

We The People

Program 203 May 16, 2016

We the People Crash and Carry



Good day to you. This narrative is about money, you know, that stuff we never have enough of. Money, which we are told makes the world go around. Wars are fought over it and marriages fail because of it, while governments universally spend coin they don't have and we the people cough up the dough. Money, you know that thing called 'filthy lucre' the very item the local Council can't manage. Abba wrote a song about it and it seems it's the new golden calf of the century so worship it at your peril. It's called the folding stuff, lettuce, spondulix, shekels, lolly, moolar, dough and cabbage while the apparent illustrative powers of vegetables tell us we need the odd buck or two or the elusive bit-coin to survive. In fact it appears our lives are measured by it along with quality of life which is most peculiar when you cheque into it.

At the moment Australia's household debt is mountainous at nearly \$2 trillion dollars fuelled by the 'Irish-style wealth creation model' of home buyers and investors borrowing heavily from the banks to flip houses to the next buyer, who takes on even greater debt to speculate. The biggest victims are young home buyers and middle-income earners who are either priced out altogether or leveraged through the roof. Bricks and mortar are seen as the staple diet of wealth creation and in the long term that may be true but short to medium term is a very different matter. The problem begins with a highly deficient school curriculum which doesn't teach young people how to budget properly. So we let our young folk loose in society not knowing how to manage the green stuff and the scene set for heartbreak. Too much debt by a 'must have' society and that brings pressure to families and marriages and so on until they fail. Let's take a look at some housing facts.

In Australia today 62% of all bank loans are for mortgages and that's far in excess of any other country in the world. Of these, over 50 percent are 'interest only' loans which indicates to me that people can't afford to pay the principal back or they are speculating in property. We are placing far too much emphasis on housing to build wealth. Since 1986 housing prices have massively outstripped household income and so a couple work hard to pay out 60% of their income in mortgage payments and that my friends is utterly irrational. Today we have the most unaffordable housing in the world and in part that's because of immigration numbers and foreign investment. It's a fool's paradise, an artificial world of the global casino, a house of cards. Now on the other hand we actually consider selling 1.5% of Australia's total land mass to the Chinese, being the Kidman station properties, for a crazy \$370 million. That's not a lot of spondulix for a big chunk of Australia.

The credit being created in our economy is not going into productive activity like real manufacturing, real jobs, real food production or the real development of necessary infrastructure. We are 'burning the furniture to stay warm' by selling our land to foreign investors and entering into world trade agreements where nation will be able to sue nation in a new world jurisdiction and to the loss of our sovereignty. A massive speculative real estate bubble has formed which is about banking executives and loan sharks and these are parasitic on the economy. Housing values can be in excess of 10 times the median household income and this is unaffordable while the Gold Coast is the 15th least affordable real estate market in the world. The indicators are all there for a perfect storm as the bubble expands from unprecedented pressure. From all I read and study it appears that by 2018 there will be one almighty bust in real estate and the lives of many ordinary folk will be shattered. If this country is not careful we will be nothing more than flotsam and jetsam on an international sea where common sense is finally sunk forever. I believe we should all reduce our debt levels and live within our means. Young people need to learn to have less and to manage their financial affairs conservatively.

Australia is in the midst of the greatest credit-fuelled real estate bubble the country has ever seen. So take your precious shekels and live a better life without so much speculation and risk. Buy an old house out a bit from the madding crowd and over time fix it up and make it your real affordable lasting home.

Until next time this is Kent Bayley

The program "We The People" is broadcast on radio 4CRB 89.3 weekly and on line and posted at www.goldcoastsentinel.com.au

House of cards

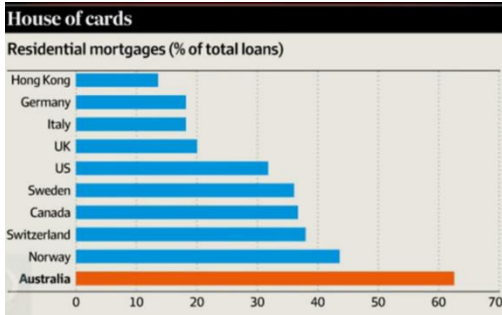


Table ES-1

Demographia Housing Affordability Rating Categories

| Rating | Median Multiple |
|-------------------------|-----------------|
| Severely Unaffordable | 5.1 & Over |
| Seriously Unaffordable | 4.1 to 5.0 |
| Moderately Unaffordable | 3.1 to 4.0 |
| Affordable | 3.0 & Under |

