

Perpetuating the problem: neoliberalism, commonwealth public policy and housing affordability in Australia

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Abstract

This paper argues that the scale of the contemporary housing affordability crisis in Australia is at least partly attributable to the influence of neoliberal ideas over the past three decades. After providing an overview of the nature and scope of the crisis, the process by which housing as a policy problem has been reconceptualised by policy makers and others since the 1970s is examined. This is followed by analysis of the ways in which a number of commonwealth government policies which are ideationally underpinned by neoliberalism have amplified and perpetuated the problem of housing affordability in Australia and, *ipso facto*, prevented the issue from being addressed. The paper concludes by suggesting that policies which are ostensibly intended to improve housing affordability will continue to founder until the ideational obstacles which are the focus of this paper are recognised, and housing policy is reconceptualised along lines more conducive to the amelioration of the housing affordability problem. The paper seeks to extend the existing literature on housing affordability by explicitly identifying the linkages between neoliberal ideas, commonwealth public policy, and the extant problem of housing affordability in Australia.

Keywords: housing affordability, policy, economic policy, social policy, neoliberalism

Housing as a policy problem: dimensions and scope

There is a significant body of evidence to suggest that more and more Australians are experiencing problems resulting from their inability to access accommodation/housing that is appropriate to their needs. These problems range from difficulties associated with 'getting into the market' and 'housing stress' – a broad-brush term generally used to describe the lowest 40 per cent of income earners who spend more than 30 per cent of their income on accommodation (Yates et al. 2007: 4) to homelessness and the inability to secure any kind of accommodation at all.¹ Other problems with which policy makers in this area have had to contend over the past decade in particular include rapid and sustained house price inflation, a rise in 'after-housing' poverty, a dwindling supply of public and private low-income rental housing stock, declining home ownership among particular demographics, and an increase in the number of those on waiting lists for public housing (see Burke & Tiernan 2002; North 2013; Productivity Commission 2004; 2010; Yates 2013). Substandard housing for many indigenous Australians, increased barriers to home ownership, and challenges associated with the provision of housing to tenants with extensive and complex needs – e.g., the elderly or those with a disability – have also preoccupied policy makers, researchers and others seeking to improve access to housing in Australia in recent years (see Argy 2004; AIHW 2007: 240; Productivity Commission 2004; 2010; Senate Select Committee 2008; Yates 2011).

Housing affordability: the 'key issue'

Australia is often said to be experiencing a housing affordability 'crisis' caused by an escalation in housing prices from the mid-1990s to the mid-2000s that was more prolonged and cumulatively greater than previous upswings (Productivity Commission 2010: 15).

In recent years many of the aforementioned issues have been discussed under the rubric of housing affordability, which 'emerged as the key issue facing housing policy makers in developed countries at the start of the 21st century' (Yates et al. 2007: 47). Arising as 'part of the policy language' in the 1980s, the phrase 'housing affordability' is used broadly to refer to the ability of individuals and households to '... [secure] some given standard of housing (or different standards) at a price or rent which does not impose, in the eyes of some third party (usually government), an unreasonable burden on household incomes' (MacLennan & Williams in Gabriel et al. 2005: 6). Housing affordability problems therefore arise when housing costs 'absorb too great a proportion of household income' (Yates et al. 2007: 9). Notwithstanding the qualitative and quantitative difficulties associated with defining and measuring this problem (see Gabriel et al. 2005; Rowley & Ong 2012; Yates 2013), a significant body of evidence has emerged which suggests that it has become far more difficult for

many low to moderate income households – as well as other subsections of the population – to secure accommodation that is both appropriate to their needs and does not result in the kind of ‘housing stress’ referred to above.

Indicative of the scale of the housing affordability problem are statistics pertaining to house price inflation, the relative costs of home ownership, and the shortage of affordable housing in Australia. For example, between 2001 and 2011 the median Australian house price more than doubled, increasing from around \$169,000 to \$417,500 – an increase of 147 per cent – while median after-tax household incomes increased from around \$36,000 to \$57,000 – an increase of 57 per cent (Phillips 2011: 3). Moreover, in relative terms, whereas from the 1950s to the 1980s the median Australian house price averaged around three times per capita income, by the early 2000s this figure had risen to six times per capita income, and to nine times by 2004 (Productivity Commission 2010: 15). Statistics pertaining to the availability of affordable housing tell a similar story, with the level of public housing stock, for example, decreasing from around 372,000 dwellings in 1996 to 340,000 in 2007 (AIHW 2008: 7).

