



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY
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Submission Cover sheet

Inquiry into Housing and Rental Affordability

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Increasing Productivity of Capital Transfer to Reduce Occupation Costs

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White Label Personal Clouds

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The Productivity Commission's recent report on Australian Productivity growth shows Australia is at 60 year low. This has corresponded with an increase in housing prices and rental affordability. The two are likely related. The cause of low Productivity could be the low Productivity of Capital Markets and, in particular, the inefficient transfer of housing Capital. If the transfer of housing Capital is made more efficient (meaning it costs less to transfer Capital and the same Capital is used more often), then Housing will become more affordable without dropping the price of existing housing. Taking advantage of a Capital Transfer Productivity Improvement means that occupiers gain equity in the house where they live each time they pay rent.

A previous submission (number 6) outlines how to achieve this with Community Housing Markets. The following is a submission to the Productivity Commission outlining the idea of more efficient Capital Markets.

Community Housing Markets are efficient and will take little effort to implement. They need to fit in with existing laws and regulations, which require government assistance, cooperation and support. However, the potential payoff in reducing the cost of occupying a dwelling will give a high return on small government investment. The system will remove much of the need for social housing, rental assistance and other social service transfers of funds.

Submission on 5-year productivity improvement

<https://www.pc.gov.au/inquiries/current/productivity/interim1-key-to-prosperity>

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The inquiry request starts with these words.

Productivity is the key to prosperity. It is the process by which we learn how to get more from less: more and better products — new solutions to meet human needs, produced with less hours of work, fewer resources and a lighter environmental impact. In essence, productivity growth is about working smarter.

Australia has low productivity growth because the **Capital Markets** that supply the Capital to pay people to work out how to work smarter **have low Productivity**. **Capital** is abundant, but much **is stationary** in assets like housing, energy, and public works infrastructure. To increase the **Capital transfer rate**, we can transfer Capital when **buyers make a purchase** rather than wait for Capital Markets. The **more people with more Capital**, the better the chances of improving Productivity.

The interim report includes the productivity of Capital in the Multifactor Productivity (MFP) but does not discuss Capital Markets. That is unfortunate as **Capital Markets in Australia are failing to supply Capital** to fund improvements in Productivity. **Capital stagnates** in large piles of wealth and is not available to those who could use it to improve productivity. **Capital stagnates because** most Capital Markets are fundamentally **debt markets**.

There are other ways to transfer Capital. For example, Mutual Credit **non-debt Capital Markets use about half the money** to transfer Capital compared to Debt Markets.

Debt Capital only transfers to those who already have non-debt Capital. Borrowers need Capital before banks find new money to give a loan. Borrowers with more Capital can outbid others with less. Consequently, **debt-based Capital Markets distribute it to those who will make the least use of it as they already have Capital.**

The following two examples of alternatives to debt markets show we can change Capital distribution to **double available Capital that goes to those more likely to use it to increase Productivity.**

Change Home Ownership to Ownership of the Right to Occupy

Changing the Housing Market from exchanging ownership of a dwelling, to a **market in the ownership of the right to occupy**, will halve the cost of buying a house and **double the use of existing Capital.**

When we own a dwelling, the Capital in the home stagnates. When buying instalments of the right to live in it, some of the **Capital moves with each instalment** and is available for other use. It doubles the rate of movement compared to debt. It also **removes the cost of debt** or interest and the **cost of the real estate market.** The freed-up Capital is available to invest in Productivity improvements such as Rewiring Australian buildings. <https://kevin-34708.medium.com/affordable-housing-for-all-8f85d460f782>

Government Capital Incentives

Another example is the provision of zero-interest loans by the ACT government to households who will use the loans to increase their use of renewable energy. The current approach uses debt and existing Capital Markets instead of Community owned Capital. **The use of debt excludes more than half the population** of Canberra, and that half are the ones who cannot obtain loans to reduce the cost of electricity.

