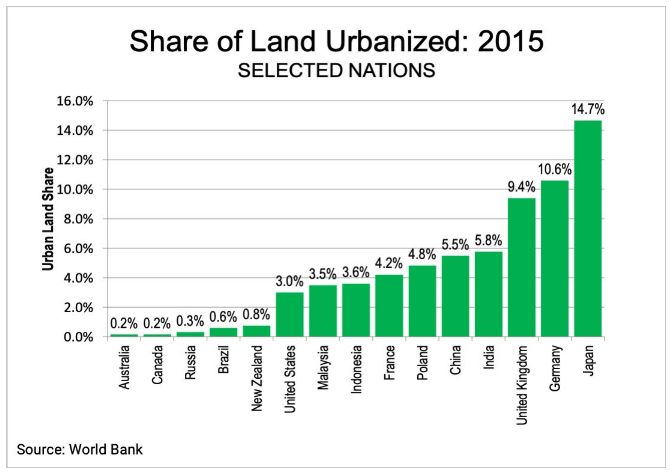
## The need for dispersion

The geography of vast countries like the US, Canada and Australia could prove critical to reviving middle class conditions. In the US today, where there remain major differences in local regulatory regimes, we see a mass migration of residents to less expensive states like Texas, Arizona, and Florida.[100] These places have also become beacons for finance and business services, and have shifted increasingly to highly suburbanized places, such as Phoenix, Raleigh, and Salt Lake City, where housing costs and taxes are lower.[101]

This trend, notes the Breakthrough Institutes Judge Glock, has been inexorable for well over a half-century. Since 1950, the average density of the largest American cities has dropped from 6,000 people per square mile to 3,000. The fastest growing metros in terms of population have been the most sprawling ones.

Largely due to the relatively liberal land use regulations in so-called "red" states, the biggest US growth has consistently been in the outer rings of metropolitan areas. The population in the (50) highest growth counties grew at 7.5 times the rate of the other more than 3,100 counties from 2015 to 2020 attracting 1.8 million net domestic migrants. Businesses are shifting similarly; suburbs and exurbs have continued over the last 40 years to garner a growing percentage of the nation's wealth, notes a recent Harvard study. From 2010 to 2017, over 80% of all job growth was in the suburbs and exurbs. The 50 highest growth counties had an employment increase of more than 2.5 times that of other counties in 2019.[102]




Australia, with its ample land, even near the coast, should be able to follow this course (figure, above right). This would require more future growth outside the unaffordable large metro areas. Australia's top five metro areas — Sydney, Melbourne, Brisbane, Perth, Adelaide — account for close to two thirds of the country's population.[103] In contrast, in Canada, the top five metros account for 47% of the population,[104] while in the US the top five metros account for 17% of the population.[105]

Unfortunately, Australia, unlike the United States, has a far more uniform set of cities subject to with urban containment policies. The result has been the almost absurd shortage of developable sites in a country with vast supply of land suitable for development. Without restoring the competitive supply of land on the urban fringe, material improvement in housing affordability is likely impossible. Indeed, the prospect is for further worsening, with pent-up demand driving prices even higher. As Paul Cheshire (London School of Economics) notes, urban containment is irreconcilable with housing affordability and price stability. This requires decisive action aimed at restoring the competitive market for land.[106]

Fortunately, there are favorable, even unprecedented conditions for engendering greater, and sustainable, dispersion. Yet even before the pandemic, the consultancy Bain predicted that new technologies would engender a "post urban economy".[107] This predated the pandemic. In the US office occupancy has been declining since the turn of the century, while construction of new space has also fallen. In 2019, before the pandemic, construction was one-third the rate of 1985 and half that of 2000.[108]

The pandemic has demonstrated how the CBD's reliance on high-end business service workers left them dangerously exposed to dispersed work.[109] Remote workers, notably in tech related businesses, can virtually live anywhere in Australia and work anywhere in the world.[110] Hybrid workers can readily live up to two hours (or more) away from their employment locations, depending on how many days they physically commute, also helpfully cutting operating costs by as much as a third.[111] There is little reason — particularly given the growth of on-line work — to think these trends will not continue. As the New York Times Tom Edsall observed: "The era of urban supremacy is over."[112]

This process can be seen in Australia as well.