Particularly negatively affected by declining affordability over the last decade are low income earners renting in the private market. In 2010 the Productivity Commission suggested that while soaring house prices had produced a number of undeniable benefits, this had been accompanied by a ‘marked increase in “housing stress” amongst low income earners and otherwise disadvantaged people’, with almost 60 per cent of those on lower incomes renting in the private market experiencing housing stress as of 2008 (Productivity Commission 2010: 15). Another group negatively affected by the precipitous decline in housing affordability since the late 1990s are first home buyers, with mortgages for those seeking to enter the market more than doubling from an average of \$131,000 in 2001 to \$280,000 in 2011 (Phillips 2011: 8) and the proportion of first home buyers shrinking to its lowest level in 22 years as of September 2013 (ABS 2013). In light of the above, it is perhaps unsurprising that the 2011 AMP–NATSEM Income and Wealth Report on housing affordability concluded that in the decade to 2011, ‘house prices moved from affordable to severely unaffordable’ and that ‘the dream [of home ownership] may now be completely out of reach for some people, with first home buyers older, borrowing more and facing considerable housing stress once they’ve entered the market’ (Phillips 2011: 1).

Key drivers

To what can we attribute the contemporary housing affordability crisis? And why is it that policy makers have ostensibly failed to adequately address this particular area of social policy? Berry & Dalton suggested in 2004 that

the past decade has seen the short run, long run and institutional factors move into prolonged alignment in Australia. The long-term fundamentals of growth, demographics and urban concentration have been reinforced by institutional (especially

taxation and land use) policies, low interest rates, buoyant market sentiments and a speculative switch from equities into real estate, fuelling a self-reinforcing property boom (Berry & Dalton 2004: 82).

The 'property boom' to which Berry & Dalton (2004) refer is, of course, both the flip side to, and one of the primary causes of, the housing affordability crisis of the last decade. And yet, others have suggested that 'there has been an underlying structural affordability problem in Australia over the past half century' (Yates et al. 2007: 9).

While the underlying structural affordability problem referred to above can be ascribed to a number of longer-term factors that feed into housing demand – e.g., the increase in sole parent and one person households – key drivers of more recent affordability problems include comparatively low interest rates, a rapid and sustained increase in demand for housing by investors,² changes to the capital gains tax regime in Australia, and a switch by investors to real estate in the wake of a significant worldwide downturn in equity markets in mid-2000 (Berry & Dalton 2004: 75–76; Colebatch 2003; Yates et al. 2007: 9).

The search for solutions

The issue of housing has attracted a great deal of attention from governments – federal, state and local – and other interested parties – e.g., welfare and community housing organisations, academics and researchers. This has resulted in the production of a sophisticated body of literature on the topic, with a number of organisations and individuals seeking to identify the problems and possible courses of action. And yet, even a cursory review of the literature on housing reveals that 'despite efforts over more than 20 years to reform housing assistance arrangements in Australia, policy solutions have not been found' (Burke & Tiernan 2002: 26). Indeed, as leading Australian housing scholar, Judith Yates (2013: 127) has recently suggested, the problems Australian policy makers are currently attempting to address are 'precisely the [same] problems' with which policy makers were attempting to deal at the end of the Second World War.

Why is this so? It is the author's contention that the inability of governments to identify and implement viable policy solutions in this area is at least partly attributable to the influence of neoliberal ideas at the level of commonwealth public policy over the past three decades; and, more specifically, the meta-theoretical assumptions and presuppositions on which such policies are predicated. This is not to suggest that the political and discursive influence of neoliberal ideas is wholly responsible for the failure of Australian governments to address this policy area successfully. It is, however, to suggest that the neoliberal 'policy paradigm' (Hall 1993) – which has been institutionalised and ultimately become dominant at the level of commonwealth public policy over the past three decades – has resulted in a reconceptualisation of housing policy;

one that has constrained the range of policy options available to governments and provided the ideational impetus for a number of policies that have significantly intensified the problem of housing affordability.

Changing conceptualisations of housing as a policy problem

According to Burke & Tiernan (2002: 14), the 1970s saw a ‘fracturing of the [housing] policy consensus’ that had endured since the end of the Second World War. They argue that in the 1950s and 1960s, ‘housing was a central concern of Australian governments’ and that the belief that government had a role to play in the provision of housing enjoyed ‘broad bipartisan support’ (Burke & Tiernan 2002: 14). According to Seelig and colleagues (2008: 37), the centrality and profile of housing as a policy problem that required commonwealth government intervention during this period stemmed both from an acute housing shortage and the welfare state aspirations of post-war Australians.