Unfortunately, **the funds to subsidise** those who get the zero-interest loans **come from everyone**, including **those who cannot get a subsidy.** Governments can supply seed funding of repayable zero-interest Community Capital directly to communities and provide it first to those with the most need. Most **government incentive schemes**, including rent subsidies, end up **benefiting those with Capital** rather than those without Capital.

Capital incentives are even worse when they are supplied directly to Private Suppliers of goods and services. They are even worse when given to Overseas Organisations, as we have seen with fossil fuel extraction companies. One solution is to **require these organisations to return the Capital to consumers when they make sales.**

Capital Market Competition

Introducing **competitive Capital Markets is technically simple and low-cost**. However, it is socially tricky because it **changes power structures and wealth distribution**. It will not happen without government encouragement and regulation to prevent it from being captured by private, corporate, or government interests.

The above ideas draw upon the concepts in “Wired for Capital” by Mark Pagel, Elinor Ostrom Eight Principles of managing a Commons

<http://www.onthecommons.org/magazine/elinor-ostroms-8-principles-managing-commmons> and “The Making of a Democratic Economy” by Majorie Kelly and Ted Howard.

The contribution of White Label Personal Clouds shows how to use goods and services markets to transfer Capital with a successful experiment on community-funded solar panels.

Permanent Capital Markets

<https://kevin-34708.medium.com/permanent-housing-markets-a5d6e84e8619>

Increasing Capital Productivity as a way to reduce inequality

<https://kevin-34708.medium.com/increasing-capital-productivity-to-reduce-inequality-ccc592e98537>

Finding the money to survive

<https://kevin-34708.medium.com/finding-the-money-to-survive-16b86893869b>

Affordable Housing for all

<https://kevin-34708.medium.com/affordable-housing-for-all-8f85d460f782>

Community Ownership of Community Batteries

<https://kevin-34708.medium.com/community-ownership-of-community-batteries-2de959ffe00>

Termite Mounds and Finance Mounds of Wealth algorithms

<https://kevin-34708.medium.com/termite-mounds-and-finance-1ec5c263eab7>

Suggestions for the Productivity Improvement Review

Productivity improvements occur when we spend Capital looking for improvements. Providing more people with Capital to make improvements increases the chances of finding Productivity improvements. The following suggestions will help **transfer Capital when a buyer pays for goods and services**.

- The Productivity Commission look at ways to encourage experimentation, research, funding and trials of alternative Capital Markets to give **fair access to all members of society** according to their needs and ability to use the Capital for productive purposes.
- The Productivity Commission look at ways to **measure the efficiency of Capital Markets**.
- The Productivity Commission look at ways to highlight and **address inefficiencies in Capital Markets**. These mainly occur in Industries where Capital Ownership is concentrated and not distributed across the community of users.
- The Productivity Commission look at ways of **measuring the Capital efficiency of the administrative, knowledge, finance, entertainment and information industries** where knowledge and incumbency assets represent most of the shareholder value of the companies. Should large companies be able to purchase competitors and restrict competition when the assets

are mainly customer numbers and knowledge? Examples are Uber, Google, Facebook, Banks, Super Funds, Government Services, and Advisory Firms.

- The Productivity Commission looks at **localising ownership of services like broadband, banking, and news** to accelerate Capital distribution.

Background to Community Markets

The idea for more Productive Capital is similar to iterative computational techniques well known in engineering. Solutions to problems without exact solutions are found by guessing an answer and making small changes to variables to see if the change gives a better solution. If it does, the change is accepted, and the search continues for another change.

We can treat the existing economy as a solution and make small changes within constraints to find better solutions. For example, better solutions reduce the amount of money transferred for a person to acquire home equity and optimise buyer and investor value. Buying a home for cash would require the least amount of money. Buying and selling homes incrementally using small Community Markets is a cash variation that requires the least amount of money to transfer the asset and hence is Economically Productive. The approach suits ongoing long-term investments because the environment for activities continually changes.