

# **HOUSING AFFORDABILITY AND ENVIRONMENTAL SUSTAINABILITY: WHAT IS THE RIGHT THING TO DO?**

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## **DECLARATION**

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

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Date

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This thesis has been professionally edited by Doctor Diane Brown in accordance with Standard D, Language and Illustrations, and Standard E, Completeness and Consistency, of the *Australian Standards for Editing Practice* (2013).

# LIFETIME AFFORDABLE HOUSING IN AUSTRALIA PROJECT

This thesis is one of three doctoral research projects under the *Lifetime Affordable Housing (LAH) in Australia: Integrating environmental performance and affordability* project. The LAH project was funded for three years (2008–2011) by the Australian Research Council under the Linkage Project Scheme. Researchers at RMIT University and the University of South Australia led the project, with funding and other support provided by the Victorian Building Commission, VicUrban (now Places Victoria) and the South Australian Land Management Corporation. LAH researchers include:

- Prof. Ralph Horne, RMIT University (Project Manager and Chief Investigator)
- Emeritus Prof. Mike Berry, RMIT University (Chief Investigator)
- Prof. Steve Hamnett, University of South Australia (Chief Investigator)
- Dr. John Kellett, University of South Australia (Chief Investigator)
- Dr. John Morrissey, RMIT University (Research Fellow)
- Susan Irvine, University of South Australia (PhD scholar)
- Bronwyn Meyrick, RMIT University (PhD scholar)
- Trivess Moore, RMIT University (PhD scholar)

The aim of the LAH project was to provide essential research to underpin policy and enable Australia to provide high performance urban housing within current and future economic and environmental limits. The project was developed around four core themes:

- Theme 1: Housing life cycle costs and benefits
- Theme 2: Locational efficiency costs and benefits
- Theme 3: Affordability implications
- Theme 4: Policy and transition mechanisms

Primarily, this research addresses theme 4, complementing research undertaken by other LAH researchers. Information on the wider project can be found at <http://www.rmit.edu.au>.

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## ABSTRACT

In the 2007 Australian federal election campaign, Opposition leader Kevin Rudd denounced the threat of climate change as the greatest moral economic and social challenge facing our generation. Taking steps to address climate change is likely to require changes to how we are housed, including how housing is designed, constructed, and how it is used. Yet, whether it is celebrated as the ‘great Australian dream’ and Australia as a ‘home owning democracy’ or derided as the ‘great Australian nightmare’ or the ‘great Australian ugliness’, how people are housed, and private home ownership in particular, holds an elevated and almost folkloric status in Australian policy and narratives of Australian national identity.

This thesis explores the tensions that thus arise in policy debate over housing affordability and climate change, as presented in Australian housing and environmental policy. It casts these tensions as problems for social justice, and questions what Australian governments *should do* with respect to housing, affordability and climate change. Its theoretical foundation is drawn from the work of the late American political philosopher John Rawls and his rights-based *Justice as Fairness* theory, as well as that of Amartya Sen and Michael Sandel. This literature provides both substantive principles of justice against which to assess the various claims about *what is at stake* and *who matters* that have arisen in Australian policy debate over housing and climate change. At the same time, a core theme for Rawls, Sen and Sandel is that determining what is just involves evaluation of the process of public reasoning that gives voice and legitimacy to these claims and principles in the first place.

This thesis argues that housing affordability is the dominant paradigm in Australian housing policy, which cast what matters about housing as its cost. This economic paradigm not only conceals a range of other claims about what is important when it comes to how people are housed, but is also inadequate basis for making

judgements about justice. What is required, it argues, is a process of public reasoning in which citizens act *on behalf of* and are stewards of the better *interests of* others who cannot do the same in return, as if we were in their shoes. As such, the contribution of this research is not an account of what particular policy setting is more or less just. Rather, it offers a proposal for how we might think differently about housing as a policy problem, as well as insights into what answers this different approach may yield.

## LIST OF ACRONYMS

<b>ABCB</b>	Australian Building Codes Board
<b>ABS</b>	Australian Bureau of Statistics
<b>ACF</b>	The Australian Conservation Foundation
<b>ALP</b>	Australian Labor Party
<b>BCA</b>	Building Code of Australia
<b>CHC</b>	Commonwealth Housing Commission
<b>COAG</b>	Council of Australian Governments
<b>CPRS</b>	Carbon Pollution Reduction Scheme
<b>CRA</b>	Commonwealth Rental Assistance
<b>CSHA</b>	Commonwealth State Housing Agreement
<b>DAHE</b>	Department of Arts, Heritage and the Environment (Commonwealth)
<b>DCC</b>	Department of Climate Change (Commonwealth)
<b>DHAE</b>	Department of Home Affairs and the Environment (Commonwealth)
<b>DNRE</b>	Department of Natural Resources and the Environment (Victoria)
<b>DPMC</b>	Department of Prime Minister and Cabinet
<b>DSEWPC</b>	Department of Sustainability, Environment, Water, Population and Communities (Commonwealth)
<b>ESD</b>	Ecologically Sustainable Development
<b>ESDSC</b>	Ecologically Sustainable Development Steering Committee (Council of Australian Governments)
<b>FaHCSIA</b>	Department of Families, Housing, Community Services and Indigenous Affairs (Commonwealth)
<b>GCCR</b>	Garnaut Climate Change Review
<b>GHG</b>	Greenhouse Gas
<b>HCV</b>	Housing Commission of Victoria
<b>HEC</b>	Hydro-Electric Commission
<b>HIA</b>	Housing Industry Association
<b>HRSCEFPA</b>	House of Representatives Standing Committee on Economics, Finance and Public Administration
<b>IGAE</b>	Intergovernmental Agreement on the Environment
<b>IUCN</b>	International Union for the Conservation of Nature
<b>MBA</b>	Master Builders' Association
<b>MBAV</b>	Master Builders' Association (Victoria)
<b>MPCCC</b>	Multi Party Climate Change Committee
<b>MPEV</b>	Ministry of Planning and Environment (Victoria)
<b>NAHS</b>	National Affordable Housing Summit
<b>NCSA</b>	National Conservation Strategy for Australia
<b>NETT</b>	National Emissions Trading Taskforce
<b>NGSC</b>	National Greenhouse Steering Committee (Council of Australian Governments)
<b>NHS</b>	National Housing Strategy
<b>NIEIR</b>	National Institute of Economic and Industry Research
<b>NSESD</b>	National Strategy for Ecologically Sustainable Development
<b>SECARC</b>	Senate Environment, Communications and the Arts Reference Committee
<b>SSCHAA</b>	Senate Select Committee on Housing Affordability in Australia
<b>SSCSWT</b>	Senate Select Committee on South West Tasmania
<b>STCTF</b>	State Conservation Strategy Task Force (Victoria)

<b>TGET</b>	Task Group on Emissions Trading
<b>TWS</b>	The Wilderness Society
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>WCED</b>	World Commission on Economic Development
<b>CSIRO</b>	Commonwealth Scientific and Industrial Research Organisation

## CHAPTER ONE: INTRODUCTION

### **Background**

In November 2007, the election of a new federal government in Australia seemed to herald the beginning of a new era in Australian politics. The new ‘Kevin07’ government, under Prime Minister Kevin Rudd, promised to reverse many of the policies of the previous Howard Government, which had been in power since 1996. I recall, for instance, the day that Rudd offered a formal apology to the ‘Stolen Generations’ of Indigenous Australian children systematically removed from their families, which Howard had resolutely refused to do. Prime Minister Rudd also committed to overhauling *WorkChoices*, the Howard Government’s industrial relations policy. Rudd’s first act of government, however, was to ratify the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which for the best part of a decade Howard had also refused to do. In the lead up to the election, Rudd had foreshadowed this move in declaring that climate change was the ‘greatest moral, social and economic challenge of our generation’ (Kelly 2007). Sometime into his second year in office, Rudd would later denounce those who denied the science of climate change as ‘reckless gamblers who were playing with the future of Australia’s children and grandchildren’ (*Kevin Rudd attacks ‘Climate Change Sceptics’* 2009).

Around the same time, the government of the Australian state of Victoria undertook a public inquiry into ‘liveability’ in the state. In a submission to the inquiry the Master Builders’ Association of Victoria (the MBAV) (2008, p.10), the peak body for the Victorian building industry, claimed that ‘housing affordability must come before sustainability’. The MBAV had previously raised similar concerns about more stringent environmental sustainability requirements for new housing in Victorian building regulations. In a policy paper, *Housing Sustainability for All*

*Victorians*, for example, the MBAV (2007) <sup>1</sup> argued that these regulations, while noble in their intent, ‘increase the mortgage burden for many’ and ‘dashed the housing aspirations of others [...] further exacerbating the divide between the “housing asset rich” and the “housing asset poor”’. Thus, whereas the new prime minister was stressing the urgency and importance of taking steps to mitigate climate change, the MBAV drew attention to the tensions that arise when taking such steps requires change in how people are housed.

The Lifetime Affordable Housing in Australia (LAH) project was established in response to concerns such as those set out by the MBAV. The LAH project was jointly funded by the Australian Research Council and the three industry partners: the Victorian Building Commission, VicUrban, and the South Australian Land Management Corporation. The remit of the project was to test empirically whether or not there are ‘trade-offs’ between housing affordability and improving the environmental sustainability of housing – in terms of the design and construction of housing and housing location – and how these trade-offs may be addressed through policy. My research is one of three doctoral research projects under the LAH project.

The remit of the LAH project reflects the vast and critically important work that seeks answers to what may be done to address climate change and other environmental concerns including through how people are housed. Surprisingly, however, there seems to be little work investigating why these changes *should* be made at all. Surely the notion that something should be done to address climate change and other environmental problems, rests on a corollary notion that people alive today have an obligation to people living in the future. But while there seems to be vague agreement that something ought to be done about climate change, the extent of these obligations is seldom theorised or subjected to the rigour of normative analysis.

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<sup>1</sup> The pages of the policy paper are not numbered.

## Research aim

My aim in this research is therefore to contribute to knowledge insights into what Australian governments ought to do with respect to climate change and how people are housed, by approaching this issue as a question of distributive justice.

My research shares with studies in political science a focus on people and the institutions of government. In approaching climate change and housing as a problem of applied political philosophy, my research departs from studies in political or social science, wherein the objective is often to determine empirical facts. Rather, my research addresses ‘what ought to be done in light of that information’. As McDermott (2008, p.11) argues:

No set of empirical facts can dictate the answers to these kinds of questions. You could pile up a mountain of data about the differences between, say, democracies and dictatorships, but without the normative element that is the political philosopher’s concern, nothing would follow about which form of government ought to be implemented.

The ontological basis of my research therefore concerns normative claims, specifically around what is at stake, for whom, and the principles by which the benefits and burdens of living together should be distributed (Dobson 1998).

## Research questions

Thus, to support my aim, this research is grounded in three core questions:

- i. How have ‘what matters’ and ‘who matters’ been framed in Australian housing and environmental policy? (*Research Question One*)
- ii. What are the tensions between how ‘what matters’ and ‘who matters’ have been framed in Australian housing and environmental policy? (*Research Question Two*)
- iii. **What is the right thing for Australian governments to do about housing affordability and sustainability?** (*Research Question Three*)

I have bolded the final question as this is my principal research question.

## Research design

The first two research questions concern how implicit and explicit claims about what matters and who matters have been framed in Australian policy debate. I

define the terms of this ‘debate’ broadly. Drawing on Considine (1994, 2005), I define public policy as more than a set of decisions, but rather a complex and enduring network including a range of state and non-state actors instruments and institutions as well as values and discourses. Further, public policy is not static, but an evolving process. What we tend to notice first about policy systems are new instruments, such as regulations or budgets. These new instruments are really just ‘important punctuation marks’ in ‘the movement of people and programs around common problems’ (Considine 1994, p.3).

Focusing on policy as discursive, Bacchi (1999, 2009) contends that the core of policymaking is an explicit or implicit diagnosis of a problem and therefore the legitimate use of power is linked to certain ‘representations’ of policy problems. For this reason, Bacchi argues, public policy analysis ought to interrogate the discursive construction of problems. There is a danger in this approach, however, that it may be overly deterministic in the role of discourse. As such, Considine (2005) recommends that the discursive aspects of a policy system are analysed in combination with the material aspects of the policy system (its institutions instruments and actors). As such in this research I take the ‘debate’ over policy to include, but also to extend beyond the utterances of politicians and formal statements, as situated in an institutional, social, economic and historical context.

Developing normative claims is a reflective exercise, which relies on intuition and logic. This exercise involves sizing up moral judgements, principles and beliefs about the world. While political philosophy involves the ‘traffic of oughts’ (McDermott 2008, p.12), this research is not a study of pure theory. That is, my objective is not to create a new theory of justice. Rather, it is *applied* political philosophy, and as such requires a subject matter to which the normative claims apply. In this research, this subject is the implicit and explicit claims about what matters and who matters.

To address *Research Questions One* and *Two*, I critically engage with literature on the concepts of housing affordability and environmental sustainability. I then explore twin housing policy narratives of affordability and sustainability as played



out in publicly available policy documents including government strategies, regulations, legislation, parliamentary Hansard and media records. I have supplemented these ‘official’ records with alternative accounts of developments in policy as presented in scholarly and other literature, print media, radio and television. These documents concern housing and environment specifically, but also commentary on changing political culture and social and economic change. They were sourced electronically or in hard copy through university and public library collections. My account of developments in housing and environmental policy is not meant to be exhaustive, but to present key developments in policy over time, and within a changing social, economic and political context. My analysis is both chronological, to reflect the notion of policy as process that is historically situated, and also thematic.

I do not seek to uncover in this research, moral ‘truths’ in relation to the treatment of housing and climate change in Australian policy, but to expose these claims to a select set of theories of distributive justice. As such, to address *Research Question Three*, I first identify the core dimensions of the theories of justice developed through engagement with the political philosophy of John Rawls, Amartya Sen and Michael Sandel. I then subject these claims about what and who matters identified through *Research Questions One and Two*, to these core dimensions of social justice theory.

### **The argument**

I argue that while housing affordability, the dominant paradigm in housing policy, denotes that what is important in housing is its cost, this conceals numerous other claims in policy about what matters. How we are housed concerns the fulfillment of basic needs, the basic fairness of the distribution of wealth and national identity, and also serves as a domain of private life. In contrast to the materiality and connections to place invoked in debates over housing; debate over climate change deals with diffuse, dispersed causes and impacts which traverse national boundaries and will be felt most gravely by people living in the future.

I argue that while the core tensions between housing affordability and climate change debates are intergenerational, justice requires that we begin with the justness of current social and political arrangements. In turn, however, reckoning with the intergenerational dimensions of how people are housed and climate change, relies on a process of public reasoning in which people are encouraged not only to set out and pursue their own interests, but also to reflect on and defend the interests of others. Framing how we are housed and the challenges of climate change within the narrow metrics of an economic problem, within a broader view of politics and justice as economics by other means is inadequate for this task. It overlooks how these economic outcomes are realised, whether they are things that people value and at what cost. It is inadequate for addressing questions of the adequacy of housing in terms of size, location, amenity and what people need to translate this housing into meaningful ends. Perhaps most importantly, however, this paradigm provides an inadequate language with which to express the moral concerns underpinning housing and climate change.

### **Structure of the thesis**

This thesis contains seven chapters including this introduction. In the next two chapters, I examine the literature on the three key concepts I use in this research: housing affordability, environmental sustainability and social or ‘distributive’ justice.

In *Chapter Two* I review select literature on housing affordability and environmental sustainability to examine these concepts and to sketch the theoretical tensions between them. I argue that as a concept housing affordability concerns the relationship between housing costs and household incomes. I demonstrate that there are two main conceptions of housing affordability: the tenure-neutral concept of housing stress and the ability of households to enter into home ownership. I define environmental sustainability as the goal of managing human impacts on the natural environment, underpinned by a concern for the welfare of people living in the future. Given the breadth of this concept, I state that the thesis will focus on climate change as a key threat to environmental sustainability. I argue that ideas about

distributive justice are implied and explicit in both housing affordability and environmental sustainability, though these are poorly developed.

In *Chapter Three* I set the theoretical foundations of the research by engaging with literature on distributive justice. My analysis centres on the work of the late Harvard professor of political philosophy John Rawls, whose rights-based *Justice as Fairness* theory is a pre-eminent approach used in contemporary political philosophy. I examine *Justice as Fairness* within the context of the Kantian moral philosophy Rawls built upon and the utilitarian theory he sought to challenge. I also examine recent critiques of *Justice as Fairness* and alternative conceptions of justice offered by the political philosopher and economist, Amartya Sen in his capabilities approach and philosopher, Michael Sandel in his virtues-based theory of justice. Through engagement with these theories of justice I build a theoretical foundation for the research in which justice is conceived in terms of substantive claims – in the form of principles and precepts – but also in terms of justice as a process of public reasoning.

In *Chapters Four* and *Five* I document key developments in Australian housing and environmental policy, respectively, to provide a basis for addressing *Research Question One*. In both chapters my analysis is presented chronologically in keeping with the conception of public policy as a process that is historically situated. In *Chapter Four* I focus on developments in housing policy from the 1930s to 2009. In *Chapter Five* I focus on developments in Australian environmental policy from the late 1970s to 2010.

In *Chapter Six*, my analysis chapter, I address the three research questions. Having set out developments in housing and environmental policy *chronologically* and contextually in *Chapters Four* and *Five* in *Chapter Six* I distill core themes from these policy developments, both in terms of implicit and explicit claims about *what matters* and *who matters*, and in doing so address *Research Question One*. I then address *Research Question Two* by presenting the core tensions between these claims. Finally, I interrogate these tensions against the theories of justice set out in *Chapter Three* in order to address *Research Question Three*.

*Chapter Seven* is my concluding chapter and in this chapter I revisit the aim of the research, as established in *Chapter One*. I set out the major findings of the research, their limitations and their implications. I also outline areas of further research.

## **CHAPTER TWO: HOUSING AFFORDABILITY AND ENVIRONMENTAL SUSTAINABILITY**

In this chapter I present analysis of two concepts used in this research: housing affordability and environmental sustainability. This contributes to the research by providing a conceptual basis for my examination of Australian housing and environmental policy in *Chapters Four* and *Five*. In the first section I examine key aspects of the concept of housing affordability. I then present critique of the concept of environmental sustainability, with a focus on climate change. Finally, I outline similarities and conflicts between these concepts. Much of the literature I draw on in the chapter is written for and about Australian and international housing and environmental policy. To the greatest extent possible, I want to leave examination of policy to *Chapters Four* and *Five*, and draw on this literature here for conceptual analysis only.

In broad terms, I define housing affordability as referring to the relationship between a household's income and housing costs. While this concept is applicable across housing tenures (renting and home ownership) debate over affordability is often directed to the private home ownership tenure. I define environmental sustainability as managing human impacts on the environment, underpinned by a concern for the welfare of people living in the future. Given the breadth of this concept I focus on climate change as a key threat to environmental sustainability. I argue that there are similarities in how housing affordability and environmental sustainability are conceptualised, but also areas of tension. These tensions are greatest in terms of whose interests they serve. As such, I argue that the concepts of housing affordability and environmental sustainability allude to concerns about distributive justice. In conceptualisations of housing affordability, however, the details of what constitutes 'what is just', is gestured to rather than detailed. Therefore, I argue that evaluating the right thing to do regarding housing affordability and environmental sustainability requires independent analysis of the concept of distributive justice.

## **Housing in Australia**

In Australia, most people, as members of a 'household', access housing through the private market. A significant proportion of households – around 70 per cent – live in housing that they own outright, or repaying a mortgage, while 22 per cent of households rent their houses privately, with rental housing historically considered as a transition between living in the parental home and home ownership (Beer & Faulkner 2009). Only a very small proportion of households – around 5 per cent – rent from government or not-for-profit landlords (ABS 2009). The high rate of home ownership in Australia has given rise to the idea that Australia is a 'home owning society', and the so-called obsession with home ownership is often referred to, sometimes cynically, as the 'great Australian dream' (Allon 2008; Dalton 2010; Kemeny 1983).

Conventionally, the transition from living in the parental home to renting privately to home ownership is conceptualised as a part of a person's 'housing career'. In this conceptualisation movement between housing tenures is said to coalesce with different life stages including early adulthood, marriage, childrearing, and with increased income through paid employment (Beer & Faulkner 2009). This said, some people remain in rental housing over the course of their adult lives, whether they have the financial means or not (Phibbs & Young 2009).

In recent years, burgeoning house prices, moderately high, nominal, mortgage interest rates and low vacancy rates in private rental housing have fuelled concerns of a housing affordability problem in Australia, which has reached a crisis point. Housing booms over the period in question have been experienced in Europe (Spain and Ireland in particular) and North America and South Africa (albeit with different causes and impacts). When I commenced this research in late 2008, there had been two government inquiries into home ownership affordability in recent years (Productivity Commission 2004; SSCHAA 2008). In 2008, an inquiry into home ownership affordability by the Senate Select Committee on Housing Affordability in Australia (SSCHAA) found that there was a problem with housing affordability in Australia, with the caveat that the scale of the problem was not as widespread or as severe as had been claimed elsewhere.

## **The concept of housing affordability**

In very broad terms, the concept of housing affordability denotes an acceptable ratio between a household's income (e.g. from wages, salary or social security payments) and their expenditure on housing, measured in rental or mortgage repayments. As I will detail in *Chapter Four*, over the last twenty years, housing affordability has been the dominant paradigm in Australian housing policy. The concept of housing affordability is a more recent inclusion to housing policy in Australia and in the UK. In North America, however, 'affordability targets' have been part of that country's housing policy since the 1970s (and the concept since the 1960s) (Gabriel et al. 2005).

In this research I argue that in Australia, housing affordability is not just a policy concept: it is an entire policy paradigm. That is, housing affordability is said to reflect the ascendancy of neo-liberal economic, political and social ideology, central to the belief that private markets are the most efficient distribution mechanism and there should be minimal intervention from governments (Dodson 2007; Gabriel et al. 2005; King 2003a; Whitehead 1991). While classical economics tends to be associated with the work of eighteenth century Scottish economist and liberal social philosopher Adam Smith, the revival of classical economics in the 1970s and 1980s tends to be associated with the work of the Austrian-born economist and philosopher Friedrich Hayek and the American economist Milton Friedman, whose economic theories were underpinned by libertarian principles. Hayek argued that attempts to create greater economic equality inevitably rely on coercion and the destruction of a free society (Ball & Bellamy 2003; Hayek 1960; Sandel 2009). Friedman asserted that many government activities, such as social security, or compulsory retirement savings, illegitimately infringe on individual freedom (Sandel 2009). In public policy, neoliberalism is tied to the privatisation of goods and services formerly managed by governments, a commitment to reduce taxation and transfers, and the adoption of market-based reasoning into public policymaking (Berry 2011).

From this point of view, underpinning the concept of affordability is a presumption that the private market is the most efficient means of distributing housing. Generally, this process involved a move away from the state as a provider of housing, particularly to households of lower socio-economic means, to greater 'reliance on the private market and non-government organisations to provide and manage low-cost housing' (Gabriel et al. 2005 p.4; *see also* Beer, Kearins & Pieters 2007).

Whitehead (1991) argues that in the UK, the concept of housing affordability in policy was tied to a shift in the mechanisms used by governments to distribute housing (i.e. a change in housing policy instruments). Until the 1970s, housing policy had focused on addressing 'housing need', which was 'grounded in defining social objectives for housing and public sector mechanisms for achieving them' (Whitehead 1991, p.871). While concern for household incomes and housing prices had been implicit in debate over housing need; incomes and prices became the focus of housing policy from the 1970s, as the government increasingly relied on the provision of financial assistance to lower-income households to enable them to acquire housing through market-based means, as opposed to direct provision.

In Canada, Hulchanski (2005, p.1) links the emergence of housing affordability as a legitimate policy principle in the 1970s as a way of conceiving and addressing housing-related poverty, despite the amelioration of housing supply shortages and of urban slums, which defined the post Second World War period, as well as overcoming 'inadequacies of the mortgage lending system'. That is, while the use of housing affordability presumes that housing is distributed by market processes – by a household's ability to pay market prices for housing – the use of the housing affordability concept in Canadian housing policy emerged alongside recognised attempts by the national government to address shortfalls of housing market distribution. These attempts to build an inclusive housing system marked a shift away from housing policy in the immediate post Second World War period (1949–63) in which there was little national government involvement in the direct provision of social housing.



## **Housing affordability problems**

To this point I have noted that housing affordability in very general terms concerns households' ability to pay for housing. Thus the 'problem' central to housing affordability is that some households may not be able to access housing on account of not being able to pay for it. Moreover, if some form of shelter is considered to be a basic human need, high housing cost relative to income may put at risk some households' ability to meet this basic need. Alternatively, a household may be forced to compromise other basic needs, such as for food or transportation, and in doing so increase their risk of adversely affecting health or wellbeing (Hulchanski 2002).

Whereas some measures of housing affordability are concerned with ongoing housing costs and are tenure neutral, other conceptions focus on private home ownership in particular. Prohibitively high house prices are the focus of much debate over housing affordability. While housing, like most infrastructure, is long-lasting or 'lumpy' (residential buildings often endure for fifty to 100 years) debate over housing affordability problems tends to focus on the 'front end' of housing costs (Quigley & Raphael 2004; Sedgwick 2008; Yates et al. 2007). That is, housing affordability is about the upfront cost of purchasing housing, ignoring ongoing housing-related costs such as for maintenance, utilities, and transportation. In *Chapter Four*, I will discuss throughout the thesis the relationship between concern for the affordability of home ownership and Australian housing policy settings.

## **Home ownership inequality, poverty and disadvantage**

Conceptualisations of housing affordability often point to the impacts on wealth distribution as a reason why impeded access to home ownership is problematic. In Australia, there is considerable wealth tied up in housing. This means that from the outset, people who rent do not have the same housing wealth as owner-occupiers do. Yates et al. (2008) argue, for example, that prohibitively high home ownership entry costs have intergenerational impacts, as parents and grandparents who are not owner-occupiers are unlikely to have the wealth to assist their children or grandchildren to enter home ownership (*see also* ABS 2003; Horne et al. 2008). Increased housing costs relative to incomes therefore have a polarising impact, a situation where close to three-quarters of all households are in home ownership (Yates et al. 2008).

## **Home ownership and ontological security**

Impeded access to home ownership is seen as problematic because of the special status ascribed to home ownership. Some authors have theorised this phenomenon in terms of ‘ontological security’, which refers to the order or continuity on which a person’s self-identity is based. For example, Saunders (1984, p.223) proposes that the home (home ownership in particular) is a site where a person can realise ontological security by being able to carry out routine activities:

The desire for home ownership is primarily an expression of this need for ontological security, for a ‘home of one’s own’ is above all else a physical (hence spatially rooted) and permanent (hence temporally rooted, even in perpetuity across generations) location in the world where the individual can feel, literally and metaphorically, ‘at home’. It is in short, the individual solution to the societal problem of alienation in the broadest sense of that term.

In this conceptualisation of home ownership, Saunders reflects Giddens’s definition of ontological security. Giddens (cited in Hulse & Saugeres 2008, p.12) argues that in the modern world a person’s identity is not based on others or on stable categories, such as class, and therefore it has to be developed through ‘an account of their lives based on their reflections about their experiences and interactions with others’.

In a similar way, King (2005) theorises the importance of housing in terms of the ordinariness it provides for. King draws on Waldron’s work on homelessness and property rights, wherein washing, sleeping and cleaning are seen as essential in order to undertake any sort of life. What is important to note, he argues, is that these basic human activities require somewhere, a place in order to be undertaken:

A house is a static object; but the people who use it are not. They move around and use the house. They take it as space in which they can act and be. There is, then, mobility within a dwelling. And the house, as the place in which we dwell, sits behind that action. It enables the agency and accommodates it. [...] this is what the ordinary means and this is how we should see it: it is a facilitating space, a space to hold the actions within it. [...] It is to see housing as the background – the stage – that allows us to act. It is the set, the locale, where we play out our lives with other actors and their sets overlapping and interlinking with us (King 2005, p.57).

Here King does not specify any housing tenure in particular. He does intimate, however, that housing may have a special role in enabling the realisation of material

and immaterial priorities. In this research I argue that the perceptions that housing and home ownership in particular (in a way that other tenures may not), provide ontological security, suggest that immaterial concerns such as security, a place to call home, or a sense of belonging, also rank amongst concerns about what may be at stake in the trade-off between housing affordability and environmental sustainability in housing. In *Chapter Six*, I will explore how these immaterial concerns are accommodated within theories of distributive justice.

## **Measuring housing affordability problems**

### *Housing stress*

Housing stress is a measure of affordability based on a household's income and its ongoing housing costs. Generally, it is a tenure-neutral measure, meaning that it does not discriminate between households whose housing costs are for rental payments or for home mortgage payments (there are exceptions to this rule however). A household is said to be experiencing housing stress when its ongoing rental or mortgage payments exceed a benchmark proportion of its gross income. Generally, this benchmark is set at 30 per cent of household income; however whether this refers to gross or disposable income can vary. For example, according to the '30 rule' a household is said to be experiencing housing stress when its housing costs assume more than 30 per cent of its income. This benchmark traditionally reflected mortgage-lending rules of Australian banks, according to which a household (usually a single-income household) could borrow only such an amount that their mortgage repayments would equal 25 per cent of the income of the household's principle income earner (Berry 1977).

According to the '30:40 rule', otherwise known as the 'Ontario measure', a household is said to be experiencing housing stress if its housing costs exceed 30 per cent of household income *and* its income is within the bottom 40 per cent of income distribution. For example in a major research project into housing affordability for lower income households in Australia, Yates and Milligan *et al.* (2007) used the 30:40 rule to calculate the incidence of housing stress. It is assumed that households with lower incomes are more likely to suffer deprivation as a result of their housing costs. In addition, households with higher incomes are thought to be less likely to

face constrained housing choices than households on lower incomes. In other words, a higher income household may spend more than 30 per cent of their income on housing, but is more likely to have sufficient remaining income to meet its non-housing needs. In this way, housing stress is not so much concerned with the efficiency of the housing market, but with poverty and disadvantage (Berry 1997; Tanton & Phillips 2013).

The residual income measure looks at what is left of a household's income after housing costs. Using this measure a household is said to have a housing affordability problem if it cannot meet its non-housing needs at some minimum level after covering its housing costs (Stone, Burke & Ralston 2011).

### *The deposit gap measure*

The deposit gap denotes the ratio of the down payment that an adult (on average weekly earnings) would need in order to purchase a median-priced house (assuming their mortgage payments would not exceed 30 per cent of their income), and their annual income. Yates (2008) has shown that while prior to the 1970s the deposit gap index indicates that home ownership was affordable for most Australian households, the deposit gap has widened since this time as average house prices have increased more rapidly than incomes. In the 1970s, Yates (2008) argues, a person would require a deposit of around two times their annual earnings; by the 2000s this deposit was generally three to four times their annual income. The growing gap between incomes and house prices is anticipated to worsen into the future, unless housing price inflation falls below income growth (Stone, Burke & Ralston 2011).

## **Critique of the housing affordability concept**

To this point, I have shown that generally, conceptions of housing affordability concern the relationship between household income and housing costs. A number of authors argue that these conceptions are too vague to be useful for policy. Hulchanski (2005, p.1), for example, argues that as housing affordability 'alludes to income levels and housing costs' and therefore 'seems to make sense' there is something unsatisfactory about policy analysts' deployment of the concept as a way of defining a problem. Similarly, Whitehead (1991) argues that despite how central the concept

has been in housing policy development, its meaning is generally assumed and is rarely analysed.

Meanwhile, Quigley and Raphael (2004) point out that while housing affordability concerns incomes and housing costs, there are numerous influences on these factors. As such, the concept of housing affordability ‘jumbles together in a single term a number of disparate issues’ [which] raises difficulties in interpreting even the basic facts about housing affordability’ (Quigley & Raphael 2004, p. 129). These disparate issues include the distribution of housing prices and incomes; public policies affecting housing markets; conditions affecting the supply of new or refurbished housing; and the choices that people make about how much of their income to devote to housing costs relative to other goods (Jacobs et al. 2007; Yates et al. 2007). In this way, the housing affordability concept doesn’t account for the decision that households (including those on lower incomes) may make to pay more for their housing. As Sedgwick (2008, p.191) argues:

One of the difficulties in this area is in establishing the extent to which observed housing costs reflect choices made by the household. Even a poor household may choose a relatively high cost option because of their locational or other preferences and measures of housing affordability based on the ratio of some measure of housing costs to income need to be interpreted with care.

What is more, even increasing house prices (decreasing affordability) do not affect all households in the same way. For example, escalating house prices may present an obstacle to aspirant first home owners, but a boon for existing home owners including those who are already devoting a sizeable proportion of their income to housing mortgage payments (Quigley & Raphael 2004).

### *Housing affordability and structural factors*

Another concern raised with the concept of housing affordability is that the attention it gives to private market processes underplays the role of structural drivers of housing costs. That is, the legislative and policy settings play a significant role in determining how housing is distributed (Quigley & Raphael 2004). In addition, some authors argue that while fluctuations in house prices, and low vacancy rates in rental housing can exacerbate affordability problems, fundamentally housing affordability is a structural rather than cyclical issue (Beer 1993; Coolen 2006; Hulchanski 1995;

Jarvis 2003; King 2003, 2005). Berry (1997, p.56), for example, points to a causal relationship between the incidence of poverty amongst rental households in Australian urban areas and the ‘operation of the housing and credit markets and the reinforcing effect of public policies’.

### *Focus on cost over substantive attributes*

The concept of housing affordability implies that what matters in debate over housing (and especially for housing policy) is how much housing costs, not whether it is of adequate amenity, location and so on. As Yates (2008) points out, use of the 30:40 rule does not capture those households who are paying less than 30 per cent of their income in housing costs, but are living in housing that is substandard in terms of amenity or location, and suffer hardship as a result. At the other end of the scale, the affordability concept does not seem to provide room to investigate whether we consume too much housing, or to prompt debate over changing norms around what is deemed adequate (Martin 2009; Pascoe 2008).

## **The concept of environmental sustainability**

On the face of it, the concept of sustainability is basic. To sustain something is to maintain it, to keep it going, or to balance inputs and outputs (Fuller, de Jong & Mellersch-Lucas 2008; Holland 1996; Satterthwaite 1997). As Holland (1994, p.169) argues: ‘On any account of sustainability [...] something or other is supposed to be kept going, or at any rate not allowed to decline, over time’.

Over 300 definitions of sustainability are said to be in use, however, and there is a vast literature on ‘social sustainability’, ‘economic sustainability’ ‘sustainable development’, ‘cultural sustainability’ and ‘community sustainability’, amongst others (Holland cited in Dobson 1998, p.408). This has led some authors to argue that sustainability, like housing affordability and social justice, is a contested concept, which has come to mean different things to different people (Dresner 2008; Fuller, de Jong & Mellersch-Lucas 2008; Marcuse 1998; Palmer, Cooper & van der Vorst 1997; Pearce et al. 1993; Sustainability Now 2010).

The concept of sustainability has been used to refer to a range of economic, social and political goals (Liitig & Griebler 2005). It tends to be associated with human impact on the environment, however, and with the consequences of this impact for people in the present and into the future. Some authors have gone so far as to argue that the only place for the concept is in relation to environmental goals. For example, Marcuse (1998, p.104) argues that as a goal for social policy, ‘sustainability’ is often confused with social justice. This is problematic, he argues, as some social programs and arrangements, such as dictatorships, are sustainable but not desirable, while other social arrangements, such as publicly financed, owned and operated housing may be desirable, but fail to be sustained, for whatever reason. Given the ambiguity over the meaning of sustainability, it is important to establish that in this research, I use the concept to refer to environmental goals, specifically where these goals have a bearing on how people are housed.

### **Environmental sustainability as ‘sustainable development’**

As it concerns environmental goals, the terms ‘sustainability’ and ‘sustainable development’ are often used interchangeably. The concept of sustainable development draws together the objectives of environmental protection and economic development, and negotiating the needs of people living in the present with those of people living in the future. The most widely cited definition of sustainable development as provided by the United Nations World Commission on Environment and Development (WCED) report *Our Common Future*, also known as the *Brundtland Report* (and herein referred to as such).

In the *Brundtland Report*, sustainable development is defined as ‘development that meets the needs of the present without compromising the ability of future generations to meet their needs’ (WCED 1987 cited in Palmer, Cooper & van der Vorst 1997, p.2). The report’s authors argued that the concept of sustainable development offered a new approach to addressing the competing demands of environmental protection and economic development: sustainable development ‘conveys the notion of trying to maximise economic wealth, while ensuring that the exploitation of environmental resources does not translate into a lower overall standard of living (however measured)’ (Palmer, Cooper & van der Vorst 1997, p.87).

The *Brundtland Report* is credited with gaining political authority and widespread recognition for the idea of sustainable development: sustainable development became the key principle underpinning official environmental policy at both national and international levels (WCED 1987). Given its prominence, the Brundtland definition of sustainable development offers a starting point for analysis of the sustainable development conception.

In addition to balancing environmental protection and economic growth, the Brundtland definition of sustainable development points to balancing the welfare of present and future generations. To place this aspect of sustainable development in context, the *Brundtland Report* arose from debate over the economic development needs of ‘developing countries’ and the ‘pathway’ that this development was taking. The *Brundtland Report* alleges that people in economically developing countries are forced to engage in ecologically deleterious practices for survival, such as deforestation, and that the path to higher living standards taken by more economically developed countries placed great strain on the natural environment. While these environmentally harmful practices may bring immediate benefit, however, people living in the future would bear the brunt of the consequences of these practices. Nevertheless, any action to ameliorate environmental impacts of economic development ought to be sensitive to the fact that this development may be tied to improving the current living conditions of the world’s poorest populations. For Dresner (2008), it is this uniting of concern for equity with concern for ecological preservation that was a political masterstroke of the *Brundtland Report*. Its authors overcame accusations made of the environmentalist movement (from the late 1960s) that it was not interested in the predicament of the world’s poor and that environmentalism and environmentalists’ concern for scarcity was merely a ‘thinly disguised justification for inequality’ (Dresner 2008, p.3).

### **The spectrum of sustainability theories**

One approach to differentiating the myriad conceptualisations of environmental sustainability (as sustainable development) is to compare their ‘strengths’: that is, to define conceptualisations as very weak, weak, strong or very strong. The third widely



cited *Blueprint* series (the first of which is also known as the *Pearce Report*), by the late British environmental economist and University College of London professor David Pearce and colleagues, offers a typology based on the weak versus strong logic.

In a working paper with Turner, Pearce (1992, p.5) defined the conditions for achieving sustainability as 'leaving the next generation with a stock of capital assets that provide them with the capability to generate at least as much development as is achieved by this generation'. In other words, sustainability is non-declining capital, which includes human-made capital and natural capital. The former includes artefacts, such as factories, machinery and buildings, and the latter includes the knowledge, skills, virtues and habits needed to realise the value of natural and human-made capital. By 'natural capital', Pearce refers to aspects of nature that are utilised or potentially utilisable in human social and economic systems (Pearce et al. 1993).

Pearce's (1993) typology, or 'spectrum' of sustainability theories, is based on the following criteria: 'green labels', type of economy, management strategies and ethics. The resulting spectrum includes four different types of sustainability theory: two that are 'technocentric' or 'weak' theories; and two that are 'ecocentric' or 'strong' theories.

