A WEEKLY COMMENTARY

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The Price of Freedom is Eternal Vigilance

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When you look prosperous, but it's just a facade!
By Neville Archibald

Recent figures from a report by the McKinsey Global Institute asks a very relevant question. Have we become far more wealthy on paper than in reality? This question can, and will, be seen in the housing market shortly. Continued comments by real estate agents about lack of sales at auction, and a beginning of a slump in prices may well prove to be the warning shot across the bows of finance.

When things are good under this present faulty financial system, rising house prices irrespective of any improvements, can create a paper wealth that can be realised if one is astute enough (also rich enough). Trading in houses, at a price that pays off costs as well as mortgage (in the case of rapid rise), means you can make money without effort, in fact without any real wealth actually being created! This is paper money, it relates to no real increase in housing quantity or quality!

McKinsey points out that the world's balance sheet is doing much the same thing! Much of what we see as increase, is not reflected in reality, but only in the higher prices paid for existing assets. The share market can create booming stock prices by speculation, once this speculation enters the real world, prices either stabilise or fall, leaving investors to deal with the aftermath. Real productivity does not have to play a part, only the belief system does!

How does that fairy story go? Close your eyes and wish. If you truly believe, you will see fairies at the bottom of the garden!

Our housing market has been like this, with people equating rising house valuations, with real success. Not stopping to ask the question, is it real?

Like the belief in fairies, we have closed our eyes to what it really represents! A house was once a place to stabilise family life. A place to settle, to put down roots in a community and create some form of social stability around you. They say it takes a village to raise a child! We all knew that years ago! It takes a family of diverse abilities and outlooks, consisting of family, extended family, friends and neighbours. Within this sphere, we experience life as well as education. We know, and trust those we know, when we have that closer connection of community. Moving and trading property to 'stay ahead of the market', results in, not only disruption in the children's (and parent's) lives, but in the community in general. New faces in and out without ever really getting time to connect, ruins social stability.

Is this part of what we are seeing?

This paper wealth, with no physical wealth behind it, along with the social consequences (and there are always social consequences – even in business), have profound effects on the world. While some may convince themselves they are becoming wealthier, at some point that bubble will burst. It may appear as a financial loss as the 'market' readjusts, or may simply come after time to consider how your life turned out, how your community started falling apart.

Look around your community and ask what makes it wealthier, a better place to live.

Are we seeing this, are we promoting this, or are we simply trying to keep pace with a 'market' that truly doesn't give a damn about the social impact?

We can look at this in the microcosm of the housing market. We have discussed the 'advantage' of rising prices, now let us consider what is beginning to occur now – a fall in prices! Remember, that for every rise there is always a fall – and you must ask yourself, who is most affected?

We have seen our government advertising a 5% Deposit Scheme for eligible home-buyers. Usual practice would see borrowers face considerable disadvantage with such a low deposit. The (LMI) Lenders Mortgage Insurance (on loans with less than 20% deposit which ensures lenders are protected) adds significant costs. The Government scheme provides the guarantee otherwise provided by the LMI, thus reducing some of the starting costs and making it easier to get a loan. Keeping it may very well be a different matter.

Taking on a loan with such a small equity exposes you to the risk of what is called negative equity. If market value drops, the outstanding loan could very well exceed the value of the house.

News.com.au has a headline that reads ; "Serious Problem, wipeout risk for 34,000 Aussies as negative equity rises!"

https://www.news.com.au/finance/real-estate/buying/serious-problem-wipeout-risk-for-34000-aussies-as-negative-equity-rises/news-story/1b4febaf0bc7622aa77e44fd7d3de07f

Ben Graham explains that Aussies are at risk of a $2.2 billion wipe-out as property values fall in a once in a generation slump!"

Graham attributes this slump to tax changes, higher interest rates and a flagging economy, part of which is true. I believe that the overlooked (and deliberately so) bubble, the speculation, the paper wealth rather than real physical wealth world wide plays a bigger part than is mentioned. If this reckoning comes, if this bubble bursts, many more than simply those who have negative equity will be at risk.