Covid lockdowns in centres like Melbourne and Sydney spurred a number of city dwellers to relocate to more affordable regions.[113] Even before the pandemic the big metros — despite the regulatory preferences — have been dispersing. Between 2017 and 2022, Australia's five largest capital cities have experienced nearly all (97%) of their population growth outside their inner areas (SA4's). Inner areas grew by 23,000 residents, while outer areas grew by 844,000. More than 100% of the population growth in Sydney and Melbourne was in outer areas. In Perth 94% of the growth was in outer SA4s, and 77% in both Brisbane and Adelaide.[114]

The movement of business towards remote work, either full-time or hybrid, could accelerate this trend. In core cities, such as Melbourne, office occupancy by late 2022 was almost 40 percent below pre-pandemic levels.[115] As downtowns shrink as business centers, Australia can look to exurbs and smaller cities not as backwaters but as places that can absorb the aspirations of the next generation, including immigrants. These include communities like Toowoomoth (pop 140,000), Ballarat (pop 111,000), Orange (40,000), Bathurst (38,000), Mount Gambier (33,000), Bunbury (80,000) and Launceston (92,000) among the many regional cities that could benefit from further growth. In addition, the smaller state and territorial capitals, Hobart (251,000) and Darwin (148,000)[116] could be candidates.

This outward movement has been driven largely by millennials, who are seeking less expensive housing, and perhaps a more relaxed way

**As downtowns shrink as business centers, Australia can look to exurbs and smaller cities not as backwaters but as places that can absorb the aspirations of the next generation, including immigrants.**

of life.[117] This includes moves closer to the "bush" but largely to smaller communities not too distant from the capital cities.[118]

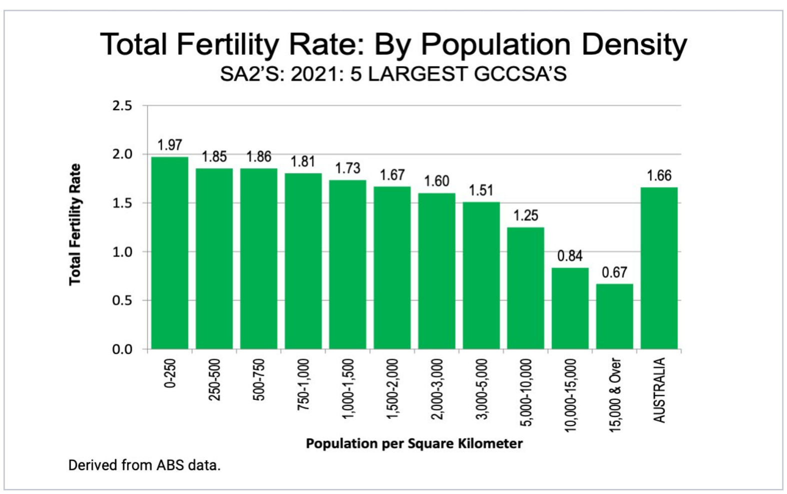
## Needed: A major change in direction

Opportunities to create more affordable, family-friendly communities abound, if only Australia and other nations change their current planning direction.

Australia is home to some of the world's leading home building and community builders. Already they have built large master planned communities within the largest cities. State governments could encourage development of more housing outside the largest cities, by liberalizing land use regulations that would permit the building of houses and communities that can be afforded for much of the middle class that has been priced out of the market. The large development firms and the builders, from small to large, could be relied upon to build new housing, in the smaller cities away from the largest as well as new developments that could become new cities as the market develops.

Without liberalization of land use policies, there may be no other hope for restoring the Great Australian Dream of homeownership for the households who have been priced out of the market.

