J Dedman, Minister for Post War Reconstruction in 1945 said, "The Commonwealth Government is concerned to provide adequate and good housing for the workers; it is not concerned with making the workers into little capitalists." At about the same time, possibly responding to Labor Party instruction, it struck the emerging Liberal Party that a nation of little capitalists would not be such a bad thing. From the party's birth, preference of housing over other sectors of the economy, and home ownership over rental accommodation, were established as articles of Liberal Party faith. Although these policies are freely discussed in terms of votes, from time to time it is thought necessary to justify this discrimination in terms of public rather than party welfare. Then the arguments chosen are always arguments for producing better citizens - for social engineering to fit a ideal that would not otherwise result from aggregated individual choice.

Throughout the fifties and sixties the Liberal Party fauned upon home owners. With an end to war time shortages and the easing of State Government rent controls it was relatively easy to be seen to do better. Success reinforced the party's addiction to housing policy.

It is no coincidence that the voters most helped by home ownership policies were not the poor but denizens of the new suburban marginal seats in what we now call the mortgage belts. Housing politics is and always has been of the pork barrel variety. By 1972 Whitlam had put the Dedman fears behind the Labor Party going to the polls shovelling promises of pork at young home buyers.

Middle class home purchasers have been fostered to become a powerful faction practising brigandage on the rest of society. Governments transfer resources from others to them; Oppositions form protest societies among overcommitted home buyers; building societies and the house building industry use the political influence of home buyers to serve their own ends. In consequence there is more investment in houses and less in other things like mines, factories and farms. I once heard a rather neat line from an economist employed by a Building Society, for which I suspect he was not thanked. It was, "We are the best housed unemployed in the world."

Unlike food which is classified in the national accounts as consumption, housing, because it is durable, is usually classified as investment. However, unlike productive investment and like food, beyond a minimum it makes little contribution to tomorrow's production, but is simply enjoyed as it depreciates. Since we are well beyond that minimum, policies which favour housing at the expense of, say machines, favour today at the expense of tomorrow, favour our generation at the expense of our kids and inhibit economic growth.

Several writers have pointed to the regressive nature of housing market regulation. This worries the politicians who, although they expect their rewards not in heaven but in middle class votes, are expected to rationalise policies so as to cause the recipients of largesse no sense of shame. Far from being honest brigands, members of the hand-out society are hypocrites who want even their pretences on a plate. When public analysis makes this impossible policies do sometimes change.

Professor Ross Williams (Economic Papers Sept. 1984) has engaged in some public analysis which, if not making an acceptable rationalisation of housing policy impossible, then at least making it a little more difficult. He says, "Paradoxically, it is the direct government intervention which frequently has had perverse results in equality of wealth and income." It is no paradox, but he offers compelling evidence that government housing policy, and the Federal Government housing policy in particular, frequently make wealth and income less equal.

The policies particularly favour owners as against renters who are most often poorer. Rents paid are not deductible from taxable income, neither are rents imputed to the taxable incomes of owners. There is thus a considerable tax advantage in owning one's dwelling. The tax foregone by not taxing imputed rents is around $2000 million per year. If it were to be levied the value of homes and consequently rents must fall.

Subsidised loans are provided to home purchasers under the Defence Service Homes Scheme and the Commonwealth State Housing Agreement. These do benefit people with less than average income but in NSW in 1981/82 20% of new loans went to families with more than average weekly earnings.

Deregulation of housing interest rates is the only major Campbell Committee recommendation yet to be implemented. The regulation is worth about $330 million annually to home purchasers; the rationing device for this subsidy is ability to repay, directing the subsidy away from the poor; and the subsidy is provided by savings bank depositors who tend to be low income investors. Another subsidy, the first Home Owners Scheme (cost $265 million in 1984/85) is very generously means tested to include incomes well in excess of average weekly earnings.
In contrast people who rent from private owners get almost nothing in spite of the fact that 83% of the pensioners who rent, rent privately. Williams says, 'The shabby treatment of private renters seems to arise from distaste for the owners of private rented dwellings.' — a social engineer's prejudice no doubt. Both Liberal and Labor in office seem to have exhibited less antipathy to the public sector landlord and public tenants are treated a little better than private, although nowhere near as well as home owners.

The Housing Industry Association is an active lobby in Canberra. Like many such lobbies it is better known for its food, its persistence and its use of veiled threats than for the quality of its arguments which are after all but rationalisations offered to the politicians for their later use and as conscience salves for immediate use. I am sure they do their job well.

The number of houses is pretty well limited by population, public sector housing merely substitutes for private and Williams and others before him conclude that government construction' has generally not been anti-cyclical. However, although all this inequitable government activity has not given us more houses which we couldn't use, or given the industry steady demand it has encouraged us to make our homes bigger, better and more extensive. Faced with a choice between buying more wheat land and a rather flashy city home than we needed, my wife and I bought the home. Taking tax into account, even as a paper exercise for investing the family fortune, the home looked a better bet. We enjoy it but it is not productive.