In the early to mid-1970s, however, there was a discernible shift in the qualitative nature of commonwealth housing policy in Australia, with the Whitlam Labor Government adopting a more targeted approach to housing assistance in the 1973 Commonwealth–State Housing Agreement.³ Since then, housing assistance arrangements and housing policy more broadly have also been affected by changes to the wider international and domestic economic and social policy context. These changes have entailed profound implications not only for the qualitative nature of the solutions to housing policy problems, but also for the way in which the problems themselves have been understood and defined, and for which of these problems have found their way on to the policy agenda.

Redefining the problem: neoliberalism and the impact of economic liberal reforms

Hall (1993) uses the term ‘policy paradigm’ to describe the way in which a set of ideas, assumptions and presuppositions can, over time, become institutionalised at the level of public policy. He suggests that when dominant, these paradigms specify not only the goals of public policy and the instruments that can be used to attain them, but the nature of the problems themselves (Hall 1993: 279). Drawing on the work of Kingdon (1995), Burke & Tiernan (2002) argue in a similar vein that despite the large number of problems with which policy makers have been confronted since the 1970s, the housing policy agenda in Australia has progressively narrowed as particular problems have been selected and defined in accordance with the prevailing neoliberal policy paradigm.

In their examination of the process by which the housing policy agenda in Australia was reconfigured during the 1990s, Burke & Tiernan (2002) identify a number of influential factors – and actors – that led to the identification and selection of certain policy problems as requiring government action. These include changes to the broader economic or ‘market context’ (e.g., financial deregulation, high interest rates, and recession), organisational and

administrative reforms during this period (e.g., corporatisation, marketisation) and the impact of other factors such as budgetary constraints, public opinion, and 'focusing events' (e.g., media stories, which periodically draw attention to certain issues). They also acknowledge the impact of 'systemic indicators' (e.g., the Commonwealth Bank/HIA Housing Affordability Index), which seek to determine the overall health of the sector and the influence of well-organised lobby groups in shaping the policy agenda; many of whom view the problem of housing differently and often seek to present their interests as synonymous with those of the general public (Burke & Tiernan 2002: 22, 14).⁴

More significant for the purposes of this paper, however, is the aforementioned authors' discussion of changes to the broader institutional and discursive context from within which housing policy in the 1990s was formulated, and its implications for policy. Indeed, according to Fenna (in Burke & Tiernan 2002: 15), many of the developments in housing policy in the 1990s can be attributed to the impact of the 'economic rationalist discourse' pervading Australian public policy during this period. Unlike its more socially democratic antecedent, which tended 'to view the market as imperfect and inequitable and requiring ... government intervention to maximise its potential', the economic rationalist/neoliberal discourse⁵ that emerged in the 1970s and dominated policy debates in the 1980s and 1990s 'basically ... [saw] the market as an effective allocator of resources subject to minimum interventions to ensure a safety net for the most disadvantaged in society' (Burke & Tiernan 2002: 15). This had significant implications for the way in which housing policy makers perceived the issue of housing in Australia and, in turn, the qualitative nature of policy itself. By reducing the housing policy problem to a 'safety net'/income assistance issue:

Broad issues and problems that attracted concern in earlier periods ... were no longer concerns of a minimalist state – the market could be left to address these areas, with the housing problem being defined narrowly according to a particular conception of the income assistance problem (Burke & Tiernan 2002: 16).

Although in reality the extent to which the Australian state was 'minimised' was never on par with the rhetoric of the emerging economic rationalist/neoliberal discourse, there is little doubt that neoliberal ideas regarding the appropriate role of government impacted on the way housing was conceptualised.

This reconceptualisation found direct expression in the redirection of funding from the Commonwealth–State Housing Agreement, or CSHA (the traditional vehicle through which housing assistance has been rendered in Australia) to Commonwealth Rent Assistance (CRA), the abolition of the Building Better Cities, Green Street and Local Approvals Reform Programs, as well as the shift to community and private sector housing strategies (see Darcy 1999: 14; Burke & Tiernan 2002: 24; Lawson & Milligan 2007: 122; Productivity Commission 2010; Yates 2013). Moreover, according to Burke & Tiernan (2002: 20–21), despite the fact that in the 1990s many of the problems affecting the public housing sector had been comprehensively documented in a range of state,

territory and commonwealth reports (see, for example, NHS 1991; 1991a; 1992), 'policy responses were promoted which in many respects were irrelevant to the problems' as 'Australian governments were receptive only to managerial reforms based on marketisation principles'.