These new communities would help create opportunity for young Australians and newcomers and comport with what Millennials themselves require. The pandemic and its aftermath, notes a recent study by the Federal Reserve of Kansas City, has already created conditions for a family friendly housing boom, as people can live further away, and spend more time being parents.[119] Indeed, early indications, notes the Atlantic, is that remote work also has stimulated birthrates in the US.[120] In Asia and Europe, where fertility rates tend to be lower and home sizes smaller, the return to the office has been greater, but this may not be the model that most Australians, or Americans, would prefer.[121]




**Without liberalization of land use policies, there may be no other hope for restoring the Great Australian Dream of homeownership for the households who have been priced out of the market.**

Ultimately this is an issue about reviving the egalitarian dream and prospect of better times that long characterized Australia. Some might see such a reversal of policy as unlikely but throughout its history Australians have managed to adapt to changing economic conditions and demographic challenges, from the days of the sheep-ranching economy to the rise of resource economy, based on minerals, energy, and agricultural exports. After World War Two, it abandoned the socially unsustainable class-based system bequeathed from Britain. Politicians in both parties supported both homeownership and affordable energy. Liberal PM Robert Menzies with his "Forgotten People" speech during World War II: … one of the best instincts in us is that which induces us to have one little piece of earth with a house and a garden which is ours; to which we can withdraw, in which we can be among our friends, into which no stranger may come against our will.[122]

Labour PMs John Curtin and Gough Whitlam also sought, an expansion of home ownership which they linked to providing socially just and fair recompense for the labour of working people. They saw homeownership as key to creating "an exemplary citizen" with a strong commitment to the country and region.[123]

Refocusing land policy should not be seen as a partisan issue. What is needed instead is something close to what historian Geoffrey Bolton, "a middle way" that is suited not to ideologies but to practicalities that apply to the country's uniqueness, "the rational application of Australian intelligence to Australian needs and opportunity."[124]

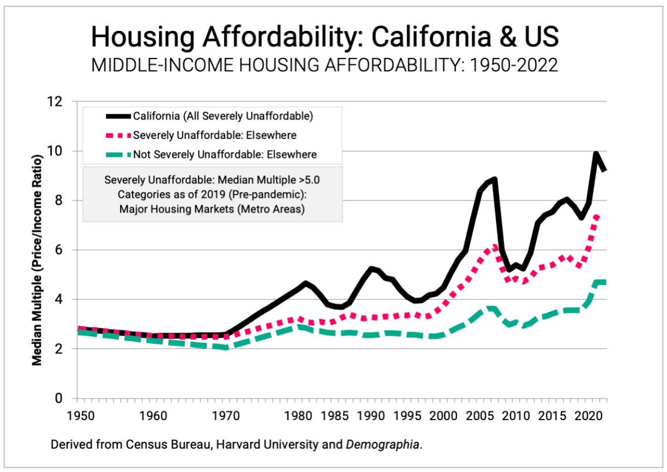
Fortunately, it is far from too late. Australia has the resources, the land, and the talent to accommodate the aspirations of ambitious young people as well as newcomers from abroad. Such a shift would likely get pushback from entrenched interests from green activists to big urban landowners. It will take determined policy changes, not just mere luck, to get out of this.

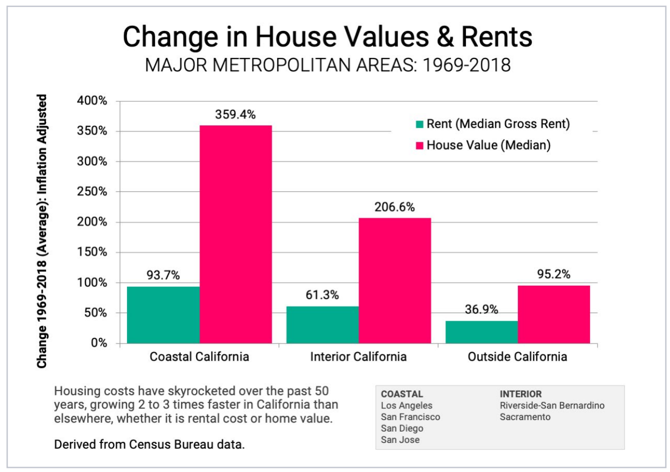
**Refocusing land policy should not be seen as a partisan issue. What is needed instead is… "a middle way" that is suited not to ideologies but to practicalities that apply to the country's uniqueness.**

# CALIFORNIA'S CAUTIONARY TALE

Few places so clearly resemble Australia than California. Both have luscious coastlines, gorgeous mountains, vast and often forbidding interiors, and have long been known as places that have attracted middle class families.