> *"Independent property economist Cameron Kusher said there were "definitely" first home buyers who were now in negative equity."*
>
> *"If you've just taken out a mortgage as a first-home buyer, it's probably the most expensive thing you've ever bought and the most debt you've ever taken on. Looking at it six to nine months later and realising you have more debt than what the home is worth — you're probably not going to feel very comfortable," he said."*
>
> *"If the economy weakens, growth slows, and we see a rise in unemployment, some of these people in negative equity would actually have to crystallise those losses — and that's when it becomes a serious problem."*
>
> *"Mr Kusher said this means the "taxpayer is on the hook" for any losses that can't be redeemed under the scheme."*
>
> *"If the owner can't pay and the bank has to take possession of the property, those losses are covered by the government," he said.*
>
> *"In reality, most people realise when they are in financial hardship and sell long before it reaches that point. But even then, for those individuals who saved a 5 per cent deposit and took on a large debt, they ultimately walk away having lost money."*

So not only will individuals lose out, but it is the taxpayer who will bail out this 'gambling' debt, for that is surely what this is!

This is the problem our financial economy faces, must face, when based on incorrect assumptions. The banks and lending institutions will be protected by the Government (our money) as they always are, while we will find we are left to fend for ourselves as usual. You need only look at the historical data to see for yourself who carries these losses each time this occurs. The cycle of boom and bust continues to prove that those with control of the money, never really suffer the same, often they increase their wealth, while we are left to carry the debt.

Still on house prices

Labor is still pushing for first home-owners to climb aboard this scheme, they have also "dismissed concerns around negative equity" says the above article. What else are they doing to help Aussies buy into housing you might ask, other than enable this potential risk?

While they talk big, we are also seeing rental prices climb, as the government's pressure is put on rental property owners with the likes of capital gains tax or the removal of tax breaks (for what is essentially investing in Australia). Those trying to save money for a house, then find these rents are taking any extra that could've been put towards the deposit!

What about building costs?

For any prospective builders out there, anyone who is not a big developer, build costs continue to rise as both fees and legislated expectations rise. The actual cost to build can be broken down into the cost to actually build, and fees and charges.

Aussie home-loans say 40% is material cost, 35% labour, and the rest administrative fees or tax (25%). Others, like the Housing Industry association, has this to say:

> *"Sprawling red tape from zoning laws to local council regulations is adding up to $320,000 to the cost of building a new home, prompting the head of the Productivity Commission to call for governments to deal with the "regulatory hairballs" that have made Australian homes so expensive."*
>
> *"Housing Industry Association chief economist Tim Reardon said his organisation's modelling suggested the cost in Sydney and Melbourne, where a large portion of the population lived, was much higher."*
>
> *"He said HIA estimated 50 per cent of the cost of a new house and land package was regulatory."*
>
> ***https://www.smh.com.au/politics/federal/the-amount-that-red-tape-is-adding-to-the-cost-of-new-homes-20251219-p5noz3.html***

If the Government was so concerned, surely the tax take and regulatory restrictions would be some of the first things to consider; instead, they are backing the LMI so that the banks don't miss out in case of default, this appears to be their main contribution. Who is the real beneficiary here? Is our government deliberately trying to transfer their debt to individuals via the housing market? They continually tell us we need 'new money' to keep our corrupted system going, and it only ever comes into existence as debt! Either Government borrows, or private entities do! To get ahead, most people carefully weigh their options, can they afford this next step? In most cases the system will be biased towards a bigger deposit for a good reason, it provides more of a buffer from defaulting due to unforeseen problems. Remove this, and suddenly all the new money (debt) needed to keep the economy going, becomes an individuals risk.

Governments that refuse to manage our money supply correctly, governments that continue to allow outside entities to create this money (rather than the people it should belong to – all Australians), will never overcome their (**our**) increasing debt, they can only try to off-load some of it onto us.