A key factor in determining whether a theory of sustainability is weak or strong is how it assumes human-made and natural forms of capital can be substitutive (Dietz & Neumayer 2007; Neumayer 2010; Pearce et al. 1993).<sup>2</sup> Weak and very weak theories assume some (weak) to infinite (very weak) substitutability between human and natural capital. Implicit in these approaches to sustainability is that while members of future generations should have access to the same total capital as current generations do, developments in man-made capital, or technological development, will make up for losses in natural capital. If the total capital comprises non-

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<sup>2</sup> Palmer *et al.* also point to the work of Faucheux and O'Conner on technology as the 'root of divisions' between weak and strong versions of sustainability).

renewable resources, however, the depletion of these resources must be offset by investment in substitute resources such as renewable energy (Pearce et al. 1993). As such, weak sustainability positions are deemed to be technocratic because of their faith in technological development. These theories also tend to be coupled with a strong push for economic growth (Dobson 1998; Dresner 2008; Pearce et al. 1993).

Strong and very strong theories are 'eco-centric'. In contrast to the weak and very weak positions in which 'there is no special place for the environment'; strong and very strong sustainability approaches are geared to preserving natural resources for their own sake. Thus, these theories assume there is limited (strong) or no (very strong) substitutability between human and natural capital. These theories support the stalling (strong) or reversal (very strong) of economic growth.

Dobson (1996, 1998) offers an alternative typology of environmental sustainability theories in which he challenges Pearce *et al's* (1993) inclusion of so-called 'weak' positions as theories of environmental sustainability. He argues that what is peculiar to the concept of environmental sustainability is firstly, a distinction between man-made and natural resources. Secondly, these theories share a conviction that natural resources are not wholly substitutable by man-made resources and therefore argue for 'the sustaining into the future of some aspect of the natural environment' (Dobson 1998, p.41). In other words, conceptions of environmental sustainability make a claim to the exceptionality of the natural world, even if only for human benefit. In the place of Pearce's sustainability spectrum, Dobson's (1998) typology differentiates theories of sustainability by how they specify what is being sustained; why; how; their primary objects of concern (present/future, human/non/human, needs/wants); and the degree of substitutability between natural and human-made capital.

Based on his typology, Dobson (1996, 1998) argues that as weak sustainability only concerns economic sustainability, thus undermining any unique value the natural world may have, this position cannot rightly be labelled as one concerning environmental sustainability. As such, Dobson (1998, p.54) asserts that Pearce and colleagues stretch the 'remit of the word beyond the range of notions of

*environmental* sustainability' by including weak sustainability in their typology of sustainability theories. Moreover, Dobson (1998, p. 55) argues that there are only very few advocates of 'cornucopian technocentrism' in the sustainability literature, and even if there are any, they would only be found on the 'wildest shores of neoclassical economic theory' (Not that the size of its following should count in whether a theory is valid or not.) Holland (1999), on the other hand, argues that the distinction between weak sustainability and strong sustainability is spurious as these are not normatively different positions. That is, weak and strong sustainability theories start from the premise of maintaining total capital, for the benefit of human welfare. In this way, a commitment to natural capital is not the same as a commitment to the preservation of nature *per se*. If human welfare proves not to be dependent on natural resources, human attachment to these resources will end. On the other hand, if human welfare is in fact dependent on natural resources, then the protection of these resources is secured by a commitment to total capital, which is weak sustainability. As such, so long as the 'value yielded by the capital in question is understood in terms of the capacity to generate human welfare', he argues, 'then the claim that there is a difference between the weak and strong positions is misleading' (Holland, 1999, p. 51). This dilemma, argues Holland, is difficult to resolve. This is because even if the distinction between the strong and weak positions is framed as normative (the example Holland gives is whether a section of old growth forest must enhance total capital), this would undermine the whole point of defining natural resources as a form of capital, which is to render them measurable (Holland 1996, 1999).

In this way, much like use of the concept of housing affordability provides little room for debate over the substantive attributes of housing – why being able to 'afford' housing is important in the first place – the reduction of the value of the natural world and human-made resources into forms of 'capital', while making them measurable, nevertheless obscures reasoning as to why these may be important. To this end, Holland (1999, p.55) argues that the inclusion of 'natural capital' in the definition of strong sustainability is a 'red herring'. Strong sustainability is underpinned by concern that the pursuit of development does not pay economically, and that unrestrained development is morally and ecologically indefensible. In this

research, I demonstrate that this problem of substitutability in the economic paradigm is too limited to enable resolution of the moral issues concerning housing and the environment it alludes to.

In this research, I define sustainability as the goal of managing human impact on the natural environment, because the natural environment is important for human welfare, as a resource and as something to be enjoyed aesthetically. I acknowledge that this goal is underwritten by a concern for the welfare of people living in the future. I argue, however, that it is important to establish independently and rigorously, what the obligations of justice are between contemporaries and between members of different generations, and how far into the future these obligations extend.

Even with this narrower scope, however, the concept of environmental sustainability encompasses a range of different human impacts on the environment. For example, the notion of an ecological footprint calculates the land area required to produce the resources consumed by a household (or other group) and to absorb the waste produced by that household. In this research, however, I focus specifically on the threat of climate change, and how policies to address this threat impact on policies concerned with how households in Australia are housed.

I focus this research on climate change, as over the course of the 1990s and into the next decade international debate over environmental sustainability has focused on climate change as a grave problem requiring urgent attention. As Fuller et al. argue, 'climate change now occupies centre stage as the world's greatest environmental challenge' (2008, p.235). Accordingly in the next section, I set out a conceptual analysis of environmental sustainability as climate change before analysing the potential tensions (potential, as these are only at this stage at a conceptual level) between policies to address climate change, and housing affordability. In *Chapters Four* and *Five* I examine more thoroughly how these tensions have or have not played out in Australian policy.

## **Climate change and sustainability**

In this section, I set out a conceptualisation of climate change, drawing from scientific and other literature on climate change. In this analysis, I draw attention to a number of aspects of climate change: the severity of the threats it poses, but also their uncertainty; the temporal dislocation of causes and effects of climate change; its anthropogenic nature; and the conceptualisation of climate change as an economic problem. Next, I apply this conceptualisation to housing. For the scientifically informed elements of this conceptualisation, I draw on the findings of the International Panel on Climate Change's (IPCC) *Fourth Assessment Report*, as the IPCC is generally regarded as the international scientific authority on climate change (Fuller, de Jong et al. 2008). I also focus on the conceptualisation of climate change in two landmark reports on the economic impacts of climate change: the 2006 UK Stern Review and the 2008 Australian Garnaut Review. It is important to clarify that in my analysis of Australian environmental policy in *Chapter Five* I critically engage with the role that the Garnaut Review has played in Australian environmental policy; in this chapter my analysis of this report is conceptual only.

The concept of climate change refers to long-term changes in the earth's climatic conditions, especially those changes that are more rapid and more wide-ranging than expected under natural processes. Often the concept is thus qualified as 'anthropogenic climate change', to emphasise the unnaturalness of the rate and profundity of these changes. Increased concentrations of greenhouse gases (GHGs) in the earth's atmosphere are said to be the chief cause of climate change. GHGs, which include carbon dioxide, methane and nitrous oxide, are by-products of the burning of naturally occurring fossil fuels (e.g. brown and black coal, natural gas and petroleum products) for energy, and of changes in land use and agricultural production (Hodgkinson & Garner 2008; IPCC 2007a, 2007b, 2008). These gases trap the sun's heat as it is radiated back to earth, producing a warming effect, giving rise to the concept of 'global warming'. Technically climate change encompasses a broader range of impacts other than temperature change, however, with changes to patterns of rainfall, storms, droughts, flooding and rising sea level also deemed as indicators of a changing climate (CSIRO 2011; IPCC 2007a, 2007b; MacDonald 2010).

A key aspect of the conceptualisation of climate change is that it links accelerated change in the natural environment to human activity (specifically the use of fossil fuels) (CSIRO 2011; MacDonald 2010). The IPCC (2007a, 2007b) assert, for example, that there is a discernable human influence on changing climatic conditions. Despite the vulnerability of the Australian continent to the threat of climate change, Australia has the sixth highest per capita greenhouse gas emissions in the world (GCCCR 2008c; Lauder 2009). While some of the predicted future climate change impacts have been deemed irreversible, the risk of many impacts could be reduced. Achieving this would require significant reductions to greenhouse gas emissions.

According to the IPCC, there are observable signs that climate change is already occurring: 'warming of the climate system is unequivocal, as is now evident from observations of increases in global average air temperatures, widespread melting of snow and ice and rising global average sea level' (IPCC 2007b, p.30; *see also* CSIRO 2011, Steffen et al. 2009). Future changes in climate are very likely to be larger than those observed during the first years of the twenty-first century, however, and are likely to include changes to water availability including increased flooding in some areas and drought in others; increased risk of species extinction; changes to food production capacity; coastal area damage; and increased risk of malnutrition, diarrhoea, cardio-respiratory and infectious diseases, leading to increased burden on health services. In this way, the causes and worst effects of climate change are temporally removed: that is, people in the future will experience the worst effects of climate change (Garnaut 2011; McDonald 2010; Reilly & Schimmelpfening 2000; Stern 2007).

While the impacts of climate change are expected to be global in their reach, they are forecast to be unevenly distributed, within and between societies. A number of authors point to marked differences across regions. The IPCC (2007a) points to 'differences across regions' wherein vulnerability to the impacts of climate change

will be influenced by economic position, age and geography.<sup>3</sup> For example, on the Australian continent, which is already hot and dry, the risks associated with climate change are high (GCCR 2008b; IPCC 2007a; Kates 2000; Stern 2007). The likely direct adverse impacts of unmitigated climate change are predicted to extend across public health, food production infrastructure (including housing) and water supply (IPCC 2007a). These risks include a significant loss of biodiversity in ‘ecologically rich sites’, such as the Great Barrier Reef, by 2050; intensification of water security problems in southern and eastern parts of Australia; declining agricultural and forestry production due to drought and fire; risks from rising sea levels; and increased frequency and severity of storms and flooding in coastal areas by 2050, exacerbated by coastal development and population growth (Hansen 2007; IPCC 2007a, 2007b).

Uncertainty about the full impact of climate change is another key aspect of its conceptualisation (Anthoff 2013; GCCR 2008b; Garnaut 2008b, 2011; Kelly 2009; Reilly et al. 2000; Stern 2007). That is, the actual outcomes of climate change may be more benign or grave than predicted: climate change is ‘uncertain in its form and extent, rather than drawn in clear lines. It is insidious other than (as yet) directly confrontational’ (GCCR 2008, p.xviii; *see also* Gardiner 2011b; Sunstein 2007; The Australia Institute 2008). In this research, I argue that this uncertainty has implications for the evaluation of what is the right thing to do about housing affordability and sustainability, as the future impact of any action taken is uncertain. What is more, making sense of the impacts of climate change, however uncertain, relies on highly mediated scientific knowledge. Coupled with the inter-temporal aspect of climate change, this uncertainty and scientific mediation seems to render these impacts even more abstract.

## **Climate change as an economic problem**

Climate change has been conceptualised not only as an environmental but economic problem (Bell 2010; Neumayer 2007). Of particular note in this regard is the report of the 2006 *Stern Review of the Economic Impacts of Climate Change*, prepared for the British Government by Lord Nicholas Stern, who was head of the UK Government Economic Service and, at the time of writing the review, adviser to the UK government on the economics of climate change. A similar review in Australia, led by Professor Ross Garnaut investigated the economic impacts of climate change in Australia. As both these reports are so closely linked to developments in Australian and international policy on climate change, I will examine them in *Chapter Five*. My analysis in this chapter focuses only on how these authors conceptualise climate change.

Within the framework of climate change as an economic problem, Stern and Garnaut conceptualise climate change as a grave 'market failure'. In fact, Stern (2007, p.27) goes so far as to argue that climate change is the 'greatest market failure the world has ever seen'. Greenhouse gas emissions are a 'negative market externality' as the social costs of the burning of fossil fuels for energy and the resulting atmospheric pollution, are greater than the private costs. In Australia, for example, prices for energy, which is almost totally sourced from non-renewable and carbon emissions-intensive fossil fuels, are amongst the cheapest in the world (GCCR 2008b, p.xviii). Garnaut argues that these prices do not reflect the impact of energy consumption on people living in the future or in other societies.

Greenhouse gas emissions are a negative market externality as the social costs of energy consumption and resulting greenhouse gas emissions are greater than the private costs. In Australia, for example, energy prices are amongst the cheapest in the world, and almost all energy supplied in Australia comes from non-renewable sources, and while cheaper than non-renewable sources of energy, is considerably more emissions intensive (ABS 2010).

One of the obstacles to mitigating climate change is that the use of energy is ubiquitous and so the market failure is pervasive. As I will discuss in more detail in *Chapter Five*, fossil fuels that are mined in Australia are not only used to fuel



domestic energy use, but they are also exported internationally for the same purpose. In turn international demand for Australian fossil fuels has not only contributed to increased greenhouse gas emissions internationally, but has also been a key driver of economic growth in Australia and in Asia. As such, Garnaut posits that addressing the market failure of climate change will require structural change in Australia: ‘the solutions to the climate change challenge’ Garnaut argues, require ‘removing the links between economic activity and greenhouse gas emissions’ (GCCR 2008b, p.xxi).

Having conceptualised climate change as an economic problem, market failure more specifically, the Stern (2007) and Garnaut reviews (2008a, 2008b) argue that with some effort, it is possible to overcome this failure. As motivation for overcoming this problem, these authors argue that the economic costs (however distributed) of taking early action to mitigate the worst impacts of climate change are much less costly than delaying this action.

### **Climate change and housing**

The relationship between environmental sustainability and how people are housed can be conceptualised in a number of ways (Lovell 2004). Within a broad conceptualisation of environmental sustainability, household energy use may be conceived of as problematic because of a drain on scarce energy resources and because of the system-wide impacts of climate change. In focusing on climate change in particular, attention is drawn to a household’s greenhouse gas emissions. In any case, the concept of sustainability draws attention to household energy use, particularly where this energy is sourced from fossil fuels. In this respect, household greenhouse gas emissions may be tied to housing construction (in the form of ‘embodied energy’), the energy households draw on for lighting and appliance use, such as for heating and cooling (‘operational energy’), and in moving to and from the home (‘transport energy’). In this research, I focus on the tensions for housing affordability that arise from policies to reduce households’ operational energy.

The literature on operational energy tends to point to the different ‘end-uses’ of energy: that is, what energy is used to do. Here space heating and cooling is

emphasised, along with water heating and appliance use, which are the principal end-uses of energy, and also the greatest contributors of greenhouse gas emissions (Rickwood 2009). Australia Bureau of Statistics (ABS 2010) data shows that these three end-uses contribute around 64 per cent of total household greenhouse gas emissions.

A range of factors is said to impact on household energy use. Amongst these factors are the increasing size of housing (as measured in square metres), decreasing household size, population increase, and growth in the number of appliances and information technology equipment per household. As such, the physical form of housing – its design, size, orientation, materials, and so on – is said to play a role in creating demand for energy (ABS 2006). For example, a dwelling with a large floor area may require greater energy for heating and cooling, and offers greater floor space to occupy with appliances, than a smaller dwelling. At the same time, the type of energy supplied to households also influences the greenhouse gases emitted as a result of this energy use. From this perspective reducing household greenhouse gas emissions may involve changing the type of energy supplied to households, away from fossil-fuel sources, to other sources (e.g. solar power).

Within the theoretical frame of climate change as market failure, household energy use can be theorised as reflecting the institutionalisation of this market failure at the household level. That is, the disjuncture between the private and social costs of energy use is reflected in how people are housed: how housing is designed and constructed, and how it is used. Within this conceptualisation, Garnaut argues that addressing the market failure of energy pricing is complicated, however, by ‘principal-agent’ market failures, which present in rental housing. That is, households in rental housing are responsible for meeting their energy costs; however they often face little incentive (due to uncertainty of their tenure) and have very limited means (as they do not own the property they inhabit) to make physical improvements to their housing in order to make it more energy efficient. This problem is exacerbated for lower income households, which tend to use less total energy than other households, yet pay a greater proportion of their income on energy (GCCR 2008b, pp.413-6).

Critics of end-use and market-based analyses of household energy consumption argue that these analyses rely on an overly instrumental understanding of human energy use. That is, they fail to capture that energy use is tied up in everyday practices, such as washing, cooking, cleaning and laundering (Crosbie, Stokes & Guy 2008; Guy 2006; Hackett & Leutzenhiser 1991). Socio-technical scholar Elizabeth Shove (2003a, 2003b) argues, for example, that these practices are not informed by market price signals, but are conditioned by socialised and evolving norms of cleanliness, comfort and convenience. It is beyond the scope of this research to delve much further into socio-technical theory. Nevertheless, it is worthy to engage with, even at a cursory level, as it suggests two matters of importance for analysing what may be ‘at stake’ in the debate over housing affordability and environmental sustainability. Firstly, how people use their housing (including how they use energy) is tied to the ordinary activities of everyday life. Secondly, that as a social phenomenon, expectations about what is an adequate standard of housing and how households live out their home lives, is not fixed, but can change. This change is shaped in part by social factors.

### **Housing affordability and sustainability**

In this research, I define the concept of housing affordability as pertaining to an acceptable ratio between a household’s income and its housing costs. I define sustainability as a goal of managing human impact on the natural environment. I focus on anthropogenic climate change – changes to climatic conditions resulting from increased concentrations of greenhouse gases in the earth’s atmosphere – as the key threat to sustainability. In terms of how people are housed, I take the pursuit of sustainability to concern reducing household carbon emissions, specifically through the use of energy from fossil fuels (though at this stage stop short of defining what measures this may involve). In this section, I observe how the concepts are analogous and how these may conflict, as a preliminary to my conceptual discussion on distributive justice in *Chapter Three*, and my analysis of Australian housing and environmental policy in *Chapters Four* and *Five*.

Conceptualisations of housing affordability and environmental sustainability are framed by market-based reasoning, which eschews the structural nature of the problems they refer to. In the case of housing affordability, the language of household incomes and housing costs and prices also draws attention away from the substantive attributes of the housing people are able to access, their need for housing, how housing is valued, and what they do with this housing. In a similar way, the notion of environmental problems as failures of the market only explains that people use energy, and not the meanings or values that are invested in the practices in which energy is consumed. The assumption that these various aspects of how people are housed are thus ignored or assumed to be substitutable by a market value.

Conceptualisations of sustainability and affordability contain references to matters of distribution. Conceptualisations of sustainability raise questions of the human impacts on the natural environment and implications for the welfare of people living in the future. Meanwhile insofar as housing prices may limit access to private home ownership, the concept of housing affordability draws attention to income disparities and the impacts of the distribution of housing wealth between contemporaries. As such, one of the central conflicts between housing affordability and environmental sustainability is in terms of whose interests these concepts focus on. With housing affordability, the focus is largely confined to people alive in the present. In contrast, sustainability stretches this time horizon to include people living in the future in some cases fifty or 100 years hence. This said, while the relationship between sustainability and justice is explored in some cases extensively in the literature, there is limited analysis of distributive justice in the literature on housing affordability.

The extent to which there is a trade-off between housing affordability and sustainability ultimately depends on the steps taken to advance these goals. At a theoretical level, the concept of sustainability gives license to policies that reduce the environmental impact of how people are housed. Should these policies increase the cost of housing, then we can be said to encounter a trade-off between housing affordability and sustainability. At the same time, the concept of housing affordability also gives license to policies that lower or minimise the cost of housing (relative to household income). Should these policies be tied to increased greenhouse

gas emissions from housing, then we can also be said to encounter a trade-off between affordability and sustainability.

In this research I question how these trade-offs between housing affordability and sustainability ought to be addressed. As the concept of distributive justice is implied, but under-theorised in the literature on housing in *Chapter Three* I turn to the field of political philosophy to develop a conception of social justice to assist in this evaluation. I draw on this conception in analysing how the tensions between affordability and sustainability have played out in Australian policy in *Chapters Four* and *Five*.

## CHAPTER THREE: SOCIAL JUSTICE

In this research I contribute to the debate over housing affordability and environmental sustainability by exploring this debate as a problem of social justice. That is, my research question is what is the right thing to do about housing affordability and environmental sustainability? In *Chapter Two*, I noted that ideas about justice are implied and explicit in conceptions of housing affordability and environmental sustainability. For example, protecting the welfare of future generations tends to be espoused in conceptions of environmental sustainability. In this research, I argue that making decisions about what is the right thing to do about housing and the environment can be enriched by exploring beyond the ideas of justice contained within prevailing conceptions of housing affordability and environmental sustainability. To this end in this chapter I analyse the concept of social justice.

My analysis centres on the work of the late American philosopher John Rawls (1921–2002) and his *Justice as Fairness* theory in particular. I take *Justice as Fairness* as my starting point primarily because it is pre-eminent amongst contemporary theories of justice: Rawls's rights-based approach is the predominant approach used in moral and political philosophy today (Sandel 1998; Sen 2009). I examine the key elements of *Justice as Fairness*, as presented in Rawls's seminal publication *A Theory of Justice* (1971) and further developed in *Political Liberalism* (1993) and in *Justice as Fairness: A restatement* (2001) (herein 'Restatement'). These elements include: (i) Rawls's focus on the ideal social structure as the subject of justice; (ii) the original position; and (iii) the principles of justice. I examine these elements within the context of the utilitarianism Rawls opposed and the Kantian moral philosophy he built his conception of justice on. Alongside *Justice as Fairness*, I also explore the alternative conceptions of justice and critique offered by Amartya Sen's capabilities theory of justice and by Michael Sandel's espousal of virtue ethics. My objective in exploring this literature is not to set upon one theory of

justice and then to apply it to the housing affordability and environmental sustainability problem. Rather, I have sought from this literature a set of questions and proposals through which to open up the debate about housing and the environment.

The analysis is structured as follows. First, to provide context for Rawls's work, I outline his method of reflective equilibrium and some aspects of Immanuel Kant's moral philosophy and David Hume's conception of the circumstances of justice. I then explore the following questions in relation to *Justice as Fairness*: what is justice about (as a philosophical concept); what is at stake; the principles of justice; the community of justice; and justice as public reasoning. For each of these dimensions, I present Rawls's position, and then counterpoise this with critique and alternative conceptions provided by Sen and Sandel (where suitable).

Having presented analysis of the social justice literature I then draw from this literature what I regard to be its most critical elements for my primary research question. These include the role of social and political institutions in questions of justice; the difference between ends-based and means-based conceptions of justice; and justice as a process of public reasoning. This lays the foundation for my analysis of Australian housing and environmental policy in the subsequent chapters.

### **Justice as a philosophical concept**

Moral and political philosophy, stretching back in history to the Ancient Greek philosophers, such as Aristotle and Plato, has provided a rich body of literature on the concept and application of social justice. Wolff (2007) suggests that the fault lines of disagreement amongst philosophers relate to at least two questions. The first question is fundamental and concerns the nature of justice as a philosophical concept: that is, 'what is justice about'? The second is a substantive question concerning on what grounds we can evaluate whether an arrangement or action is

just or unjust.<sup>4</sup> In this chapter, I refer to these two aspects of justice using Rawls's distinction of the 'concept' and the 'conception' of justice respectively.

In terms of the concept of justice, Wolff (2007) argues that there are three main views. The first view is that justice is about mutual advantage. The second is that justice is about reciprocity. The third view is that justice is about empathy. In all three views, justice is based upon the qualities of an action. In this chapter, I tender that there is a fourth view, which is important to recognise, which is that justice is about virtue (the actor, not the act). According to this view, justice is based on the qualities of the actor. As I will show in this chapter, the distinctions between these concepts in Rawls's work are not so clearly defined.

While Wolff's framework is useful as a starting point for analysing the concept of justice, I have found Dobson's analysis useful in providing an approach to analysing the conceptions of justice. Dobson's (1998, pp.62-4) approach involved attempting to distill from a number of texts 'the principal questions to which any theory of justice would have to have an answer' in order to establish the 'component parts of theories of justice'. In the end, Dobson (1998, p.63) argues that conceptions of social justice reckon with four questions:

1. What is the community of justice?
2. What is the basic structure of the conception?
3. What is being distributed?
4. What is the principle of distribution?

In this chapter, I use these questions as prompts for my analysis of the social justice literature, and *Justice as Fairness* in particular.

### **John Rawls's use of the concept of reflective equilibrium**

Rawls's first publication of his theory *Justice as Fairness* was in the 1958 journal paper of the same name (Rawls 1958). He presented it most comprehensively, however in the 1971 tome *A Theory of Justice*. In the thirty years following the publication of *A Theory of Justice*, Rawls reprised *Justice as Fairness* in light of

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<sup>4</sup> In *Models of Distributive Justice*, Wolff presents the substantive question first and the deeper question second. For the sake of flow, I have reversed the order of these questions in my analysis.



critique in lectures at Harvard University, and in publications including *Political Liberalism* (1993) and in *Justice as Fairness: A restatement* (2001). *Justice as Fairness* had a profound impact on American moral and political philosophy. Rawls is credited with overturning the dominance of utilitarianism in the discipline, so much so that following the publication of *A Theory of Justice* rights-based approaches to justice would become the dominant paradigm. In doing so, Rawls is said to have helped revive political theory in America, restoring 'long suppressed moral questions to the status of serious objects of political philosophical investigation' (Habermas 1999, p.109) and to have inspired debate within, between and against liberal theories of justice (Sandel 2005). Prior to examining the key aspects of Rawls's theory, I will first outline his method, reflective equilibrium, and key influences on his theory.

In developing his theory of justice, Rawls used a method called reflective equilibrium. The steps involved in achieving reflective equilibrium are not unique to moral and political philosophy, but they are also common to other disciplines, such as logic and science, and in inductive and deductive reasoning. Achieving reflective equilibrium involves aligning considered judgements or intuitions, the principles that govern these judgements, and the theoretical considerations that come to bear on accepting judgements and principles. In this respect, reflective equilibrium is a way of defending judgements about justice on the basis of their internal coherence rather than by reference to claims about the truth (Daniels 2011; Rawls 1972). In *A Theory of Justice*, Rawls (1972) distinguishes two different types of reflective equilibrium: narrow and wide.

Narrow reflective equilibrium (NRE) is achieved by aligning intuitions to principles. Attaining this coherence may involve the refinement of principles so that these align with intuitions and *vice versa*; achieving NRE does not require these principles to be subject to criticism from alternative moral points of view, however. In this way, NRE provides a descriptive more than normative account of justification (Daniels 2011): 'In the first case', Rawls (1972, p.49) claims, 'we would be describing a person's sense of justice more or less as it is although allowing for the smoothing out of certain irregularities'.

Rawls argued that there must be something more than coherence between principles and judgements to defending a moral position, and so distinguished his approach as fitting ‘wide reflective equilibrium’ (WRE). As Daniels notes, Rawls felt that ‘to be of interest to moral philosophy, a reflective equilibrium should seek what results from challenging existing beliefs by arguments and implications that derive from the panoply of developed positions in moral and political philosophy’ (Daniels 2011). Importantly, Rawls felt that achieving WRE lent stability to a theory of justice. In this way also, the method allows for the possibility that a person may radically revise their beliefs about what is just through their encounters with alternative conceptions of justice. Wide reflective equilibrium can only be achieved therefore ‘after a person has weighed various proposed conceptions’ and ‘has either revised his [sic] judgements to accord with one of them or held fast to his [sic] original convictions (and the corresponding conception)’ (Rawls 1972, p.48). Given the practical obstacles to examining every possible conception of justice, the closest a philosopher can get to achieving WRE is to ‘study the conceptions of justice known to us through the tradition of moral philosophy and any further ones that occur to us, and then to consider these’ (Rawls 1972, p.49).

### **Influence of Kant and Hume on Rawls’s *Justice as Fairness***

Liberal theories of justice often treat as axiomatic the idea that people are able to and ought to be free to determine their own ends, or versions of the good life, yet go about protecting this freedom (and also constraining it) differently. As such, the tradition includes theories that determine what is right, based on consequences (especially of utility), the principle of desert, and those that determine what is right in categorical or *deontic* terms. These two approaches have given rise, respectively, to theories of social justice based on a principle of maximising general utility and to theories in which justice is conceived in terms of a social contract. It is in the second cohort of liberal theories that *Justice as Fairness* arises from.

In developing his theory of justice, Rawls drew on, defended and reputed, conceptions of justice and morality presented across a breadth of liberal, moral and political philosophy including social contract theorists and utilitarianism, but also

even socialist traditions. Thus, while *Justice as Fairness* is a social contract theory of justice, it includes a refinement of ideas found outside of the social contract tradition<sup>5</sup>. In order to appreciate *Justice as Fairness* and to make sense of the main criticisms of this theory, it is instructive firstly to note the influence of the work of Immanuel Kant, and also of David Hume, on Rawls's theory. In the discussion that follows, I do not claim to present a comprehensive account of the philosophy of Kant or of Hume. Instead, I present the aspects of their theories that enable a more fruitful analysis of Rawls's work. It is important to point out the influence of Kant's and Hume's theories on *Justice as Fairness* as these philosophers were from outside of the social contract traditions.

### *Influence of Kantian moral philosophy*

The work of German Enlightenment philosopher and physicist Immanuel Kant, while not strictly about justice, was highly influential on *Justice as Fairness*. As set out in *Groundwork of the Metaphysic of Morals*, first published in 1785, a pivotal concept of Kant's moral theory is the categorical imperative, which is based on a unique conceptualisation of freedom and reason (Kant 2009). Kant published between the years of the American and French Revolutions, and his moral philosophy, the concept of the categorical imperative in particular, is said to have provided a powerful basis for the concept of the rights of man, and more recently, the concept of universal human rights (Kant 2009).

Kant challenged the utilitarian maxim that the pursuit of happiness is the expression of human freedom (Sandel 2009). As a person's desires or inclinations are outside of their own control, these preferences aren't chosen: we just have them. As such, freedom is expressed in the exercise of reason, which means acting *in spite of* one's desires. In this respect, action that is socially conditioned or biologically determined is not 'free' action, but is 'heteronomous', because experiencing freedom involves

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<sup>5</sup> In *Lectures on the History of Political Philosophy*, for example, Rawls notes the similarities between the substantive content of his principles of justice and utilitarian philosopher John Stuart Mill's 'principles of the modern world' (2009, p.267).

acting autonomously from these desires. As Rawls (1972, p.252) sets out in *A Theory of Justice*:

Kant held, I believe, that a person is acting autonomously when the principles of his action are chosen by him as the most adequate possible expression of his nature as a free and equal rational being. The principles he acts upon are not adopted because of his social position or natural endowments, or in the view of the particular kind of society in which he lives or the specific things he happens to want. To act on such principles is to act heteronomously.

Sandel (2009) illustrates Kant's distinction between autonomous and heteronomous action using the analogy of a billiard ball. 'When you drop a billiard ball it falls to the ground', Sandel (2009, p.109) explains, 'As it falls the billiard ball is not acting freely; its movement is governed by the laws of nature – in this case, the law of gravity [...] To act freely is not to choose the best means to a given end; it is to choose the end itself, for its own sake – a choice that human beings can make and billiard balls (and most animals) cannot'. This means that to act freely is to act in accordance with a law a person gives to himself or herself. By extension, autonomy also relies on not being treated as a means to other people's ends. It is this point – of people being ends in themselves – that Kant uses to challenge the central tenet of utilitarianism. Kant maintains that under a principle of general utility, wherein an action is right if it maximises the general utility or happiness, a person can legitimately be used as a means to others' ends.

Kant's concepts of categorical imperatives and hypothetical imperatives relate to his idea about how reason is used. Hypothetical imperatives rely on using reason instrumentally (i.e. adjudicating between different means to an end, or determining the rightness of actions based on their consequences). Kant regarded hypothetical imperatives as therefore contingent on further information (about outcomes). On the other hand, categorical imperatives are unconditional: these apply universally. Categorical imperatives are 'concerned not with the matter of the action and its presumed results, but with its form, and with the principle from which it follows. And what is essentially good in the action consists in the mental disposition let the consequences be what they may' (Kant cited in Sandel 2009, 119). In this way, Kant felt that categorical imperatives were much more reliable and thus more useful in moral evaluations, than hypothetical imperatives. Ultimately, he argued, to act

autonomously – that is to exercise freedom – relies on acting out of a categorical imperative that a person reasons for himself or herself. This is also where Kant’s concept of duty comes into play. That is, duty is the necessity of acting in accordance with a universal law.

Kant uses a thought experiment, which he calls the ‘kingdom of ends’ to describe an ideal world, or ‘transcendental’ state in which rational persons are united under universal laws they are bound by, but are also the authors of, and are treated as ends rather than as means to other people’s ends (i.e. they are wholly autonomous). Later in this chapter, I will discuss how Rawls drew on Kant’s kingdom of ends in his own thought experiment: the original position.

### *Influence of Hume’s (1711-1776) Circumstances of Justice*

The work of eighteenth century Scottish Enlightenment philosopher, historian and economist David Hume was also influential on Rawls’s work. Hume was a utilitarian, and was critical of the social contract theories expounded by Thomas Hobbes, John Locke and Jean-Jack Rousseau. Essentially, Hume challenged the conventional wisdom amongst contractarian theorists, which held that implied consent is the basis of the legitimate use of political power. His point was that this conception of justice was not relevant to the social and political circumstances at the time: the notion of government by consent could only reasonably apply under certain ‘*Circumstances of Justice*’ (Rawls 2007, pp.165-6; *see also* Wolff 2007).

The ‘objective’ circumstances of justice include the coexistence of many individuals with similar mental and physical powers in a situation of moderate scarcity. Thus, if there is such abundance of goods that everyone can get what they want without limiting another person’s ability to do so, then justice is not applicable (Wolff 2007, p.169). Equally and controversially, Hume claims that justice cannot be said to apply when there is such scarcity that survival is at stake.

Under the ‘subjective’ circumstances of justice these individuals have similar needs but different ‘plans of life’ or conceptions of the good and are not interested in others’ interests. Thus in contrast to Kant’s utopic kingdom of ends, for Hume justice

applies when these conflicting life plans lead to conflict over scarce goods. By implication, central to the circumstances of justice is an idea of mutual advantage. That is, people will be motivated to negotiate the terms of the distribution of scarce resources when they have something to gain from doing so (or to lose from *not* doing so). The work of justice therefore then becomes to distribute the gains from mutual cooperation between persons who are roughly equal. Under these conditions, argues Hume, the principles of justice could only be those that people being ruled would actually agree to.

In developing *Justice as Fairness* Rawls (1972, p.126) treats Hume's *Circumstances of Justice* as 'the normal conditions under which human cooperation is both possible and necessary'. As Wolff (2007) points out, however, while Hume's work has been very influential, the endpoint of his reasoning about justice is unnerving in that a person's bargaining power under the *Circumstances of Justice* is not based on their potential contribution to others but on the extent that that contribution is needed by others. Later in this chapter I demonstrate how this critique of Hume's theory is important to understanding the critique of Rawls's theory of justice by exponents of capabilities-based theories of justice (Nussbaum 2002, 2006).

### **The basic structure of society as the subject of justice**

As a philosophical concept, justice is broadly defined as being about mutual advantage, reciprocity, empathy and virtue (Wolff 2007). For Rawls (1972, p.7) the rules that govern social and political institutions, which he calls the 'basic structure', and the way in which these institutions distribute 'fundamental rights and duties and determine the division of advantages from social cooperation' is the subject of justice. These institutions include the legal system, competitive markets, private property in the means of production and the monogamous family (Rawls 1972).

For Rawls (2005, p.266), the role of the institutions that form the basic structure is to 'secure the background conditions against which the actions of individuals and associations take place'. If these background institutions are not just, he adds, any social process will cease to be just, however 'free and fair' these processes seem when viewed independently. To illustrate this point, Rawls deliberates on the

distribution arising from market transactions. He argues that the distribution resulting from market exchange is not just, if the distribution of income and wealth, the structure of the system of markets, and the system of transfers, are not just in the first place. ‘The existing wealth’, Rawls (2006, p.266) claims, ‘must have been properly acquired and all must have had fair opportunities to earn income, to learn wanted skills, and so on’.

Rawls was not only concerned with social institutions, but also the rules to govern the *ideal* arrangement of social and political institutions, which he refers to as a ‘well-ordered society’. In this sense, Rawls’s theory does not concern how to attend to particular cases of apparent injustice, which he argues is the case with ‘partial compliance theory’ (Rawls 1972, p.306). Instead, Rawls argues (1972, p.9) that ‘the nature and aims of a perfectly just society is the fundamental part of the theory of justice’.

*Institutions ‘shape the kind of citizens we are’*

One reason Rawls gives for focusing on social and political institutions is because of the influence the basic structure has on citizens, materially, and even in terms of the political culture. As he sets out in *Political Liberalism*:

[T]he institutional form of society affects its members and determines in large part the kind of citizens they are. The social structure also limits people’s ambitions and hopes in different ways; for they will with reason view themselves in part according to their position in it and take account of the means and opportunities they can realistically expect [...] More generally, the basic structure shapes the way the social system produces and reproduces over time a certain form of culture shared by persons with certain conceptions of the good (Rawls 2006, p.269).

To place this in context, Rawls wrote *A Theory of Justice* during the late 1960s in part against the background of the Vietnam War. He opposed US involvement in the war and publicly declared his belief that it was an unjust war. In his account of Rawls’s life and work, Pogge (2007, p.19) maintains that Rawls was ‘deeply concerned to understand what flaws in his society might account for its prosecuting a plainly unjust war with such ferocity and what citizens might do to oppose the war’. Rawls was convinced that this injustice was a consequence of vested interests in the US political system, and that the uneven distribution of wealth in American society

and the easy conversion of this wealth into political power were the social flaws that explained citizens' support of the war. More specifically, the US political system was structured such that the vested interests of wealthy individuals and corporations in particular those in the defence industry, could influence political outcomes by contributing financially to political parties and organisations (Pogge 2007).

In addition, during the war, the US government compulsorily conscripted men under twenty-seven years of age to fight in the war, with the exception of those men who were studying and performing well in their studies. Undoubtedly, there was a racial dimension to this selection as well. Rawls felt that this policy favoured young men whose families could afford to send them to good universities, while men whose families were of lesser means were sent to fight the war. Rawls found this arrangement unjust, arguing that 'the sons of the rich and the well-connected should share this fate equally with the rest' (Pogge 2007, p.20). That is, Rawls questioned why the lives of some young men were treated as being of different value. Thus, while Rawls's greater body of work recognises and is concerned with injustice, he saw its causes and sources of alleviation coming from institutions. This is elaborated on in *The Law of Peoples*:

[T]he great evils of human history – unjust war and oppression, religious persecution and the denial of liberty of conscience, starvation and poverty, not to mention genocide and mass murder – follow from political injustice, with its own cruelties and callousness [...] once the gravest forms of political injustice are eliminated by following just (or at least decent) social policies and establishing just (or at least decent) basic institutions, these great evils will eventually disappear (Rawls 1999, pp.6-7).

Accordingly, Rawls argues that the function of a theory of justice ought to focus on institutional reform.

### *Institutions and the complexity of modern society*

Rawls also treats institutions as the subject of justice on account of the difficulty of tying actions to consequences in complex societies, an argument that he outlines in his examination of utilitarianism, as presented in his 1955 journal paper *Two Concepts of Rules*. In this paper, Rawls (1955, pp.3-4) sets out to 'defend utilitarianism against those objections which have traditionally been made against it'



by adjusting utilitarianism to make it a ‘much better explication of our considered moral judgements that these traditional objections would seem to admit’.

Rawls argues that utilitarianism is most defensible if it is applied at the level of *practice*, that is, the ‘set of rules rather through which human interactions are structured’ (Pogge 2007, p.30), as opposed to the ‘particular actions falling under it [the practice]’. Rawls labelled these different conceptions ‘institutional’ and ‘interactive’ respectively. Interactional moral analysis focuses on how an individual agent’s actions bring about greater or lesser utility. On the other hand institutional analysis focuses on sets of practices designed to maximise utility. In this setting, whether an action is just or unjust is based on how it complies with that set of practices. Freeman (2007) argues that Rawls felt it is too difficult, in complex social systems, to isolate individual actions to actual outcomes, as there are too many variables involved. As Pogge (2007, p.31) details: Rawls concentrated on social justice as modern societies ‘give rise to large-scale problems that can be much better addressed through institutional rather than interactional moral analysis’.