The reconceptualisation of housing in accordance with the prevailing economic rationalist discourse or neoliberal 'policy paradigm' has been acknowledged by a number of authors who have sought to explain the problems experienced by this sector. Dodson (2006: 14), for example, argues that since the 1970s, housing assistance in Australia has been 're-imagined' by policy makers and that changes to housing policy 'reflect a general shift towards neoliberal[ism]'. According to Dodson (2006: 1), successive Australian governments have sought to 'introduce new management methods into social housing' as well as 'target' resources more tightly and rely far more heavily on 'demand-side' policies that involve the provision of housing allowances to low-income households to be used in the private rental market (e.g., rent assistance). These kinds of policies place 'the individual rational consumer ... at the centre of housing policy' and allow the individual to determine how cash transfers are used in the private market (Dodson 2006: 14). Dodson (2006: 10) claims that the adoption of such policies 'demonstrates the encroachment of a neoliberal governmentality on housing policy assistance' in Australia. Others, such as Gabriel and colleagues (2005: 4), suggest that Australian governments' increasing reliance on non-government organisations and the private market to manage and provide low-cost housing is directly attributable to the influence of neoliberalism (see also Beer et al. 2007).

The post-2007/2008 economic, social and policy context: Labor, neoliberalism, and the global financial crisis

The election of the Rudd Labor Government in 2007 saw the problem of housing affordability partially reconceptualised in the course of an attempt by the incoming government to address an area of policy which, according to many, had been neglected for more than a decade. Again, Yates' comments are instructive:

By the Mid-2000s, housing policy had not been part of the national agenda for over a decade [However,] [t]he election of a new federal government in 2007 returned housing to the national agenda, reintroduced a Minister for Housing and resulted in a number of significant changes to the way in which social housing was to be funded (Yates 2013: 116).

Initially, the Rudd Government's attempt to reprioritise housing affordability centred on the creation of a National Housing Affordability Agreement (NAHA) and a National Rental Affordability Scheme (NRAS). The former replaced the long-standing CSHA funding structure and was designed to provide a new and improved framework in which commonwealth, state and local governments could 'work together to improve housing affordability and homelessness outcomes' (COAG 2009: 3). The latter sought to 'stimulate the supply of 50,000 new affordable rental dwellings' by the middle of 2016 through the

provision of government financial incentives to organisations such as 'property developers, not-for-profit organisations and community housing providers' (FaHCSIA: n.d.).

Noteworthy here is the logic on which the aforementioned policy initiatives are based. On the one hand, it is evident that since 2007 the Commonwealth has embraced a range of 'supply-side' mechanisms (e.g., the NRAS) 'aimed at [increasing] the supply of affordable housing rather than at managing demand' (Productivity Commission 2010: 10). On the other hand, however, the government's overarching approach to the issue of housing affordability has sought to facilitate an expansion of the Community Housing Sector (CHS) along with the use of private finance (Productivity Commission 2010; Yates 2013), both of which are consistent with the prevailing neoliberal policy paradigm in so far as they seek to divest government of responsibility for a particular policy area while attempting to facilitate market-based and/or community/private sector solutions.

Resulting in a number of additional commonwealth policy initiatives post-2007 was the Global Financial Crisis (GFC) of 2008/09. Foremost among these was the Social Housing Initiative (SHI). Established as part of the federal government's Nation Building – Economic Stimulus Plan (NBESP), the SHI resulted in the allocation of more than \$5.6 billion in funding for the 'construction of new social housing and the repair and upgrade of existing homes across all states and territories'. A product of the government's broader fiscal policy response to the GFC, the SHI represented 'the largest single commitment of funding to social housing in Australia's history' and resulted in the construction of approximately 19,700 new dwellings along with the maintenance and repair of an additional 12,000 dwellings that 'were uninhabitable, or likely to be uninhabitable, within two years' (KPMG 2012: 1, 3).

In terms of its implications for the formation of commonwealth public policy, it is significant that while the GFC provided the impetus for 'the largest investment in social housing construction in Australia since the 1980s' (Yates 2013: 117), arguments which suggested that the international economic downturn of 2008/09 had seriously 'called into question the prevailing neo-liberal economic orthodoxy' (Rudd 2009: 20) in Australian policy circles and elsewhere were highly premature. Among the most high-profile of those who suggested that the GFC had precipitated a wholesale reconsideration of neoliberalism as a political-economic ideology was then Australian Prime Minister Kevin Rudd, who argued in his celebrated essay in *The Monthly* in February 2009 that 'seismic changes [were] underway' in the aftermath of the Global Financial Crisis as 'policymakers and economists' tore up 'the neo-liberal playbook and governments ... made unprecedented and extraordinary interventions to ... bring the financial system back from the brink' (Rudd 2009: 29, 22). Arguably, however, the political and ideational changes resulting from the Global Financial Crisis have been less profound than the former Prime Minister's hyperbole suggested.