Yet, sadly, like Australia, California has also adopted a regulatory regime that has succeeded in pushing housing prices ever more out of reach to most citizens. California housing prices are now among the highest in the country, and homeownership near the lowest.[125] The state's largest metropolitan areas — the Bay Area, San Diego, Los Angeles — all rank among the least affordable markets in the English-speaking world (figures).

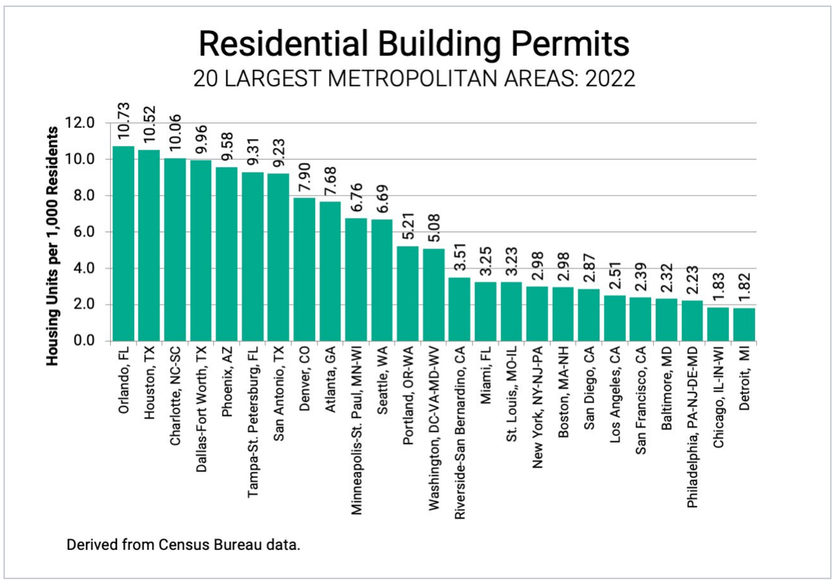



This in price is not due to population growth; at the peak of California's growth, the 1950s through the 1970s, home prices, compared to incomes, remained relatively on track with the rest of the country. Instead , with the state population stagnant or declining,  the likely culprit are regulatory policies have developed over the past half century have discouraged peripheral development, including high user fees, singularly restrictive environmental regulations (notably of the California Environmental Quality Act) have combined to raise housing prices.[126] Prominent housing economists Edward Glaeser of Harvard and Joseph Gyourko of the University of Pennsylvania have found that land costs in the San Francisco metropolitan area are roughly ten times as high as would be expected in a less-regulated market.[127]

As in Australia, climate policy has exacerbated this regulatory onslaught sparking ever more harsh regulation over land use, soaring fees, strenuous environmental reviews and auto travel reductions as a prerequisite to development approval.[128] Proposed state legislation would ban all new greenfield housing construction, and favor high-density inner city housing which, due to high land and regulatory costs, tends to very expensive.

These policies have not encouraged housing production. According to the State Housing Plan, California has been underbuilding housing for 50 years.[129] Over the past five years California has consistently lagged not just in the creation of single-family housing, but in multi-family housing as well. Not one California metro was among the 2020 top 50 places with the newest housing units per capita; Texas had five, Florida ten.[130] Los Angeles, the state's dominant metropolitan area, ranks near the bottom.[131]




Along with high energy prices, another product of climate legislation, the regulatory vise is squeezing out the middle and working classes.[132] Although couched in progressive rhetoric, the state policy agenda is largely responsible for the nation's worst cost- adjusted poverty rate, and to rank fourth highest on a Gini inequality index (behind New York, Connecticut, and Louisiana). According to United Way of California, over 30% of California residents, including 50% of Latinos and 40% of Blacks, lack sufficient income to meet basic costs of living even after accounting for public assistance.[133] California also suffers the widest gap between middle and upper-middle-income earners of any state.[134]

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