### *Sen’s critique of perfectly just institutions*

In response to Rawls’s definition of the concept of justice, Sen challenges Rawls on two fronts: the first concerns the primacy Rawls places on institutions *per se*, and the second also on the *ideal* social structure in particular. Like Rawls, Sen’s conception of justice is premised on the notion of protecting human freedom to seek out a version of the good life. Sen departs from Rawls, however, in that he sees that justice is concerned with whether people are actually able to achieve these ends. From this point, he argues that to be useful for practical reasoning about justice, a theory of justice needs to provide ways to evaluate actual social conditions: that is ‘ways of judging how to reduce injustice and advance justice’ through the ‘reasoned choice of policies, strategies or institutions’ (Sen 2009, p.15). As such, social and political institutions are an important instrument of advancing justice and addressing injustice in many ways, but justice is not *about* institutions.

In response to Rawls’s focus on the ideal basic structure, Sen questions how valid it is to claim that our notions of the ideal should form the basis of decisions about what

is right in the real world, wherein decisions are often between partial and imperfect options. For one thing, knowing what is ideal does not necessarily help in making these decisions. In *The Idea of Justice* Sen illustrates this argument using the analogy of trying to determine what the perfect artwork is. Knowing that the Mona Lisa is the ideal painting does not really help in determining whether a Picasso painting is better than one by Salvador Dali (Sen 2009). Even if we could rank these paintings, he goes on to argue, it is not a given that an option that is closer to the ideal than another option is actually what we would choose. In another example, Sen points out that having a preference for red wine over white does not necessarily mean that we would prefer a blend of red and white, over a white wine. As such he argues that it is ‘far from obvious that prudential choice under *as if* uncertainty provides an adequate basis for moral judgment [sic] in *un*-original, i.e. real-life, positions’ (Sen 1979, p.201).

What is more, the implication of ideal theory is that it is practically impossible to do justice. Such a theory effectively ‘rules out the possibility that our best efforts could still leave us locked into some mistake or other, however hidden it might be’ (Sen 2009, p.89). As such instead of conceptualising justice in ideal terms, from which real world attempts to advance justice or remedy injustice will always seem to fall short, Sen argues that justice should be conceptualised in terms that allow for ‘incomplete’ resolutions about what is just.

#### *Sandel’s critique of the separation of ‘the right’ and ‘the good’*

As I discussed earlier in this chapter, Kant posited that to be free is to act in accordance with a law a person sets for herself or himself. A person has a duty to respect the dignity of other persons, but beyond this, obligations rest on the rules that person would voluntarily agree to. In this respect, justice is detached from a person’s particular identity and other contingencies or encumbrances as these are considered arbitrary: moral agents are thus ‘independent of his or her particular aims and attachments’ (Sandel 2009, p.214). It is in this sense that Rawls, drawing on Kant, conceives of justice as *prior to* (normatively and functionally) these contingencies: that ‘we are the authors of the only moral obligations that constrain us’ (Sandel 2009, pp.214-5).

Deontology (Rawlsian or Kantian), Sandel maintains, is based on a flawed theorisation of the moral subject. In separating the right from the good, and in asserting the *priority* of the right over the good, the moral subject is necessarily detached from the sources of identity that give meaning and weight to justice in the first place<sup>6</sup>:

As a philosophical matter, our reflections about justice cannot reasonably be detached from our reflections about the nature of the good life and the highest human ends. As a political matter, deliberations about justice and rights cannot proceed without reference to conceptions of the good that find expression in the many cultures and traditions within which those deliberations take place (Sandel 1998, p.186).

What is required instead, Sandel argues, is a conception of justice that is flexible enough to take account of involuntary, particular duties. As such, reasoning about justice should not eschew debate over the content of the ends that people value. To be fair in *Political Liberalism* Rawls acknowledges this contention. In response he qualifies that the purpose of the original position was to offer a representation of the *political* conception of the self, not a psychological or metaphysical one as Sandel suggests. The danger with opening up conceptions of justice to include particularist claims, based in involuntary membership to community and on prevailing social values (which liberal theories seek to avoid), lies in guaranteeing that the values of all members of that society are taken into account in the determination of what is right, and that these rights don't simply reflect the will of those more dominant in society. Rawls (2005) argues, for example, that in developing a political conception of the self, his intent was to emphasise that irrespective of the notions of the good life that a person may hold temporarily or over the complete course of their life, and irrespective of the origin of this notion (e.g. through membership to community), that as citizens they have enduring claims to justice. These political rights include the basic rights and liberties and the right to alter the things that one values (Rawls 2005). Sandel recognises this problem with communitarianism, but argues that it

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<sup>6</sup> In *Political Liberalism* Rawls acknowledges this contention. In response he qualified that the purpose of the original position was to offer a representation of the political conception of the self, not a psychological or metaphysical one as Sandel suggests.

shows how communitarian and liberal theories are similarly mistaken in that they both ‘try to avoid passing judgement on the content of the ends that rights promote’ (1998, p.xi).

### **The original position**

In this section I want to present Rawls’s principles of justice and the concept of the original position, which he uses to defend the selection of the principles of justice to govern the ideal social structure. Essentially, this is underpinned by the premise that as the basis of justice is consent, the ‘most reasonable principles of justice are those that would be the object of mutual agreement by persons under fair conditions’ (Kelly, in Rawls 2001, p.xi).

Rawls establishes the principles of justice, which form the basis of the social contract, using the device of a thought experiment that he calls the ‘original position’. In the original position, Rawls sought to refashion Kant’s device of the kingdom of ends into a political rather than metaphysical theory of justice. In the place of a metaphysical account, Rawls sought to develop a conception of social justice borne out of empirically realistic though pure, procedural justice in the place of metaphysical claims, the output of which would be the choice of just principles to govern the basic structure of society.

In the original position, representative members of society (called ‘parties’ to the original position) come together to determine the principles of justice to govern the basic structure of their society. Demonstrating the Humean influence on Rawls’s theory, the parties to the original position are self-interested: that is, they are motivated to pursue their own version of the good life, and to use social cooperation to achieve these ends. However, they do not know the content of these ends, as informed by religious or moral beliefs, or their place in society – their class, gender, social status, their natural assets and abilities intelligence, general predilection – as these factors are concealed by a ‘veil of ignorance’ (Rawls 1972). What is more, while the parties are contemporaries of the same society, they do not know what generation of their society they are from.

*Parties to the original position as 'rational and reasonable'*

Rawls (2001, p.19) specified that the parties are rational and reasonable, what he calls the 'two moral powers'. Echoing Kant's notion of freedom as acting in accordance with a law persons make for themselves (acting autonomously) in being *rational* citizens they are able to construct and pursue their own conceptions of the good life:

The other moral power is a capacity for a conception of the good: it is the capacity to have, to revise, and rationally to pursue a conception of the good. Such a conception is an ordered family of final ends and aims which specifies a person's conception of what is of value in human life, or alternatively, of what is regarded as a fully worthwhile life. The elements of such a conception are normally set within, and interpreted by, certain comprehensive religious, philosophical, or moral doctrines in the light of which the various ends and aims are ordered and understood (Rawls 2001, p.19).

At the same time, Rawls argues, citizens are able to be 'reasonable'. This means that they are able to understand, abide by, and act from the principles of justice that specify 'the fair terms of cooperation', even if this gets in the way of them pursuing their own interests, so long as others are willing to do so too. Rawls (2005) also defines this attribute as pertaining to the parties as having a 'sense of justice'. Underpinning this notion is the idea that parties are able to separate their 'public identities' and their comprehensive doctrines of the good life.

Rawls (1972, p.15) used the veil of ignorance because he felt that while, even by accident of birth, members of a society differ, these 'accidents of natural endowment and the contingencies of social circumstance' are irrelevant from a moral point of view, whereas Rawls wanted the parties to be moral equals. These contingencies cloud a person's capacity to exercise their moral judgement. Without the veil of ignorance, the parties may select principles that would in some way further their own interests, and the unequal bargaining power of those who are already in a position of advantage would likely lead to the further entrenchment of disadvantage. From a Kantian perspective, the veil of ignorance prevents parties from acting heteronomously – in accordance with inclinations – forcing them to act outside their inclinations. As such, parties are moral equals in their capacity to reason:

Now the veil of ignorance deprives persons in the original position of the knowledge that would enable them to choose heteronomous

principles. The parties arrive at their choice together as free and equal rational persons knowing only that those circumstances obtain which give rise to the need for principles of justice (Rawls 1972, p.252).

As such, by using the veil of ignorance, the principles of justice are selected in a situation of original fairness, which bequeaths Rawls's theory its name: *Justice as Fairness*.

### **Rawls's two principles of justice**

From behind the veil of ignorance, Rawls posits that the parties to the original position would arrive at two *lexically ordered* principles of justice to govern their society. These principles are:

1. Each person has an equal right to the most extensive scheme of equal basic liberties which is compatible with a similar scheme of liberties for all.<sup>7</sup>
2. Social and economic inequalities are to satisfy two conditions. First they must be attached to offices and positions open to all under conditions of fair equality of opportunity; and second, they must be to the greatest benefit of the least advantaged members of society (Rawls 1972, p.53).

In this chapter I make three observations of these principles.

My first observation is on the principles of justice, that they concern the distribution of means, which Rawls calls 'primary goods'. Primary goods are all-purpose means that Rawls supposes a rational person would want, irrespective of his or her particular life plans: 'Regardless of what an individual's rational plans are in detail, it is assumed that there are various things which he [sic] would prefer more of rather than less' (Rawls 1972, p.79). The principles of justice prescribe a limited list of primary goods, which includes only rights, liberties (freedom of thought, liberty of conscience, the political liberties and freedom of association, freedoms specified by the liberty and integrity of the person, as well as the rights and liberties covered by the rule of law), opportunities income and wealth and the social bases of self-respect.

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<sup>7</sup> Rawls in a 1981 Tanner Lecture on Human Values at the University of Michigan, revised this wording to read 'fully adequate scheme' instead of 'most extensive scheme'.

Rawls is arguing, therefore, that evaluations of justice should be concerned with how the basic social structure (the matrix of key social institutions) ensures a certain distribution of *means*, not ends.

Secondly, the principles of justice are egalitarian. Rawls argues that as the parties are self-interested but do not know their fortunes, it stands to reason that they would choose to live in a society governed by egalitarian principles rather than one governed by a principle of maximising utility (or one of desert for that matter). If they were to select a principle of maximum utility, Rawls argues, the parties would risk being amongst the members of society whose interest may be foregone for the sake of the general welfare of others. As such, even in thinking about their own interests, it is against the parties' rational self-interest under conditions of uncertainty, to choose a utilitarian principle of justice. 'It hardly seems likely', Rawls (1972, p.13) argues, 'that persons who view themselves as equals, entitled to press their claims on one another, would agree to a principle which may require lesser life prospects for some simply for the sake of a greater sum of advantages enjoyed by others'.

While the principles of justice are egalitarian, Rawls does permit social and economic difference. This is evident in the second part of the second principle, which is also known as the 'difference principle'. The caveat, however, is that these differences are only permitted provided all members of society have equal rights and liberties and that these differences must work to the benefit of the least advantaged members of society.

My third observation is that Rawls intended the principles to be universal in their application, reflecting Kant's concept of the categorical imperative. Rawls also argued that the universality and lexical ordering of the principles of justice lent stability to his theory. Later in this chapter I will discuss the implications of this notion of universality for applying the principles of justice to housing affordability and environmental sustainability. In doing so, I note some of the constraints Rawls nevertheless places on the reach of these principles.

*How can agreement on these principles be guaranteed?*

Earlier, I noted that Sen questions whether knowing what should happen in an ideal situation gives adequate basis for knowing what is right in non-ideal situations. Secondly, Sen questions Rawls's defence of the content of the principles of justice. How can we assume, he argues, that just because the parties to the original position are rational, they would arrive at the same principles? That is, just because their interests are concealed by a veil of ignorance.

Sen, like Rawls, sees justice as involving a process of public reasoning (a matter I will return to later in this chapter). He argues that it is quite reasonable, however, to assume that this process of reasoning, however rational it is, might result in plural or even competing notions of what is just. In *The Idea of Justice* Sen (2009, pp.12-13) defends this position using the example of three children – Anna, Bob and Carla – and a flute. Anna lays claim to the flute, as she knows how to play the flute, and would make beautiful music if she had it. Bob, on the other hand, is poor and has no toys, so would benefit from having the flute. Finally, Carla argues she should have the flute as she made the flute and deserves to enjoy the fruits of her labour. The children's different claims to the flute represent utilitarian (Anna), egalitarian (Bob) and libertarian (Carla) conceptions of justice. While these three conceptions of a just distribution differ, they can all be the endpoint of a process of rational consideration. As such, and with respect to the original position, it is 'very unclear what precisely would be chosen in such a situation' (Sen 1979, p.201).

This analogy is useful in pointing out that libertarian, socialist and egalitarian principles may all be arrived at through a rational process. In addition, it does raise an important rebuttal to Rawls's assertion as to the empirical plausibility of the original position. Yet Sen does not account for the special conditions placed on the parties to the original position. As I will discuss later in this chapter, and return to in *Chapter Six*, this is important because Rawls was not interested in the application of the rational process *per se*. Rather, he drew attention to the circumstances in which rational consideration gives rise to just decisions.

*Disadvantage as 'means deprivation'*



Having secured equal rights, liberties and opportunity, the key determinant of disadvantage in *Justice as Fairness* is income and wealth. Within this framework, Rawls makes no special provision for housing or for the natural environment in his principles of justice. As such, the question arises as to how Rawls thought the principles would apply to objects outside of basic rights and liberties, opportunities, and wealth and income. In other words, how should the principles apply when the question we are seeking to resolve is in terms of ‘what’s the right thing to do about ‘x’?’ In this section, I explore Rawls’s argument for how the principles of justice apply to the provision of healthcare, which he sets out in *Justice as Fairness: A Restatement* (2001) as a guide for how the principles may apply to housing. This analysis suggests that there are two ways in which the principles of justice may be applied to housing.

Prior to describing how the principles of justice may apply to housing, it is instructive to note Rawls’s rationale for not considering healthcare provision as part of the substantive content of the principles of justice. Rawls argues that determining how healthcare should be provided depends on knowing additional information, such as the prevalence of illnesses, diseases and their severity. Other than knowing that their healthcare needs would fall within a normal range, the parties to the original position do not have access to this information. For this reason, it is not possible for them to make universal claims about healthcare provision in the same way that it is possible to make universal claims about the distribution of rights and liberties. Instead, decisions about healthcare provision should be determined (a) in relation to the principles of justice, and (b) as a legislative matter (Rawls 2001).

Rawls applies the principles of justice to the problem of healthcare provision as follows. First, in applying the difference principle (differences in wealth and income should work to the benefit of the least advantaged members of society), the likely medical needs of the least advantaged members of society – those who have the least wealth and income over a complete life – need to be determined. On this basis, provisions are made to address these medical needs, but only to the point where any further provision of healthcare would lower, or cease to better, the lifetime expectations of the least advantaged. In this way, the allocation of public funds to

healthcare would be moderated by meeting the demand for other areas of need such as public education.

Second, Rawls also posits that the provision of healthcare can be evaluated in terms of its relationship to the ‘social minimum’ required for people to take advantage of, or to exercise, the basic rights and liberties protected in the first principle of justice. The provision of healthcare, Rawls (2001, p.174) argues, would ‘fall under the general means necessary to underwrite fair equality of opportunity and our capacity to take advantage of our basic rights and liberties, and thus to be normal and fully cooperating members of society over a complete life’. This would allow for the arbitration of varying claims on healthcare, as here Rawls (2001, p.174) distinguishes claims for health care that return people to good health so that they may resume normal lives as ‘cooperating members of society’ from claims for cosmetic medicine, which he regards as ‘not offhand a need at all’. In saying this, arguably there is scope within this conceptualisation to assert that certain types of cosmetic surgery would be provided for under *Justice as Fairness*, so long as this surgery was necessary for people to be cooperating members of society.

With respect to housing, the demands of justice apply to meeting a *need* for housing. This need is determined by the extent to which housing is required to better the lifetime prospects of the members of society with the least wealth and income, and as far as housing is a basic good or *social minimum*, required to underwrite basic rights and liberties and fair equality of opportunity and to enable people to be cooperating members of society.

#### *Disadvantage as capabilities deprivation*

In *Justice as Fairness*, Rawls defines disadvantage in terms of primary goods deprivation, especially the primary goods of income and wealth. As I have shown, this is enmeshed in Rawls’s concept of justice as a social contract, which protects basic rights and freedoms, wherein what matters is that all citizens are free to pursue their own version of the good life, yet not at the expense of other citizens’ basic rights and liberties. In response, Sen raises the challenge that our evaluations of justice should be concerned with whether people are *actually*, not just hypothetically,

able to achieve ways of being and doing that they have reason to value. In particular, Sen emphasises that people are able to realise ‘comprehensive outcomes’: not only the ends people get, but also the agency he or she can exercise in pursuing an end that they deem to be valuable.

As such, a conception of justice that looks only at means overlooks the fact that people have different capabilities to translate these means into ends. Here Sen (2009, p.255) points to four different types of factor that can shape a person’s capability to realise culmination outcomes. These include personal differences, such as age, disability, illness or gender; diversities in physical environment; variations in social climate; and ‘relational perspectives’ such as social norms (Sen 2009, p.255). In this respect, unlike Rawls, Sen doesn’t provide a neat set of hierarchical and universal principles for reasoning about justice (Gardiner 2011a, 2011b).

For how people are housed, this means that an evaluation of what is the right thing to do about housing affordability and environmental sustainability would look to the varying capabilities that people have to translate housing and income into ends they have reason to value, and how this may be impacted by decisions to advance policies for greater environmental sustainability.

### **The community of justice: within and between generations**

In *Chapter Two*, I argued that a key aspect of conceptions of environmental sustainability is a concern for the welfare of future generations. In other words, whose interests matter stretches inter-temporally. This conception of the ‘community of justice’ is a point of conflict between conceptions of environmental sustainability and housing affordability. In this section I examine how the community of justice is conceptualised in the social justice literature. In keeping with the structure of the analysis to this point in this section I examine first how the community of justice is conceived of in *Justice as Fairness*, before considering alternatives proposed by Sen and others.

The paradox of *Justice as Fairness* is that it contains universal principles of justice for a closed system. This paradox is most apparent when the reach of Rawls’s two

principles of justice comes into question. In this section, I explore this aspect of *Justice as Fairness*. In doing so, I am attentive to Rawls's acknowledgement, especially in his later works *Political Liberalism* and *Justice as Fairness: a Restatement*, that there are what Nussbaum terms 'frontiers' or limits to his theory of justice. He concedes that questions regarding intergenerational justice, as well as the question of what is owed to people who do not possess the 'capacity for normal range of social cooperation either temporarily (from illness or accident) or permanently', as well as justice to nonhuman animals, are particularly difficult questions for his theory to respond to (Rawls 2005, p.21). In this section, I explore first how Rawls deals with intergenerational justice and also international justice, which concern the outer limits of the community of justice, temporally and geographically. Arguably, however, the aspect of *Justice of Fairness* that is more difficult to tackle, practically and intellectually is Rawls's conception of the political and moral subject. This conception concerns the internal limits of the community of justice: that is, who counts from *within* a society.

Rawls's conception of the community of justice rests on his conception of justice as being about the ideal structure and of society as a fair system of cooperation. A person's obligations of justice are not between them and other people as such ('interactional moral analysis'), but are between citizens who are subjects of a common structure. Citizens are thus treated as part of a structure, and consequently individual persons can have expectations of what that structure will secure for them. And conversely, a person's obligations are to act in accordance with, and to preserve, the rules of that structure. The content of these rules are defined on the basis of what any self-interested person would have consented to under conditions of primordial fairness.

#### *Shared institutions as the basis of the community of justice*

While the parties to the original position are contemporaries of the same society, the veil of ignorance conceals which generation in the history of their society they belong to. Time is morally arbitrary, Rawls argues, and there is no moral foundation for discounting the welfare of future generations. Accordingly, he has the parties imagine themselves as living potentially in any 'stage of civilisation of their society'

(Rawls 1972, p.287). Thus, Rawls maintains, the parties would agree on (also in the original position) a 'just savings principle' to govern intergenerational justice. The just savings principle is that 'each generation must not only preserve the gains of culture and civilization, and maintain intact those just institutions that have been established, but it must also put aside in each period of time a suitable amount of real capital accumulation' and 'conditions needed to establish the basic structure over time' (Rawls 2001, p.159). Here Rawls is explicit that there is no moral foundation for discounting the welfare of future generations.

Practically, however, parties to the original position, as self-interested individuals, face a motivational problem: why would they prescribe a principle that treats people living in the future as equals? Originally, Rawls addressed this motivational problem by using a 'motivational assumption' that all parties care for their predecessors. Realising the problems with this approach (this is fine for immediate generations but not for those several removed, and it is odd to assume that they are rational subjects with just one exception), Rawls later removed the motivational assumption from the setup of the original position. In its place, he assumes that generations are mutually disinterested.

In *Justice as Fairness*, Rawls presents universal principles but for a closed system. That is, Rawls conceives of the obligations of justice as being between citizens of the same society. While these obligations extend temporally they do not extend to citizens of other societies. As Lehning (2009, p.10) observes, 'With a Theory of Justice, Rawls had formulated a theory for a modern democratic society, closed off from the rest of the world'. International justice, Rawls (1999) argues, is a relationship between sovereign states or peoples, but not between persons (*see also* Wenar 2008).

Thus, while Rawls acknowledges that intergenerational and international justice is a limit of his conception of justice, and that the starting point for justice is a common social structure, he nevertheless goes some way to reckoning with these matters in his work. Critically, however, these matters are always lexically secondary to

securing equal basic rights and liberties, equality of opportunity and the difference principle within a sovereign society (Gardiner 2011a).

*The basis of the community of justice as ‘agent-centric’*

Freed from the belief that justice is based upon membership of a common social structure, Sen presents an alternative assessment of the reach of our obligations of justice. This is based on the notion that whose interests matter in evaluations of justice is based not only on common institutions that we have voluntarily (and imaginarily) consented to be ruled by, but also on who is impacted by that action.

As such, Sen argues that as the effects of actions can be felt transnationally, the interests of people living in societies should be included in deliberations about what is the right thing to do. ‘Our involvement with others [...] and further, our global contacts’ Sen (2010, p.62) states, ‘make it hard for us to expect that an adequate consideration of diverse interests or concerns can be plausibly confined to the citizenry of any country, ignoring all others’. In addition, expanding the community of justice transnationally can broaden the range of perspectives of what counts as a relevant principle of justice, forming a bulwark against parochialism. It can help to place in perspective the claims some citizens make on justice, against ‘the other basic deprivations from which human beings suffer’ (Sen 2009, p.415).

With respect to intergenerational justice, Sen argues that present generations should leave to future generations the ‘freedom and capability to have what they value and have reason to attach importance to’. The issue with this argument is its vagueness. That is, what exactly is required to ensure that people have freedom and capability? As such, the difficulty with this conception of intergenerational justice and with Rawls’s is how to apply them. The just savings principle and Sen’s approach to intergenerational justice cannot avoid the uncertainty of future circumstances and of people’s needs and capabilities in the future. In this sense, housing affordability and environmental sustainability, specifically in relation to climate change, tests both the social contract and Sen’s outcomes-based approach. As such, while my aim in this research is to draw on the social justice literature to interrogate what should be done

about housing affordability and sustainability, the research also presents an opportunity to examine the frontiers of pre-eminent theories of social justice.

### *Capabilities and justice within societies*

Another constraint that Rawls places on membership to the community of justice is based on capabilities. Rawls's specification is that despite their relative advantages or disadvantages, the parties have abilities that fall within the 'normal range'. Seeing society as a 'fair system of cooperation', the parties to the original position (the authors of the social contract) are people who are 'engaged in social cooperation, and hence are fully capable of doing so, and this over a complete life' (Rawls 1972, p.18; *see also* Rawls 2005). In this way *Justice as Fairness* reflects Hume's concept of the circumstances of justice: that justice is motivated by mutual self-interest and only those who have something to offer others need be party to the social contract.

While capabilities are not the centrepiece of *Justice as Fairness*, it does not seem accurate to suggest that Rawls completely overlooks this matter in his theory. In the setup of the original position, for example, Rawls explicitly notes that people have different skills, abilities and so on, by accident of birth or otherwise, and that these are irrelevant from a moral point of view. As such, a key function of the veil of ignorance is to make the different capabilities people have invisible, so that the basic structure protects the interests of all citizens.

In revising *Justice as Fairness in Restatement* Rawls responds to the criticism that his theory does not adequately address the fact of different capabilities (*see also* Sen 1979). Here Rawls argues that so long as the basic structure accords with the principles of justice, the fact of these different capabilities won't result in injustice:

In *Justice as Fairness*, adjusting to these differences in capabilities proceeds by way of an ongoing process of pure background procedural justice in which basic qualifications suitable for particular offices and positions play a distributive role. But, as always, no differences in basic capabilities (within the normal range) affect persons' equal basic rights and liberties. The claim of *Justice as Fairness* is that in a well-ordered society such an ongoing social process would not lead to political injustice (Rawls 2001, p.171).

In essence, Rawls is arguing that as part of the normal course of life, a person's capabilities may fall outside of the normal range, as a result of illness, for example. As such, the provision of adequate resources to people of varying capabilities within the normal range 'falls under the general means necessary to underwrite fair equality of opportunity and our capacity to take advantage of our basic rights and liberties, and thus to be normal and fully cooperating members of a society over a complete life' (Rawls 2001, p.63). A key issue, which I will discuss in the next section, is whether Rawls goes far enough in *Justice as Fairness* to account for those members of a society whose capabilities are always outside of the 'normal range'.

The nub of the issue is that in the end, the parties to the original position – those whose interests are expressed in and served by the social contract – all have capabilities that place them within the normal range. As Nussbaum (2002, 2006) observes, the upshot of this assumption is that persons whose capabilities permanently are outside of the normal range, such as people with 'severe and atypical physical and mental impairments' are not represented in the original position and as such are not counted as a full citizen under *Justice as Fairness*. Nussbaum adds that this is an inevitable by-product of social contractarian theories of justice. If people are coming together for mutual advantage, as the social contract is predicated on, they will want to 'get together with those from cooperation with whom they expect to gain, not those who will demand unusual and expensive attention without contributing anything much to the social product, thus depressing the level of society's wellbeing' (Nussbaum 2002, p.424).

### **Justice as a process of public reasoning**

To this point in the chapter, I have organised my analysis of Rawls's theory, and corresponding critique, around Dobson's dimensions of justice. These elements respond to the questions: '*What is at stake?*' '*What is the community of justice?*' and '*What are the criteria for distribution?*' This approach goes a long way toward building a theoretical framework to explore the problem of housing affordability and sustainability. In reading the debate between Rawls and Sen (and to an extent Sandel), however, I found that there is a fourth element of their conceptions of social justice, which is important to this analysis, yet which Dobson's approach overlooks.



This element concerns how the literature responds to the question ‘*How do we reason about justice?*’ This element is tied to the other three, but it deserves distinct treatment.

There are three key aspects to how Rawls, Sen and other political philosophers respond to this question, which I see as important for this research. First, as a process, social justice involves public reasoning. In other words, in the same way that the *subject* of justice is public life, process of reasoning about justice is also public in its nature. In *Justice as Fairness*, this process takes place in the original position, wherein self-interested parties come together to reason and debate what the rules to govern their society should be. As I have shown, Rawls posits that the parties would arrive at two, lexically ordered principles of justice.

The seeming irony of the original position is that while Rawls sets up a perfect public procedure in reality the reasoning is Rawls’s own. Consequently, Rawls’ theory seems to remove any conjecture from what is right: all that is left to do is to ensure that these rules are followed. This is because Rawls felt that our reasoning about what is just will only be fair when this process is free from the social contingencies, such as accidents of birth, natural endowments, religious and spiritual beliefs (and other ‘comprehensive doctrines’), which will invariably prejudice the results of this process. In this way, however, Rawls reasoning about justice is not exposed to the proclivities of everyday life. As I have shown, Sen’s challenge to Rawls regards the weight Rawls assigns to what would happen in a perfect situation versus reasoning about circumstances we face in the real world.

*Public reasoning about justice: a wide variety of views*

The second aspect of reasoning about justice is that this process should draw on a variety of moral and ethical positions. Take for example, Rawls’s method of reasoning about justice, which involves achieving wide reflective equilibrium: the end-point of a process of reasoning ‘after a person has weighed various proposed conceptions’ and has ‘either revised his [sic] judgements to accord with one of them or held fast to his [sic] original convictions (and the corresponding conception)’ (Rawls 1972, p.48). In *Justice as Fairness*, the assumption Rawls makes is that if

parties to the original position engage in the process of public reasoning, the outcome of this process is that they will arrive at an agreed set of universally applicable principles viz. the two principles of justice<sup>8</sup>.

As I have shown, Sen contests the notion that even the exercise of reason would lead to unanimous agreement on universal principles being reached. Rather, that when public reasoning about justice sets out to establish what should be done to advance justice or to address injustice in this or that situation, this will invariably give rise to partial and even competing arguments about what should be done. Nevertheless in a similar way to Rawls, Sen argues that this process of reasoning should hear from as wide an array of viewpoints as possible. To clarify, Sen (2009) sees reasoning about justice as proceeding in the form of social choice theory, which is guided by several precepts. Essentially, as previously mentioned, he argues that the conclusions reached in respect to justice are vastly improved and enriched if these draw from as wide an array of arguments as possible. In recognising that people have, by virtue of birth, age, illness, social conditions and so on, different capabilities, Sen argues that rather than hypothesising these differences away with a veil of ignorance, the work is to find ways to increase the voice of people with lesser capabilities.

Sandel's approach to justice differs from those of both Rawls's and Sen. He challenges the premise that it is possible and indeed desirable to separate our views about what is right from what is good. Nevertheless, Sandel (2009, p.261) maintains that this debate about justice should be open to differing views, and be 'hospitable to the disagreements that will inevitably arise' within this debate. As such, he argues that exhuming morality from politics is a not possible. What is more, he argues that it is possible to imagine our moral convictions changing in light of public debate. Therefore, reasoning about justice should not shy away from debating the 'meaning of the good life' and the 'common good'.

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<sup>8</sup> In revising *Justice as Fairness* as a political (rather than moral) conception of justice in *Political Liberalism*, Rawls changes his argument on the principles. Rather than securing unanimous agreement on the principles as a moral position, Rawls argues that the parties would reach 'overlapping consensus' (p.48).

*Justice, empathy and moral imagination*

A key conundrum for the conception of justice as public reasoning is how to account for those who are unable to participate in this process. This conundrum is brought to the fore by the question of justice between generations, as people living in the future cannot participate in public reasoning about what is the right thing to do about decisions that may affect them. In this research, I argue that while this dilemma places pressure on the limits of theories of justice, it is no reason to abandon the idea of intergenerational justice. Rather, it suggests that if our intuitions lead to concern for the welfare of future generations, as underpins the conception of climate change, the concept of social justice may have to accommodate the notion that justice is based on asymmetrical relationships. This leads me to the third aspect of justice as a process of public reasoning: that in some cases, this process involves not only accounting for our own self-interests, but in imagining ourselves as if we were someone else. In this research, I refer to this as ‘moral imagination’.

Fostering moral imagination is a key function of the veil of ignorance in Rawls’s original position even though this aspect of Rawls’s theory is easily overlooked if we take the principles of justice as the sum of his work. Yet it is not unique to *Justice as Fairness*. In differing ways, Rawls’s and Sen’s (and also Sandel’s) conceptions of justice point to a process wherein the public debate is not only exposed to alternative views, but in which in varying ways citizens are encouraged to deploy the adage of putting oneself in another’s shoes. This is evident, for example in Sen’s use of Adam Smith’s idea of the ‘impartial spectator’ in which Smith famously proclaims that:

We can never survey our sentiments and motives, we can never form any judgement concerning them, unless we remove ourselves, as it were, from our natural station, and endeavour to view them with the eyes of other people, or as other people are likely to view them’  
(Smith cited in Sen 2009, p.125)

Wolff (2007) describes this aspect of justice in terms of empathy. My reading of the justice literature, however, is that this aspect goes beyond empathy. That is, behind the ostensibly clinical apparatus of the exercise of reason, part of what justice is about, and indeed relies on, is the development of moral character in a manner akin to the Aristotlean notion of justice as a virtue (Groarke 2011; Sandel 2009). As such,

part of the purpose of institutions is not only to serve our needs, but in shaping better citizens.

As I have shown, Rawls encourages the use of moral imagination only in the special world of the original position. In this research, I argue that this idea is still relevant when making decisions in the non-ideal world, such as is the case with housing affordability and environmental sustainability. Indeed, this is the challenge raised by Sen's call that a theory of justice must aid us to make decisions in the non-ideal world. The conception of justice that I use in this research is that as a process, and especially in relation to intergenerational matters, evaluating what is the right thing to do relies on political and social institutions encouraging moral imagination.

## **Conclusion**

In this chapter, I have drawn attention to four aspects of the literature, which I will apply in analysing Australian housing and environmental policy in the following chapters. These aspects include institutions, means and ends, the community of justice and justice as public reasoning.

Firstly, social and political institutions matter for social justice, because of their impact on the sorts of lives people are able to lead, the material goods and opportunities citizens have access to, and because of their bearing on the political culture. Secondly in examining what matters, Rawls, Sen and Sandel provide alternative views. These include how institutions are arranged to distribute basic all-purpose means, or primary goods; the varying capabilities that people have to translate these means into ends they have reason to value; and how our social and political arrangements inhibit or enable civic culture. Thirdly in terms of who matters, we base membership in the community of justice on shared institutions, identity, or agency. Finally, as a process of public reasoning, justice is not only about self-interest, but also relies on inculcating an interest in the lives of others.

In the next two chapters I critically document the twin housing policy narratives of housing affordability and environmental sustainability. My objective is to distil the core claims about 'what matters' and 'who matters' (thus providing a basis to address

*Research Questions One and Two*). In *Chapter Six*, I will then subject these claims to critical analysis by drawing on the core precepts of the conceptions of social justice established in this chapter in order to address *Research Question Three*.

## **CHAPTER FOUR: AUSTRALIAN HOUSING POLICY**

In the original position, Rawls has representative persons determine the rules to govern the social and political institutions of the perfectly just society. This is because for Rawls, justice is *about* institutions. The basic structure of a society, Rawls argues, plays a significant role in shaping the kind of citizens members of that society are: their ambitions, hopes, and the means and opportunities they can realistically expect for themselves. Sen's position on institutions is more tempered: he sees institutions as instruments of advancing justice and ameliorating injustice, but not the be-all and end-all of evaluations of justice. For Sandel, these institutions matter because of their impacts on the citizenry's capacity for public reasoning about justice. Informed by these perspectives on social justice, it follows that any evaluation of what should be done about housing affordability and environmental sustainability must contend with how housing in Australia is governed: in terms of its relationship to the Australian Constitution and the tax transfer system, but also how policy frames what and who matters.

A consistent theme in housing policy, particularly in the period following the Second World War, is that housing is an issue of national interest. That is, housing policy frames the community of justice in national terms. Coupled with this conception is the idea that home ownership is a means of wealth redistribution. This conception has been maintained across eras when increasingly the way in which people are housed is affected by processes of economic globalisation, to the influence of taxation policy that advantages those with existing housing wealth over others; and is framed against the growing realisation that the way Australian households are housed has environmental implications for people living separately in time and in space.

My analysis is based on publicly available policy documents including government strategies, parliamentary records and media records. In some cases, these materials are supplemented with secondary sources. The first section of this chapter examines

housing policy immediately prior to the Second World War, during which time slum reform was the focus of policy. The second section looks at policy immediately after the Second World War until the late 1960s, when policy focused on supply and began to promote the ‘great Australian dream’ of home ownership. The third section examines housing policy amidst the significant neo-liberal economic reform era of the 1980s and early 1990s, and specifically focuses on the development of the *National Housing Strategy*. In this period, policy shifted to a focus on the economic efficiency of the housing system. In the fourth and final section of this chapter, I analyse the implementation of the *National Affordable Housing Agreement* against the backdrop of a housing boom and the global financial crisis.

Much of my analysis of housing policy focuses on the impact of neo-liberal, economic ideology and housing policy. In doing so, I recognise that neoliberalism is an expansive term, and that the adoption of neo-liberal or neo-classical economic principles can take many forms, depending on the context in which they are adopted. At an institutional level, therefore, critical institutionalism suggests that new ideologies and practices are grafted onto the existing policy system. In my analysis of housing policy in this period, I am therefore mindful that the emergence of approaches and ideological phenomena associated with neo-liberalism observable in this period actually pre-date this period in some cases; the theoretical principles of neo-liberal economics are thus only partially or unevenly adopted (Argy 1998; Dodson 2007). As Dodson (2006, 2007) conjectures, while the theories of neoliberalism suggest a retreat of the state in general; in practice, the adoption of neoliberalism in Australia, particularly with respect to housing policy, does not accord with this view. Rather, neoliberalism resulted in not a retreat of the state in relation to housing, but rather, to a change in the way that the state governs how people are housed.

### **The ‘basic structure’ and housing in Australia**

Rawls takes the basic structure of society as the subject of social justice. By basic structure, Rawls is concerned with the lasting institutional features such as the constitution, the legal system, the tax transfer system and so on. Beyond this, Rawls specifies that the justness of specific policies can only be analysed in terms of the

extent to which these policies advance the principles of justice. He argues that the outcomes of such policies cannot be considered just or unjust unless the basic structure itself was just. In this chapter, therefore, I begin my analysis of Australian housing policy with the Australian Constitution and the Australian federal system of government. Throughout this chapter, I also point to changes in the tax transfer system and the regulation of the private market and housing.

### *The Australian Constitution and the federal system of government*

The Australian system of government is modelled on a combination of the Westminster model of 'responsible government' and the US federal senate system. It comprises three 'tiers': the federal Commonwealth government (herein referred to by either 'federal' or 'Commonwealth'); six state and two territory governments (herein referred to as 'the States'); and a number of local governments within each state and territory. A prime minister is the head of the federal government; six premiers head each of the state governments and two chief ministers, the territories. The political landscape is largely bipartisan with government held at state and federal level by the Australian Labor Party (the 'ALP') or the conservative Liberal Party of Australia (often in alliance with the National Party of Australia as the 'Coalition').

The powers of the federal government are established in the Australian Constitution. In general terms, the Constitution provides the federal government with responsibility for matters concerning the country as a whole, while the states are responsible for matters particular to their geographic territory (Althaus, Bridgman & Davies 2007). The States, which were separate British colonies prior to federation (and the establishment of the Constitution), have sovereign power over all areas not reserved for the Commonwealth in the Australian Constitution. The Constitution provides for the Commonwealth to provide funding to the states for whatever purpose it sees fit (Section 96), however, and should any legislation enacted by the Commonwealth conflict with State legislation the Commonwealth legislation overrides that of the State (Section 109). Local governments (or 'Councils') are legislatively established by the States, and are responsible for matters particular to their jurisdiction, local urban planning controls for example. In the Australian state of Victoria, 79 local councils comprise the system of local government (DPCD 2010).