That the GFC has hitherto failed to alter fundamentally the extant neoliberal policy paradigm has been noted by a number of scholars in the wake of the 'Great Recession'. Dean (2012: 8), for example, argues that post-GFC narratives

which depict the event as a definitive ideological and historical turning point fail to recognise that the most recent is but one among a number of 'crises' through which this particular political ideology has been able to mutate, adapt and ultimately remain dominant (citing the Latin American, Asian Financial and 'dot.com.' crises'). Cahill (2009; 2010; 2011), too, has argued that while the ideological 'legitimacy' of neoliberalism has undoubtedly been weakened in the wake of the GFC, neither the rhetoric nor – major – policy initiatives of the Rudd Labor Government indicated that neoliberalism was no longer dominant (Cahill 2010). Citing the creation of an Emissions Trading Scheme (ETS), the use of the 'private sector in the provision of public services' through Public-Private Partnerships and, perhaps most notably, the creation of a 'Department of Finance and Deregulation' (Cahill 2010: 309), Cahill argues that under Rudd, 'departures from the neoliberal agenda seem modest rather than substantial, particularly when considered alongside the ongoing reliance upon neoliberal policy measures in major portfolio areas' (Cahill 2010: 309; see also Johnson 2011).

Moreover, according to Johnson (2011), since 2010 the Gillard Labor government has been even more pro-market than its predecessor. In her analysis of Labor's underlying policy position in a number of areas since 2007, she argues that while 'Rudd and Gillard [have] each embraced market-reliant policy positions', it is Gillard who 'has advocated a position that is closer to Hawke and Keating's "economic rationalism"' and sought to 'further develop ... the pro-market aspects of Rudd's programme'; without being 'nearly so explicit in expressing her reservations about market failure or neoliberalism' (Johnson 2011: 562, 565, 567). This, she contends, has seen the Gillard government attempt to extend 'market relations to major areas of government service delivery' and increase 'competitive market delivery mechanisms in existing areas of government service provision (including in the areas of education, welfare and the economy)' (Johnson 2011: 569).

Of course, as Pawson and colleagues (2011: 3) point out, 'Social housing systems rest within complex political and economic environments' and the purpose of the foregoing analysis is not to suggest that the domestic and international context from within which housing policy in Australia is formulated post-2007/08 has remained static. The GFC, accompanying international economic downturn and European Sovereign Debt Crisis have all destabilised the international financial services sector and reduced the capacity of many governments to fund public expenditures and facilitate access to private finance, despite the additional, short-term investment in social/affordable housing (Pawson, Lawson and Milligan 2011: 5).

It is, however, suggested that the neoliberal policy paradigm – the focus of this paper – remains largely intact and that governments have failed to respond adequately to the problem of housing affordability. As the Australian Housing and Urban Research Institute (AHURI) noted in respect to the centerpiece of the Commonwealth Government's post-2007 housing policy agenda:

The current National Affordable Housing Agreement (NAHA) introduced considerable national housing policy innovation and is considered one of the most productive periods for the growth of affordable housing in Australia. The NAHA was established in response to a significant loss of housing affordability over the last three decades. [However,] [d]espite some recent softening in house prices, the underlying structural housing affordability problem, which particularly impacts low-income private renters, is unlikely to have abated (AHURI 2012: 1).

Commonwealth government policy: perpetuating the problem of housing affordability

In the remainder of this paper, it is argued that while the origins of the housing affordability crisis in Australia can be attributed to a number of exogenous and endogenous factors (Berry & Dalton 2004: 69), there is a considerable body of evidence suggesting that over the last two to three decades the enactment and implementation of policies – by both major parties – consistent with the prevailing neoliberal policy paradigm have not only failed to address the problem of housing affordability successfully, but have also significantly intensified the problem. It is further suggested that policies designed to mitigate the problem of housing affordability will continue to founder until the economicistic, neoliberal assumptions and presuppositions on which they are based are recognised and a number of political and ideational obstacles are addressed.