In the *On Target* from the 24th of July, I mentioned the land boom in Melbourne, in an article entitled, "A lesson from the past". Inflated prices can have serious and long lasting consequences, they can shape the future in many ways. When this bust comes (as it must) we must be prepared to fight for a solution that is not just a variation of the same thing we already have. We came out of <u>that</u> boom - bust cycle much worse off individually, yet it was not long before we started doing the same thing again.

Politicians and economists world-wide will propose solutions that enable control to be given to a small group of the usual people. We are seeing in the media daily, philanthropists and other self exaggerated manipulators of the present system (who have become wealthy from this manipulation), proposing all sorts of schemes to 'help fix' what I believe they mostly created by their own attention to themselves alone.

Each 'fix' they propose, cements control over us and earns more money for them. The next big solution will simply be more of the same on steroids. It is critical that we understand this and **push for something based on the real world, where paper values can never be manipulated to rise above the real wealth they represent.**

In his booklet, *Natural Cost and Ownership of Money*, J.D. Malan examines the basic flaws in our economic system.
<u>https://alor.org/Storage/Library/PDF/Malan%20JD%20%20Natural%20Cost%20and%20the%20Ownership%20of%20Money.pdf</u>

He deliberates on what true cost is and how our current system inflates it, creating a debt that lasts long after all the true physical costs of creation have been paid in the real world of blood sweat and tears. This lingering debt is held by those who are meant to be simply the accountants keeping tally.

> *"This claim of ownership of money, and the demand that it be repaid to the banking system is equivalent to a demand by the printer of a book of bus tickets that he is the rightful owner of the transport service the tickets represent, and that he is therefore entitled to repayment of the face value of the tickets."*
>
> *"Debt finance, with its inevitable inflation, has existed for centuries and has provided the ideal tool for concentrating power - without responsibility - in fewer and fewer hands. It is a characteristic of human nature that the possession of power creates a desire for more power, and that power is not surrendered willingly.*
>
> *Thus we see that, while it is not difficult to eliminate inflation, nothing will be done to eliminate it because it would result in a loss of power. Unless there is much more pressure exerted on our political representatives than exists at the present time, social problems generally and financial chaos in particular, will only get worse."*

Reading these seven pages will help you to understand the why we struggle to get ahead, despite the increases in the real wealth that both technology and the understanding of the natural world, has brought to us. This is the basis of the solution we must demand!

Net Zero yet again!

The pursuit of this policy seems to have no brakes. India has stepped away from it, China never agreed to it, the US has virtually backed away as well. Yet our minister Bowen persists! He continues to act like he alone can keep it going. Spending obscene sums of our money promoting what others are turning away from.

In a country as blessed with resources as we are, we continue to find our 'leaders' sabotaging our lives. We too, have been conditioned by fear to accept this self-sabotage even in the face of the rising costs, which we were promised would actually drop.

'Renewables are cheaper' is the continuing mantra repeated by all those under the spell of climate hysteria and afraid of the nasty polluting (but extremely abundant) sources of power we sell in unlimited quantities to our competitors.

Self sabotage at it's best!

How is it that we cannot see the harm we are doing to ourselves, to our country? We sell resources we won't use, to those who do, then buy back forms of power generation that are intermittent, and at huge cost. When we then find out that this change over is going to be unreliable, we look to batteries, from a similar source, once again at great cost.

Coal is a battery of sorts. It lies there underground, left behind millennia ago. It will still be there centuries on! It is the ultimate form of stored power, how we use it determines how much it pollutes. While we are developing new sources of power, and until we can fully replace what we have, why do we insist on removing it as quickly as we can! It is remarkably like moving out of a comfortable home, to live in a tent while the next home is built, all the while the old home remains vacant! Efficiency and pollution problems when using coal are a fraction of what they once were, could be a fraction of what they now are! New technology and upgrades to existing coal fired power generation would see this improve considerably, yet we are so blinkered by divisive politics that the reality of this is not even considered.