There is no Australian Bill of Rights (as is implied in *Justice as Fairness*). As such, the fundamental political rights and liberties that are the basis of Rawls's first principle of justice are not afforded inviolable protection in the Constitution. Rather, these are to be implied from the Constitution or found expressly in common law. Common law does not protect the full range of rights (Harris 2004).

### *The Australian 'federation settlement'*

Despite the absence of a Bill of Rights and the silences within the Constitution, it is argued that an implied social contract built around a 'federation settlement' has underpinned the basic structure of the Australian political system. In *The End of Certainty* Kelly (1992) popularised the concept of the Australian federation settlement as including five pillars in: industry protection; a wage arbitration system; the concept and policy of *White Australia*; alignment of foreign policy with Great Britain; and a belief in the benevolence of the state (Brett 2004; MacCallum 2009; Stokes 2004). Kelly (1992, p.1) argues that these pillars, while not formally defined, have had a significant role in Australian political, social and cultural history:

At its inception Australia had no Bill of Rights or Declaration of Independence as a focus of national identity. The notion was not founded on war, revolution or national assertion, but by practical men striving for income, justice, employment and security. The Australian settlement was their creation. It is an achievement second only to the creation of Australian democracy, and its operation within that democracy has offered for most of this century the best definition of nationhood.

A key plank of the protection of Australian industry, which in the early 1900s consisted mainly of agricultural exports, was the imposition of tariffs on foreign imports to Australia. An arbitration system underpinned Australian protectionism and was designed to secure, for male workers, fair and reasonable wages and working conditions and the distribution of the gains of a protected economy. A landmark case in the development of the system was the 'Harvester Judgement' of 1907 in which a fair and reasonable wage was set according to the 'needs of the average employee regarded as a human being in a civilised community' (MacCallum 2009, pp.23-4). Ultimately, this system gave rise to the establishment of national wage regulation. The institution of arbitration, Kelly (1992, p.7) argues, was based on the 'most

distinctive of Australian ideas', which is the principle of a 'fair go'. In the meantime, the role of government was to provide basic services, but never beyond a minimum required to support industry. That is, while the Commonwealth was to provide the services necessary to support its geographically dispersed workforce and to support those to whom it did not provide full employment, the focus of policy was always on getting people back to work.

Australian protectionism was also underpinned by favourable trade conditions with Great Britain. The 'mother country' was Australia's greatest trading partner and provided a market for Australian exports. In return, Australia provided Great Britain with the raw materials – especially wool – that its industrial sector required, and with troops in times of war. The alliance with Great Britain was more than economic: it was also social and cultural. In place until 1966, *White Australia* explicitly favoured immigration to Australia from Britain, and was seen to protect Australia from a perceived threat of 'invasion' by its immediate neighbours (Jupp 2007). Further, at settlement, the Australian continent was considered to be *terra nullius*, and it was not until 1967 that Indigenous Australians were recognised in the Constitution. *White Australia*, the Australian government's racially biased immigration policy, was the great eschewal of Australia's geographic location in the Asia-Pacific region.

Kelly's conceptualisation of the federation settlement is contested. Brett (2004, p.27) argues that it overlooks a sixth pillar: regional equality: 'Built into the notion of what it was to be Australian was an idea of shared access to basic services, a shared minimum standard of living, no matter where you lived', and 'Australians' commitment to equity and a fair go has always had a regional as well as a class dimension'. MacCallum (2009), on the other hand, argues that Kelly affords equal weight for each of the five pillars, while the central plank of the federation settlement was employment. Stokes (2004) goes further in arguing that the concept of federation settlement ought to comprise nine clusters of political ideas and policies including: White Australia; *terra nullius*; state secularism; masculinism; Australian democracy; state developmentalism; arbitration; welfare minimalism; and imperial nationalism. Stokes (2004), as are Smyth (2004) and Sawer (2004), is still critical of the concept, however, arguing that it overlooks the contested terrain in which its component parts

are situated. That is, it presumes ‘the more or less enduring resolution of conflict’ (Stokes 2004, p.7) that created bipartisan support for certain political ideas and policies.

Despite this contestation over the settlement concept, this debate nevertheless draws attention to other, implicit and ideological dimensions of the political system beyond the Constitution. Through this chapter I want to argue that housing and in particular, the aspiration to home ownership, have been as much part of the *implied* social compact in the post Second World War period.

### *Australian federalism and the housing policy system*

Australian federalism has created a unique housing policy system. As the Constitution does not prescribe a special role for the Commonwealth in housing provision (with the exception of housing specifically designated for Indigenous Australians), the Commonwealth has limited legislative capacity regarding housing, effectively leaving housing beyond the reach of its direct responsibility (Beer 1993). As a result, while the Commonwealth is actively involved in housing policy formation, it has had to negotiate with, rather than instruct the States in these matters (Beer 1993).

Berry (1983) categorises Australian governments’ involvement in the provision of housing in three ways: as either ‘market-supporting’, ‘market-supplementing’ or ‘market-replacing’. Market-supporting policies provide the institutional foundations for housing market activity, and include legislation around property rights, contracts and land transfer, for example. Market-supplementing policies alter the relations between different groups in the [housing] market (Berry 1983). These groups or actors are free to interact in the market, typically under constrained or enabling conditions, as prescribed by particular market-supplementing policies (Berry 1983). Examples of these policies include subsidies to private builders, building regulations, controls on rent, as well as tax subsidies, and through the provision of residential infrastructure (Berry 1983; Dalton 2010). In market-replacing policies, governments provide goods and services directly instead of having these distributed through the private market. In these policies, administrative criteria, such as a ‘need’ for housing,

replace market-based criteria, such as a willingness or ability to pay. The prime example of a market-replacing housing policy in Australia is the direct provision of housing by government, herein referred to as 'public housing' (Berry 1983).

### **Slum reform: housing policy before the Second World War**

In the early twentieth century, Australian housing policy focused on improving basic health and safety. Generally speaking, Australia was a prosperous country in the 1920s (Paris 1993). The subsequent decade saw the onset of the Great Depression, followed by the Second World War, a period characterised by high rates of unemployment, falling wages and crisis in the financial sector (Berry 1983; Eather 1988). Restrictions on housing construction and the collapse of the building industry meant limited new housing was constructed, and housing stock in Australia aged and demonstrated increased levels of dilapidation (Paris 1993).

Over this period, policy debate over housing focused on addressing urban slums, which housed poor renters. In Victoria, a slum reform movement drew attention to the squalid living conditions of many of the urban poor around Melbourne, the capital city of Victoria. The movement was driven primarily by non-government actors including social reform organisations, church groups, the clergy, trade unions and social workers, but also included political parties, local government bodies, public health professionals and planners (Harris 1988; Russell 1972). Amongst the pioneers of the movement was accountant and social reformer Frederick Oswald Barnett, who in the aftermath of the 1930s depression, prepared a Masters of Commerce thesis surveying the social and physical dimensions of poverty amongst the urban poor living in the inner Melbourne suburb of Fitzroy (Barnett 1933; Howe 1997; Petty et al. 1960). Barnett (1933) published the results of his work, which pointed to the relationship between casual and part time labour and poverty in particular in the form of illustrated lectures, pamphlets and through other print media. In an oration dedicated to Barnett, Brian Howe (1997, p.7), former minister and deputy prime minister under the Hawke and Keating Labor Governments<sup>9</sup>

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<sup>9</sup> Howe held various portfolios under the Hawke and Keating governments including Minister for Defence Support (1983-1984), Minister for Social Security (1984-1990), Minister for Community

claimed that the publication and distribution of Barnett's thesis did 'much to alert people to the appalling economic conditions which existed prior to the war' and as such 'provided momentum for slum clearance'.

In 1936 the Victorian Government (under Premier Albert Dunstan of the Country Party) appointed a Housing Investigation and Slum Abolition Board, which Barnett was made Deputy Chair of, and charged the Board with undertaking physical, social and statistical surveys of the Melbourne metropolitan area (Barnett & Burt 1942; Holst 2006; PROV 2005a, 2005b, 2005c). Soon afterwards the government established the Housing Commission of Victoria (the HCV), as the state housing authority. The HCV's early activity focused on developing recommendations for legislation. Following the passing of the *Slum Reclamation Act 1938*, the HCV's mandate was extended to include the reclamation of housing areas that were deemed unsanitary; the prescription of minimum standards for new housing; the improvement of existing dwellings; land acquisition; housing construction; the provision of homes for people of limited means; and rent regulation and rezoning (Wallace 2006).

The establishment of the HCV was also notable from a governance perspective, as the Victorian Government, like many other states, had previously deferred responsibility for urban areas to local councils. The States had treated building regulation predominantly as a matter of public health, and while the *Health Act 1883* provided that the general health of the state's population was governed at state level, responsibility for sanitary administration was deferred to local government (Hicks 1998; Wallace 2006). This arrangement meant that local governments were the principal regulators of building and construction including 'the removal of refuse and supervising its disposal, regulating night-soil disposal, preventing the construction of

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Services and Health (1990-1991), Minister for Health, Housing and Community Services (1991-1983), Minister for Housing, Local Government and Community Services (1993-1994), Minister for Housing and Regional Development (1994-1996). Howe also served as Deputy Prime Minister in 1991 and was Deputy Leader of the Australian Labor Party from 1991 to 1995.

insanitary dwellings and the condemnation of dwellings found to be unfit for human habitation' (Hicks 1988, p.100).

In its early days, the slum reform movement in Victoria was not only concerned with advancing public health and addressing poverty and disadvantage, but also with addressing behaviour. Early campaigners for slum reform in Melbourne adopted the themes of contagious disease and contagious immorality from the British anti-slum movement, which saw industrial cities as 'breeding grounds of vice and disease' (Warpole 2000, p.32). For example in the foreword to a 1942 text on slum abolition, the then Australian Minister for Social Services Edward Holloway (cited in Barnett & Burt 1942, p.3) wrote:

Believing as I do that the greatness of the nation is determined by the character of its people, and that the environment of dirty streets and ugly homes with bad air and bad drainage, not only undermines the health of the occupants but robs them of pride, honour and hope, and is thus the surest road towards national degeneracy [...] our Australian progress will be determined largely by the economic standards and quality of the homes of our people; and both these factors will be determined by the environment in which we compel them to live. I commend this book to all who are concerned in the building up of a better national life for all our people.

This is evident in Barnett's (1933) depiction of slum residents, and in doctoral research into the HCV, Chalkley (2008, p.2) found that the Commission was to assess the consequences of 'slum minded' behaviour on society in general. Ultimately, the movement legitimised the removal from their families and into institutional care, of children residing in these areas.

Following the cessation of the Second World War, while an undercurrent of the slum reform movement was maintained, the focus of housing policy shifted to increasing housing supply. This change took place as part of a wider project of nation building.

### **The dream: housing policy after the Second World War**

The HCV's early efforts for social reform were stifled by the onset of the Second World War, during which time housing construction in the state and nationally ceased almost entirely. Following the cessation of the Second World War, the focus of Australian housing policy shifted from social reform to 'bricks and mortar'. The

suspension of housing construction, coupled with population growth and new household formation gave rise to a largely unmet demand for housing, particularly in Victoria (Howe 1997). Towards the end of the war, the Commonwealth Department of Post-War Reconstruction had established the Commonwealth Housing Commission (CHC) to 'inquire into and report upon the present housing position and the housing requirements of Australia during the post-war period' (CHC 1944, p.8; *see also* Troy 2011, 2012). In its final report, published in 1944, the CHC predicted that the state of housing across Australia would become dire following the repatriation of war servicemen:

The housing shortage after the war will be even more acute than at present, owing to the demobilisation of service personnel and the increasing desire of a large number of people at present inadequately housed to obtain better conditions (p. 23, sec. 149).

It has been apparent for many years, that private enterprise, the world over, has not adequately and hygienically housed the low-income group [...] In Australia, the State Governments, as well as the Commonwealth government, have inaugurated housing schemes, but their effect on the total housing problem has been small (p. 24, sec. 155).

Amongst the 95 recommendations made by the CHC to the Curtin federal government was a direction that the Commonwealth should take an active role in rebuilding housing in Australia and 'make finance available for that purpose' (CHC 1944, p.25, sec. 159).

While many of the CHC's recommendations were never implemented in 1945, the Commonwealth and the States implemented the first Commonwealth-State Housing Agreement (the CSHA), which was followed by five-year long (approximately) agreements from 1956 to 2008. Under the 1945 CHSA, the Commonwealth provided loans to the states to administer state-based programs of publicly-owned rental housing, addressing an estimated shortage of approximately 300,000 properties for returned servicemen and workers (McIntosh & Phillips 2001). The loans were intended to meet the capital costs of public housing construction, with the States maintaining ownership of the new properties (Troy 2011). The States were also responsible for managing any operating costs of the program, such as maintenance.

The implementation of the CSHA was underwritten by significant changes to the Australian taxation system. During the war years income tax was standardised which shifted economic power to the Commonwealth at the expense of the States. Troy (2011, p.2; *see also* Troy 2012) argues that this restructuring of the tax system ‘changed utterly the relative capacity of the States to raise the funds needed for investment in infrastructure’, with the Commonwealth controlling ‘the national and local level of investment in housing and infrastructure and drivers of demand for them’.

### *Impact on rental housing*

Between 1945 and 1960, the HCV constructed 15 per cent of all new units in Victoria, making it the largest volume builder in the state (Howe 1997). For the most part in Victoria (as in other states) public housing was targeted to assist working families of modest means, as opposed to focusing on those living in urban slums. These households were housed in new dwellings built in new suburbs on the outskirts of the city, often close to emerging manufacturing districts, thus contributing to the urban sprawl that would come to characterise the post-war period (Howe 1997; McIntosh & Phillips 2001).

In the meantime, the problems of slum housing had not disappeared. This problem is depicted in two short films produced by the Brotherhood of St Laurence, an Anglican social justice organisation, as part of their campaign to the Victorian Government to build more public housing. *Beautiful Melbourne?* (1947) and *A Better Life* (1947) are films that contrast the bug-ridden, squalid living environs of urban slum dwellers and the living conditions of families in inner city public housing. The films depict the better quality of life of public housing residents by clean, smiling children, tea sets, bathtubs and bedtime stories. It was not until 1960, however, that the Victorian Government began to address slum housing. When they did, it was not clear that the block clearance policies implemented to build high-rise estates removed only sub-standard, existing dwellings.

### *Impact on home ownership*



In addition to growth in public rental housing, the number of households in home ownership grew rapidly, while the relative share of households living in private rental declined (Greig 1995). In fact, the post Second World War period saw the largest housing boom in Australia's history to date (Paris 1993). An increase in the living wage, full employment and the availability of finance, were amongst the demand-side factors that lead to this growth in home ownership. Mandatory minimum income levels, underpinned by tariffs on imports (which protected employers from competition and enabled them to pay their employees the minimum wage), alongside export-led growth, ensured that the conditions were favourable for many households to purchase a home (Dalton 2010; Greig 1995; Paris 1993). Housing policy settings did much to advance the creation of this 'home owning society' (Berry 1988; Dalton 2010; Paris 1993). For instance, governments implemented financial instruments to create favourable conditions for home purchase borrowing including the creation of a system of state and federal government-owned savings banks, the regulation of bank lending rates and assets, government-provided mortgages, and through the establishment of a government-owned insurance company (Beer 1993; Paris 1993).

Under the arrangements of the 1945 CSHA Australian housing policy was a dual-tenure system in which the benefits of home ownership were socialised into 'good standard housing to let at rents within their capacity to pay, to families who cannot afford, or are not ready, or on account of their occupations do not desire, to purchase their homes' (Kemeny 1983, p.11).

In 1949, a change of government federally saw the Coalition assume government under Prime Minister Robert Menzies, which it held until 1975. The Menzies' Government amended the CSHA to allow for tenants to buy their homes, allegedly without consulting widely with the States. The government also diverted Commonwealth funding for housing away from public housing (initially 20 per cent of funding and then 30 per cent), to a *Home Builders Account*, which provided for middle income earners to purchase housing (though building or cooperative societies) (Troy 2011). With some haste, the provision of low interest loans to home builders and the sale of houses to tenants on concessional terms were built into the CSHA as the agreement became an instrument to promote the doctrine of home

ownership (McIntosh & Phillips 2001). The result of these changes was that by the time Australian governments renegotiated the next three CSHAs in 1956, 1961 and 1966, the dual-tenure policy of 1949 had all but been replaced by what Kemeny (1983, p.5) refers to as a 'monotenural housing system'. This system focused on encouraging home ownership through the provision of low interest loans to builders and the sale of houses on highly concessional terms (Berry 1988; McIntosh & Phillips 2011). As a result, by 1966, 71.4 per cent of Australian households were in home ownership, a figure that would become a benchmark for future years.

Berry (1988) documents that the States were also positively inclined to sell off their housing assets and pressured the Commonwealth to amend the first CSHA so they could do so. In Victoria, for example, between 1956 and 1968, 81 per cent of properties built by the HCV were sold to tenants, who purchased these with mortgage finance provided by the HCV (Berry 1988). At the same time, the work of state housing bureaucrats in Victoria shifted away from welfare and social reform to become dominated by the technical skills of building, construction, architecture and engineering (Berry 1988).

#### *Home ownership and the 'moral middle class'*

The housing policies of the Menzies' era also demonstrated a shift in the conception of the deserving recipient of government housing assistance. In 1964, the Menzies Government established a federal Department of Housing, which administered *Home Savings Grants* for married or engaged couples less than 36 years of age, to build or purchase a home. These couples were required to save for a deposit on a mortgage with a financial institution, with the government supplementing one dollar for every three that the couple saved (Australia, House of Representatives 1964, pp.103-4). The grants are alleged to have had little impact on rates of home ownership (which declined to 68.8 per cent in 1971) (Eslake 2011). As Troy (2012, p.137) points out, the grants represented a 'significant redirection of resources away from support for low income housing to middle class welfare'. Troy (2011) adds that housing policy reflected the general focus of the Menzies Government towards the perceived interests of the middle class, which in a now iconic 1942 radio broadcast he referred to as the 'forgotten people'. In this speech, Menzies describes the middle class as the

‘real life of this nation’, distinct from the ‘rich and powerful’ on the one hand, and the ‘organised masses’ on the other, and who were characterised by their frugality, self-sacrifice and saving (Menzies 2012 pp.72-9; *see also* Brett 1992, 1993). The middle class, Menzies concluded, were found ‘in the homes of people who are nameless and unadvertised and who, whatever their religion, see in their children their greatest contribution to the immortality of their race’ (2012, p.74). In this speech, Menzies (2012, p.74) defines the role of housing as such:

The ‘material home’ represents the concrete expression of the habits of frugality and saving ‘for a home of our own’. Your advanced socialist may rage against private property even whilst he acquires it; but one of the best instincts in us is that which induces us to have one little piece of earth with a house and garden which is ours, to which we can withdraw in which we can be among our friends in which no stranger can come against our will.

As Brett (1992, 2007) points out, the most important aspect of Menzies’ ‘forgotten people’ idea, is that membership to the middle class was not defined in socio-economic terms, but as a *moral coalition* of individuals who come ‘to questions of national politics as an independent citizen exercising their judgment as to what is best for the nation as a whole’ (2007)<sup>10</sup>.

In his seminal text *The Great Australian Nightmare*, Kemeny (1983) ties the home ownership policy of the Menzies Government to its anti-communist ideology. Kemeny (1983, p.12) argues that the government saw home ownership as an ‘antidote to working class unrest, especially if it produced a commitment to the capitalist system of private property’, and therefore a bulwark against the threat of communism in Australia.

While Kemeny points to ideology as a driving force behind the Menzies’ approach to home ownership (and the esteem with which home ownership has been held since the post-war period), other authors point out that a number of material conditions were

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<sup>10</sup> This citation refers to a transcript of a radio interview with Brett, which does not include page numbers.

also favourable to the growth in home ownership. Greig (1995) argues, for example, that some households purchased housing as they had little alternative. Citing doctoral research by Bethune, Greig (1995) points out that from 1947 there was an absolute decline in the number of private dwellings available to rent. It wasn't until the early 1970s that the number of private dwellings for rent again reached the 1947 level. This scarcity of rental housing including private market housing and public housing, meant that some poorer households were forced into home ownership as the 'only feasible alternative to shelter' (Greig 1995, p. 113). As discussed earlier in this chapter, private financial institutions played a key role in financing mortgages for home ownership, as did the conditions of full employment and the presence of a minimum wage. The economic climate of the time was therefore favourable to home ownership (Berry 1988; Greig 1995; Kass 1987; Whitwell 1989). In the 1970s these material conditions would begin to change dramatically, but the policy and cultural aspiration of home ownership would remain.

Finally, as much as home ownership has been tied to Menzies' individualist ideology, the promulgation of a home owning democracy, as an Australian ideal, has since been as much tied to notions of egalitarianism. In addition to providing shelter, the distribution of home ownership was thought of as an important vehicle for the redistribution of wealth (Berry 1988; Greig 1995; Kass 1987). As Stretton (1974, p.12) has maintained, the distribution of wealth in home ownership was thought to be a corrective for the uneven distribution of wealth:

Australian society is very unequal in many ways. But it has this one basic equality built into it physically in that more than 80% of all our housing stock has the common form of independent private houses, all but a few of them on more or less standard blocks of private land. Never mind for the moment whether the blocks are too big – whether it's right to have so much private urban land. The point is that whatever amount of it we have, we share it out more equally than any other affluent society does. We distribute private urban land more equally than we distribute income, or capital wealth, or education, or economic opportunities, or almost anything else.

Stretton therefore suggests that an egalitarian principle is thus at the core of the 'great Australian dream' of private home ownership. As a result of these policies, the idea that home ownership was a realistic expectation for anyone who did 'an honest day's work', became firmly embedded in Australian housing policy.

### *Key insights*

Two developments in housing policy in the post Second World War period are of significance to distributive justice. First, as I have just mentioned, home ownership was conceptualised in policy as a means of redistributing wealth. In this way, housing policy advancing home ownership resonates with Rawls's difference principle. That is in principle, home ownership is a means of bettering the life chances of the least advantaged members of society. Importantly however, this was tied to a conception of the deserving recipient of housing assistance as the thrifty, hard-working Australian family, for whom owning one's own home is a reasonable expectation. As I will shortly discuss, this idea of home ownership as the great levelling force has continued until the present day, notwithstanding little change in the percentage of households in home ownership, radical changes in labour markets and household structures, and the increasing polarisation of housing wealth in Australia.

Second, housing policy in the post Second World War period, became part of a project of nation building in which a particular, privatised way of being housed – owning one's home – became tied to a narrative of national identity, as captured in the idea of the 'great Australian dream'. It is clear that within this narrative, the community of justice is national in its reach. What is more, home ownership becomes an instrument and symbol of participation in the political community. Over the remainder of this chapter, I want to show how this link between home ownership and citizenship, and thus the community of justice as nationally constrained, has formed a continuum in housing policy to the present day.

### **The 'Invisible Hand': housing policy from the late 1970s to the 1990s**

In this section I present analysis of Australian housing policy from the late 1970s to the 1990s, an era noted as a period of significant economic and social policy reform. I argue that the legacy of these reforms include the use of second home ownership as an investment vehicle for households with existing housing wealth and the adoption of market-based concepts into housing policy. Nevertheless, this was also an era in

which the federal government continued to dedicate funds for public housing as part of a social wage. In addition, concern for the environmental impacts of Australian housing was introduced into housing policy for the first time, though arguably the improvement of the environmental sustainability of housing took second place to the economic efficiency of the housing system. In outlining the changes to Australian housing policy in this era, it is important to reiterate that even in the immediate post Second World War period the vast majority of Australian households lived in privately owned housing. At the time, however, changes in housing policy discourse in terms of the inclusion of market-based language into housing policy, specifically the use of concepts such as ‘choice’ and ‘flexibility’, were also significant.

*Context: economic reform*

The economic boom that defined the period immediately following the Second World War, coupled with low unemployment rates, continued as the ‘normal state of affairs’ for some thirty years thereafter. Economic and social policy in the period drew on principles and objectives of Keynesian economics, which promoted a mixed economy involving the state and the private sector directing the economy, with a significant role for the public sector. Internationally, this system was underpinned by the Bretton Woods system of fixed exchange rates (Winter & Stone 1998). In the view of the then Labor Prime Minister Gough Whitlam (1972–1975), during the years of the ‘post-war economic boom’ the principles of Keynesian economics provided ‘clarity and certainty of economic management’ which ‘opened up new prospects and induced high hopes for social reform’ (Whitlam cited in Kelly 1992, p.79; *see also* Conley 2009).

Over the course of the 1970s, however, these circumstances changed: the Bretton Woods system collapsed, and economic instability, unemployment, and inflation grew (challenging the fundamentals of Keynesian economics that governments could manage inflation by curbing employment) (*The Rise of Economic Rationalism, ABC Radio* 1998). Coupled with a growing federal government spending and budget deficit, rising wages, and growing industrial disputes, these changes amounted to what Whitwell (1993, 1994) describes as an economic scale shock. These shocks are said to have tested the Keynesian approach, as well as the belief of government as

fixer of the economy. Instead, federal Treasury bureaucrats moved away from the aspiration to full employment, and seeing inflation as a result of government spending, sought to balance the budget by reducing public sector expenditure (Whitlam cited in Whitwell 1994, p.226).

Into the 1980s and 1990s the economic reform agenda continued. In 1983, only months after being elected into government, Paul Keating, then Treasurer under the Hawke Labor Government, undertook wide-ranging economic reforms, beginning with the floating of the Australian dollar in 1983. In the years that followed, the Hawke-Keating Government reduced ‘protectionist’ tariffs on foreign imports, undertook taxation reform, made changes to industrial relations (though this took place into the 1990s), deregulated the Australian banking system and privatised public businesses enterprises, such as the Australian airline, Qantas. These economic reforms, which are understood as consistent with a philosophy of neo-liberal or neo-classical economics, were labelled ‘economic rationalism’ in Australia and adopted as a mantra for improving economic efficiency.<sup>11</sup>

There is considerable debate in the literature on this period in Australian history concerning how this change in economic approach took place and why. On the one hand, authors such as Whitwell (1994) contend that the 1970s scale shock challenged the conventional wisdom of Keynesian economic management held by Australian economic policymakers and that the economic circumstances of the time necessitated dramatic overhaul. In response to this uncertainty, federal government officials of the late 1970s (then under Liberal Party Prime Minister Malcolm Fraser) were left longing for a new certainty, which neo-liberal economics provided. As a result, when the Hawke Labor Government was elected in 1983, its view was that it had inherited a system that was unable to meet the economic challenges of its time. As Keating (2011, p.587) recently asserted:

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<sup>11</sup> The term ‘economic rationalism’ was first used by economic journalists in the 1970s, who were critical of the government’s ‘protectionist’ tariffs on imports, which they argued were irrational and were in favour of less government intervention in certain areas of policy. Since this time however, the term economic rationalism has tended to be used pejoratively (*The Rise of Economic Rationalism* 1998).

[...] in the end we had an industrial structure which was not only archaic but unaffordable. The terms of trade could not pay for the weight of the tariff or the real price of labour. Our national income had been permanently cut but we were still seeking the employment and income guarantees which had obtained earlier. The whole structure was collapsing and it had embedded within it an industrial culture in business which lacked innovation or quality or price competitiveness. Finally, it could not produce the investment or the employment required to sustain itself.

Other authors, such as Pusey (2003a, 2003b), contend that the neoliberalism was a political response to new problems of social management presented in the 1970s, rather than to economic problems. Pusey (2003a, p.2) argues that from this political response arose a 'take-no-prisoners top-down re-engineering of a whole national society [...] ready for competition in the new ruthless global economy'.

In any case, there is general agreement in the literature on economic rationalism in Australia that new approaches to economic management arose amidst these changing circumstances, which were part of a broader ideology about the role of the state, citizens and the economy (Carroll 1992; Carroll & Manne 1992; Hollier 2006; Pusey 1991, 1993a, 1993b; Whitwell 1993, 1994). The application of economic rationalist principles to policy is thus regarded as a turning point in Australian political and economic history in which few areas of policy were left untouched.

### *Housing policy and the changing economic landscape*

One of the outcomes of the economic and financial reforms of the 1970s and 1980s was that the Australian economy was more susceptible to developments in international financial markets including the 1987 crash of world stock markets. In September 1987 (one month prior to the stock market crash), the Hawke Government had reintroduced the tax concession 'negative gearing', which it had suspended as part of a program of national taxation reform in July 1985 (Troy 2012). Negative gearing on property investments had been introduced in the early 1980s as a means of encouraging private investment in private rental housing by offering small investors income tax breaks on mortgage interest payments. In relation to the decision to suspend negative gearing in 1985, Keating had criticised the tax arrangement as an 'outrageous rort' and 'one of the most blatantly abused tax shelters in the system' (Keating cited in Carroll 2010, p.81). In his 1987-88 Budget speech,



delivered to the Australian Parliament, however, Keating (in 1987 in Australia) defended the reintroduction of negative gearing on the grounds that the 1985 tax reforms had 'restored the integrity of the [Australian] tax system'. Ostensibly, the reintroduction of negative gearing was to increase the supply of rental housing for lower income households. Yet the policy is said to have had only an inflationary impact on housing prices:

The deterioration in the housing situation continued to create social and political pressure so that by 1989 it was a major source of concern. The reduction in public rental housing meant that the only option for low-income households was the private rental market. In many locations, private rental housing was hard to find. Tenants had limited rights and many poorer or 'problem' households found it difficult to find accommodation. Public housing authorities were placed under great stress in trying to meet the demands (Troy 2012, p.204).

It is alleged that Keating reintroduced negative gearing under pressure from housing lobby groups, who contested that the removal of negative gearing had decreased investment in private rental housing in turn pushing up rental prices. Keating is said to have acquiesced to this pressure in an attempt to win votes for the state Labor Party in the 1988 New South Wales state election (Megalogenis 2012).

In addition, prior to 1985, the Commonwealth had regulated home loans so that households could only borrow an amount up to that level serviceable by 25 per cent of the income of the principle income earner. This regulation was intended to 'limit demand (and indebtedness) to comfortable levels and thus to hold house prices in check' (Pusey 2010, p.129). Following the deregulation of mortgage lending in 1985, however, banks and financial institutions were able to lend larger mortgages to households (relative to their incomes). Two years later in 1987 the Hawke Government also relaxed controls over foreign ownership of property in Australia. Thus in the aftermath of the stock market crash, relatively low interest rates, deregulated home finance, and the prospect of being able to offset any housing losses proved to be fertile ground for a housing price boom. This boom drove, and was driven by increased foreign investment in commercial real estate and domestic investment in housing (Troy 2012). The scale of speculative investment in housing was such that in the two years from June 1987 to 1989, average house prices in Australia rose by 56 per cent (Department of Treasury 2004).

While some existing Australian homeowners were able to access credit made available to them through a deregulated home lending system to acquire housing as a tax-deductible investment, fewer new households entered into home ownership (Yates 1989). In fact, the rate of home ownership stayed relatively the same. In 1983 the Hawke Government had introduced a *First Home Owners Scheme* (which it later revoked), which provided non-repayable tax-free benefits to low and moderate income households to assist these households to enter into home ownership. The scheme was also to ‘stimulate construction of new dwellings and to create new jobs’ (Commonwealth of Australia 1988, p.36). Between 1987-88 and 1988-89 there was a 30 per cent reduction in the number of first home owner scheme recipients, suggesting a decline in first home owners (Bond 2004). Further, Flood and Yates (cited in Yates 2003) document that at least until the mid-1980s the indirect subsidy provided to existing owners through the taxation system outstripped the direct assistance provided to aspirant home owners. This disproportionately favoured those households who already owned their housing outright.

By the end of the 1980s, the Australian economic climate was characterised by accelerating growth in gross domestic product, driven by commercial construction and high inflation, coupled with high rates of borrowing and a rising balance of payment deficits (Megalogenis 2012). In the early 1970s an interest rate ceiling on large housing loans had been removed and in 1986, a 13.5 per cent cap on all new loans was removed (existing loans were still subject to the cap until these were discharged) (Debelle 2010). The deregulation of mortgage interest rates meant that financial institutions were able to pass on interest rates increases to new borrowers, which increased to 17 per cent in 1989. These conditions proved volatile, however, and the ‘housing bubble’ and the economic boom it was part of were short-lived. The 1987 stock market crash, coupled with the collapse of a large number of private housing financial institutions in the US, precipitated an international recession. In what Keating infamously referred to as ‘the recession we had to have’ in 1990 the Australian economy joined economies of the United States, the United Kingdom, Canada, New Zealand, Finland and Sweden in recession (McFarlane 2006). Amongst

other factors, the recession precipitated rises in unemployment, which continued until late 1992.

### *Changes to public housing policy*

While the policies of the Hawke-Keating era were informed by neo-liberal economic theory, this was offset somewhat by a commitment to a universal social wage. This wage included minimum wage agreements negotiated with trade unions, public healthcare, education and public housing. Thus, while economic and taxation policy reform had induced conditions for the growth of speculative investment in housing, the government supported public housing. For example, the government's 1988 social justice strategy, *Towards a Fairer Australia*, identifies 'access to adequate and affordable housing for all' as a 'fundamental element of social justice' (p.34). The strategy document goes on to claim that:

Poor quality housing and homelessness deprive people of the opportunity to participate in personal development activities and community life and are often indicative of a general state of need. Consistent with this, high housing costs, especially for lower income groups, are a major contributor to inadequate living standards. The alleviation of housing related poverty and the provision of access to affordable and suitable shelter for all are therefore major government priorities (Commonwealth of Australia 1988, p.34).

Nevertheless, the social justice strategy (1988, p.34) notes that part of the objective of investing in public housing was to 'stimulate construction of new dwellings and to create new jobs'. It is this particular coincidence of social policy and economic policy that provides the context for the development of the *National Housing Strategy* in the early 1990s.<sup>12</sup> As I will discuss in the next section, it is the erosion of the social wage from the mid-1990s that would define that era.

Over the course of the 1980s federal funding for public housing under the CSHA grew markedly increasing by 72 per cent between 1982-83 and 1987-88. In addition, there were no controls placed on the sale of public housing properties by the States

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<sup>12</sup> This particular blend of social and economic policy has led to the assessment of the Hawke Government's approach as being social-democratic as opposed to strictly neo-liberal, and as such providing the basis for the UK Blair Government's 'Third Way' political and economic approach (Harcourt 2001)

(Troy 2012). As Dodson (2006) has argued, this investment is out of step with the notion of the withdrawal of the state implicit in neo-liberal theory, but rather, a change in the role of the state in housing provision. At the same time, however, the CSHA specified more stringent criteria for who could be eligible for public housing and attached to the agreement were more defined categories of public housing recipients: youth, singles, single-parent families, couples without children, elderly single people, and elderly couples. Importantly, this period also saw a growing redefinition of public housing as a residual housing sector, serving those people deemed to be the most disadvantaged: public housing was no longer for working families, but for very low income and otherwise disadvantaged households (Dodson 2007).

The CSHA also included more stringent criteria for how the States could invest funding under the agreement. The 1984 CSHA earmarked grants for crisis housing (emergency housing for people who are homeless), local government and community housing, as well as for mortgage and rental assistance for people in the private market, for example. In addition, the types of housing programs differentiated to include leasing, joint ventures, community housing, and interest subsidies for home purchase (Dalton 2010). Successive CSHAs also granted a greater role for not-for-profit non-government organisations in the provision of publicly owned housing (McIntosh & Phillips 2001).

While Commonwealth investment in public housing increased in absolute terms, it increasingly favoured demand-side measures over supply-side measures (Industry Commission 1993). This preference was typified by the introduction of Commonwealth Rent Assistance (CRA), an income supplement for eligible households in private rental housing in 1984. In 1985, funding for CRA was around one-fifth of the funding for CSHA; by 1994-5 it was one and a half times the size (Productivity Commission 1998).

#### *National Housing Strategy, 1991–1992*

Amidst the turmoil of boom and bust of the recession, the then Hawke Minister for Community Services Brian Howe initiated a review of national housing policy, and

commenced the development of the National Housing Strategy (NHS). Led by eminent academic Dr. Meredith Edwards, the stated goal of the NHS was to ‘develop a program of housing policy reform so that more affordable and appropriate housing options could be provided for all Australians’ (NHS 1992b, p.iii).<sup>13</sup>

Papers produced for the NHS cover an expansive range of housing-related matters. The papers emphasise the links between housing provision and wider demographic, social, economic and government policy processes as well as ‘broader considerations of land use, planning infrastructure provision and the structure and capabilities of the residential building industry’ (NHS 1992b, p.4). According to Troy (2012, pp.204-5), the NHS ‘sought to explore housing policy questions beyond the stultifying argument that had bedevilled housing policy debates at the Commonwealth level [...] over whether assistance to low income households should focus on income support or housing allowances programs rather than on the actual provision of dwellings’.

### **Social changes**

The National Housing Strategy documents stress a range of demographic and social factors warranting reforms to the housing policy system in Australia. These factors include population increase, population ageing and changes to household structure:

The characteristics of Australian family life and of Australian households have undergone marked changes since the early 1960s: until recently the young have been leaving home earlier; the rate of women’s labour market participation has risen; people have been marrying and becoming parents later; the rate of marital separation has increased; there has been a rise in the number of people living alone; and, with the ageing of the population and average life expectancy increasing, there has been an increase in the proportion of the population requiring support services and care (NHS 1992b, p.57).

NHS documents maintain that these demographic and social changes, coupled with the economic changes of the era, lead to polarising impacts on how people are housed. Factors such as the increasing participation of women in paid work increased

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<sup>13</sup> The review also included the 1992-93 *Industry Commission Inquiry into the Provision of Public Housing*, negotiation of the 1996 CSHA and Commonwealth rent subsidy and public housing reforms.

some households' income in absolute terms, but also in relative terms when compared to single person households. While the increased incomes (attributed to having two income earners in the household) of some households enabled them to spend more on their housing, the NHS papers concede that lower income households were experiencing difficulties in obtaining affordable, appropriate housing: 25 per cent of sole parents and 25 per cent of single people aged over 65 years paid more than 50 per cent of their income in rent (NHS 1992b).

Three aspects of the NHS are of particular relevance to this research. Firstly, the strategy confirmed housing affordability as the key paradigm for housing policy, and established a housing stress benchmark as the key measure of housing-related disadvantage. Second, while the strategy allocates a place for the direct provision of housing (public housing) as a safety net, it also reiterates the centrality of the home ownership tenure to Australian housing policy. The NHS papers position the direct provision of housing by the state as an important social 'safety net': public housing was considered part of the social wage. For the most part, however, national policy focused on the provision of private market housing, with more stringent eligibility criteria resulting in public housing being targeted to only the most disadvantaged. Finally, the NHS papers introduce concern for environmental sustainability into housing policy.

### **Housing affordability and housing stress**

The NHS papers mentioned above further the use of the housing affordability paradigm in housing policy. As I outlined in *Chapter Two*, the concept of housing affordability concerns the relationship between household income and expenditure on housing. The use of the affordability concept in the NHS papers sits alongside a broader use of market-based terms in relation to housing. That is, the papers frequently refer to concepts such as choice, flexibility, efficiency and barriers (NHS 1992a). As I argued in *Chapter Two*, this language focuses on the process of housing consumption, as opposed to the qualities of the housing. Concomitantly, implicit in this focus is that disadvantage is a function of ability to pay and therefore relates to income or wealth, as opposed to what a person can do with that housing.