Noteworthy here is that the contemporary housing affordability crisis is neither unique to Australia nor exclusively attributable to the policies of one particular government – or to government *per se* (see Pawson, Lawson & Milligan 2011; Lawson & Milligan 2007; Productivity Commission 2004). And yet, a review of the evidence suggests that over the past two decades in particular, the Commonwealth has enacted and sustained policies that have contributed to the housing affordability problem. While some of these are a product of the recent past, others are enduring features of the policy landscape. One such feature is the longstanding refusal of successive Australian governments to ‘tax the family home’ (Berry & Dalton 2004: 69). While facilitating a culture of home ownership in Australia,⁶ exemptions from capital gains tax and the non-taxation of imputed rental income have contributed to the problem of housing affordability in so far as they have conferred benefits on those who have chosen – and have been able – to buy rather than rent (Berry & Dalton 2004: 79). This is not to suggest that capital gains tax should be applied to one’s primary dwelling; merely that such an exemption acts as a powerful incentive to buy – and store wealth in – one’s home, which impacts upon housing affordability via its contribution to house price inflation through, for example, over-investment in the housing sector.

Another feature of the Australian policy landscape that has contributed to the problem of housing affordability is negative gearing, which allows property investors in Australia to deduct rental expenses – e.g., property maintenance – against other income such as salary and wages (ATO 2013: 24). This amounts to a public subsidy of more than \$2.5 billion per year for those who are able to invest in the Australian property market and has been heavily criticised by many of those who have sought to explain the causes of the contemporary housing affordability crisis (see Colebatch 2003a; Disney 2007; Eslake 2011; Productivity Commission 2004; Soos 2012; Spies-Butcher 2008; Wyatt et al. 2005). In their cogent analysis of the relationship between negative gearing, housing affordability and first home ownership, Wyatt and colleagues (2005: 178) contend that ‘Although negative gearing is not the only cause of the housing affordability crisis, it is a substantial factor in pushing first home buyers out of [the] market’. According to the authors, the taxation benefits bestowed on ‘wealthy investors’ (defined as those on the top marginal income tax rate) through negative gearing can render them more than \$100,000 ‘better off’ in the long term than recipients of the first home owners grant (Wyatt et al. 2005: 150; 170). Moreover, given the inducements that the authors suggest are ‘already present’ within the housing market to stimulate housing investment, Wyatt and colleagues (2005: 178–179) conclude that it is ‘hard to understand policy directives that encourage negative gearing’, particularly if one’s goal is to ‘reduce the current inequities in relation to home ownership’ and improve affordability (see also Eslake 2011). In 2004 the Productivity Commission’s Report on First Home Ownership also acknowledged that negative gearing had magnified ‘the attractiveness of investing in residential property during the recent upswing in house prices’ and thereby added to ‘price pressures’ (Productivity Commission 2004: xxiv).

The deregulation of Australia’s financial system is another commonwealth government measure that has contributed to the problem of housing affordability. By removing many of the restrictions on the lending activities of banks and other financial institutions and opening the door to overseas financial institutions, the Hawke Labor Government of the 1980s largely succeeded in creating ‘a market – rather than state – controlled financial system’ (Burke & Tiernan 2002: 18). This entailed profound implications for the Australian housing sector, resulting in growth in the number of lenders – i.e., mortgage originators – and a rise in the number of home loan products available to prospective home owners and housing investors. Indeed, in the decade to 2004 the number of entities offering home loans in Australia increased from approximately 90 to more than 130, while over the same period the number of home loan products more than doubled (Productivity Commission 2004: 46–47). The creation of a competitive home loan market and accompanying relaxation of lending criteria by many financial institutions has facilitated access to home loan finance for many Australians, including individuals and groups for whom access to credit was more difficult prior to deregulation. However,

this has also contributed to house price inflation over the medium to long term and compounded the problem of affordability. As the Productivity Commission's Report into First Home Ownership acknowledged in 2004:

... an increase in borrowing capacity as large as that experienced since the early 1990s must be expected to have been an important contributor to the surge in housing related borrowing over this period, and thereby to the increases in house prices during the recent boom (Productivity Commission 2004: 49).

Given that the deregulation of Australia's financial system was a central component of the Hawke-Keating Government's neoliberal reform program, this provides a salient example of the relationship between the contemporary housing affordability crisis, commonwealth government policy, and the impact of the prevailing neoliberal discourse.

Fanning the flames of house price inflation: the First Home Ownership Grant Scheme (FHOS) and changes to Capital Gains Tax (CGT)

Over the past decade, two additional measures are widely believed to have negatively impacted upon housing affordability. The first of these is the First Home Ownership Grant Scheme (FHOS), introduced by the Howard Government on 1 July 2000. The scheme was designed to offset the financial impact of the Goods and Services Tax (GST) on the housing industry by providing a one-off grant of up to \$7,000 to eligible first home buyers. While originally intended to compensate for the increase in house prices following the introduction of the GST in July 2000, the grant is still available to first home buyers. This is despite the Productivity Commission's finding in 2004 that:

The bulk of FHOS assistance goes to households with above average-incomes, who might otherwise have purchased a house before too long, even without assistance. In the Commission's view, the scheme would have a greater impact on first home ownership if it were more closely targeted at lower income households, with a commensurate increase in grant levels (Productivity Commission 2004: xxxii).