Instead we chase another partly developed technology with, as we are finding out, pollution problems which are perhaps worse than that of coal in the longer term. It also seems that the recycle ability of these new items is still under-considered. A cost, in both environmental and dollar terms, that <u>we</u> will also be forced to cover eventually.

Once again I see a program in place to enrich a few in high places, while dropping our standards of living and charging us more to do so. Once we are all pauperised, I guess we will plead for that promised solution – dare I say it? The words include 'nothing' and 'happy'. I fail to see this as simply mismanagement once again!

When Spain is not Spain

Uncontrolled immigration into Spain, and the countries of Europe in general, has many who live there (and elsewhere) asking some serious questions! Senator Babet writes this in his recent Substack.

> *"Where tens of thousands of illegals crossing from Morocco into Spanish territory have reignited the great European argument: What exactly is a nation if it no longer controls its borders?*
> *Because that is the uncomfortable question nobody inside the bureaucratic castles of Brussels wants to answer. What does it mean to be Spanish? Is it a shared history? A language? A culture? A connection to a particular land and people? Or is Spain now merely an administrative zone inside the great European machine, a place where people pay taxes, follow regulations and wait for instructions from unelected bureaucrats who have never set foot in their town? Can Spain still be Spain but without the Spanish? And who gets to decide? The Spanish people? Or Brussels?"*

This is a question we have been asking for a long time, not about Spain as such, but as a sovereign country of our own. Each time we ask it, we are hounded by accusations of 'racism' and 'white supremacy'. Each Nation has it's own culture, its own laws and systems of government. Each has shaped these by involvement over many decades, even centuries. What does it mean to be throwing all this away for complicated versions of 'tolerance' or 'guilt', and to whom are we handing over these determinations?

Surely the right of these decisions belongs to those who make up the country, who must and have lived successfully in it and developed it.

Yet in recent decades we have seen a concentrated push by academics and media, along with policy enactment by the political machine, to make us 'trip out' with guilt over past injustices, imagined and real! Babet also says:

> *"A nation is easier to absorb into a supranational system once its citizens no longer agree on what the nation is."*

This is exactly the division being promoted here! We are being forced to disagree about everything in our past. The past is not allowed to stay in the past, we are not allowed to examine how much improvement we have made, but we must 'guilt trip' and cower over things we were not responsible for and have largely left behind. Division politics has become the single most talked about item of news in any discussion, always a conflict manufactured among us. Where is the pride in achievements made, in advances we've made socially?

A casual look around all the worlds leading Nations will see similar programs in place in each one. Each Government says it is all about social cohesion, but continues on to ban speech or discussion about saving their own cultures, instead, they focus on the rights of minorities and immigrants who are often at odds with the host countries way of life. If that is not enough they dredge up those past issues and revisit them, despite the fact that they have been moved on from.

> *"History is full of empires that collapsed not because they were defeated from outside, but because they stopped believing they were worth defending. Europe is now testing that principle in real time."*

Senator Babet rightly asks these awkward questions about Europe and Spain in particular. I am sure he is also making an inference that, we too should be asking ourselves what direction we take about our own sovereignty over these matters.

We need to remember to support those making every effort to bring the issues we face into public view. Sharing information or links to good articles is a good way to keep the conversation going. Only by this ongoing discussion can we hope to wake sufficient number of people to make a change.

Let's Talk About It - Senator Babet ***<senatorbabet@substack.com>***

We need to focus on the positive things we've achieved as a Nation, on the positive things we can still do. If we continue to let ourselves be drawn into arguments about a long dead past, then we are playing into the hands of those looking to stir up division! Where bias and corruption still exist we must confront it, but I suggest it lies in different places than the ones most frequently reported in the media or pushed by politicians seeking to cover up what is really going on. ***

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