In addition to the concept of housing affordability, the NHS introduced the ‘housing stress’ measure as a benchmark of housing affordability (NHS 1991a). The issues paper, *The Affordability of Australian Housing*, recommended the ‘adoption of a specific housing affordability benchmark based on the proportion of income paid for housing by low-income Australians’ (NHS 1991a, p.41), for example. This benchmark was set at housing costs assuming 30 per cent of income for low-income renters, and 25 per cent or more for households who were long-term low-income renters. In this paper it is stated that if a household spends more than 25 or 30 per cent of its income on housing, then this should be a matter of ‘choice and preference’ rather than ‘circumstance and hardship’ (NHS 1991a, p.41). This benchmark was not, however, based on any rigorous analysis of whether a household’s after-housing income was sufficient to meet its basic needs. Rather, it was based on bank mortgage lending standards and practices of social housing in Europe and North America (Gabriel et al. 2005; NHS 1991a). Nevertheless, the impact of the NHS was to consolidate the 25 per cent of income rule and ultimately the 30 per cent of income rule as benchmarks of housing affordability (Gabriel et al. 2005).

### **Home ownership**

The National Housing Strategy papers also reiterate the centrality of the home ownership tenure to Australian policy. The background paper *The Role of Home Ownership* states that Australian government policy at the time favoured home ownership and that home ownership was given preferential treatment under the Australian taxation system. The paper asserts that contrary to the popular view that this taxation treatment produced an inequitable distribution of housing wealth, ‘policies supporting home ownership are likely to have achieved a progressive redistribution of wealth in the community’ (NHS 1992b, p.129). The number of ‘low income families’ living in owner-occupied housing evidences this argument, the paper suggests. In other words, the policies that give preferential treatment of all homeowner households work to the benefit of the least advantaged homeowners. At the same time, the paper points to the relative disadvantage of low income households in private rental housing; nevertheless, it argues that this disadvantage would likely be further exacerbated if the favourable tax treatment for owner-

occupied housing were abolished. This latter conclusion is asserted rather than supported by convincing argument and evidence.

### **Public housing**

While the NHS documents explicitly support policies to ‘remove barriers’ to home ownership, these documents nevertheless emphasise government investment in public housing as a core concern for social justice. These documents further reiterate that the provision of low cost housing is an important part of the social wage: that is, non-monetary forms of benefit that contribute to a person’s quality of life (and which would also include subsidised public healthcare, public transport and superannuation benefits):

[I]n the interests of both efficiency and equity, the Government’s social justice and housing strategies must include a careful reassessment of Australian urban settlement patterns and current mechanisms for housing provision and housing assistance. In this context, affordable housing is a component of the social wage element of the Accord (NHS 1991b, p.12).

At this point, it is worth noting that the Industry Commission (as cited in NHS 1992b, p.56), argued in its contribution to the housing policy review, that constraints on funding for public housing were inevitable and recommended the ‘gradual withdrawal of the Commonwealth from capital funding for public housing’. This conflict seems to reflect an inherent tension in the neo-liberal economic reforms: of the intent to pursue social reforms within a paradigm of increased economic efficiency. Unless some of the efficiency gains are redirected to compensate for regressive market outcomes, the social wage declines.

While Commonwealth investment in public housing increased in absolute terms, it increasingly favoured demand-side measures over supply-side measures (Howe 2009, p.147). This preference was typified by the introduction of Commonwealth Rent Assistance program, an income supplement for eligible households in private rental housing in 1984. As I noted earlier in 1985, funding for CRA was around one fifth of the funding for CSHA; by 1994-5 it was one and a half times that amount.



### **Environmental concern**

The third and final aspect of the NHS papers that is of interest to this research is the inclusion of environmental goals in the papers. The authors of the background paper, *Framework for Reform*, note that amongst the factors contributing to a 'need for change' in the housing policy system were 'public concerns that housing and other policies be developed in an environmentally sustainable framework' (NHS 1992b, p.30). This argument is reiterated in the final report of the NHS, *Agenda for Action*:

All spheres of government are now committed to taking care of the environment while pursuing other objectives. Policies that integrate housing and urban issues with environmental considerations will be critical in fulfilling broader government commitments to the development of ecologically sustainable cities. However, ecologically sustainable development requires, as a high priority, that environmental concerns be addressed as part of any development from the start [...] By improving housing and urban design so that cities and towns can function more efficiently, people's quality of life can be maintained or improved through better energy use, improved waste management, reduced pollution such as noise, less deterioration in air and water qualities, and by more appropriate use of land (NHS 1992a, p.60)

The Agenda document goes on to describe a 'vision' for Australian in 2010, wherein homes are designed to 'energy-conscious principles', 'there is far more recycling of water and refuse' and 'cars and fuel are more environmentally friendly' (1992a, p.17).

The document also notes that an obstacle to achieving environmental efficiency gains in housing was the increasing average floor space of new housing in Australia. The average floor space of new homes in Australia at the time was 180 square metres, which had increased by 40 per cent over 20 years (NHS 1992a, pp.58-9). That is, more floor space meant that households were likely to use more energy in heating and cooling the home, and had more space to fill with energy consuming appliances. The increase in the size of housing consumed by some households was put down to these households' greater incomes, due to two income earners in the household. Paradoxically, this increase in the average size of dwellings coincided with a decrease in the number of occupants (meaning that the per capita increase was even greater). As such, the way in which Australian households were being housed was a challenge to advancing environmental sustainability goals.

The NHS and reforms to building regulations thus drew concerns about the environmental sustainability of housing into a realm previously dominated by a primary concern for growing the supply of housing. Thereafter, the environmental sustainability of housing re-emerged in the federal government's (at this point under Paul Keating as Prime Minister) 1995 *Urban Regional Development Review* in particular the strategy paper *Green Cities*.

Arguably, the emerging focus on environmental issues within housing policy debate, as expressed in the National Housing Strategy and the National Urban and Regional Development Review (AURDR), was spurred on by the development of the 1991 National Strategy for Ecologically Sustainable Development (NSED). (I will examine the details of the NSED in *Chapter Five*.) At this point, however, suffice to say that *Green Cities* purports to 'identify ways in which the ecological sustainability of Australian urban areas can be enhanced' (AURDR 1995, p.9) wherein ecologically sustainable development – being 'green' – is based on the definition used in the NSED:

- 'enhance individual and community well-being and welfare by following a path of economic development that safeguards the welfare of future generations;
- provide for equity within and between generations; and
- protect biological diversity and maintain essential ecological processes and life support systems' (AURDR 1995, p.9).

Based on this notion of being 'green' in *Green Cities*, it is argued that several institutional issues were impeding the advance of environmental goals through housing. Amongst these issues is the traditional reticence of the Australian residential and commercial building industry to adopting 'cost-effective energy efficiency standards on the grounds that it could increase upfront construction costs and adversely affect the industry' (AURDR 1995, p.9). Policy documents arising from a review of national building regulations in Australia suggest that by placing primacy on the economic efficiency of building regulations, building policy settings legitimised this reticence to the introduction of environmental standards in housing

construction. In the following paragraphs, I will present a summary of the building policy review findings.

In the late 1980s, a Building Regulations Review Taskforce (the Taskforce) made up of federal, state and local government bureaucrats as well as representatives of the building, construction and architecture industries, was established to examine the 'scope for significant reforms of the technical regulation of building' as part of the Hawke Government's microeconomic reform agenda (BRRT 1991a, p.1). The Taskforce was charged with developing proposals for building reform that would: 'improve the cost effectiveness of building while maintaining building integrity; reduce the cost and increase the flexibility of regulation, while providing for control of public health, safety and other aspects of community concern; and facilitate the introduction of new building products, processes and systems and enhance the contribution of the building industry to Australia's overall economic development' (BRRT 1991a, p.5).

In its final report the Taskforce stressed the importance of the building and construction industry to the Australian economy (its annual turnover equalling over 10 per cent of GDP), but at the same time argued that the industry was economically inefficient (BRRT 1991a, p.vi). The primary cause of this inefficiency, the Taskforce claimed, was overregulation. This overregulation, characterised by a very complex and inflexible web of regulatory controls (particularly for residential buildings), was, it was argued, difficult to navigate, causing delays and uncertainty in the development approvals process. The problem persisted because building and construction was a 'non-traded sector' and therefore not 'subject to the efficiency disciplines resulting from import competition' (BRRT 1991a, p.1).

The Taskforce claimed that costs of this inefficiency were being passed on to people buying and renting housing, putting 'home ownership beyond the reach of more Australians' (BRRT 1991a, p.1). More generally, it was impacting the whole economy and therefore urgent reform was deemed necessary to achieve a 'more integrated and internationally competitive Australian economy' (BRRT 1991a, p.1). Regulatory reform of the building sector was therefore not driven by concern for the

quality of housing produced by the building sector, but driven instead by concerns for the economic efficiency of the building system. Thus, while the taskforce produced a business plan for the development of model codes for energy efficient buildings (BRRT 1991b), it argued that the use of building regulations to achieve ‘policy goals’ outside of health and safety was likely to result in ‘substantial inefficiencies’, imposing costs on the community that outweighed any potential benefits (BRRT 1991a, p.1). This sentiment is reiterated in the taskforce’s claim that housing costs are so sensitive that even quality and consumer protection safeguards should be ‘provided at no additional costs indeed with consequent cost savings’ (BRRT 1991a, p.27). Thus, improved energy efficiency and other concerns were secondary in fact, or even at odds with, the primary objectives of residential building regulations.<sup>14</sup>

In the *Australian Urban and Regional Development Review* documents it is argued that as a result of the building industry’s reluctance to adopt energy efficiency in housing, occupants used more energy for heating and cooling, and the cost of retrofitting buildings to make them more energy efficient increased (AURDR 1995, p.72). The documents thus suggest that with respect to energy efficient buildings, there is a conflict between the various interests in the building industry and the general good: ‘Individual parties pursuing their own positions may thus produce outcomes which are not necessarily the most preferred from the viewpoint of society as a whole’ (AURDR 1995, p.106). While these claims are illuminating, they overlook the fact that government policy focusing on efficiency, as evidenced in the building regulations review, legitimised the sidelining of environmental concerns.

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<sup>14</sup> To alleviate these perceived problems the Taskforce recommended the establishment of a centrally managed, national regulatory framework for buildings; that the AUBRCC be replaced with the an Australian Building Regulation Corporation (ABRC), which would be better resourced and managed; and that the ABRC adopt a ‘performance-oriented management focus’ in effect giving a greater *de jure* role to the private sector in regulatory processes. In 1994, the ABRC was succeeded by the Australian Building Codes Board (ABCB).

*Key insights from housing policy in the 1980s and 1990s*

To this point in this chapter, I have outlined the major economic and financial changes that took place during the 1980s and into the early 1990s, as an important context for changes to housing policy. Processes of deregulation affected some households' capacity to enter into home ownership, especially around the 'boom' years of the late 1980s. While the boom in house prices was relatively short-lived, several aspects of this period are important to this research. First, in the same way that the floating of the Australian dollar made the Australian economy more susceptible to fluctuations in international markets, the deregulation of the housing lending system meant that mortgage interest rates were more susceptible to the boom and bust cycles of the economy. As Berry (2010, p.126) argues, the deregulation of the Australian financial system 'massively expanded the scope and scale of mortgage lending and locked it into the international circuits of financial capital', such that the 'accumulation of housing wealth in Australia and the operation of mortgage markets have become ever more entwined'. This susceptibility of the Australian housing finance system tests any notion of housing as a matter of exclusively national interest. Yet, the entwinement of Australian housing in international markets contrasts with the notion of home ownership as a project of nation building.

My second observation of this period is that the reintroduction of the tax break negative gearing underwrote the notion of housing as not only a means of shelter, but as an investment vehicle that favours existing homeowners. In more recent years, one of the impacts of this policy has been that at least 10 per cent of Australian households own an investment property (Berry 2010, p.126). Some authors argue that this 'neo-liberal landscape' encouraged home owners to purchase one or two properties to rent, and a result has 'turned home buyers into "investor figures" who see owner-occupation as a safe housing as a safe, secure, wise, and responsible vehicle for managing their money' (Colic-Peisker, Johnson & Smith 2010b, p.316). Cumulatively, these circumstances have led to a greater polarisation of housing wealth. This polarisation contradicts the long-held notion that home ownership is a great levelling force on the distribution of wealth. It also points to what seems to be the critical role that the taxation system plays in determining just outcomes. I will return to this point in *Chapter Six*.

### **The ‘Howard Years’: housing policy from 1996 to 2007**

In 1996, the thirteen years of the Hawke and Keating Labor governments came to an end with the election of the Coalition government under Prime Minister John Howard, which stayed in government for eleven years. The Howard Government continued the neo-liberal economic agenda of the Hawke and Keating Governments, coupled with conservative social policy.

#### *Home ownership policy developments*

While average house prices in Australia had grown faster than incomes since the 1960s, between 1997 and 2005, however, house prices in Australia grew even more rapidly. This phenomenon was also experienced in the United Kingdom, Ireland, Spain, South Africa and the United States as part of a global housing boom (Yates et al. 2007). In the United States, for example, house prices were overvalued in the order of 50 per cent (*The Economist* cited in Berry 2010). The scale of house price growth over the period, and the interrelations between housing investment and economic growth, lead to fears that the ‘biggest financial bubble in history’ would eventually burst, with catastrophic consequences (Krugman 2008, p.169). This housing boom was underpinned by a period of economic boom (itself fuelled by expanding personal debt) which followed the recession of the early 1990s, declining interest rates (initially) and the increased availability of mortgage finance provided by banks and non-bank lending institutions. These trends encouraged increased expenditure on housing, by both owner-occupiers and investors (Berry 2010).

Australian governments did much to encourage this investment in housing over time. The federal government reintroduced non-repayable grants for first home owner households, called *First Home Owner Grants*. The grants were intended to offset increased housing transaction costs that resulted from the introduction of a goods and services tax (GST). In contrast to the Hawke Government’s *First Home Owners Assistance Scheme*, the *First Home Owner Grants* were not means-tested and did not limit the price of the housing purchased. The grants program is reported to have increased house prices, ‘enriching vendors (and making those who already have housing feel richer) while doing precisely nothing to help young people into home

ownership' (Eslake 2011; *see also* HRSCEFPA 2007; RBA 2007). In Victoria, as in many states, the government supplemented the grants with their own *First Home Bonus*, which was not means-tested and was available to people purchasing housing priced up to \$500,000, well above the median house price in the state at that time (\$320,000 in Melbourne and \$194,000 in the rest of the state) (Broad 2004; Eslake 2011; Land Victoria 2006; SSCHAA 2008).

By 2007, a housing boom in Australia had re-emerged, fuelled by households with existing housing wealth who were purchasing investment homes, which they did not intend to live in. Data produced by the Australian Bureau of Statistics (ABS) shows that in the year to June 2007, borrowing for rental investment grew by 18 per cent to \$75.4 billion nationally, while in Victoria borrowing grew by close to 30 per cent (ABS cited in Berry 2010, p.127). For the most part, however investors purchased existing housing in effect competing with aspirant first-time purchasers for the same properties. At the same time, record-low vacancy rates in private rental housing increased rental prices across most metropolitan areas. These factors combined to fuel further concern over a housing affordability crisis in Australia. Internationally, the housing bubble began showing signs of volatility, particularly in the United States. From 2007 'subprime' borrowers in the US began defaulting on their mortgages (literally handing the keys to their houses back to lending institutions) as house prices plummeted (Krugman 2008).

### *Public housing policy developments*

Against the backdrop of the volatile state of private market housing, the Howard Government nevertheless threatened to terminate Commonwealth funding to the States for public housing under the CSHA, which was due to expire in 2008. In 2007, Malcolm Brough, the Minister for Families and Communities (there was no federal minister for housing in the Howard Government) alleged the private market could do better than the States at providing housing:

[...] we could just go out there and do what we've always done Chris, and that is to spend money in a public housing system which is producing less houses. We could put parameters around this expression of interest and curtail real innovation. Or we can say to the market, you come back to us in the next two months with things that can really work for the next generations of Australian [...] you

had a talkfest in Canberra with no ideas, here we have the Commonwealth putting real dollars on the table saying to the private sector it's yours if you can do something better with it for Australian families (Brough cited in *Government to overhaul public housing* 2007).

It would be inaccurate to argue that the Howard Government's reluctance to finance public housing and its preference for private market housing were unique to that government. In the decade leading up to Brough's threat to terminate the CSHA, however, the government made drastic cuts to public housing grants including a \$200 million cut to the CSHA in 1997-8, which contributed to a 25 per cent reduction in total, real capital funding for public housing nationally in the decade to 2001. In addition, the CSHA included more stringent allocation and rent setting procedures so that public housing was targeted to those people who were thought to have the greatest need (Hall & Berry 2007; McIntosh & Phillips 2001).

The Victorian Government, then under Liberal Premier Jeff Kennett (1992–1999), is said to have welcomed the Howard Government's early changes to the CHSA (Dodson 2006; Phibbs & Young 2009). The Kennett Government Minister for Housing, Ann Henderson introduced a segmented waiting list to ration the allocation of public housing, which classified public housing applicants according to criteria such as assets income and housing status. As a result, priority access to the diminishing public housing stock was allocated to households who were chronically homeless and, more often than not, had mental health and substance abuse issues.

The changing profile of public housing tenants meant that the States received less revenue from public housing rents. Yet their financial model was still based on funding operating expenditure (e.g. repairs, maintenance and even administrative costs) with rental revenue. As the Commonwealth provided less capital funding for public housing programs, growth in the States' public housing stock numbers slowed, meaning that the States were unable to replace existing stock, which aged in turn increasing maintenance costs. In Victoria, the Kennett Government also increased public housing rents from 20 per cent of household income to 25 per cent for new tenants and 23 per cent for existing tenants (Henderson cited in Dodson 2007). These factors compounded to put the States' budgets for public housing in structural



operating deficit, a predicament that remains to the present day (Hall & Berry 2004, 2007; Phibbs & Young; VAGO 2012).

The threat of an end to Commonwealth funding for public housing thus compounded the already dire state of public housing finances in Victoria. In response, the Victorian Government (under Labor Premier Steve Bracks) committed to increase funding for public housing, and in 2007 provided a \$500 million funding ‘boost’ to social housing (ALP 2006; Wynne 2007). Most of the \$500 million was earmarked for the acquisition of new properties to be owned and managed by registered non-government not-for-profit housing organisations, while the remaining portion was for significant renovations to existing housing (PAEC 2007; Wynne 2007). This built on change to legislation in 2005, which saw the inclusion of provisions within the *Housing Act 1983* for the establishment of a Housing Registrar to regulate not-for-profit housing organisations.<sup>15</sup>

The government’s strategy also included the transfer of ownership of a quantum of public housing dwellings to not-for-profit housing organisations called ‘housing associations’. The Victorian Government transferred ownership of the properties on the proviso that these agencies use the equity thus built to leverage private finance to acquire more housing (PAEC 2008). By the end of 2008, the Victorian Office of Housing had transferred the ownership of around 500 properties to these organisations (PAEC 2008; VAGO 2010).

### **‘Kevin07’ and the national reform agenda: 2007 to 2010**

The November 2007 federal election ended the incumbent Howard Government’s eleven-year term in office. Early into its term, the newly elected Labor government

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<sup>15</sup> The Registrar is a body corporate, whose administrative arm, the Housing Registrar, at the time sat within the Victorian Department of Human Services. The role of the Housing Registrar is to register and regulate community housing organisations in Victoria. A key instrument at the behest of the Registrar’s office is the Housing Provider Framework, which articulates the conditions – based on ‘governance’ and other procedures – under which housing organisations may register with the office. The HPF creates two tiers of registered organisation, ‘housing associations’ and ‘housing providers’. Housing associations own and manage properties, some of which are transferred to them from the state portfolio, and are expected to grow their supply of housing. Housing providers manage public housing properties and properties owned by housing associations in some cases in addition to their own stock.

(under Prime Minister Kevin Rudd) distanced itself ideologically from the Howard Government, with the ALP's election platform implying that their election would usher in a new era in Australian politics. As I will discuss in *Chapter Five*, the Rudd Government's first act of government was to ratify the Kyoto Protocol, which Howard refused to do. In addition, it replaced the Howard Government's industrial relations legislation 'Work Choices', which provided little protection for low-income workers with its own 'Fair Work' legislation. It made a formal apology to the 'stolen generation' of Aboriginal children whom the government systematically removed from their biological parents until 1969, which Howard also refused to do.

With most of the States having Labor governments at the time, Australian governments, through the Council of Australian Governments<sup>16</sup> (COAG, the peak intergovernmental forum) also pursued reforms to federal-state financial relations. The current bilateral and multilateral funding arrangements were dismissed as 'a source of increasingly blurred roles and responsibilities, duplication and overlap, higher administration costs and cost-shifting', which constrained 'innovation in service delivery', created a 'drag on our national economy' and 'impede[d] the provision of better services to the community' (COAG 2008a).

A new *Intergovernmental Agreement for Federal Financial Relations* set the terms for these reforms, which rested on reducing the number of payments from the federal government to the States (called 'specific purpose payments') from more than ninety to five. In effect, this rationalisation of payments was intended to give the States greater flexibility in achieving agreed social policy 'outcomes' across public health, housing, skills and workforce development, disability services and Indigenous affairs. These outcomes are set out in ongoing *National Agreements* (Australian Government 2008b; COAG 2008a, 2008b; Plibersek 2008). In this process, a *National Affordable Housing Agreement* (NAHA) and a *National Affordable Housing*

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<sup>16</sup>Membership of COAG comprises the Prime Minister, all State Premiers, Chief Ministers, the President of the Australia Local Government Association (the peak body for local governments); Commonwealth, state and territory Treasurers also attend.

*Specific Purpose Payment* superseded the CSHA and other funding and policy agreements for homelessness.

The express objective of the NAHA is that ‘All Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation’. The agreement includes references to reforms to the Australian housing policy system, to achieve its six policy outcomes:

1. People who are homeless or at risk of homelessness achieve sustainable housing and social inclusion.
2. People are able to rent housing that meets their needs.
3. People can purchase affordable housing.
4. People have access to housing through an efficient and responsive market.
5. Indigenous people have the same housing opportunities as other Australians.
6. Indigenous people have improved housing amenity and reduced overcrowding, particularly in remote areas (COAG 2008b, 2009c).

These new policy and funding arrangements were ongoing, thus overcoming the need to renegotiate the terms of these agreements every five years, as had been the case with the CSHA. In addition to *National Agreements*; however, the new federal financial relations framework provided for the development of *National Partnership Agreements*, which provided time-limited funding to accelerate particular policy reforms.

The development of the NAHA and the *National Partnership Agreements* had antecedents in the work of the National Housing Affordability Summit. The Summit was a coalition of housing and community groups led by the Australian Council of Social Services (the peak council of the social and community service sector in Australia), the Australian Council of Trade Unions, the Community Housing Federation of Australia, the Housing Industry Association and National Shelter. In its inaugural meeting in 2004, the Summit group prepared a ‘*Call to Action*’ for affordable housing, which included a proposal for a National Affordable Housing Agreement to replace the CSHA. The Agreement would ‘rationalise and strengthen government assistance for affordable housing’ (NAHS 2007a, 2007b, 2007c).

At the July 2007 meeting of the Summit, hosted by the ALP (then in Opposition federally), these groups were joined by around 150 people from state and federal bureaucracy and politics, not-for-profit organisations, the private sector (building and finance), media and research (ACTU 2007; Irvine 2009; NAHS 2007c; Wade 2007). The key focus of the meeting was to debate federal Labor's (2007b) housing policy platform for the forthcoming federal election, *New Directions for Affordable Housing: Addressing the decline in housing affordability for Australian families in anticipation of the November 2007 federal election* ('Rudd Pledges Housing Summit', AAP, 2 July 2007). This policy platform included details of a *National Rental Affordability Scheme* to encourage private institutional investment in low cost rental housing; a *Housing Affordability Fund* to decrease infrastructure costs for new housing development; and a *National Housing Supply Research Council*.

One of the key aspects of the NAHA policy reforms was that these drew the issue of homelessness from the periphery to the centre of national housing policy debate. For example in the *National Partnership Agreement on Homelessness* Australian state governments committed to halve the rate of homelessness nationally by 2020 (COAG 2009g). In addition, the Australian Government published *The Road Home – The Australian Government White Paper on Homelessness*, which set out the government's strategy for achieving the 2020 goal (FaHCSIA 2008).

For the most part, addressing homelessness and housing affordability for lower-income households was situated within a discourse of advancing 'social inclusion'. The *National Partnership Agreement on Social Housing* states, for example, that 'the Commonwealth and the States and Territories recognise that they have a mutual interest in increasing the supply of social housing to provide improved housing, social inclusion and economic participation outcomes for disadvantaged households' (COAG 2009j, p.4). While the documents themselves do not spell out what social inclusion means, documents retrieved from the Australian Government's social inclusion website define social inclusion as a catch-all term for the goals of reducing disadvantage; increasing social, civic and economic participation; and developing greater voice, combined with greater responsibility: 'making sure that, over time,

everyone can access the opportunities our society has to offer' (Australian Government 2011b).

*Rental housing: increasing supply through non-government agencies*

A second notable feature of the NAHA and National Partnership Agreements is that these focus on increasing the supply of rental housing owned and managed by non-government organisations (Australian Government 2008a; DPMC 2012; Jacobs et al. 2007). That is, the fact that here is no *National Partnership Agreement* for public housing, only for social housing is an important detail of the national housing policy reforms. As I detailed earlier in this chapter, successive CSHAs since the 1970s had included grants directed to the non-government not-for-profit housing sector. In addition, I have shown how the Victorian Government developed strategies to divest stock to the sector in 2007. In the NAHA and the NPAs, however, funding to not-for-profit housing organisations is a cornerstone of the agreement. In a media release on the agreement, then federal Minister for Housing Tanya Plibersek (2009b, p.5) asserted that:

The centrepiece of the Government's reform agenda is to facilitate the growth of a number of sophisticated not for profit housing organisations [...] Over the next five years, I would like to see more large, commercially sophisticated not for profit housing organisations emerge and operate alongside the existing state and territory housing departments ... [and] operating in different markets — including across State borders — providing a range of housing products for low and moderate income Australians.

Under the NAHA arrangements, Commonwealth capital funding for social housing was provided through a *Social Housing Growth Fund* (Plibersek 2009a). One of the criteria that projects funded by the Social Housing Growth Fund must accord with is that these projects 'support the growth of the not-for-profit sector' (COAG 2009e, p.6). As such, the NAHA does not provide for the direct provision of housing by governments at all instead charging not-for-profit organisations to do so.

*'Nation Building', housing and the global financial crisis*

While Australian governments were debating the terms of the NAHA and NPAs, by late 2008, it became apparent that the Australian economy would not be immune from the threat of the deepening global economic crisis, triggered in part by the

collapse of the ‘subprime’ mortgage lending system in the United States.<sup>17</sup> Amidst the scale and imminence of the economic crisis, Rudd retracted claims made in the 2007 election campaign to being ‘economically conservative’, proclaiming to be social democrat rather than neo-liberal:

The truth is that we are going through the worst financial crisis in our lifetime. I’ve described it as the economic equivalent of a national security crisis. More than 25 banks around the world have failed, or been bailed out [...] In the last few weeks, the global financial crisis has moved into a new and dangerous stage. And that is its effect on the real economy, on growth and jobs, around the world and here in Australia. Growth will slow, and unemployment will rise [...] As Prime Minister, it is my job to level with the Australian people. I don’t intend to gild the lily [...] There will be tough times ahead (Rudd & Swan 2008).

The intellectual challenge for social democrats is to save capitalism from itself [...] to advance the case that the social-democratic state offers the best guarantee of preserving the productive capacity of properly regulated competitive markets, while ensuring that *government* is the regulator, that *government* is the funder and provider of public goods, and that *government* offsets the inevitable inequalities of the market with a commitment to fairness for all (Rudd 2009a).

To ward off the looming threat of the economic crisis, the Rudd Government announced it would implement a \$10.4 billion *Economic Security Package* (‘Rudd unveils \$10.4b stimulus plan’, *SMH*, 14 October 2008). Initially, the package included down payments to pensioners, support payments for families and funding to create new training positions. In addition, the Rudd Government increased threefold the *First Home Owners Grant* for people purchasing newly constructed housing and twofold for those purchasing existing housing (Rudd & Swan 2008). At the time, however, there was still speculation as to the extent of the impact of the economic crisis on the Australian economy.

In February 2009, the Rudd Government announced a further \$42 billion *Economic Stimulus Package* as the threat of global depression loomed larger (Australian

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<sup>17</sup> The downturn saw the nationalisation of US sub-prime lending institutions, Freddie Mac and Freddie Mae, and the collapse of global service firm Lehman Brothers.

Government 2010b; Manne 2010; Rudd et al. 2009; Swan 2010). The stimulus package included around \$6 billion for social housing under a *National Partnership Agreement on Nation Building and Jobs (Social Housing Initiative)*, which was significant when compared to the \$971 million for housing under the CSHA in 2007-08 (COAG 2009h). This funding was to provide for the construction of around 20,000 new social housing properties and to refurbish 2,500 properties that were unsuitable for habitation.

Ostensibly, the *Social Housing Initiative* was intended to accelerate the implementation of the national housing reforms under the NAHA. As a condition of securing this funding the States were required to commit to fourteen different system reforms, relating to:

- (i) the integration of waiting lists for public and community housing
- (ii) the location of new housing
- (iii) support for tenants to 'transition' into other the private housing market
- (iv) accounting and reporting standards
- (v) tenancy management
- (vi) property maintenance
- (vii) the regulation of non-government not-for-profit housing agencies (COAG 2009h; Office of Housing 2010).

In addition, the funding agreement also specified minimum energy and water efficiency for housing constructed with nation building funding. However in practice these standards merely align with the minimum standards for all new residential construction under the Building Code of Australia.

Housing policy objectives aside, the driving force behind the stimulus plan was not addressing housing issues, but instead keeping the economy out of recession by stimulating the building and construction industry through a 'shovel-ready' infrastructure program (COAG 2009a). For instance, explicit in the agreement is that the social housing initiative was to provide 'an immediate stimulus to the building and construction industry' (COAG 2009h). Further in a press conference announcing the stimulus package, Prime Minister Rudd in a joint press conference with Treasurer Wayne Swan (2009) asserted:

Here is a global recession. Here is the further deterioration of the global economy reflected in the data over the last several months. Here, therefore, based on treasury advice is the likely further gap in economic growth in the Australian national accounts and therefore

what do we need to do by way of investment to seek to fill that gap. Then it's a question of what can you do most quickly and most productively and to do two things. One, provide the necessary stimulus now in the shorter term [...] and secondly wherever possible mesh that with long term infrastructure which the nation needs.

This focus on stimulating the economy is reflected in strict controls over project timeframes: the States were required to invest the nation building funds in new housing, a significant majority of which had to be constructed by December 2010. Moreover, should the States have failed to invest all nation building funds allocated to them within a fixed timeframe, these were to be reclaimed by the Commonwealth for 'reallocation' (Rudd & Swan 2009). As I will also argue in relation to Australian environmental policy (in *Chapter Five*), while the *Nation Building* project may have stimulated economic activity, this economic activity has overwhelmed social reform priorities.

The scale of the Nation Building funding also disguises the fact that the ongoing funding for the NAHA reforms, provided in the National Affordable Housing Specific Purpose Payment, has done little to address the operating deficit faced by the States. A recently published report of the Victorian Auditor-General's Office (VAGO 2012) claims that the Victorian Government was expected to run out of funds for the public housing program in the 2012/13 financial year.

### *Home ownership policy*

Notwithstanding its initial focus on reforming the social housing system, the Rudd Government still espoused home ownership as the most desirable housing tenure:

In the post-war period home ownership became part of the great Australian dream. The suburban quarter acre block with a hill hoist, a BBQ and a shed became an iconic Australian image. The objective of our Government is to continue and strengthen the great Australian dream of home ownership. It is to move Australia closer towards a home-owning democracy [...] Our ambition is for Australia to be a home-owning society, to extend the opportunity to home ownership to as many people as possible, and to provide high quality, safe, secure homes for those who aren't yet in a position to own their own home. A place to call home is fundamental to Australian values. The home is the physical foundation of the family. It is a base from which we raise our children, be part of a community, and build a career (Rudd 2008).



In detailing the causes of the ‘housing affordability problem’ which prohibited people from entering home ownership, however, Rudd points only to supply constraints and not to the tax conditions that encouraged investors to compete with aspirant households for existing properties. Rudd’s focus on home ownership may have been attributable, at least in part, to the audience for this address, which was comprised of members of the Housing Institute of Australia, a peak body for the house building industry.

The findings of an Australian Senate inquiry into housing affordability demonstrate the bipartisan support for home ownership amongst policymakers. In a ‘forgotten people’ fashion in its final report *A Good House is Hard to Find* the Senate Select Committee on Housing Affordability in Australia states that home ownership ‘should be an aspiration that through prudent management of household finances they are able to realise’ and that ‘despite recent declines in the proportion of Australians who own or are buying their home, home ownership continues to hold a special place in the Australian psyche’ (SSCHAA 2008, p.x).

## **Conclusion**

In this chapter I have presented the results of analysis of Australian housing policy documents from around the Second World War period to 2009. My objective has been to investigate how what is important about housing and who matters (the community of justice) are addressed in housing policy. My analysis has shown that despite the increasing opening up and exposure of the housing system to processes beyond the sovereign state, from the post Second World War period, housing policy has been tied to projects of nation building. This is exemplified in the idea of the tenure of private home ownership as the ‘great Australian dream’ and the idea of Australia as a ‘home-owning democracy’. In this way, owning one’s own home is tied to narratives of citizenship, and has been grafted onto the often contested and implicit social compact of Australian identity. Despite the association of home ownership with a principle of fairness and income redistribution, however, housing-related policies, especially those for income taxation, have enabled the growing polarisation of housing wealth in Australia since the 1980s. In *Chapter Six* I will

revisit these claims through the lens of social justice as presented in *Chapter Three* in particular, the relationship between housing tenure and social justice.

The economic reform years of the 1980s and 1990s saw the introduction of the ‘neo-liberal’ concept of housing affordability, which is now the dominant housing policy paradigm, with corollary concepts of market efficiency and choice. While in public housing policy, this has given rise to increasingly stringent criteria and categories of housing need policies for private market housing demonstrate little concern over the substantive qualities of housing. In this way, the language of efficiency, and its utilitarian bedfellow ‘cost-benefit analysis’ seem to provide little room for public debate over the ends that housing serves, and how this may be compromised by actions to improve the environmental sustainability of housing. In the next chapter I investigate the implications of this situation.

## CHAPTER FIVE: AUSTRALIAN ENVIRONMENTAL POLICY

In this chapter, I present analysis of Australian environmental policy from the late 1970s to 2010. My aim is to provide a basis for addressing *Research Questions One* and *Two*, which concern the tensions between how what matters and who matters have been framed in Australian housing and environmental policy. To this end, I do not document every development in Australian environmental policy history. Rather, my approach is to present an account of Australian environmental policy that enables a better understanding of the implicit tensions that arise when policies for environmental sustainability, and in particular those concerning climate change interact with how people in Australia are housed. Through this analysis I point to two key approaches to addressing climate change. The first is the introduction of a market-based mechanism including the Rudd Government's proposed *Carbon Pollution Reduction Scheme*, which has indirect and direct impacts on how people are housed, across all households. The second is the introduction of mandatory energy efficiency standards for Australian house building regulations, which has a direct impact on how people are housed, but only for certain households.

Both of these approaches, emissions trading in particular, are relatively recent developments in Australian policy. In this chapter, I trace the developments in environmental policy that precede and parallel the emergence of emissions trading and building regulations. This serves two ends in particular. Firstly, it places the emergence of emissions trading and environmental building regulations in context including the emergence of human impacts on the environment as a political *problem*. Secondly, it provides insights into the antecedents of claims about what and who matters.

Through this analysis, I argue that up until the end of the 1980s, Australian environmental policy focused on specific issues concerned with conservation including the preservation of areas deemed to have natural heritage, and water and

air pollution, amongst other concerns. These policy developments were framed by an international policy setting that focused increasingly on the impact of economic development on the natural environment, and the implications of these impacts for people living in the future. In Australia, this policy debate took place along the fault lines of the Australian federal political system. From the end of the 1980s, the focus of environmental policy internationally and nationally, shifted from conservation *per se*, to concern over human impacts on the earth's atmosphere, and specifically the threat of climate change. This debate still drew on concepts of intergenerational and intra-generational equity. Critically, however, the debate over climate change has meant that the object of policy debate has become more abstracted: physically, temporally and epistemologically.

Similar to *Chapter Four* in this chapter my analysis is set out chronologically, and is largely based around changes of government federally. As such, there are essentially four sections to this chapter. In the first section, I present a brief overview of the relationship between environmental issues and the Australian Constitution, because of the emphasis Rawls places on the role of constitutional law in the basic structure of society. In the second section, I examine Australian environmental policy during the 1980s, particularly around conservation. I then examine the emergence of climate change policy from the late 1980s in parallel with developments in building regulations, through to the end of the Howard Government years. In the final section, I present analysis of policy following the election of the Rudd Labor Government in November 2007, which was characterised by a promise of sweeping reform to Australian policy, central to which was a commitment to undertaking structural reform to address climate change. As with my analysis of Australian housing policy in *Chapter Four*, I draw attention to the changing course of environmental policy in light of the impact of the 2008 global financial downturn and subsequent crisis.

The source material for this discussion includes publicly available international, national and state based policy documents including political party and government department strategies, parliamentary records and media releases. In keeping with the conceptualisation of policy as a set of processes, as much as a set of explicit policy statements or documents, I also examine the institutional processes from which these

formal policy documents arose (Considine 1994, 2005). To this end, I have drawn on a body of scholarly and other literature on Australian environmental policy specifically, and broader social, economic and political developments. It is important to note that with the Franklin-below-Gordon Dam case, the scholars who authored much of the literature on the case were directly involved in the campaign to stop the dam. In particular, I have drawn on records and analysis by Philip Toyne, who was former head of the Australian Conservation Foundation and Joan Staples, former National Liaison Officer for the same organisation.

### **The Australian Constitution and the environment**

The Australian Constitution does not provide any specific powers for the Commonwealth with respect to the natural environment, with the exception of the management of fisheries in Australian waters outside of state territorial limits and quarantine matters. As a result in Australia there is relatively weak central government power over environmental policy, with the States responsible for governing land use (Ross 2008).

Under the Constitution, the Commonwealth has powers to enter into international treaties and to enact legislation (an 'Act' of the Commonwealth Parliament) in order to meet its obligations under these treaties (the 'external affairs power' at Section 51 (xxix)); and to legislate with respect to foreign corporations trading in Australia and to trading or financial corporations formed within Australia (the 'corporations power' at Section 51(xx)). If these laws happen to conflict with a state law (an 'Act' of a State Parliament), the state law is deemed invalid (Harris 2004). The Commonwealth has used its constitutional powers, not specific to the natural environment, to shape policy decisions about the environment. In this chapter, I will show how this proved to be an important instrument of environmental policymaking in Australia in the 1980s, a decade in which policy focused on the concept of conservation, and more recently in relation to policies addressing climate change.

## **Conservation: Australian environmental policy in the 1980s**

In this section I present analysis of Australia environmental policy documents from the late 1970s and over the course of the 1980s. My analysis encompasses key international agreements on conservation, particularly the *UN Convention Concerning the Protection of the World Cultural and Natural Heritage* and the *World Conservation Strategy*. This is followed by analysis of the *National Conservation Strategy for Australia* and the *Victorian State Conservation Strategy*. Policy debate in this period focused on matters of ‘conservation’, specifically of natural heritage, framed in terms that reflect conceptions of sustainable development: of a conflict between economic development and natural heritage in particular. At the same time, the conservation policy debate gestured to the obligations of present-day human societies to people living outside of their sovereign state, to people living in the future, and to an extent, to non-human species. In this way, while many of the policy decisions invoked a concept of Australian national identity based on common natural heritage, environmental policy decisions represented an opening up of Australia internationally. Environmental policy decisions were also part of a general view of Australia becoming more progressive, and challenged the traditional fault lines of political debate as based on socio-economic lines (Beck 2003; Coper 1983; Lowe 1984; Staples 2009).