In other words, the FHOS has done little to improve affordability for average to low-income earners while providing an additional source of capital that 'serve[s] primarily to stimulate housing demand' (Berry & Dalton 2004: 89).⁷

It is noteworthy that in its 2004 report into First Home Ownership, the Productivity Commission (2004: xxxi, 71–72) observed that for a variety of reasons, the FHOS has been a comparatively minor contributor to house price inflation. Indeed, making a far more significant contribution to the problem of housing affordability in Australia are the Howard Government's 2001 changes to Australia's Capital Gains Tax (CGT) regime. Inspired by the 1999 Ralph Review's recommendation that only '50 per cent of the capital gain [made] on assets held for more than a year ... be included in the taxable income of the individual' (Ralph 1999: 77), in mid-2001 the Government enacted legislation that effectively halved the rate of capital gains tax payable on investments held

by Australian citizens for longer than twelve months. One of the effects of this measure was to encourage speculative investment in property. As Colebatch argued in 2003:

Overnight, speculating in rental housing became vastly more profitable Investors now account for more than 36 per cent of all housing loans, and soaring prices have made downsizers richer, but upsizers and people waiting to buy their first home much poorer (Colebatch 2003a).

Given the increase in the proportion of loans issued to investors for housing in the immediate wake of the changes to CGT (from 31 per cent in 2001 to 45 per cent in early 2003) and the consequent decrease in the proportion of those issued to first home buyers during a similar period (from approximately 25 to 14 per cent) (Reserve Bank of Australia 2002; Berry & Dalton 2004: 75), it is difficult to overstate the validity of Colebatch's (2003a) claims that the housing 'boom' of the early twenty-first century has been driven by speculative demand and that this has negatively impacted upon housing affordability. Indeed, the Howard Government's changes to CGT have had a profound impact on house price inflation and, in the absence of measures to adequately increase the supply of low cost housing, contributed significantly to the problem of housing affordability in Australia over the past decade.

The political and ideological rationale of policies that have contributed to the housing affordability crisis

In light of the preceding analysis, a number of questions arise. Why have successive commonwealth governments done this? What are the political and ideological rationales for the policies identified above, and what is their relationship to the neoliberal policy paradigm discussed in this paper? It is evident that electoral considerations have played a role in the maintenance of policies – such as tax exemptions and negative gearing – that are perceived to have delivered benefits to both home owners and investors. Indeed, given that a majority of Australians will own their home, it is unsurprising that the major parties in Australia would be disinclined to enact policies that curtailed house price inflation. As former Prime Minister John Howard poignantly articulated in 2003:

For people who are already in the housing market, the increase in the value of their homes is being welcomed. I don't get people stopping me in the street and saying John, you're outrageous, under your Government the value of my house has increased. In fact, most people feel more secure and feel better off because the value of their homes has gone up. But there is a problem if you're trying to get in ... this is a problem for first homebuyers (ABC 2003).

Beyond the short-term electoral motives suggested above, however, lies an approach to housing policy which is symptomatic of changes to the wider ideological, policy and discursive environment over the past three decades.

This is to suggest that many of the policies and changes that have intensified and perpetuated the problem of housing affordability in Australia are a product of the market-oriented, economic logic of the dominant neoliberal policy paradigm. Take, for example, the deregulation of Australia's financial system, which created and enabled the broader conditions from within which a competitive mortgage market could operate. To the extent that this was a product of the Hawke Labor Government's neoliberal reform agenda of the 1980s – and house price inflation a product of deregulation and the creation of a competitive home loan market – it can be argued that the housing affordability problem is, at least partly, a product of the neoliberal logic on which the deregulation of Australia's financial system was based.

The changes to Australia's capital gains tax regime provide a similar case in point. In recommending the equivalent of a 50 per cent reduction in capital gains tax on assets held by Australian investors for more than one year, Review of Business Taxation Chairman John Ralph argued:

The Review's Recommendations in respect of the capital gains tax regime for individuals will help to support a stronger investment culture amongst Australian Households. The widespread privatisation of major public sector enterprises has greatly increased the number of Australian households owning shares. A less harsh CGT regime which encourages taxpayers to invest in such assets will help entrench and build upon these changes (Ralph 1999: 77 emphasis added).

The changes were thus part of a broader strategy to 'entrench' and promote a 'stronger investment culture' in Australia and 'reward risk and innovation' (Ralph 1999: 77). As has been shown, there is little doubt that such changes were successful in their attempt to 'encourage' taxpayers to invest in assets such as housing. And yet, in so far as the changes to the CGT regime are a product of the logic of the prevailing neoliberal policy paradigm, and a decrease in housing affordability a product of changes to CGT, it is reasonable to suggest that the problem of housing affordability be understood as a product of the dominant discourse. This is not to suggest that the housing affordability crisis is exclusively the result either of the aforementioned policies or government policy in general; only that such policies have exacerbated the problem and can be traced to the influence of neoliberal political and economic ideas.

Indeed, further targeting, a reduction in the number of public dwellings, a greater reliance on the community and private sectors – through, for example, the NRAS and the promotion of 'demand-side' policies under the Howard Government in particular – along with financial deregulation and a reduction in the taxation of capital gains are all quintessentially neoliberal in so far as they are designed to: (a) minimise the extent to which government is directly responsible for the provision of housing; (b) foster the conditions under which a competitive market can operate while bolstering private sector activity, and; (c) promote 'market-based' solutions to complex public policy challenges.

Conclusion

Housing affordability has emerged as a major problem with which governments in Australia have had to contend in the opening decades of the twenty-first century. This article has provided an overview of the process by which the problem of housing has been reconceptualised by policy makers in accordance with the neoliberal policy paradigm that has been institutionalised at the level of commonwealth public policy over the past three decades. In terms of its contribution to the existing literature, it has sought to explicitly identify some the underlying linkages between neoliberal ideas, commonwealth government policy and the contemporary housing affordability problem; linkages which are implied by many, but for which systematic explanations are lacking. It has argued that while the housing affordability crisis in Australia is by no means exclusively the result of commonwealth government policy, governments of both political persuasions have supported, maintained and/or enacted a number of policies that have significantly intensified the problem, and that many of these policies are ultimately a product of the dominant neoliberal logic. That the problems confronting the housing sector haven't been solved and have actually intensified suggests that the neoliberal logic on which such policies are based is at best problematic, and at worst fundamentally nonconducive to the amelioration of the problems in this area. It is the conclusion of this paper, therefore, that neoliberal political and economic ideas may be characterised as an ideational obstacle to the alleviation of the housing affordability problem, and that until commonwealth housing policy is reconceptualised, policy initiatives based on the existing neoliberal policy paradigm will continue to founder.

Endnotes

1. According to the Australian Bureau of Statistics, there were 105,237 people classified as homeless in Australia on Census night 2011, up from 89,728 in 2006 (ABS 2012).
2. Berry and Dalton (2004: 75–76) observe that 'in the 18 months to July 2002, for example, loan approvals for investors rose by 113 per cent compared with 48 per cent for owner occupiers over the same period'. They also point out that 'during that period the monthly value of housing loan approvals increased by \$4.4 billion', with more than half of that increase accounted for by investors.
3. Noteworthy here is that during Whitlam's tenure, the targeting of assistance was 'designed to exclude the well-off rather than focus benefits exclusively on the very poor' (Castles 2001: 537).
4. While a detailed analysis of the influence of organised lobby groups – e.g., welfare groups and the building industry – is beyond the scope of this paper, an appreciation of the role played by such groups in the policy formation process is crucial (see, for example, Gabriel et al. 2005). It certainly could be argued that the institutionalisation of a neoliberal policy paradigm has rendered governments of both political persuasions disproportionately receptive to those professional interest and lobby groups whose policy recommendations are ostensibly consistent with the prevailing neoliberal orthodoxy.
5. While the author is aware of the technical distinction between 'economic rationalism' and 'neoliberalism' (see, for example, Bryan 2000), for the purposes of this paper I have deliberately chosen to use the aforementioned terms interchangeably to refer to the overarching influence of market-oriented approaches to the formation of public policy that became increasingly popular in Australia in the 1980s and 1990s.

6. As of 2008 around 70 per cent of Australian households either owned their own home outright (34 per cent) or were paying off a mortgage (35 per cent). This figure has remained relatively stable since the 1960s (AIHW 2007: 2, 2008: ix).
7. For an excellent discussion of the way in which government assistance to first home buyers has negatively impacted upon housing affordability in Australia since the mid-1960s – and the political rationale for such policies – see Eslake 2013.

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