To expand upon the issues set out in international, national and state-based strategies for conservation in this section I also examine the dispute over the construction of the Franklin-below-Gordon Dam (herein abbreviated to the ‘Franklin Dam’) in the Australian state of Tasmania. The Franklin Dam is an important case in Australian environmental policy history for a range of reasons and has been referred to as the first ‘environment ‘test’ of the 1980s’ (Kelly 1992, p.528). It is illustrative of the core dimensions of the emerging sustainability agenda including the international political setting of environmental debate, alongside the enunciation of the welfare of future generations as a justification for taking action to protect the environment. The Franklin Dam is not only important as an example of environmental policymaking, but was also instrumental in its own right in changing the course of environmental policy in Australia. It was important in forging the environment as a political issue,

and as a matter for highly contested national political debate in particular. The case set a precedent for a series of political decisions about conservation issues over the term of the Hawke Government in which the government used its constitutional foreign affairs power to overturn the decisions of the states in relation to the preservation of ‘natural heritage’. In the process, this debate drew attention to the ‘long-term sustainability of Australia’s resource-based economy’ (*Conservation Politics* 1986).

The Franklin Dam dispute (and conservation policy developments more generally) is also useful for understanding what and who is at stake in debate over climate change, because of the *differences* between conservation and climate change debates. The first of these differences is that where the Franklin Dam case is framed in terms of the discreet, concrete and non-substitutable, the treatment of climate change as an economic problem implies substitutability. Secondly, where the international setting of conservation debates helped to shape human impact on the natural environment as a political problem, by and large, these environmental problems were cast as substantively nationally or even locally discreet. This contrasts with debate over climate change, wherein the problem of climate change is substantively international indeed global in terms of causes and impacts.

#### *International policy developments on conservation*

Several policy decisions in the 1970s paved the way for subsequent policy developments in the 1980s. In 1973 the federal government, under Labor Prime Minister Gough Whitlam (1972–1975), created a federal government agency with responsibility for the environment, and in 1975, the Australian National Parks and Wildlife Service. Following these initiatives, the Whitlam Government became one of the first national governments to ratify the *UN Convention Concerning the Protection of the World Cultural and Natural Heritage* (also referred to as the ‘World Heritage Convention’) (DWEWPC 2008; UNESCO 1972). The objective of the World Heritage Convention is to ‘promote cooperation among nations to protect heritage around the world that is of such outstanding universal value that its conservation is important for current and future generations’ (UNESCO 1972). Article 2 of the Convention invokes the concept of ‘natural heritage’, which

encompasses ‘natural features’ (physical and biological formations or groups of such formations which have of outstanding universal aesthetic or scientific value); ‘geological and physiographical formations’ (the habitat of threatened species of animals and plants with outstanding universal scientific or conservation value); and ‘natural sites’ (natural areas of outstanding universal scientific, conservation or natural beauty value) (UNESCO 1972) . The Convention provided for a *World Heritage List* of built and natural properties, the deterioration or disappearance of which ‘constitutes an impoverishment of the heritage of all the nations of the world’ (Toyne 1994, p.35) and therefore should be preserved in perpetuity. The preamble to the Convention asserts that ‘changing social and economic conditions’ in addition to traditional causes of decay increasingly threaten these natural and cultural heritage items (UNESCO 1972).

Australian environmental policy was also influenced by the *World Conservation Strategy*, which was commissioned by the United Nations Environment Program and published in 1980 (IUCN 1980; Thomas 2007). The strategy was to ‘advance the achievement of sustainable development through the conservation of living resources’ by maintaining essential ecological processes and life-support systems; preserving genetic diversity; and by sustainably utilising species and ecosystems (IUCN 1980, p.iv). In the *World Conservation Strategy* document, this objective is said to align with the consensus on conservation policy at the time. McCormick (1986, p.177) alleges that whereas the goals of economic development and the conservation of the environment had been seen as inimical, the strategy reflected the emerging notion that the assimilation of conservation and economic growth was necessary for the creation of a ‘sustainable society’. This is evident in the following extract from the *World Conservation Strategy*:

Human beings in their quest for economic development and enjoyment of the riches of nature, must come to terms with the reality of resource limitations and the carrying capacity of ecosystems, and must take account of the needs of future generations. This is the message of conservation. For if the object of development is to provide for social and economic welfare, the object of conservation is to ensure Earth’s capacity to sustain development and to support all life (IUCN 1980, p.1).



As the extract above also demonstrates, the *Strategy* document articulates a concern for the welfare of future generation human populations. Indeed, the foreword to the Strategy states that ‘Development and conservation are equally necessary for our survival and for the discharge of our responsibilities as trustees of natural resources for the generations to come’ (IUCN 1980, p.i). The document does not clearly set out the extent of this obligation however.

The *World Conservation Strategy* document also emphasises that conservation efforts must be internationalised, and the document calls for ‘global solidarity’ to implement its programs (IUCN 1980, p.i). The basis for this global effort, it is argued, is that causes of environmental degradation are global in their reach:

Two features characterise our time. The first is the almost limitless capacity of human beings for building and creation, matched by equally great powers of destruction and annihilation [...] The second is the global interrelatedness of actions, with its corollary of global responsibility. This in turn gives rise to the need for global strategies both for development and for conservation of nature and natural resources (IUCN 1980, p.i).

In accordance with the conviction that conservation problems were global in their causes and effects, one of the recommendations of the *World Conservation Strategy* was that all countries should develop and implement their own national conservation strategies. To this end, the strategy prescribed a format for these national strategies including ‘objectives and factors affecting their achievement, strategic principles, and priority national requirements and actions’ (Selman 1988, p.8).

#### *National Conservation Strategy for Australia*

Following the implementation of the *World Conservation Strategy*, over thirty countries worldwide developed national conservation strategies. In Australia, the federal government (under Liberal Party Prime Minister Malcolm Fraser) established a National Conservation Strategy Taskforce within its Department of Home Affairs and Environment to develop a national conservation strategy (DHAE 1982a, 1982b). In 1983, the Taskforce released the *National Conservation Strategy for Australia* (herein the NCSA) (DHAE 1983; *see also* Selman 1987, 1988). The NCSA and subsequent state-based conservation strategies draw three particular themes with the *World Conservation Strategy*, which include the integration of conservation and

economic development; regard for the welfare of future generation human populations; and the internationalising of effort. In the proceedings of a conference for the development of the NCSA, for example, conservation is defined as ‘the management of human use of the biosphere so that it may yield the greatest sustainable benefit to present generations while maintaining its potential to meet the needs and aspirations of future generations’ (DHAE 1981). In addition, the problem of conservation is defined in similar terms in the NCSA final document and the *World Conservation Strategy*, and includes ‘soil erosion, desertification, loss of cropland, pollution, deforestation, ecosystem degradation and destruction, and extinction of species and varieties’ (Thomas 2007, pp.67-8). These themes are important insofar as the objects of environmental policy are largely tangible and do not require specialist knowledge to identify. In this way, the object of environmental policy (focused on conservation) contrasts with the object of the more abstract concept of climate change, wherein recognising or ‘knowing’ climate change rests on scientific expertise.

The NCSA document provides little detail on how its objectives were to be achieved and on who was responsible for their achievement. Rather, the task of devising actions to achieve the NCSA objectives was left to state and territory governments, which likely reflected the limited scope that the Commonwealth has within the Australian political system, to intervene directly in issues concerning the natural environment.

#### *Victorian State Conservation Strategy*

In Victoria, the Labor government, under Labor Premier John Cain (in office 1982–1990) developed a state conservation strategy entitled *Protecting the environment: a conservation strategy for Victoria* (MPEV 1984, Victorian Government 1987; SCST 1983). In the document, the Cain Government claimed to apply the ‘message of reconciliation between conservation and development as a major requirement human survival’, advocated in the world and Australian national strategies, to the ‘environmental and resource issues facing Victoria, to set a course for sustainable development’ (World Conservation Strategy cited in Victorian Government 1987, p1.). The ‘Introduction’ section of the VSCS (1987) cites concern over the impact of

human activities and the pressures of world population growth and increasing consumption on the earth's capacity to sustain life, as key motivations behind the strategy.

Like the *World Conservation Strategy* and the *National Conservation Strategy for Australia, Protecting the Environment* covered a range of themes from pollution and control of hazardous chemicals to environmental education (Victorian Government 1987). The VSCS included a detailed implementation plan, however, a factor distinguishing it from the national strategy. The implementation plan included steps to ensure that all Victorian Government agencies incorporated the principles of the VSCS into their 'plans, policies and actions' (Victorian Government 1987, p.95).

The Victorian conservation strategy was produced as one of three government strategy documents, which also included an economic strategy *Victoria the Next Decade*, and a social justice strategy *People and Opportunities*, which were to form a 'binding framework on government departments' (Selman 1988, p.10):

The Government's vision for Victoria is built on the three pillars of social justice, economic development and environment conservation [...] Underpinning this Conservation Strategy is the principle of sustainable development that recognises the interdependence of development and conservation, and is consistent with the equity and access notions that form the basis of the Government's social justice policies (Victorian Government 1987, p.7).

Discussion papers produced as part of the development of the VSCS report that the concept of sustainable development promoted by the *World Conservation Strategy* was vague, however, and that complex ethical issues underlay the creation of policies to advance the concept of sustainable development. Most pressing of these issues was 'the extent of the obligation of the present generation to respect the rights of future generations, and to leave them with options for using and enjoying the State's natural resources' (SCSTF 1983, p.8).

In this chapter I argue that despite frequent references to 'obligations' to future generations in Australian policy, the reach or extent of these obligations is not thoroughly set out. Further, for the most part, environmental policy favours the interests of people in the present (especially certain groups). For example, while

some elements of the VSCS were implemented, such as the introduction in 1991 of minimum energy efficiency standards for new buildings, following the election of the Kennett Coalition Government in 1992 environmental issues lost traction and the details of the VSCS were not implemented further (Catley 1996).

### *The Franklin Dam dispute*

Arguably the most prominent political debate of the 1980s regarded the construction of a dam in the Australian state of Tasmania. The dam was to be constructed as part of the Middle Gordon Hydro-Electric Scheme in the south west of Tasmania. The south west of Tasmania was remarkable for its pristine wilderness and was also a site of historical significance, as it was the home to a number of caves that had been used by Aboriginal people in the area dating back 30,000 years. It was also the site of previous hydro-electric schemes. The scheme was managed by the Tasmanian Hydro-Electric Commission (HEC), which was owned by the Tasmanian Government, but had independent statutory powers. A non-violent protest movement had arisen in Tasmania in the early 1970s following the flooding of Lake Pedder in 1972 as part of the Middle Gordon Hydro-Electric Scheme.

In 1979, the HEC published a report recommending the construction of a dam on the Gordon River, which was intended to increase the HEC's electricity capacity by 22 per cent (HEC 1979; Thomson 1986). The dam was to provide a cheap energy source, which the Tasmanian Government argued was required for economic development and to meet an alleged increase in demand for energy and it was a source of large-scale employment.

Following the tabling of the report in the Tasmanian Parliament, the dam proposal is said to have divided the then Tasmanian Government (under Labor Premier Doug Lowe) with some members wary of its environmental impacts. Eventually, the Lowe Government agreed to a 'compromise' to construct the dam at an alternative site. The HEC's original and preferred site for the dam was on the Gordon River above its junction with the Olga River; the second, less environmentally destructive site was below the junction with the Franklin River, which the Lowe Government settled on. The proposal was rejected by the Upper House of the Tasmanian Parliament in which

the Liberal Party held the balance of power. This parliamentary deadlock eventuated in a referendum on the construction of the dam in December 1981 in which Tasmanians were given the option to choose between the two different dam sites (but were given no option to outright oppose the construction of the dam) (Staples 2009; Toyne 1994; Toyne & Balderstone 2003). While the majority voted for the less environmentally destructive ‘below Franklin’ site, only marginally less voters returned informal votes (Bandler 1987; Thomson 1986; Toyne 1994). It is generally accepted that the high informal vote resulted from many voters writing ‘No Dams’ on their ballot papers, the strategy advocated by the environmental group the Tasmanian Wilderness Society (Bandler 1987).<sup>18</sup>

Divisions within the Lowe Government proved too great, however, and in November 1981 Lowe was ousted as Premier (replaced by new Premier Harry Holgate). A short time later, the Holgate Government lost a state election. Shortly after its election the new Liberal government (under Premier Robin Gray) passed legislation to commence construction of the Franklin Dam. A campaign to stop the development of the dam, led by environmental groups The Wilderness Society and the Australian Conservation Foundation intensified and became the subject of national and international interest. Around 22,000 people gathered in protest against the dam in the Tasmanian capital Hobart, and 10,000 gathered in a Melbourne rally (Beck 2003; *Conservation Politics 1986*; Coper 1983; Lowe 1984; Staples 2009; Toyne 1994).

In the same year, Don Chipp, a senator and leader of the since disbanded Australian Democrats (Chipp was also a former minister under the Fraser Government) helped to escalate the issue of the Franklin Dam to a national level by initiating an inquiry by the Australian Senate into South West Tasmania (SSCSWT 1982). The Senate Select Committee responsible for the inquiry was to investigate the ‘natural values of south-west Tasmania to Australia and the world and secondly, federal responsibility

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<sup>18</sup> It is difficult to establish the precise outcome of the referendum as the data are presented varying across the literature. Thomson reports that the ballots were 53 per cent in favour of the Gordon-below-Franklin scheme; 9 per cent for the Olga scheme and 38 per cent wrote ‘No Dams’. Toyne reports 47 per cent in favour of the Gordon-below-Franklin scheme, 8 per cent for the Olga scheme, and 45 per cent ‘No Dams’; while Bandler reports 47.14 per cent in favour of the Gordon-below-Franklin scheme, 7.94 per cent for the Olga scheme, and 44.89 per cent ‘No Dams’.

in assisting Tasmania to preserve its wilderness areas of national and international importance' (SSCSWT 1982, p.942).

Amidst the parliamentary deadlock and the alleged intransience of the HEC, Premier Lowe had requested that the Fraser Government nominate south-west Tasmania for world heritage status as a World Heritage Area, thereby helping to escalate the debate over the dam to a national and international level. The Fraser Government supported the nomination, which was eventually endorsed by the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Committee. Demonstrating the depth of the dispute over the dam within and between political parties, Premier Gray is reported to have travelled to The Hague to protest this development (Toyne 1994). Nevertheless, the fact that Australia was a signatory to the World Heritage Convention and south-west Tasmania had been designated a World Heritage Area provided constitutional basis for the Commonwealth to challenge the Tasmanian legislation to supersede the Gray Government's decision to dam the Franklin River.

While the Fraser Government offered the Tasmanian Gray Government financial compensation to stop the construction of the Franklin Dam, it did not use its constitutional powers to achieve this end, reflecting the Liberal Party's general reticence to interfere with the States (Thomson 1986). With the 1983 federal election on the horizon, however, The Wilderness Society used its growing political clout to offer preferences for marginal seats to the federal opposition, then under Bob Hawke in exchange for a commitment to stop the damming of the Franklin. The ALP took up the bargain and at its 1982 national conference in Canberra committed to 'No Dams' policy (Thomson 1986). Indeed, Toyne and Balderstone (2003) allege that going into the election, a key point of difference between the incumbent Fraser Government and the Hawke-led Opposition was their treatment of the Franklin-below-Gordon case. Following its election in July 1983, the new Hawke Government took the matter to the High Court of Australia, which determined the Commonwealth's *World Heritage Properties Protection Act 1983* was valid (and the Tasmanian legislation invalid) and thus the Gordon-below-Franklin Dam was illegal (Commonwealth of Australia & anor v. The State of Tasmania & ors 46 ALR 625; Coper 1983).

The Franklin Dam is a remarkable case in Australian environmental politics for several reasons. First, it showed the growing public concern for matters of conservation. Second, it saw the ALP undertake a decision that stepped away from its traditional voting base in unionised labour in favour of the 'green vote' (Kelly 1992). Eventually, this led to the creation of the first green political party in Australia, the Australian Greens Party (under former TWS director Bob Brown). Finally, it set a precedent for a list of environmental decisions in which the federal government used its foreign affairs' powers to overturn decisions of the States with respect to conservation of the natural environment, often against strong opposition from resources industries (Staples 2009; Toyne & Balderstone 2003).

These developments in environmental policy were built on an alliance between the Hawke Government, The Wilderness Society and the Australian Conservation Foundation, particularly under environment minister Graham Richardson (Kelly 1992; Staples 2009). Richardson is said to have recognised the political significance of environmental issues and forged political alliances with Bob Brown, former director of the TWS, and rock music star and aspirant politician, Peter Garratt and ACF consultant and Philip Toyne, a former Australian Press Gallery journalist. Indeed, it is alleged that with Richardson in the environment ministry, the Hawke Government 'ran its environmental policy on the basis of virtual daily dialogue with the ACF' (Kelly 1992, p.527).

### **Emergence of national climate change policy in Australia**

Towards the end of the 1980s, concern over the threat of climate change began to assume the focus of international policy debate on the environment. While changes to the earth's atmosphere had been a concern for scientists for some time, toward the end of the 1980s climate change became a matter of political interest internationally. Australian policy was part of, and impacted by, these international developments. In September 1987, for example, the Australian Government became one of twenty-four national governments to sign the *Montreal Protocol* (on Substances that Deplete the Ozone Layer), which sought to phase out the use of chlorofluorocarbons (CFCs), which had been linked to the hole in the ozone layer. In 1988, Australia became party

to the *UN Declaration of The Hague: Protection of Global Climate for Present and Future Generations of Mankind*, which recognised the growing global significance of the threat of climate change (Bodansky 2001).

The *Conference on the Changing Atmosphere: Implications for Global Security* (the ‘Toronto Conference’) held in June of 1988 in Toronto, Canada was a turning point in international climate change policy (Bodansky 2001). More than 300 scientists from around the world as well as policy officials gathered at the conference. Proceedings of the Toronto Conference (1988, p.292) set out the problem of climate change as follows:

Humanity is conducting an unintended, uncontrolled, globally pervasive experiment whose ultimate consequences could be second only to a global nuclear war. The Earth’s atmosphere is being changed at an unprecedented rate by pollutants resulting from human activities inefficient and wasteful fossil fuel use and the effects of rapid population growth in many regions. These changes represent a major threat to international security and are already having harmful consequences over many parts of the globe [...] The best predictions available indicate potentially severe economic and social dislocation for present and future generations, which will worsen international tensions and increase risk of conflicts among and within nations. It is imperative to act now.

Toronto delegates ultimately agreed to the voluntary target of reducing greenhouse gas emissions by 20 per cent of 1988 levels by 2005, referred to as the ‘Toronto Target’ (Staples 2009; The Toronto Conference 1988; Toyne 1994).

Around the same time that the Toronto Conference was held, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Hawke Government’s *Commission for the Future* (established in 1985) held two joint conferences in 1987 and 1988 respectively on climate change, which were widely publicised (Lowe 1989). State governments in Victoria, New South Wales and Western Australia adopted the Toronto Target in 1989 (Hamilton 2007).

Subsequently in 1989 Richardson took a submission to the Hawke Cabinet to implement the Toronto Targets (Staples 2009). The Hawke Cabinet is said to have been divided on the matter, however, with economic and resources ministers (including the then Treasurer Paul Keating) voting against the proposal, ultimately



leading to its rejection (Kelly 1992). Shortly after the rejection, however, the Hawke Government released an environmental policy statement, *Our Country Our Future* (1989), which stressed the urgency as well as international and intergenerational dimensions of addressing climate change:

Environmental problems do not stop at national borders [...] The threat posed by continuing environmental deterioration is no longer hypothetical and it has serious economic and social implications for the future. We have little time to spare. The cumulative effects of past mistakes in our care for the environment are still to emerge fully, and to proceed with ignorant and unthinking ways risks further irreparable damage. We cannot continue to squander the Earth's assets. If we are to leave a viable future for our children we must better understand the planet and make a conscious decision to protect and live in harmony with it (Hawke 1989, p.2).

*Our Country Our Future* also explicitly recognises that *per capita*, Australia was amongst the greatest producers of greenhouse gas emissions. The statement does not include any commitment to reduce greenhouse gas emissions however instead committing funding for sectoral-based responses including further research and public education (Hawke 1989). For the most part, however, *Our Country Our Future* focused on conservation matters.

#### *A 'virility contest in shades of green'*

While the Hawke Government had not adopted the Toronto Target, the development of *Our Country Our Future* reflected heightened political interest in environmental issues at the time. With close to a decade of political conflict over conservation matters, coupled with new focus on climate change, Kelly (1992, p.535) opines that the 1990 election was a 'virility contest over shades of green'. While campaigning for the election in Tasmania, Richardson (cited in Steketee 1989) claimed that '[i]t is no longer the case that elections will simply be decided on pure economics – who will run the economy better'. Moreover, it is alleged that Hawke and Richardson had planned on winning in part on the back of a green-inspired preference distribution (Kelly 1992). Meanwhile, the then shadow environment minister Chris Puplick (cited in Steketee 1989) proclaimed that environmental issues offered people a sense of security in a time of economic turbulence:

A point that many are missing is that here is an issue on which people can translate their concern into action. Most people are frustrated that

they cannot do anything about Australia's foreign debt, arms control or interest rates. But here is something where they can make a personal contribution: they can decide not to buy pressure packs which have CFCs and industry will take notice of them; they can recycle their garbage and they can get involved in community politics to stop a pulp mill at Wesley Vale or beach pollution in Sydney.

While conservation issues figured prominently in the 1990 federal election campaign, climate change also emerged as a political issue. The Liberal Party election platform included an environmental policy, *A Fair Go for the Environment*, which included a commitment to meeting the Toronto Target, for example. The policy document also included reference to a *millennium address* by the then Opposition leader Andrew Peacock (cited in Pearse 2007, p.127) in which he referenced the welfare of future generations '[t]he choice available to future generations depends entirely on the decisions we make today. If we foul up, our children pay the price'. These developments have led authors such as Pearse, to argue that there was, on both sides of politics, optimism about Australia's ability to partake in global action to address environmental threats (Pearse 2007).

Following the 1990 election, protestations of concern for the welfare of future generations, and of Australia being part of an international community continued in policy debate. Nevertheless, this concern did not seem to be reflected in policy measures. Rather, as I will discuss in the following section, environmental issues were absorbed under the rubric of neo-liberal economic reform.

### **Ecologically sustainable development process: early 1990s**

Following the 1990 election, the Hawke Government put in place a formal 'ecologically sustainable development' (ESD) process to develop a consistent policy position (Economou 1999, 1993), which arguably signalled a return to Hawke's consensus style of governing. The process was meant to identify 'comprehensively and systematically what Australians need to do to embrace ESD' (ESDSC 1992b). Its core objectives were to include: 'to enhance individual and community well-being and welfare by following a path of economic development that safeguards the welfare of future generations; to provide for equity within and between generations; and to protect biological diversity and maintain essential ecological processes and

life-support systems' (ESDSC 1992b). To this end, the ESD process involved the creation of nine working groups, comprised of 'government officials industry, environment, union, welfare and consumer groups', who were charged with examining sustainability issues in key industry sectors. This work was to be based around seven key principles including:

- decision-making processes should effectively integrate both long and short-term economic, environmental, social and equity considerations
- where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation
- the global dimension of environmental impacts of actions and policies should be recognised and considered
- the need to develop a strong, growing and diversified economy which can enhance the capacity for environmental protection should be recognised
- the need to maintain and enhance international competitiveness in an environmentally sound manner should be recognised
- cost effective and flexible policy instruments should be adopted, such as improved valuation, pricing and incentive mechanisms
- decisions and actions should provide for broad community involvement on issues which affect them (ESDSC 1992b).

The working groups were charged with examining sustainability issues in key industry sectors that had major impacts on the environment, and with advising Australian governments on future ESD policy directions and proposals for the implementation of these policies. While the objectives and key principles of the ESD process seemed to indicate deep transformation of Australian policy, this intention did not seem to be reflected in the policies that resulted from the process, as I will set out below.

### *Intergovernmental Agreement on the Environment*

The ESD process gave rise to a national Intergovernmental Agreement on the Environment (COAG 1992a, 1992b) and two national strategies: the National Greenhouse Response Strategy (NGSC 1992) and the National Strategy for Ecologically Sustainable Development (NSESD) (ESDSC 1992a, 1992c). The Intergovernmental Agreement on the Environment (IGAE), which became effective in May 1992, framed the problem of environmental policy as concerning

international and inter-temporal dimensions, and of balancing environmental and economic goals:

[...] environmental concerns and impacts respect neither physical nor political boundaries and are increasingly taking on interjurisdictional international and global significance in a way that was not contemplated by those who framed the Australian Constitution

[...] the concept of ecologically sustainable development including proper resource accounting provides potential for the integration of environmental and economic considerations in decision making and for balancing the interests of current and future generations (COAG 1992a).

These themes were echoed in the objectives of the NSESD, which included to 'enhance individual and community well-being and welfare by following a path of economic development that safeguards the welfare of future generations; to provide equity within and between generations; and to protect biological diversity and maintain ecological processes and life-support systems' (ESDSC 1992b, p.8).

Schedule 5 of the IGAE (COAG 1992a) included an interim planning target for greenhouse gas reductions. The target reflects the Toronto Target and the earlier submission made by Richardson as environment minister: stabilising greenhouse gas at 1988 levels by 2000 and a 20 per cent reduction in greenhouse gas emissions by 2005. Staples (2009) alleges that the Toronto Target was included in the agreement only to appease environment groups, however, which had threatened to withdraw from the ESD process, as resource industries were granted significant changes to the agreement (Staples does not specify what these changes were however). In addition, the Toronto Target was adopted with the following significant caveat, which seemed to set the tone for environmental policy thereafter.

This caveat was that the target was subject to the proviso of Australian governments 'not implementing response measures that would have net adverse economic impacts nationally or on Australia's trade competitiveness in the absence of similar action by major greenhouse gas producing countries' (ESDSC 1992a, p.129). This proviso was referred to as a 'no regrets' approach (Bulkeley 2001). In basic terms, the no regrets principle meant that even if the future implications of climate change could be

catastrophic, action taken to address these potential circumstances could not come at any net burden to people living in the present (Kerin 1990).

Implemented later in 1992, the *National Greenhouse Reduction Strategy* was proclaimed as a comprehensive approach to reducing greenhouse gas emissions in Australia (COAG 1992b; NGSC 1992). The strategy document has as its goal ‘to contribute towards effective global action to limit greenhouse gas emissions [...] and to prepare for potential impacts of climate change in Australia’ (NGSC 1992, p.5). As such, the strategy was said to be ‘an important plank of the national commitment to ecologically sustainable development’ (NGSC 1992, p.5). To achieve this outcome, the strategy included a range of ‘sector-based’ measures. In terms of energy supply, the strategy included the promotion of renewable sources of energy supply, and of energy pricing that reflected the economic, environmental and social costs of energy supply (NGSC 1992, p.16). The strategy also included steps to reduce household energy use, ‘improving the energy efficiency of residential buildings and domestic appliances’ and influencing householders ‘to become more economical in their use of energy to switch to energy sources with lower greenhouse gas emissions’ (NGSC 1992, p.10).

Notwithstanding the apparent inconsistencies between the ‘no regrets’ principle and the notion of intergenerational equity, Hamilton (2007) argues that so long as the measures set out in the NGRS were implemented, they would have made a small but significant impact on the growth of GHG emissions. Most of these measures fell within the remit of the States and were subject to their budgetary and other constraints (Bulkeley 2001). The States did not implement the *National Greenhouse Reduction Strategy* measures, however, at least those concerning energy supply (Hamilton 2007; Kirk 1993). Hamilton (2007) and Pearse (2007) argue that the States acquiesced to the interests of large companies and industry associations, almost all of which opposed government proposals to reduce greenhouse gas emissions. These political changes at state level coincided with changes federally, with Keating taking the prime ministership (in December 1991). These changes seemed to usher in an era in which the market-based approach would become the dominant policy paradigm in Australia.

*The invisible threat of climate change and the 'invisible hand' of the market*

To this point in this chapter, I have presented analysis of environmental policy over an era in Australian policy history that is generally written about in terms of neo-liberal economic reforms. In this research I focus my policy analysis on periods deemed to be significant in terms of social and economic reform. In terms of environmental policy, I have investigated the policies of the Hawke-Keating Governments as well as those of the Rudd and Gillard Labor Governments. Building on my analysis of the Hawke-Keating era in this section, I provide the context for the Rudd-Gillard policies by outlining key aspects of the Howard Government's policy on climate change, most specifically concerning its refusal to ratify the international agreement, the Kyoto Protocol. In outlining the Howard Government's policy, I stress that it is too simplistic to assert that this refusal was simply about Howard's social conservatism. Rather, I argue that the Hawke Government's eschewal of a commitment to reduce GHGs, embodied in the no regrets principle, and the Keating government's sidelining of environmental issues seemed to set a precedent for the Howard Government's policy.

In this section I want to show how, as the object of environmental policy debate, climate change differs to earlier debate on conservation. In particular, the worst impacts of climate change are removed temporally and recognising the threat relies on expert scientific knowledge (Gardiner 2011a, 2001b). That is, the abstract and uncertain nature of climate change is a different problem in relation to the deliberate flooding of a river system, or the logging of pristine rainforest. I also demonstrate that Australian and international policy literature has pointed variously to the urgency of mitigating climate change, especially in light of the foreseen impacts of climate change on people living in the future. The policy commitment to addressing climate change seems unstable. As such, there is an irony between the presentation of the immensity of the threat of climate change in policy debate and the actual policies implemented, specifically when such policies require economic restructuring of any type. My analysis of this policy forms an important basis for subsequent discussion in *Chapter Six* in which I argue that the peculiar abstract and temporally removed nature of climate change has posed a test for the integrity of Australian political

institutions, and consequently for distributive justice. As with preceding sections, I begin analysis of the Howard Government's policies by outlining developments in policy internationally.

### **A 'Campaign of Equity and Realism': the Howard government and the Kyoto Protocol**

The publication of the *Brundtland Report* catalysed the negotiation of a number of international treaties and conventions on the environment, culminating in the 1992 United Nations Conference on Environment and Development (UNCED), or 'Earth Summit' held in Rio de Janeiro. The UNCED gave rise to the *Rio Declaration*, a list of twenty-seven principles of sustainable development; *Agenda 21*, a local, national and global 'action plan' for sustainable development; and importantly, the *United Nations Framework Convention on Climate Change* (UNFCCC), which deals more specifically with anthropogenic climate change. The UNFCCC provided a broad framework for international intergovernmental action to address the threat of climate change, under which signatory governments agreed to: 'gather and share information on greenhouse gas emissions, national policies and best practices; launch national strategies for addressing greenhouse gas emissions and adapting to expected impacts including the provision of financial and technical support to developing countries; and cooperate in preparing for adaptation to the impacts of climate change' (UNFCCC 1997).

Under the UNFCCC, economically developed countries agreed to assume the lion's share of the burden of reducing global greenhouse emissions, on the grounds that they were responsible for the greater proportion of emissions in the first place (the 'polluter pays' principle) and because they had the capacity to assume this greater burden on their national economies (the 'ability to pay' principle) (McDonald 2005; UNFCCC 1997). The UNFCCC did not include any emission reduction benchmarks or commitments however; instead these were to be established in updates or 'protocols' to the convention (UNFCCC 2011). Later into the decade, the UNFCCC process would lead to the development of the Kyoto Protocol, which I discuss later in this chapter.

While the Australian Government ratified the UNFCCC, Paul Keating, by this time in the prime-ministership, is reported to have been notable in his absence from the negotiations, having sent a junior minister in his place (Kelly 1992; Staples 2009). Thus, while economically and socially, the Keating Government's policy reform agenda had focused on 'opening up' Australia to the world (especially to South East Asia), the environmental policy agenda did not seem to follow this trend. Indeed, a number of authors note Keating's absence from the Earth Summit as symbolic of the waning interest of environmental issues in Australian political debate in favour of economic issues (especially in light of the recession that beset the Australian economy in the early 1990s), and seems to have set a precedent for policy in subsequent years (McDonald 2005).

### *The Kyoto Protocol*

The Kyoto Protocol was adopted in November 1997 in Kyoto, Japan and came into force in 2005. While the targets for greenhouse gas emissions in the UNFCCC were not binding, the Kyoto Protocol included a binding commitment to reduce greenhouse gas emissions by an average of 5 per cent of 1990 levels between 2008 and 2012. Mainly, these reductions were to be achieved at the national level. The Kyoto Protocol also included three 'flexibility mechanisms' to achieve reductions in GHGs globally, however; amongst these mechanisms was a global carbon emissions trading scheme.

As I have already demonstrated in 1990 the Coalition (under Opposition leader John Hewson) had supported targets to reduce greenhouse gas emissions. Following its election in 1996 under Prime Minister Howard, however, the Coalition government refused to ratify the Kyoto Protocol. In the prime ministerial statement *Safeguarding the Future*, Howard (1997, pp.1-2) sets out a rationale for this decision, arguing that it was inequitable for Australia to be tied to the same emissions reduction benchmarks as other nations:

We have rejected and continue to reject mandatory uniform targets which advantage many developing countries to the distinct disadvantage of countries such as Australia [...] We have an obligation to defend and protect Australian interests, Australian jobs and Australian industry. We owe it to future generations of Australians to play an effective role in the global reduction of



greenhouse gas emissions [...] But pulling our weight doesn't mean carrying more than our share of the burden.

The first reason provided for not ratifying the Protocol was that the Australian economy was so carbon dependent that meeting the emissions reduction targets would adversely affect the local coal export and other carbon-intensive industries (*The Hot Debate* 1997; Robson 2007). 'Our economy has evolved' the Prime Minister argued, 'on the basis of our abundant supply of natural resources and efficient production and processing of fossil fuels and mineral resources' (1997, p.2). Third, countries identified as having 'developing' national economies were not bound to meet the same greenhouse gas emissions reduction as Australia, even though some of these countries had energy exporting economies. The Kyoto Protocol would therefore increase the competitive advantage of these developing countries, over Australia.

Lastly, Howard argued that there were alternative and more 'realistic' means to reduce GHG emissions than carbon trading. This is significant in that the debate between whole-of-market approaches and sectoral-based approaches to addressing climate change has recurred in policy debate to date. In lieu of ratifying the Kyoto Protocol, the Howard Government committed to a package of measures to reduce greenhouse gas emissions. Importantly, however, these measures, which included measures for housing, were mainly voluntary. Amongst these measures was the expansion of the *Nationwide House Energy Rating Scheme*, or 'NatHERS' (a scheme that enables the calculation of the thermal efficiency of buildings), to include *voluntary* minimum energy efficiency requirements for newly constructed housing and for significant renovations to existing housing. These measures also included funding for *Household Greenhouse Action*, an information-based scheme to develop 'integrated, consistent and effective strategies to address residential greenhouse emission' (Howard 1997, p.11). The primary outputs of the scheme were to be 'best-practice' guides and demonstration projects, projects the government undertook with the Housing Industry Association. Thus in a parallel with *Our Country, Our Future*, the *Safeguarding the Future* statement did not include any binding commitment to address climate change.

During the negotiations of the Kyoto Protocol, the then Howard Government Minister for the Environment Robert Hill, lobbied to secure a variable emissions target for different countries, and in the process secured an Australian target that was the second lowest target of all signatory governments (The Law Society of New South Wales 2004; UNFCCC 1997). In addition, Australia's reduction target was not actually a *reduction* target at all: at 108 per cent of 1990 levels, it was a slowing of the *growth rate* of emissions rather than an absolute reduction. The minister also negotiated for land clearing to be included in the calculation of the 1990 baseline. It so happens that in 1990, land clearing in Australia reached an historical peak, such that Australia could make significant gains toward achieving its Kyoto target by reducing land clearing to 'normal levels', rather than by reducing the production or consumption of greenhouse gas producing energy. Notwithstanding these significant exceptions afforded to Australia, the Howard Government nevertheless did not ratify the Protocol, meaning that these commitments were not binding. This policy seems to have been based on a contradiction between a rhetoric pointing to the gravity of the problem of climate change, and a reluctance to be bound to do anything about it.

Notwithstanding the Howard Government's refusal to ratify the Kyoto Protocol, subsequent to *Safeguarding the Future*, the government did introduce further funding for climate change programs under *Measures for a Better Environment* (1999), which focused on developing a renewable energy sector and on providing financial incentives to polluting industries to cut pollution. From this point forward, however, the Howard Government's climate change policy would focus less and less on reducing emissions, and more on the development of new technologies, allowing emissions growth to slow but nevertheless to continue indefinitely (Pearse 1997).

### **'I won't be trading the veranda for political expediency': house building regulations and the environment**

Similar to the contests over the Franklin Dam in the 1980s, power struggles between the Commonwealth and the States characterised the Australian policy debate over emissions trading. Following the 1997 Kyoto Protocol negotiations, for example, the Victorian Government, under Labor Premier Steve Bracks, encouraged the Howard Government to ratify the Protocol (it is outside the States' mandate to enter into

international agreements). The Bracks Government subsequently released the *Victorian Greenhouse Strategy*, which was to further the governments 'vision' for environmental policy in the state, and in which 'protecting the environment for future generations is built into everything we do' and where 'innovation leads to thriving industries generating high quality jobs' (DNRE 2002, p.10). The strategy document states that the Bracks Government would increase the minimum energy and water efficiency rating for newly constructed housing to a 'five-star' rating (DNRE 2002; VBC 2002). In the document it is asserted that Victorian regulations were not curtailing household energy consumption sufficiently. In fact, it predicted that greenhouse gas emissions from residential heating and cooling would increase by 38 per cent between 1990 and 2010 (VBC 2002). The Victorian Building Commission (2002, p.5), the government agency with oversight of Victorian building regulations, argued that the new five-star residential building standards would provide the building industry with the 'means to actively respond to the challenge of climate change in a way that benefits the consumers, the environment and the Victorian economy'.

The Building Commission (2002, p.28) maintained that 'social and equity benefits' would arise from the introduction of increased minimum energy requirements. The improved thermal efficiency of new buildings would reduce energy costs, especially for 'economically vulnerable' members of society, which 'includes young single-income families, the sick, the elderly, the unemployed, and small businesses based at home'. These households, the Building Commission argued, tend to spend more time in the home than other households do, and were therefore more vulnerable to excessive heating and cooling bills (Building Commission 2002).

Housing industry groups, the Housing Industry Association (HIA) and the Master Builders Association (MBA) in particular, resisted these changes to building regulations. The MBA and the HIA argued that more stringent environmental requirements would increase building costs, which would be passed on to purchasers, negatively affecting housing affordability. In a submission to a 2005 Victorian Competition and Efficiency Commission (VCEC) inquiry into Victorian building regulations, for example, the HIA (2005, p.10) argued that:

The continuing escalation of compliance requirements and expansion of the regulatory environment, imposing a plethora of controls on housing construction have been and continue to be major contributors to the deterioration of housing affordability. Compliance and red tape across all areas including planning registration, environmental regulations, fees, levies and charges, occupational health and safety and technical standards individually contribute significantly to the cost of delivering new housing to Victorian families. Aggregated, they constrain productivity inhibit innovation and crush affordability.

Ultimately, the Victorian Government made concessions to these groups in the building regulations. The implementation date of the new regulations was delayed (the regulations did not take full effect until 2005); high-rise apartments were removed from the reach of the regulations; and energy standards could be achieved by installing either solar hot water or a water tank in lieu of more stringent standards in building (DOI & DSE 2005, p.23; Millar 2007).

Other states, New South Wales and South Australia amongst them, had also introduced higher housing energy efficiency standards, all of which exceeded the 3.5 star minimum energy efficiency requirements of the BCA. In fact, it was not until late 2007 that the Australian Building Codes Board (ABCB) increased the minimum energy efficiency standard in BCA to five stars. The ABCB (2006) argued that the move to a five-star rating was justified by ‘the energy savings for households and by the need for the [building] sector to contribute to greenhouse gas abatement’. ABCB Board Chairman Peter Laver claimed that the decision to change the energy rating was not an easy one, however, as there were ‘genuine industry concerns about costs’ (ABCB 2006). The decision met with an ‘aggressive campaign’ (Millar 2007) of resistance from the HIA and other building lobby groups who alleged that the five-star rules would increase the cost of a new home by around \$15,000, undermining housing affordability and the economy more broadly (Dalton et al. 2007; *The Home Front* 2007).

The HIA did not provide evidence to support this claim, but was nevertheless successful in mobilising support from ministers of the Howard Government, whose representative on the ABCB voted against the five-star regulations (Dalton et al. 2007; *The Home Front* 2007). Indeed, some authors (Catley 1996; Millar 2007) have

alleged that the HIA has had historically strong ties with the Liberal Party of Australia, and thus is an influential actor within the building policy system. Shortly after the ABCB announced that the BCA would include a minimum five-star energy efficiency rating for new residential buildings, three Howard Government ministers – the Minister for Fisheries, Forestry and Conservation, Ian MacDonald, the Minister for the Environment and Heritage, Ian Campbell and Ian Macfarlane, the Minister for Industry, Tourism and Resources (2005) – produced a media release challenging the Board's decision:

The rating system supported by the States through the representation on the ABCB severely affects the timber industry's competitiveness, and will add significantly to the cost of building a new house. [...] The States' representatives on the ABCB have made a complete mess of the energy efficiency programme through these pre-emptive and irresponsible measures. [...] Everyone supports the need to take better account of the energy efficiency of our buildings but it seems common sense has been abandoned in a rush for political correctness.

The star rating was 'seriously flawed', the ministers argued, because it universalised a Victorian building standard that was unsuitable to climates and dominant housing designs in different parts of Australia. Thus, they claimed, these would spell the death of the 'iconic Queenslander' (a style of house peculiar to the Australian state of Queensland).

The ministers cited as evidence a report by a Productivity Commission (2005) inquiry into the private cost effectiveness of improving energy efficiency in which it was argued that the actual costs of meeting higher energy efficiency standards were much higher than expected. This claim was based on a submission to the inquiry by the MBA (2005), which claimed (based on a survey of its members) that the cost of building a standard three-bedroom home had increased by between \$13,000 and \$18,000.

In its report, the Productivity Commission also raised concern over the effectiveness of building energy efficiency in curtailing actual household energy consumption, given the heterogeneity of households and their practices, and of buildings. The MBA (2005, p.6) made a similar claim in their submission to the inquiry, arguing that 'there is significant doubt as to whether introduction of the regulations will

singularly and significantly contribute to the reduction of Australia's greenhouse gas emissions'. One of the contributing factors to this was that new housing constitutes a very small percentage of the total housing stock (around 2 per cent), and in comparison is more energy efficient. On these grounds the MBA (2005) challenged the regulation of newly constructed housing in the absence of any regulation for improving the energy efficiency of existing housing stock.

### **Preparing for an Australian emissions trading scheme**

In 2004 in anticipation of further negotiations of the implementation of an international emissions trading scheme, the States, which were almost all under Labor governments at the time, established an Inter-jurisdictional Working Group on Emissions Trading. Later renamed the National Emissions Trading Taskforce (NETT), the working group was charged with designing an Australian 'cap and trade' emissions trading scheme, which would operate between the States. In 2006, the NETT released a discussion paper on the possible design of such a scheme, followed by a final report in December 2007. These documents were based on developments at policy 'roundtables', which were attended by a range of government and industry bodies.<sup>19</sup>

Within months of the establishment of the NETT, the Howard Government established a Prime Ministerial Task Group on Emissions Trading (herein the 'Task Group'), comprising the secretaries of Commonwealth agencies, and senior professionals from the mining, energy, finance and airline industries (Robson 2007). The Task Group was to set the task of investigating the establishment of an emissions trading scheme, which Australia would take part in while also protecting Australian

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<sup>19</sup> Organisations invited to participate in the Industry Stakeholder Roundtable were the Business Council for Sustainable Energy investor Group on Climate Change, Energy Users' Association of Australia, A3P, Auswind, Energy Retailers' Association of Australia, National Generators' Forum, Renewable Energy Generators Australia, Energy Supply Association of Australia, Energy Markets Reform Forum, Minerals Council of Australia insurance Council of Australia, Australian Coal Association, Australian Industry Greenhouse Network, Australian Aluminium Council, National Association of Forest Industries, APPEA, Cement Industry Federation, Australian Chamber of Commerce and Industry, Plastics and Chemicals Industry Association and Australian Industry Group. Organisations invited to participate in the Environmental Stakeholder Roundtable comprised the Total Environment Centre, WWF, Australian Conservation Foundation, Environment Victoria, Friends of the Earth, Greenpeace and Climate Action Network Australia (NETT 2007).

'major comparative advantages through the possession of large reserves of fossil fuels and uranium' (TGET 2006, 2007a, 2007b). In other words, the Task Group was to examine the means to encourage a reduction in carbon emissions internationally, while avoiding disadvantage to industries that profited from the sourcing of fossil fuels in the first place.

Documents produced by the NETT and by the prime ministerial Task Group raise a number of issues that have been repeated in policy debate about emissions trading since. First, they reiterate that the threat of climate change is predicted to have far reaching consequences globally and into the future. For example in its final report the prime ministerial Task Group stated that:

Climate change is a global challenge that requires a long-term global solution in order to avoid environmental, social and economic dislocation. Emissions cause damage far beyond the country in which they occur. Once in the atmosphere, their impact is far-reaching and long-lasting. Reducing emissions will require a significant change in both developed and developing economies. It will necessitate a fundamental shift in consumer and business behaviour. The adverse consequences of climate change, and their amelioration, will last for generations (TGET 2007a, p.7).

While the NETT asserted that:

As responsible global citizens, many Australians are also concerned about the effects of climate change on others, particularly developing countries. Developing countries have contributed least to the problem to date. They are likely to bear the greatest portion of its costs, but are least equipped to do so (NETT 2007, p.xi).

Both the NETT and the prime ministerial Task Group stressed the stewardship role of the present generation for those living in the future, while debating the role that Australia should play as part of a global effort to address climate change.

At the same time, however, both groups claimed that the introduction of emissions trading would impact on present generations. The Task Group posited, for example, that increased costs are an inevitable by-product of the structural economic change required to reduce carbon emissions:

For Australia to achieve a substantial reduction of carbon emissions will involve the imposition of costs on this generation to manage the

risks confronting the next. Inevitably, rates of economic growth will be lower than would otherwise have been the case. Energy, fuel and other costs will be greater for households. It is imperative that Australians fully understand the consequences of significantly changing, over time, the way in which our economy operates (TGET 2007a, p.5).

In its 2007 discussion paper, the prime ministerial Task Group expressed caution around these economic costs. It argued that the Australian economy is carbon intensive and that it 'enjoys major competitive advantage through the possession of large reserves of fossil fuels and uranium' (TGET 2007b, p.1), which is dependent on the export of these fossil fuels, and that steps taken to reduce greenhouse gas emissions in Australia should not place these advantages at risk. This tension between the notion that addressing climate change may require structural change and a reticence to change the basis of economic power has formed a continuing theme in policy debate in the documents I engaged with in this research.

The NETT and the prime ministerial Task Group also emphasised that addressing the threat of climate change would require an internationally coordinated response. At the same time, these groups raised concern over whether the Australian Government should take action to mitigate climate change prior to, or in exclusion of, the governments of other countries. That is, within the economic paradigm, the problem of mitigating climate change is framed as a 'prisoner's dilemma' in which it is beneficial for all countries to act to mitigate climate change, but should only Australia act, then this would only result in costs, not benefits.

Three critical international policy developments took place in the background to the work of the NETT and the prime ministerial Task Force. The first development is that the British Government published the final report of the Stern Review into the global economic costs of climate change. As I outlined in *Chapter Two*, Stern (2007, p.1) argued that climate change was the 'greatest example of market failure we have ever seen', and that the economic costs of taking action to mitigate climate change were far outweighed by the future costs of adapting to irreversible impacts of change. Second, the International Panel on Climate Change (2007a, 2007b) released its *Fourth Assessment Report*, which set out the likely impacts of climate change internationally, the details of which I set out in *Chapter Two*. Finally international



policy debate on climate change had shifted to the development of a successor treaty to the Kyoto Protocol, which was due to expire in 2012. In February 2007, the governments of the ‘Group of Eight +5’ countries agreed in principle to a successor treaty to the Kyoto Protocol.<sup>20</sup> Set out in the *Washington Declaration*, the successor treaty was to include a ‘cap-and-trade’ carbon emissions trading scheme (Schrith et al. 2011). The scheme would allow for a limit to be applied to total carbon emissions (the cap), which would be rationed via pollution permits, which would be tradeable. As such, the cap-and-trade scheme would involve the application of a market value to carbon pollution. At the time, the aspiration was that the scheme would be in place by 2009; however, this was later changed to 2010, to follow the next United Nations Summit on the UNFCCC to be held in Copenhagen in December 2009 (Kevin 2009).

### **‘Kevin07’ and the greatest challenge of our generation**

In this section, I present analysis of environmental policy following the 2007 election of a Labor government federally, under Prime Minister Kevin Rudd. I have chosen to focus on this period of policy because similar to the election of the Hawke-Keating Government in the early 1980s, the election of the Rudd Government in 2007 seemed to signal an era of policy reform, following eleven years of conservative government under Prime Minister Howard. While the Hawke Government had promised to exercise its constitutional powers to prevent the damming of the Franklin River in the lead up to the 1983 election, Rudd’s 2007 election platform included a commitment to undertake the structural reform required to mitigate the threat of climate change.

In *Chapter Four*, I argued that while the Rudd Government took steps to reform the Australian housing policy system, the government’s lustre for reform seemed overwhelmed by its response to the global financial crisis. In this chapter, I argue that a similar impact befell the Rudd Government’s apparent zeal to implement an Australian emissions trading scheme. The rationale for implementing a market-based mechanism to mitigate climate change has been couched in terms of an obligation to

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<sup>20</sup> Group of Eight countries include Canada, France, Germany, Italy, Japan, Russia, UK and USA. Brazil, China india, Mexico and South Africa were also parties to the *Washington Consensus*.

protect the welfare of future generations, as encapsulated in Rudd's proclamation that climate change was the 'greatest moral, social and economic challenge of our generation' (Kelly 2007). Despite the gravity of these assertions, the commitment of the government to implement policies of similar magnitude has seemed tenuous.

Almost two decades after the green-hued 'virility contest' of the 1990 election in the 2007 federal election the issue of climate change and the need to implement appropriate policy measures to address it had returned to the political agenda. Where the turbulent economic situation of the late 1980s coincided with heightened public and political interest in conservation matters, the 2007 election occurred during a volatile economic context, coupled with increasing public interest in environmental issues (due to housing, consumption and resources booms). As political journalist Megalogenis (2012, pp.317-8) has observed, political opinion polls suggested that 'Australians were complaining about cost-of-living pressures. Yet the same voters wanted to do something about climate change and were prepared to pay'. Thus, building on the momentum of the work of the National Emissions Trading Taskforce and the prime ministerial Task Group, both the ALP and the incumbent Howard Government took pledges to introduce emissions trading in Australia during the 2007 federal election campaign.

As with matters of economic and social policy, Rudd emphasised that the differences in climate change policy were not only the result of different political perspectives, but also personal differences:

These are fundamental differences [between John Howard and me] before you even get to climate change, Kyoto ratification, a 60 per cent target by 2050 on carbon reduction, and beyond that a renewable energy target by 2020. These are core, fundamental differences between myself and Mr Howard. His political interest, Tony, is to run around the place and to say that on climate change and things like that well, actually there's not so much of a difference [from me]. Well, he's a climate change sceptic and a climate-change denier from central casting trying to pass himself off as something else (Rudd in interview on ABC television's *Lateline* program cited in Kevin 2009, p.13).

In keeping with this view, the Rudd Government's first act of government was to ratify the Kyoto Protocol, which has been remarked upon as 'an important symbol of Labor's new spirit' (Kevin 2009, p.12).

### **The Garnaut Review**

In April 2007, while still in Opposition, the ALP had commissioned (through the NETT) a review into the economic impacts of climate change in Australia. The review was to be led by former economic adviser to Prime Minister Hawke and Professor of Economics at the Australian National University, Ross Garnaut. While there were numerous contributors to the Garnaut Review, I will herein refer to the findings and recommendations of the review as belonging to Garnaut.

In a similar vein to the Stern Review, Garnaut drew on the conclusions of mainstream science at the time, to 'model the impacts of climate change on the Australian economy including impacts on agricultural productivity, our terms of trade, and infrastructure' (Garnaut 2011, p.x) In addition, the Review's terms of reference stipulated that it accepted the 'weight of scientific opinion' at the time, as provided by the IPCC that mitigating the worst impacts of climate change would require reducing greenhouse gas emissions 'by 60 per cent against 2000 levels by 2050 for GHG concentrations to stabilise at between 450 and 550 parts per million' (GCCR 2008b, p.xvi). On top of estimating the economic costs of future climate change in Australia, the terms of reference also stipulate that the Garnaut Review was to develop recommendations for the design of an Australian emissions trading scheme (ETS) including carbon emissions reduction targets for 2020 and for 2050, which could be connected to an international carbon pollution trading market.

In February 2008, Garnaut published the *Interim Report* of the review, followed by the *Draft Report* in July. In the *Interim Report* he recommended that the Australian Government firmly commit in 2008 to emissions reduction targets for 2020 and 2050. In addition, Garnaut recommended that these targets 'embody a similar adjustment cost to that accepted by other developed countries' (GCCR 2008b, p.2). In other words, the economic burden borne by the Australian economy should be similar to that assumed by other wealthy nations.

In the *Draft Report* of the Review (GCCR 2008a, pp.1-2) Garnaut stressed the urgency of the requirement for government policy to mitigate change in the context of global action:

Effective international action is necessary if the risks of dangerous climate change are to be held to acceptable levels, but deeply problematic. International cooperation is essential for a solution to a global problem. However, such a solution requires the resolution of a genuine prisoners' dilemma. Each country benefits from a national point of view if it does less of the mitigation itself, and others do more. If all countries act on this basis, without forethought and cooperation, there will be no resolution of the dilemma. We will all judge the outcome in the fullness of time, to be insufficient and unsatisfactory.

In supporting this assertion, Garnaut presented a summary of the main findings of the IPCC's 2007 *Fourth Generation* report. These findings included that avoiding the worst impacts of climate change would require a reduction of atmospheric concentrations of greenhouse gases to between 450 and 550 parts per million.

While deep cuts to Australian greenhouse gas emissions were consistent with the recommendations of the IPCC, this prospect met with resistance from Australian coal and power industry lobby groups. Political analyst Tony Kevin (2009, p.18) reports that 'Garnaut's ideas for serious Australian carbon emissions cuts were met with horror by national coal and power industry lobby groups, extending also to leaders of relevant trade unions such as the Australia Workers' Union and the Construction Forestry Mining Union'. This gave rise to a scare campaign, not only about the financial impacts of an Australian ETS, but also capitalised on emerging dissenting opinion over the accuracy of climate change science (Garnaut 2011). It is important to note, however, while the Garnaut Review was to provide independent advice on climate change policy, its terms of reference specified that it must take into account the weight of scientific opinion including on desirable cuts to emissions levels. The government, not the Garnaut Review, developed these terms of reference.

By the time that the *Supplementary Draft Report* of the Garnaut Review (GCCR 2008c) was released in September 2008, Garnaut had changed his recommendations on emissions reduction targets and on the Australian Government's commitment to a

global agreement. The report recommended a 10 per cent reduction of emissions by 2020, followed by an 80 per cent reduction by 2050. In terms of a global agreement, Garnaut recommended that the Australian Government should only accept binding targets for 2020 on the proviso that a global agreement was reached on emissions trading. In other words, if the governments of other countries were not willing to reduce their domestic carbon emissions, neither should the Australian Government. Further, while Garnaut cautioned that a global objective to achieve deep emissions reduction (to 450ppm) was in Australia's 'national interest', he simultaneously argued that achieving this objective was not possible. The rationale was that this would require 'tighter constraints on emissions than now seemed feasible in the period to 2020' (GCCR 2008b, p.279).

The final report of the Garnaut Review was released on 30 September 2008. As I detailed in *Chapter Two* in the final report Garnaut describes climate change as a 'diabolical policy problem' (2008b, p.xvii) requiring urgent action:

It is harder than any other issue of high importance that has come before our polity in living memory. Climate change presents a new kind of challenge. It is uncertain in its form and extent, rather than drawn in clear lines. It is insidious rather than (as yet) directly confrontational. It is long term rather than immediate in both its impacts and its remedies. Any effective remedies lie beyond any act of national will, requiring international cooperation of unprecedented dimension and complexity. While an effective response to the problem would play out over decades, it must take shape and be put in place over the next few years (2008b, p.xvii).

Accordingly, Garnaut revised some of the recommendations of the *Supplementary Draft Report* of two months previous.

Garnaut set out these recommendations as if these were rules in a game of chance. First, Garnaut recommended that the Australian Government should adopt deep emissions reduction targets, yet only within the context of a global agreement. The Australian Government should also 'indicate at an early date its preparedness to play its full, proportionate part in an effective global agreement that "adds up" to either a 450 or 550 emissions concentration scenario, or to a corresponding point between' (GCCR 2008b, p.10). These targets would equate to between 10 per cent (the 550 scenario) and a 33 per cent reduction in emissions (from 2000 levels) by 2020. If a

global agreement on emissions reduction was not reached, however, the Garnaut Review (2008b, p.281) recommended that the government's target be set much lower, at 5 per cent reduction by 2020:

Strong Australian mitigation outside an effective international agreement would be deeply problematic. It would impose domestic costs that are higher than they would be if similar national targets were pursued in the context of an international agreement. It has the potential to leave our traded sector at a competitive disadvantage, for no worthwhile environmental benefit. The reality opens the way to political pressure for exemptions and countervailing payments that could seriously increase the costs of mitigation.

At the same time, however in the absence of an international agreement at Copenhagen, Garnaut encouraged the government to keep the prospect of international agreement alive. As such, the direction of climate change policy was based not on first principles about what ought to be done, but according to what the governments of other countries were prepared to do.

### **The Australian Carbon Pollution Reduction Scheme**

The Rudd Government's proposal for an Australian emissions trading scheme, the *Carbon Pollution Reduction Scheme* (CPRS) was released over several stages. On 16 July 2008, the government released a *CPRS Green Paper* (a policy discussion paper) for public comment, to which over 1,000 submissions were received. The consultation on the *CPRS Green Paper* also involved public consultation sessions and workshops with more than 2,400 participants, as well as technical workshops, and six industry and non-government organisation workshops attended by people from forty-five different organisations (DCC 2008c). The government would later claim that the 'extent of the response to the Green Paper confirms the depth of the Australian public's concern about climate change' (DCC 2008c, p.xlviii).

The CPRS was to be a cap-and-trade scheme, under which a limited number of carbon polluting permits would be issued, and could be traded. By the time the government released its *Green Paper*, Garnaut had already released his *interim report* and *draft report* (released two weeks previously). The *Green Paper* cites many of the preliminary findings of the Garnaut Review as justification for the establishment of the CPRS including the imminent threat of climate change in

Australia, and the concomitant economic and social risks as well as risks to biodiversity; and that the expected economic costs of mitigating climate change were likely to be far lower than the costs of delaying such action (DCC 2008a, 2008b).

The *Green Paper* includes a long-term emissions reduction target of 60 per cent of 2000 levels by 2050. This longer term target is stated with reference to research by the IPCC, which claimed that global emissions would need to be reduced by 60 per cent by 2050 in order to stabilise the atmospheric concentrations of greenhouse gases at between 450 ppm and 550 ppm, a level thought to ward off the worst impacts of climate change (DCC 2008a, 2008b). The *Green Paper* included the longer-term target while noting that the subsequent CPRS *White Paper: Australia's Low Energy Future* (the government's formal policy proposal) would include a shorter-term emissions reduction target to be achieved by 2020 (DCC 2008a, 2008b).

The *Green Paper* notes that the Rudd Government had entered into office during a period of intensive economic growth in Australia, driven in part by a resources boom (DCC 2008a). The boom was driven by increased international demand for mineral resources, from the 'rapidly expanding developing economies' in the Asia-Pacific region. While the boom was credited with raising living standards in Australia, it also increased demand for fossil fuel based energy. As such, the *Green Paper* reiterates earlier climate change policy literature in asserting that mitigating (and adapting to) climate change would require structural change to the Australian economy:

Substantially reducing Australia's national emissions will involve the most significant structural reform of the economy since the 1980s. This reform process will not be easy and involves significant challenges. Meeting these challenges will require the Government to implement responsible economic policies focused on reducing emissions at the lowest possible cost in the context of a complex and challenging macroeconomic environment (DCC 2008a, p.10)

The impacts of the CPRS were to be offset by 'transitional assistance' provided to households and to businesses that were deemed vulnerable. The transitional assistance to be provided to households was to include financial assistance to meet increased energy costs and to improve the energy efficiency of housing. At the time, the Rudd Government had commissioned former head Treasury bureaucrat Ken Henry, to undertake a review of the Australian taxation system (DCC 2008a; Henry

2009). Accordingly, the *Green Paper* noted that compensation for the CPRS would take account of changes to income arising from implementing the recommendations of the Henry Review. For affected businesses, the Rudd Government proposed to provide a certain proportion of carbon permits at no cost, rationed according to how 'trade-exposed' a business was.

The third aspect is that while the CPRS was national in its remit, the expectation was that it would form part of a global effort to mitigate climate change, the details of which would be negotiated at the UNFCCC Summit in Copenhagen, Denmark in January 2009.

In summary, the picture portrayed by the Rudd Government in its *CPRS Green Paper*, was that addressing climate change in Australia would require significant change that would come at some economic cost in the present. This change would include a move away from dependence on fossil fuels as a source of energy. Even though there were some uncertainties over the scale or nature of the risks associated with unmitigated climate change, should any of the scientific predictions play out, the costs of mitigation now would be far less than the economic and other costs borne by people in the future including people living outside of the sovereign borders of Australia, if climate change is not mitigated.

### **Impact of the Global Financial Crisis**

Under the threat of the global financial crisis, the Australian Government's approach to climate change policy altered. In this section, I will present an analysis of the acceleration of environmental programs (with some tragic consequences) as part of the government's economic stimulus package as well as changes to the proposed CPRS legislation.

#### *Pink Batts Scheme*

In response to the global financial crisis and the following economic downturn, the Australian Government accelerated the implementation of a number of programs including the *Energy Efficient Homes Package* as part of its economic stimulus package. The *Energy Efficient Homes Package* included two programs that targeted



house insulation: the *Homeowner Insulation Plan* and the *Low Emissions Plan for Renters*, which were subsequently merged into a Home Insulation Program (HIP) (COAG 2009a).

The HIP was intended to generate economic stimulus and also to support jobs and small business, particularly for low-skilled workers who were most vulnerable to the threat of recession. In the process, some 2.7 million Australian residential dwellings were to receive free insulation fitted in their homes, which was deemed to be a cost-effective measure for reducing heating and cooling demands. Critically, the scheme was to target low-income households, who may typically find it difficult to fund the upfront capital costs of such investment. The HIP was implemented in July 2009, and by the time the program ceased operating in February 2010, one million homes had been insulated and 10,000 installers employed (SECARC 2010).

A subsequent review of the HIP by former senior public servant and diplomat Dr Allan Hawke (the 'Hawke Review'), reported that the program was rolled out with haste, however, and less than four months into its operation, a person was electrocuted while installing ceiling insulation (Hawke 2010; SECARC 2010). By February 2010, two others had been electrocuted and another person had died from heat exhaustion. In addition, 174 house fires were linked to the scheme (Hawke 2010). The Hawke Review and an Australian Senate inquiry into the program revealed that installers had not been adequately trained, or adequately supervised, and were generally unaware of the risks involved in the installation process (the Senate review also alleged that the Hawke review was rushed and inadequate). For example, it was not until February 2010 that installers were required to have any training at all, not even on simple safety measures such as turning off electricity mains prior to installation (*A Lethal Miscalculation* 2010). What is more, the Senate Committee found that the Rudd Government and the responsible agency were aware of the risks involved (particularly with regard to the installation of foil insulation), having received warnings from the National Electrical and Communications Association Master Electricians Australia, which were either ignored or not taken sufficiently seriously (SECARC 2010). A 2010 documentary on ABC television's current affairs program *Four Corners*, titled '*A Lethal Miscalculation*', also heard the

views of employees of the federal Department of Environment, Heritage, Water and the Arts, which was responsible for managing the program, who alleged that ‘Job creation was the most important thing. That was mentioned on many occasions, we were told many times by senior management that the technical and safety issues were of less importance than getting this programme up and running and creating jobs’ (see also Tiffen 2010; Webb 2010). Thus the case of the pink batts and the CPRS seemed to demonstrate the priority afforded to immediate economic concerns, over those of the environment.

### *Changes to the CPRS*

By the time the Rudd Government released the *CPRS White Paper* (a more formal policy proposal) and related draft legislation in December 2008, the proposed CPRS had changed in significant ways. To start with, the government pushed back the implementation of the CPRS from 2010 to 2011. It also ruled out strong carbon emissions reduction for Australia before 2020 (DCC 2009). The government alleged that this decision was based on the recommendations of the Garnaut Review; it was in fact based on shallow reduction targets recommended by the *supplementary draft report* of the Review, however, and not the revised targets set out in its *final report*. What is more, the delayed proposed implementation date of the CPRS seemed at odds with the government’s previous claims (and those of the Garnaut Review) to the absolute urgency of taking action to mitigate climate change.

In the *White Paper* the design of the CPRS also afforded greater protection to carbon-intensive industries and included a ‘Global Recession Buffer’, which provided financial assistance to trade-exposed emissions-intensive industries, over and above the assistance built into the original scheme, and provided \$3.9 billion to electricity generators (DCC 2008c; Wong, Rudd & Swan 2009). In addition, the price of carbon pollution permits was reduced from \$40 per tonne of carbon to \$10 per tonne.

In the process of developing the CPRS legislation, the Rudd Government, the Wong ministry in particular, had distanced itself from its trusted advisor, Ross Garnaut, amidst intensive debate and greater scrutiny of the science of climate change and to

the wisdom of introducing the CPRS amidst a global recession (Kevin 2009). The government's references to Garnaut changed, from being the chief source of advice on the design of the CPRS, to one of many sources (Alexander 2008; Grattan 2008; Kevin 2009; Taylor 2008). This emerging conflict was implied in a public lecture given by Garnaut at the University of Melbourne, wherein he challenged the government's refusal to commit to strong short-term emissions reduction targets in the *White Paper*. Garnaut argued that this refusal would not fulfill Australia's part of a global compact to address climate change and that the CPRS design put the interests of a few before the national interest. Directing attention to the compensation afforded to 'trade-exposed' industries in the revised design of the CPRS, Garnaut (2008a) argued that:

Three elements of the White Paper proposals lead towards large transfers from the general community to particular interests and to fiscal and environmental risks. [...] Never in the history of Australian public finance has so much been given without public policy purchase, by so many, to so few. The best that can be said is that these are once-for-all payments – unless the spectacular success of investment in lobbying inspires repetition and emulation [...] Already there is nothing left (in the revenue pool from the sale of carbon permits) for increases to payments to households as the carbon price rises over time. Little is left for incentives to research, develop and commercialise low-emissions technologies, which are essential components of the domestic and international mitigation efforts. Nothing is left for systematic support for overcoming information and contractual market failures inhibiting energy-saving in low-income households.

Finally, Garnaut asserted that the global recession was being used as an excuse to provide greater compensation to particular industries than was necessary.

### **The 'Carbon Wars': Negotiating with the Senate on the CPRS**

Notwithstanding its amendments to the CPRS proposal, the Rudd Government still required the approval of both houses of the Australian Parliament (the House of Representatives and the Senate) in order for its proposed CPRS legislation to become accepted into Australian law. While the government held a majority of seats in the House of Representatives, its numbers in the Senate meant that its legislation required the endorsement of either the Liberal Party (under Opposition leader Malcolm Turnbull) or the Australian Greens Party.

The Rudd Government made its first attempt to pass the CPRS bill through the Senate in May of 2009. The Coalition senators under Opposition leader Malcolm Turnbull, opposed the bill on the grounds that it was too costly (in the context of global economic conditions), that it would disadvantage Australia's international competitiveness, and would be ineffective in reducing global emissions in the absence of a global agreement (Allens Arthur Robinson 2009; Australia, Senate 2009) Meanwhile, Australian Greens Party senators opposed the CPRS legislation on the grounds that the legislation was too weak and would not bring about any reduction in carbon emissions. They claimed it would 'pay polluters to keep polluting [...] undermine global action with its weak target, a target which, once set, would be impossible to lift' (The Australian Greens 2010).

Following the Senate's rejection of the CPRS legislation, the Rudd Government elected to negotiate with the Coalition, rather than with the Greens. Turnbull had indicated that the party would pass the legislation, provided the ALP introduce amendments to make it friendlier to business, and the government revised the CPRS legislation accordingly. Even so, the Liberal Party was divided, between those who supported the CPRS and those who doubted the climate change science (Franklin 2009b; Grattan 2009; Kitney 2009). This division within the party is reflected in a press conference given by Turnbull, an excerpt of which was replayed on ABC television's current affairs program *Lateline*:

I think we all recognise that most Australians expect their political leaders and their political parties to take effective action on climate change. This is about the future of our planet and the future of our children and their children. It is one of the great challenges of our time. Now I know there are many people including many people who are supporters of my party, who have doubts about the science and grave reservations about it. [...] But the fact is that we have to take a prudent approach to this. Saying that we're not going to do anything about climate change is irresponsible and no credible, responsible party can have a no-action-on-climate-change policy. It's as simple as that (Turnbull broadcast as part of *Turnbull shows defiance at press conference* 2009).

On 1 December 2009, the eve of the last sitting day of parliament, the fracas within the Liberal Party led to a three-way leadership contest between the incumbent leader

Turnbull, Shadow Treasurer Joe Hockey, and Tony Abbott in which Abbott was the victor.

Until that point, Abbott's track record on climate issues had been 'scatological' (Grattan 2011). In 2007, he had supported the Howard Government's election policy of implementing an emissions trading scheme in Australia. Following a leadership contest that resulted in Turnbull assuming the leadership of the Liberal Party from Brendan Nelson, who opposed an Australian ETS in the absence of an international agreement (Nelson took over the leadership of the party following Howard's loss at the 2007 election), however, Abbott resigned the shadow ministry in protest over Turnbull's support for the CPRS. On 2 December 2009, Abbott, having assumed the leadership from Turnbull, used his party's power in the Senate to reject the CPRS legislation for a second time (Franklin 2009a). As this also happened to be the last sitting day of the Australian Parliament for the year, as previously mentioned, the government could not revisit the legislation until the following year.

### **Copenhagen negotiations**

The Rudd Government had expected to use the CPRS as armoury in the forthcoming negotiations of a successor treaty to the Kyoto Protocol at Copenhagen, Denmark in late December 2009. With the CPRS legislation rejected for the second time, even in its diluted version, Minister Wong entered into negotiations at Copenhagen empty handed. In any case, the Copenhagen negotiations have been described as shambolic in what then US Secretary of State Hillary Clinton is reported to have described as 'the worst meeting I've been to since the eighth-grade student council' (Landler & Cooper 2010). The key output of the summit, the Copenhagen Accord, does not include any binding commitment to reduce global carbon emissions, or any timetable for the creation of such a commitment and was signed by only 29 of the 194 signatory countries to the UNFCCC (Clémeçon 2010; O'Neill 2009; Vaughan & Adam 2009). Nevertheless, the alleged 'diplomatic fiasco' overshadowed that the Accord does include reduction targets for the United States and for economically developing countries, which the Kyoto Protocol did not, as well as a commitment to limit global warming to within two degrees Celsius (Garnaut 2011).

Ordinarily, when both houses of the Australian Parliament, twice in succession, do not agree on a parliamentary bill, the government has a mandate to call a ‘double dissolution’ election in which both houses of Parliament are dissolved. Calling a double dissolution election over the CPRS would have effectively forced a federal election on the proposed scheme. While it is alleged that Rudd was urged by his party to call a double dissolution election in April 2010, with no binding international agreement in place, the Rudd Government instead deferred the CPRS legislation. Rudd determined that the government would revisit the legislation after the renegotiations of the Kyoto Protocol in 2012. This decision drew wide criticism and seemed to conflict with the apparent urgency required to mitigate climate change (*ETS postponed by Rudd government* 2010). In an interview on ABC television’s current affairs program *7.30 Report*, journalist Kerry O’Brien questioned Rudd as to whether his decision not to call a double dissolution election was an act of ‘political cowardice’, to which Rudd vehemently responded:

There was no government in the world like the Australian Government which threw its every energy at bringing about a deal, a global deal, on climate change. Penny Wong and I sat up for three days and three nights with 20 leaders from around the world to try and frame a global agreement. Now it might be easy for you to sit in *7:30 Report* land and say that was easy to do. Let me tell you mate, it wasn’t. We are fundamentally committed to climate change. We could not get the accord that we wanted [...] We’ve been frustrated domestically politically, frustrated internationally by the lack of progress there, but we will not be deterred, we will progress this matter and we will achieve the best possible means of bringing down our greenhouse gas reductions, greenhouse gas, levels in the future. And the bottom line is this, the bottom line is this: there is no way you can stare in the mirror in the future and say that you have passed up the core opportunity to act on climate change. I will not do that. The Government that I lead will not do that, but I cannot wish away the two realities I’ve just referred to (*Angry Rudd defends ETS backflip* 2010).

Ultimately, however, translating political rhetoric into policy proved to be just as divisive within the government as it had been in the Liberal Party. As I will briefly outline in the following section, within months of the decision to defer the CPRS legislation, Rudd would be removed by his own cabinet, replaced by the then Deputy Prime Minister Julia Gillard (Grattan 2011; Wilkinson 2011).

## **Resource super profits tax**

On 2 May 2010 Prime Minister Rudd and federal Treasurer Wayne Swan announced the government would implement a new tax on mining industry ‘super profits’, the *Resource Super Profits Tax*, one month following its decision to defer negotiations over the CPRS. The tax is of interest to this research in that for the most part, debate over climate change had focused on the costs of taking steps to mitigate climate change; debate over the tax drew attention to the uneven distribution of the benefits of the mining of fossil fuels.

The recommendation for the tax had arisen from the Henry Review of the Australian taxation system. The Review had recommended the implementation of a new tax on mining industries to ‘ensure that the Australian community receives an appropriate return on its non-renewable resources’, which specifically include the resources used in electricity generation (Henry 2009). The tax was to capture a greater share of mining industry profits into the Commonwealth budget and replace state-based royalties on mining, which were generally considered to be inefficient. Revenue from the tax would be redirected to boost the retirement savings of the ageing Australian population (savings that had been depleted by the global financial crisis); reduce general company income tax to assist non-resource industries that were impacted negatively by the resources boom; and to build infrastructure (Swan & Rudd 2010; *Australians deserve a bigger cut: Rudd, ABC Radio*, 2010). As such, the *Resource Super Profits Tax* was the second instance since its election in which the Rudd Government sought to initiate a redistribution of wealth away from (though only minimally affecting) carbon-intensive and limited centres of economic power.

In principle, the idea of increasing the taxation of resources industries had public support (Le Grand 2010; Megalogenis 2012). Yet, while the Rudd Government had accounted for revenue from the tax in its 2010-2011 Federal Budget (which was due for publication only two weeks after the tax was publicly announced), it did little early on to communicate publicly on why the tax was needed and how it would work (Arup 2011a). Ordinarily, for example, tax reform in Australia is preceded by a tax forum.

The announcement of the tax met with furious opposition from some actors in the mining industry including BHP Billiton, Rio Tinto and Xstrata Coal, who argued that the tax was a ‘quick, dirty and easy grab for cash’ which would deter investment and economic growth and force companies to move offshore, which would jeopardise the wealth and living standards of all Australians (Eastley & Ryan 2010). The industry (backed by Abbott) launched a \$22 million advertising campaign against the tax, which focused not on the impact to mining company profits, but to jobs and townships (Taylor 2010). While the Rudd Government responded to the industry’s campaign with a \$38 million advertising campaign of its own, the backlash compounded existing tensions within the ALP over Rudd’s prime ministership. As a result, on 23 June 2010 Rudd lost a leadership contest to then Deputy Prime Minister Julia Gillard. As Megalogenis (2012, p.315) opines, ‘such was the loathing for him within the caucus that Rudd’s leadership crumbled within hours of Julia Gillard’s decision to challenge him’. Shortly after assuming the prime ministership, Gillard withdrew the government’s advertising campaign and pledged to wind back the tax.

### **‘The right thing to do’: carbon tax**

Demonstrating wariness to policy for addressing climate change, the Gillard Government went into the 2010 federal election stating a preference to introduce a market-based mechanism to reduce carbon emissions in Australia. Other than explicitly ruling out the introduction of a carbon tax, Gillard declared that she would not make any policy commitment without first reaching community consensus on emissions trading, which would be achieved through a ‘Citizens’ Assembly’ of 150 people (*Wong defends citizens’ assembly* 2010). Then Minister for Climate Change and Energy Efficiency, Penny Wong defended the establishment of the Citizens Assembly, justifying it as a means of establishing ‘stronger political and community consensus than [the government] previously had’ on emissions trading (*Wong defends citizens’ assembly* 2010). The Gillard Government’s election platform also included emissions standards for new coal-fired power stations (thus assuming an increase in coal-based energy production); transmissions lines to renewable energy resources; and tax breaks for ‘green’ buildings amongst other sectoral-based policies (Peacock 2010).



The proposed Citizens' Assembly was criticised publicly as merely a strategy to avoid being held accountable to any policy commitment on climate change (Carmody 2010). What is more, it is doubtful that a 150-person assembly would provide an extensive representation of the views of the 20 million people in the Australian population (the assembly's 150 members accounting for less than 0.00075 per cent of the total Australian population). In addition, as I have already demonstrated, the public consultation process on the CPRS *Green Paper* and as part of the Garnaut Review had also provided broader coverage than the proposed Citizens' Assembly.

At this time, the Abbott-led Coalition pledged that if elected it would implement a *Direct Action Plan*. The plan included sectoral-based measures, such as voluntary emissions reduction targets, to be achieved through the sequestration of carbon in soil; the planting of 20 million trees; a 15,000 person 'Green Army'; and the conversion of one million Australian homes to solar powered energy (Moore 2010). The Coalition maintained that its direct action approach would enable Australia to meet its commitments under the Kyoto Protocol, and at a lower cost than a market-based mechanism. The Coalition's *Direct Action Plan* was criticised by the federal Treasury for costing far more than a carbon trading scheme and thus not in the national interest, while the notion that it would actually reduce carbon emissions was deemed spurious (Megalogenis 2010).

For the most part, however, addressing climate change was not the focus of either the ALP or Coalition election policy in the same way that it was pre-election in 2007. Instead in what has been regarded as a 'race-for-the-bottom' campaign, these parties' platforms focused on addressing formal immigration and responding to people seeking asylum in Australia through non-formal processes, often by boat ('asylum seekers'). The Gillard Government introduced a 'sustainable population' agenda, limiting formal migration to Australia. It also committed to more stringent 'offshore' processing of asylum seekers. Importantly, the offshore processing of asylum seekers on Christmas Island (enabled only by the landmark decision to excise Christmas Island from Australian territorial waters) had been iconic of the Howard Government's social policy, which Rudd had promised to overturn. The 'race to the

bottom' decisions were made based on highly dubious opinion polling during election campaigning (Megalogenis 2010). Thus while the 2007 election seemed to signal an opening up of Australian policy to international obligations – to climate change, to immigration, to the treatment of asylum seekers – the policies set forth at the 2010 election seemed to indicate, literally and figuratively, a narrowing of the policy agenda.

Neither Labor nor the Coalition secured a majority of votes in the election. Ultimately, more than two weeks after the election, Labor was able to form government, but only by forming an alliance with one member of the Australian Greens Party and three independent Members of Parliament. As a condition of the alliance, the Gillard Government committed to the formation of a Multi-Party Climate Change Committee (MPCCC), comprised of politicians and experts, to progress work towards the introduction of a carbon price mechanism in Australia, and to drop the Citizens' Assembly. Following the creation of the MPCCC, the Gillard Government commissioned Garnaut to update his 2008 review.

### **The 'moral obligation to a strong economy'**

In February 2011, as a result of negotiations through the Multi-Party Climate Change Committee, the Gillard Government announced its intention to implement a national carbon tax in Australia. The 'carbon tax' was to be an interim measure for the introduction to an Australian emissions trading scheme in 2015. On 10 July, Treasurer Wayne Swan released further details of the tax as part of *Clean Energy Future* plan.

The *Clean Energy Future* plan includes a conservative emissions reduction target of 5 per cent of 2000 levels by 2020 (Australian Government 2011a; Green 2011). Initially, the 'carbon tax' was to be applied to the top 1,000 polluting companies (this was later revised to the top 500), essentially by way of the mandatory sale of carbon polluting permits. Some of the cost impacts of the tax were expected to be passed on to households, adding an estimated \$863 per year to household electricity, gas, fuel and food costs. Under the *Clean Energy Future* package, however, part of the

revenue from the tax was to be used to reduce marginal rates of income taxes, and to increase government pensions and allowances.

In debating the carbon tax legislation in the Australian Parliament, Gillard defended the introduction of the tax as ‘the right thing to do [for] Australian prosperity, by Australian jobs and by a clean energy future’ (House of Representatives 2011). A webpage for the *Clean Energy Future* policy also points to the benefits for future generations:

The Government’s plan for a clean energy future will cut pollution and drive investment in new clean energy sources, such as solar, gas and wind. By acting now, Australians can look forward to long-term prosperity, while protecting our environment for ourselves and for future generations (Australian Government 2011a).

As the above extracts demonstrate, however, Gillard was also quick to stress that the pursuit of environmental goals would not come at the expense of economic growth. Indeed in response to allegations that the Australian Greens were writing the government’s climate change policy, Gillard (2011) stated that ‘the Greens wrongly object to the moral obligation to a strong economy’. As Spash and Lo (2012, p.68) have argued, the policy maintains the pretence that ‘GHGs can be controlled sufficiently without disturbing the current economic system, [and] that growth and be maintained as usual’.

It is not surprising, given the tumultuous two years of political fallout, as a result of climate change policy leading up to this point that the announcement of the proposed carbon tax met with mixed public reaction. Opposition to the tax centred on claims that Gillard had lied in her election commitments: that climate science was wrong and that it would add to cost of living pressures (Southphomassane 2011). For example, the Housing Industry Association (2011) raised concerns that the tax would add around 2.5 per cent to the construction cost of new housing which would be passed on to households, further reducing housing affordability (*see also* Liew 2011). Soutphommasane (2011) and more recently Phillips, Li and Taylor (2012) have found, however, that on average, Australian households were better off in 2011 than they were five years previously, and that the most significant impacts on cost of living pressures were increases in discretionary consumption.

Most of the protest focused not on the fine details of the science and the financial implications of the tax, however, but rather the personal character of Prime Minister Gillard and of climate scientists. Abbott, who had previously argued that a carbon tax was an easier and fairer means of mitigating climate change than an emissions trading scheme, publicly supported this attack. Notwithstanding this debate in October 2011 legislation for the tax passed through both houses of Parliament, and was expected to be implemented in July 2012.

## **Conclusion**

In 2008, amidst debate over the CPRS, former Prime Minister Bob Hawke addressed a gathering of people to celebrate the twenty-fifth anniversary of the ruling, by the Australian High Court, that stopped the construction of the Franklin Dam. In this oration, Hawke (2008) chastised the Coalition's stance on environmental issues, arguing that the conservatives had consistently placed economy over environment in the twenty-five years since the decision was handed down:

And as you look at the arguments and the positions of political parties today you see a complete replication of what we experienced back there in 1983. The conservatives: they never change, they never learn. What was their argument back then? You can't do this, it will cost jobs. It will cost economic growth. You can't do it, you mustn't do it [...] The conservatives...they are always talking about family values. [...] What is the greatest obligation that all politicians of every party have towards their families now, to their kids, their grandkids and their kids? It is that we take action to pass on to them a planet which is inhabitable, viable and enjoyable. And we must challenge them: are you serious about family values? Are you serious about putting families first? If you are, you have no alternative but to join with government and to join with organisations who are committed to bringing about that result.

As I have argued in this chapter, however, the tensions between environment and economic issues have characterised Australian environmental policy debate across conservative and progressive Australian governments. While Australian policy discourse consistently frames the problem of environmental issues in terms of the impacts on future generations, there seems to be a disjuncture between this concern and the policies that are implemented. In *Chapter Six*, I will address *Research Questions One* and *Two* by first revisiting the core claims about what and who

matters, as presented in Australian policy debate over housing affordability and environmental sustainability, and state the tensions between these claims. I will then critically analyse these claims through the prism of social justice as presented in *Chapter Three*, and in doing so, address *Research Question Three*.

## CHAPTER SIX: HOUSING, ENVIRONMENT AND SOCIAL JUSTICE

In this chapter my purpose is to address *Research Questions Two* and *Three* regarding the tensions in ‘what matters’ and ‘who matters’ and how have they been framed in Australian housing policy (and the right thing to do about these tensions respectively). My aim here is also to draw together aspects of the research, by applying the key elements of Rawls’s *Justice as Fairness* theory, as set out in *Chapter Three*, to the key claims about what and who matters that arise from housing and environmental policy and what normative implications follow for policy.

The chapter is structured as follows. First, I revisit my analysis of Australian housing and environmental policy in *Chapters Four* and *Five* to summarise how what matters and who matters are framed in these policy discourses. Then, addressing *Research Question Two*, I set out the tensions between these conceptions. Finally, I apply the theories of social justice to these tensions to address *Research Question Three*.

I argue that while the concept of housing affordability denotes that what is important in housing is cost, this conceals numerous other claims in policy about what matters. How we are housed concerns the fulfillment of basic needs, the basic fairness of the distribution of wealth and national identity, and also serves as a domain of private life. In housing policy the community of justice is national in reach, not just because of its institutional context, but in the ties between home ownership and national identity. In contrast to materiality and connections to place invoked in debates over housing, debate over climate change deals with diffuse, dispersed causes and impacts, which traverse national boundaries and will be felt most gravely by people living in the future. The discourse and institutional settings for climate change policy cast the community of justice in international and intergenerational terms.

Key tensions between housing affordability and climate change arise from how we are housed, which has implications not only for the household, but for people

removed in time and space. Climate change thus challenges the notion that how people are housed is about private households within a national setting, removed and discrete from international communities. At the same time, taking steps to address climate change, such as through building regulations or through a market-based mechanism, impacts how people are housed now and in the future, and may even impact on some households' ability to enter into home ownership.

In examining these tensions as problems of social justice, I make several findings. Firstly, the inherently utilitarian concepts of housing affordability and of climate change as an economic problem do not provide an adequate normative basis for analyses of justice with respect to housing provision. What matters is the relationship between how we are housed and the distribution of primary goods, or whether people can convert these into ends they have reason to value. Within this framework, despite the value accorded to private home ownership in housing policy debate, housing tenure *per se* is not relevant to evaluations of justice. That is, housing tenure – home ownership in particular – matters only so far as it enables the redistribution of wealth. Moreover, the distribution of wealth tied up in housing matters is only part of the overall distribution of wealth. Rather, the circumstances of the most disadvantaged members of society should determine, to a contestable extent, the justice of how people are housed in relation to managing how climate change is addressed. Ultimately, however, the core challenge raised in debate over climate change for how people are housed, is the question of what we owe, not only to our contemporaries, but also to people living in the future. The asymmetry of the relationship between present and future generations forces a questioning of the extent to which current political institutions including the current political culture and leadership, encourage us to make decisions and to act, not just out of self-interest, but for the benefit of others.

### **Housing policy: what and who matters?**

#### *The cost of housing*

Housing affordability is the dominant paradigm in Australian housing policy. Housing affordability compares the cost of housing with incomes, but within this paradigm it is housing cost that is problematised. That is, *what matters* is cast in

terms of the financial cost of housing. As such, use of the affordability concept pushes to the sidelines of policy debate concerns over the substantive attributes of housing, such as how it is designed, constructed, located and even what people can do with their housing. At the same time, use of the affordability concept does not lend well to debate over why being able to afford housing is important in the first place. In *Chapter Four* I documented how the use of affordability as a policy concept, as evidenced in the *National Housing Strategy* papers, emerged amidst sweeping microeconomic and political change in the 1980s. These developments legitimised the view that the private market is the most efficient mechanism for distributing most goods and services, leaving government to ensure the more efficient operation of the private market in the face of market failure. Within housing policy, the emergence of affordability took place amidst shifting views of the role for governments in the direct provision of goods and services including housing (in the form of public rental housing) in absolute terms and relative to ‘demand-based’ forms of housing assistance, such as Commonwealth Rental Assistance. It is important to confirm, however, that these ideological changes occurred against a historical background in which most households already consumed their housing through the private market.

### *Housing as a basic need*

In this research I refer to housing affordability as the *dominant* rather than *only* paradigm in Australian housing policy, because in my analysis I found there are indeed other claims about what matters in housing. These parallel claims about what matters also have a legacy in policy history. For one thing, the concept of ‘housing need’ is still used in state public housing policy as a basis for prioritising the allocation of public housing tenancies. The use of the housing need concept gestures toward housing being important for satisfying basic human requirements. This claim echoes the debate over the eradication of slum housing in the first half of the twentieth century. That is, one of the prominent themes in the debate over slum housing was that housing of an adequate standard is a basic personal and public health requirement. The movement to abolish ‘slum housing’, occupied by the inner urban poor, highlights how these residents’ squalid housing conditions reflected the structural inequalities which they faced including a lack of rights as renters, and their



precarious, low paid employment conditions. In addition, the inadequate housing of slum residents was seen as a form of disadvantage in itself. Living in slum housing was seen to rob residents of 'pride, honour and hope' and this 'national degeneracy' (Barnett & Burt 1942, p.3) was regarded as a public health risk, to both its residents and the society at large. In this sense, the slum reclamation movement and the state provision of public housing emerged as part of a crusade by middle class professionals, such as Barnett, to eradicate vice in the lower social orders (Holst 2006).

As I established in *Chapter Four*, the focus of Australian housing policy shifted away from slum reclamation over the course of the twentieth century. Nevertheless, the notion that housing is a basic human requirement, not only to meet physiological needs, but also as foundational for participating in society has remained in more recent policy developments. Similarly, the Hawke Government's 1999 social justice strategy *Social Justice Under Labor* stressed that poor quality housing and homelessness 'deprive[d] people of the opportunity to participate in personal development activities and community life' (Commonwealth of Australia 1988). Housing as a basic human requirement is implicit also in the use of the housing need criteria in state public housing policy and in policies targeting homelessness, such as the Rudd Government's 2009 *White Paper, The Road Home* and the *National Partnership Agreement on Homelessness*, which have tied the experience of homelessness to a lack of 'social inclusion' (COAG 2009g; FaHCSIA 2008). Similarly, policies around housing in remote Indigenous Australian communities, such as the *National Partnership Agreement on Remote Indigenous Housing*, have made explicit reference to the links between the 'substandard provision of housing' and 'overcrowding' and poor health, education and employment in these communities (COAG 2009i).

Further, policies for the 'renewal' of public housing estates have focused attention on the connection between the amenity and location of public rental housing to entrenched disadvantage experienced by tenants of these estates and members of the surrounding communities. In the state of Victoria, for example, the Bracks

Government implemented a *Neighbourhood Renewal* policy in 2001. A conference paper on the policy framed the problem in terms of a community of disadvantage:

While many Australians have enjoyed the benefits of prosperity, poverty has continued to concentrate in particular neighbourhoods. In the hardest hit communities, disadvantage manifests in high levels of unemployment, crime and social stigma, poor health status and low educational achievement. The cumulative effect of these factors is the exclusion of many people from mainstream social, economic and political life (Klein 2005).

As I will return to later in this chapter, implicit and explicit in policies that focus on the adequacy of housing are judgements about the substantive attributes of housing. Debates of this sort seem to have gone hand-in-hand with government policies that determine what housing we can and can't live in and the direct provision of housing by governments.

### *Housing and national identity*

One of the lasting themes in Australian policy since the twentieth century is the connection between housing and projects of nation building. By this I mean that how people are housed is framed in policy discourse as a yardstick of progress as a means of assessing the fairness of Australian society. For instance, I recall that in the debate over slum housing, it was declared that 'Australian progress will be determined largely by economic standards and the quality of the home of our people' (cited in Barnett & Burt 1942, p.3). For this reason, I have argued that while housing is not provided for in the Australian Constitution, a social compact on housing nevertheless exists and has been grafted onto the settlement ideas of fair compensation for hard work. It is instructive to note, however, that in the early post Second World War period, this compact was dual tenure: it included investment in rental housing and in home ownership. Further, the Rudd Government's historic multi-billion dollar investment in social housing through the 2009 *Nation Building and Jobs Plan Economic Stimulus* also tied the project of social rental housing to nation building. Overwhelmingly, however, from the 1950s the chief focus of housing policy has been to encourage private home ownership. That is, while home ownership provided a stake in the settler society for almost half of the Australian population by the end of the nineteenth century, from the mid twentieth century, the entitlement to own a home was grafted as part of the Australian social compact. This shift is manifest in

the idea of home ownership as the ‘great Australian dream’ and in declarations of Australia as a ‘home owning democracy’.

There are two important findings here for the analysis of what is at stake and *who matters* in Australian housing policy. Firstly, the community of justice in housing policy is self-consciously national in its reach. Yet, the promotion of this dream has often been silent in the experience of renter households (i.e. Berry 1977). In addition, while projects of housing policy as nation building connote being removed and separate from the world, such perspectives often eschew the increased interconnections between how people are housed and international financial developments (e.g. in the 2008 global financial crisis). Secondly, the Australian dream of home ownership has been popularly framed in terms of basic fairness. In the next section I want to discuss these ideas further, and argue that this conception has two dimensions: the physical form of housing and the distribution of wealth.

### *Home ownership, wealth distribution and ‘basic equality’*

A significant percentage of Australian wealth is tied up in housing (Berry 2010). The ‘basic equality’ (Stretton 1974, p.12) of the distribution of this wealth is manifest in the high rates of home ownership in Australia, with around 70 per cent of households in home ownership. A continuing theme in policy debate is the desirability of private home ownership and importantly, that owning a home ought to be a realistic ambition for all working households. In this way, home ownership is thought not to be the sole preserve of the elite or wealthy, but an aspiration that ‘ordinary’ Australian households can realise. Implicit in the idea that home ownership is a great levelling force, is that people renting are in transition to home ownership or at least have the option to do so (making up the remaining 30 per cent or so of households).

The ubiquitous status of the ‘Australian dream’ of home ownership has, however, been promoted in Australian policy despite many inequalities of wealth between households. For example, the vast majority of Australians, sixty-five years of age and over, own their own home, with those in this age group who do not own their own home constituting the minority (Australian Government 2010a; Boyd 2010; Burke 2011). As such, despite having low incomes, many older Australians have

considerable wealth by virtue of owning their home: 79 per cent of the net wealth of a median household aged 65 to 74 years is tied up in their principal place of residence; this increases to 90 per cent for people aged 75 years and over (Burke 2011). Yet in Australia, housing wealth is not accounted for in the means testing for the retirement pension, which results in disparity between retired owner-occupier households and retired renter households. A study of poverty in Australia, conducted by Harding, Lloyd and Greenwell for The Smith Family (2001) found, for example, that 11.2 per cent of Australian individuals of sixty-five years of age or older were deemed to be in income poverty before housing costs. This figure reduced to 7.3 per cent when housing costs were accounted for. Meanwhile, the study found that 18.1 per cent of renter households were in poverty prior to accounting for housing costs, which rose to 27.8 per cent when housing costs were accounted for. This phenomenon was first highlighted in a Whitlam Government commission of inquiry into poverty in Australia in 1975, known as the 'Henderson Inquiry'.

#### *Concentration of housing wealth*

The claim of the basic equality of home ownership also appears contradictory to the introduction of policy settings that have served to increase the concentration of housing wealth in existing owner households. Deregulation of financial institutions and of mortgage finance instruments, coupled with taxation reforms under the Hawke Government increased second or multiple house ownership as an investment vehicle. Subsequent changes to taxation on capital gains under the Howard Government further encouraged speculative investment in housing. As a result, while owner households have been encouraged to use their existing housing wealth to invest in housing, the home ownership rate amongst younger households has declined since the 1970s (Yates et al. 2007). This development is said to have a polarising effect on household wealth. Berry has shown, for example, that by the 2005/06 financial year the ratio of net wealth in households in the 90th percentile was 47 times that of households in the 10th tenth percentile (Berry 2010).

#### *Basic equality and the physical form of housing*

In describing the basic equality of the distribution of housing, Stretton argues that this basic equality is also manifest in the physical form of housing: in the sameness

of the housing stock, overwhelmingly a three bedroom fully detached building on a quarter acre block of land (Stretton 1974). Indeed, the ubiquity and physical sameness, even ugliness of the Australian housing stock, has been as much celebrated as an indication of Australia as a ‘classless society’ as the subject of scorn, wherein the physical form of housing reflects mediocrity, parochialism and unimaginativeness (Boyd 2010; Horne 2009). In this way, home ownership, as a form of property ownership, connotes not only an economic stake but also a physical stake in Australian nationhood.

The emergence of ‘McMansions’, which defy the mould of the traditional detached house built in Australia in the 1950s and 1960s, is said to reflect a shift in Australia from the ideals of basic equality: a ‘physical manifestation of Australia’s transition from a fair and equitable society to a less equitable and more status-conscious ones’ (Burke 2012). These new forms of housing, argues Burke, are ‘a conspicuous display of affluence, even if those who are purchasing them are not actually affluent [...] as they are designed to impress and send a signal of aspirationalism’ (Burke 2012).

## **Environmental policy: what and who matters?**

### *Climate change as an economic problem*

As I documented in *Chapter Five*, during the campaign for the 2007 federal election, Kevin Rudd declared that climate change was the ‘great moral challenge of our generation’ (Kelly 2007). Notwithstanding these references to the moral dimensions of climate change, the dominant paradigm within climate change policy is as an economic problem. Within this paradigm, what is at stake (and by extension what should be done about climate change) is cast in terms of economic costs and benefits (GCCR 2008b; Stern 2007). While this utilitarian approach has provided momentum to the debate over climate change and legitimised taking action to address climate change, this approach relies on treating a diverse range of present and future impacts in terms of a single economic metric, or on pushing those impacts for which it is difficult to calculate economic value, to the periphery of the debate. I will return to this matter later in this chapter, when applying the social justice frame to housing affordability and sustainability. For now, I will revisit the foreseen impacts of

unmitigated climate change as well as economic and other impacts of taking steps to mitigate climate change.

*Future impacts of unmitigated climate change*

A range of potential impacts from the threat of climate change have attracted attention in Australian and international debates. The environmental effects of climate change are forecast to include increases in air temperatures, sea levels, and in the likelihood and severity of drought, storms and other extreme weather patterns. In Australia, these changing climatic conditions are expected to have a direct effect on the capacity for agricultural food production and on public health, with increased illness or death due to extreme weather conditions in addition to increased prevalence of some diseases and on urban water supply. The risks associated with climate change are also predicted to affect the built environment including residential buildings and especially in coastal areas where around 80 per cent of the Australian population resides (GCCR 2008b). Storm surges and rising sea levels are expected to ‘exert significant pressure’ (GCCR 2008b, p.138) on this coastal infrastructure, through flash flooding. This is expected to result in damage to buildings increased requirements and resources for repairs and maintenance, and an ultimate decrease in the functional lifespan of buildings.

The causes of, and risks associated with climate change are wide-ranging: they do not affect one ‘sector’ or population group solely, but whole human systems. Yet, there are differences in time and geography between cause and effect of climate change. The debate points to present climate change as ‘insidious rather than confrontational’ (GCCR 2008b, p.xviii), with the worst impacts to be felt in the future and internationally, traversing the borders of sovereign states. Further, the precise impacts are uncertain: ‘there is uncertainty in many aspects of climate change science at the climate system, biophysical and impact assessment levels’ (GCCR 2008b, p.247) meaning that ‘modelling the overall impact of climate change is a formidable challenge’ (Stern 2007, p.161). Notwithstanding this uncertainty, as I have documented already, policy and other literature on climate change indicates that associated future economic costs, which will be borne by future generations, are likely to be greater than the costs to current generations, of taking steps to mitigate

climate change in the present or near future. At the same time, however, policy debate points to concerns over the intra-generational distribution of the costs of taking steps to address climate change (within and between generations), such as through the introduction of an emissions trading scheme and through sector-specific regulation.

*Addressing climate change using a market-based mechanism*

Within the paradigm of climate change as an economic issue, the challenge is not just a problem of the overuse of certain forms of energy, but is in fact a structural economic one. This structural problem has two dimensions. Firstly, the potential future economic impacts of climate change, and the scarcity of fossil fuels, are not reflected in the current price of energy including the energy used in and around the home. Within the paradigm of climate change as an economic problem, it is framed in terms of a 'grave market failure'. To this end, addressing climate change requires increasing energy prices. Secondly, the mining and export of fossil fuels (coal in particular) to Asia has been a driver of national economic growth. As Cleary (2011) has documented, for example in the early 1960s, mining accounted for 2 per cent of Australian export receipts; by 2010 it had grown to 60 per cent (p.5). Moreover, the resources boom of the mid-2000s is reported to have increased Australian GDP by \$165 billion, an amount equal to the size of the entire economy of New Zealand (Cleary 2011). To this end, one of the arguments in climate change debate is that addressing climate change requires structural adjustment to the Australian economy to remove the 'the links between economic activity and greenhouse gas activity' and thus a concomitant shift in the bases of economic power (GCCR 2008b, p.xxi; *see also* Garnaut 2011).

As such, one of the two alternative approaches proposed to address climate change is the introduction of a price- or market-based mechanism such as the Rudd Government's *Carbon Pollution Reduction Scheme*. Two distributional concerns that have arisen in the policy debate over the introduction of a market-based mechanism are that: (i) within an international setting, economically, Australia is more reliant on fossil fuels than other countries; and (ii) the introduction of a market-based

mechanism will affect households unevenly. I will address these two distributional issues in turn below.

### *The reliance of the Australian economy on fossil fuels*

One of the key arguments that Australian governments have provided for not agreeing to binding international treaties to address climate change is the impact of these policies on the Australian economy. For instance, from my analysis in *Chapter Five*, the Howard Government refused to ratify the Kyoto Protocol on the grounds that meeting its emissions reduction targets would adversely affect the local coal export industry and other carbon-intensive industries. Further, the Howard Government claimed that the Australian economy had ‘evolved’ on the basis of an ‘abundant supply of natural resources and efficient production of fossil fuels and mineral resources’ (Howard 1997, p.2). Even the design of the Rudd Government’s *Carbon Pollution Reduction Scheme*, albeit significantly modified over the course of its development, provided ‘global recession buffer’ financial assistance to trade-exposed emissions-intensive industries.

### *Impact of market-based mechanisms on lower income households*

The second distributive concern that arises over the introduction of a carbon price mechanism is that increasing the price of energy will have a disproportionate impact on lower income households. That is, while these households tend to consume less energy around the home than households with higher incomes, energy costs assume a greater proportion of household income for lower income than higher income households (NIEIR 2007). Lower income households who rent are further disadvantaged in that they have little means to modify their housing to make it more energy efficient. Within the paradigm of climate change as an economic problem, this dilemma is framed as a principal-agent problem.

### *Addressing climate change through building regulations*

The second approach to addressing greenhouse gas emissions with respect to housing is through setting minimum energy efficiency requirements in residential building regulations. Within this approach, household greenhouse gas emissions are framed as a problem of size, design, orientation and even the location of housing, as well as of



household behaviour. At the same time, because of the lasting nature of housing as a built form, the physical form of housing is said to affect future generations' ability to adapt to a changing environment. As I documented earlier, since 2002 state governments have used this approach. One of the chief concerns raised in policy debate is that these regulations increase the upfront cost of new housing. With newly constructed housing assuming only around 2 per cent of the total housing stock, and often targeted to first-time home owners, these regulations shift the burden of addressing household energy use onto a very small proportion of all households. As we have seen, this has given rise to claims that more stringent building regulations 'increase the mortgage burden for many' and 'dashed the housing aspirations of others [...] further exacerbating the divide between the "housing asset rich" and the "housing asset poor"' (MBAV 2008, p.10).

*Environmental policy: who matters?*

In *Chapter Five*, I documented how the interests of future generations feature prominently in environmental policy discourse. Thus, the community of justice in debate over climate change policy is intergenerational in its reach. My observation of developments in Australian environmental history is that despite rhetorical gesture to the welfare of future generations, there is an overwhelming disconnect between this rhetoric and the scope of the steps actually taken to address environmental matters. This disconnect is epitomised in the Keating Government's 'no regrets' policy, under which action taken to address these potential circumstances could not come at any net burden to people living in the present.

The actions of successive Australian Governments in terms of both attempts and refusals to take steps to mitigate the impacts of climate change, have taken place within the context of an international institutional setting. In this way, the community of justice is both international and inter-temporal in its reach. Yet this phenomenon is not entirely unique to climate change policy. The institutional setting for Australian environmental policy has had international dimensions, and these have often exacerbated tensions between federal and state governments. Take the Hawke Government's use of its commitments under international treaties for world heritage, to challenge the Tasmanian state government's damming of the Franklin River, for

example. Similarly, the continuing negotiations over addressing climate change have taken place within an international institutional setting.

### **Tensions between ‘what matters’ and ‘who matters’**

Having set out how what and who matters have been framed in policy debate, I will now examine the tensions between these framings.

The core tension between housing affordability and climate change is that how we are housed has an impact on people living in the future. At the same time, taking steps to address climate change will have an impact on how people are housed now. To this point, I have shown that while the dominant paradigms in housing and climate change policy are to frame these as economic problems, this rhetoric obscures more complex concerns about what is at stake and for whom.

The problem of climate change is framed differently to earlier subjects of Australian environmental policy, which focused on conservation: while there is a tangible, concrete and discrete quality to problems such as whether or not to destroy an area of wilderness; the problem of climate change is, by contrast, diffuse and at present, somewhat intangible. In contrast, as an object of policy, housing has physicality – ‘bricks and mortar’ – rooted in place. While this is not to claim that the meanings ascribed to housing are innate, this aspect of housing contrasts with the insidious and abstract nature of climate change. Compounding this tension is the fact that the impacts of climate change are said to occur in the future.

As an intergenerational conflict, on one level, there is a tension between meeting the basic needs of people alive today and the potentially disastrous albeit uncertain impact on the basic needs of people in the future. Should the introduction of policies to address climate change – either through a market based mechanism or through more stringent building regulations – impede access to private home ownership, more is at stake than merely basic needs. That is, there is a tension between the needs and wants of people living in the future and the present impacts on the distribution of wealth, together with a stake in national identity, and having a place to call ‘home’.

The debate over climate change in housing policy echoes the way in which the slum reform movement drew attention to the social impacts of how slum dwellers were housed including the design, construction and location of housing, and what households do with their housing. A direct parallel is evident in the definition of public and private realms between these policy debates. One of the conflicts between housing affordability and climate change is that the former casts how we are housed as a private matter, the boundaries of which are tested by the latter.

In terms of who matters, the core tension between housing affordability and climate change is that the community of justice in housing policy is self-consciously national in its reach. Indeed, housing is part of a bulwark against the threat of the outside world. Further, implicit in the concept of affordability is a time preference for the present: for minimising upfront costs. This conception of who matters contrasts with the intergenerational and international dimensions of climate change policy.

### **Social justice, housing affordability and climate change**

In this section, I want to examine the tensions detailed above through the lens of social justice in order to address *Research Question Three* – what is the right thing to do? To do this, first I want to revisit briefly key aspects of the theories of justice explored in *Chapter Three* in terms of how Rawls and Sen conceptualise what and who matters. I will then make some observations on the implications of these conceptions for housing affordability and climate change. Following this, I will outline the notion of justice as a process and articulate what this process says about housing and climate change.

#### *Theories of justice and ‘what’ matters*

*Justice as Fairness*, Rawls’s rules-based theory of justice and Sen’s capabilities theory share a common starting point: the maxim that people should be free to determine and to pursue their own version of the good life and that our determinations about justice should be impartial to these ends (Rawls 1972, 2001; Sen 1979, 2009). Sandel’s (2009) challenge, on the other hand, is that that our judgements about justice should not and cannot help but engage with these ends.

Rawls holds that the basis of justice is an implicit social contract that sets out the terms of mutual cooperation between members of the same sovereign society. Drawing on Hume's circumstances of justice, Rawls presumes that such a contract is valid only in those societies wherein there is moderate scarcity of resources: any less and it would be the state of nature and without scarcity justice has no place. Rawls's core concern is how the rules that govern the basic structure seek to ensure the distribution of primary goods, or 'all-purpose means', of basic liberties, opportunities, and wealth and income. To this end, Rawls provides two, lexically ordered principles of justice. The first principle provides for equal basic rights to liberties for all members of society. The second principle provides that social and economic inequalities are 'attached to offices and positions open to all under conditions of fair equality of opportunity'; and that these inequalities 'must be to the greatest benefit of the least advantaged members of society' (i.e. the difference principle) (Rawls 1972, p.53).

In *Justice as Fairness* Rawls does not set out to deal with partial or imperfect questions, such as what is the right thing to do in a given situation, but with the basic structure of society and the rules by which this structure is arranged. Where our questions are more particular, such as the distribution of housing in a just society, Rawls prescribes that these be related to the concepts of the 'social minimum' and to the 'difference principle'. In terms of the social minimum, this requires that we ask what housing we need to underwrite the primary goods of basic liberties and freedoms, opportunities income and wealth. That is, how housing falls under the 'general means necessary to underwrite fair equality of opportunity and our capacity to take advantage of our basic rights and liberties, and thus be normal and fully cooperating members of society over a complete life' (Rawls 2005, p.174). Relating how people are housed to the difference principle, Rawls directs that we must establish what the housing needs of the least well-off members of society are.

In challenging Rawls's theory of justice, Sen argues that it is not the means people have that matter in evaluations of justice, but the capabilities that people have to translate these means to realise ways of being and doing that they have reason to value (1979, 2009). That is, we must consider both the outcome and the agency a

person has in realising this outcome. The capabilities approach also gives rise to an alternative conception of disadvantage to that presented in *Justice as Fairness*. While Rawls defines disadvantage in terms of primary goods deprivation (income and wealth in particular), Sen defines disadvantage in terms of capabilities deprivation. Further, while Rawls's definition of disadvantage is universally applicable, Sen argues that our capabilities, and thus disadvantage can have multiple dimensions, depending on circumstances.

### *Implications for the economic approach*

Having reviewed how 'what matters' is conceptualised in the social justice literature, it is possible to make two observations. The first relates to approach and the second to housing tenure.

In this research I have argued that housing affordability, which gives primacy to the cost of housing over other aspects, is the dominant paradigm in Australian housing policy. Similarly, the dominant paradigm in Australian policy is to treat climate change as an economic problem. As such, these inherently utilitarian paradigms reduce the complexity of how we are housed and the causes and effects of climate change into a single metric of economic costs and benefits. That is, different means and ends are treated as substitutable within both paradigms. Further, both housing affordability and climate change as an economic problem are concerned with outcomes. As I documented in *Chapters Five and Six* (and revisited earlier in this chapter), the emergence of housing affordability and environmental sustainability (as climate change) reflect the dominance of neoclassical political economics in Australia and internationally (*see also* Clements 2012, pp.149-82).

Yet it is precisely this issue of substitutability that the theories of justice I have used in this research have opposed. Further, it is *how* an outcome is arrived at – through the just distribution of primary goods (Rawls) or the fact that a person had agency in determining that outcome (Sen) – that is of prime concern to justice. Therefore, while a cost benefit approach may have some descriptive use, it is not an adequate normative foundation for making judgements about justice.

### *Implications for the status of home ownership*

The second observation is that there is no special place within the justice literature for housing tenure. That is, the desire to own a home, of particular size, location or design, or to do certain things with it, falls within a person's view of the good life. While a just society should ensure that its citizens are free to pursue their private ends (within limitation), this does not entitle a person, or household, to realise this desire. For example, as discussed, Rawls's argument that 'strong feelings and zealous aspirations for certain goals do not, as such, give people claim to social resources, or a claim to design public institutions, to achieve these goals' (2005, p.286). In Australia, this is complicated by the privileged role afforded home ownership in housing policy. Nevertheless, these desires only matter when their content somehow relates to the principles of a just society or the various capabilities people have. Before further exploring this idea, I want to recap on how the community of justice is conceptualised in the literature.

### **Social justice and the reach of obligations**

For Rawls (1972), as institutions are the subject of justice, the reach of our obligations is to members of the same sovereign society, mediated through these common social and political institutions. In terms of international justice, therefore, while we may feel a moral obligation to people living in other societies, as individual citizens we do not have obligations of *justice* to the citizens of other sovereign societies. Rather, collectively one sovereign society has obligations of international justice to other sovereign states or peoples, defined as 'a group of individuals ruled by a common government, bound together by common sympathies, and firmly attached to a common conceptions of right and justice' (Wenar 2008). As I set out in *Chapter Three*, Rawls provides a discreet set of principles to govern international justice, which are largely concerned with protecting the sovereignty of states.

Rawls sets out our obligations to future generations (of the same society) using the *just savings principle*. In this principle, Rawls maintains that one generation must set aside enough capital accumulation to satisfy the needs of the next generation and it must maintain the integrity of the basic structure (i.e. to uphold the principles of justice) (1971, pp.284-93). In this way, while the *just savings principle* operates as a

control or upper limit on the distributive claims settled by the difference principle, its priority is lesser than the other principles. In other words, our obligations to our contemporaries are different to and take precedence over our obligations to people living in the future (of our sovereign state). Thus, while questions of international justice for Rawls are very different than justice between members of the same society intergenerational issues occupy the frontiers of Rawls's principles of justice: that is, they form constraints to the application of the central principles.

There is, therefore, a better fit between Rawls's principles of justice and the dimensions of affordability and environmental sustainability problem that concern relations between contemporaries of the same society, than there is with the intergenerational and international dimensions of the problem. Nevertheless, because from Rawls's point of view, we owe no more to people in the future than we do to our contemporaries, we can establish what we owe to people in the future by establishing what our obligations are to our contemporaries. Thus, by establishing the relationship between how we are housed as a problem of justice between contemporaries, it is possible at least to begin to envisage what ought to be protected from the impacts arising from steps taken to address climate change.

As I set out in *Chapter Three*, Sen counters Rawls's use of the sovereign state as the limit of the community of justice in claiming that the basis of our obligations to others is agent-centric (Sen 2009). That is, if a person is affected by our actions, they ought to figure in our evaluations of what should be done. This point of view opens up evaluations to the impact of how we are housed, relative to contemporaries in other societies, as well as future citizens in our society.

### *Home ownership, wealth distribution and justice*

One of the tensions in the debate over housing affordability and sustainability is that the introduction of policies to address climate change must not come at the expense of people being able to access home ownership. To this point in the chapter, I have argued that housing tenure has no special status in evaluations of justice. However, one of the core claims tied to the aspiration to home ownership is the basic fairness of the distribution of housing wealth: that is, what's at stake is not housing *per se* so

much as housing wealth. Similarly, a core aspect of the difference principle is bettering lifetime circumstances, viz. wealth and income of the least advantaged members of society. As such, and to the extent that housing policy settings have a redistributive effect on housing wealth, which benefit the poorest members of society (i.e. those with low incomes and low wealth), there would be grounds for defending these policies from a Rawlsian perspective. Taxation settings that favour well-off households with existing housing wealth would therefore be questionable from such a perspective.

Importantly, however, from a Rawlsian perspective what matters most is the basic structure of society. This has two implications. Firstly, any consideration of the tensions between housing affordability and policies for climate change must begin with evaluation of the distribution of liberties, opportunities, wealth and income. Thus, there is certainly room within Rawls's framework for a claim that the impact on housing wealth for the least advantaged members of society is an important consideration in evaluating policies to mitigate climate change. But this must be considered within the *overall scheme* of wealth and income distribution: how all forms of income and wealth are distributed after policies aimed at reducing climate change impacts are implemented.

The second implication is that housing tenure is not relevant to justice in Rawls's sense. That is, a society can still be said to be just if some of its members are not be able to purchase a home, so long as the *overall distribution* of wealth and income in that society works to the benefit of its least advantaged members, and is attached to positions open to all under fair opportunity. This overall scheme of income and wealth would include wealth accrued through the mining of natural resources. As such, how people are housed cannot be examined in isolation from issues, such as industrial policy, and so on.

### *Housing as a basic need*

Earlier, I identified that one of the claims concealed by the use of the housing affordability concept is that of housing as a basic human requirement. That is, prior



to being a form of wealth accumulation, there is a dimension to housing that is not substitutable.

The claim that a certain standard of housing is a requirement for meeting a basic human need for shelter, as well as for social and economic participation, seems to fit with the concept of the social minimum. In this sense, housing is important, not just as an end, but as foundational for realising other ends, a basis on which the exercise of a range of freedoms relies. Ensuring that all members of a society can get housing that is adequate in terms of size, amenity and location would therefore seem to be important for justice. There is space within this framework for the notion of ontological security that is often associated with the tenure of private home ownership.

Interestingly, there are parallels between this conception of housing and justice and Sen's notion of 'functionings'. MacLennan (2005, p.9) has argued, for example, that early housing policies had been 'explicitly rooted in the recognition that decent housing was essential to shaping what Amartya Sen would now call the basic capabilities of poorer households to be healthy, engaged in the market economy, socialised and capable of raising families, and so forth'. While MacLennan outlines some of the more comprehensive outcomes housing may be important for, within this framework, it is possible to maintain that securing a certain standard of housing is a requirement of justice because of the mundane functions it enables. That is, housing also provides a place for the fulfillment of unremarkable practices of bathing, toileting, cooking and simply a place to dwell (King 2003a, 2003b, 2005). A tension that arises from the debate over climate change is that these intimate functions are also tied to the emission of greenhouse gases.

Thinking of housing in these terms thus requires going beyond the cost of housing to the substantive attributes of housing. Whichever way it is examined, however (either as a basis for social respect or for achieving ends we deem to be valuable), how people are housed, and therefore, what is deemed adequate, is relative to its social context. To use an example, a house with no internal bathroom or internet connection may have been adequate fifty years ago, but may not be deemed as such in a

contemporary context. The notion of adequate housing as foundational for the realisation of basic functionings also draws attention to the innately intergenerational nature of housing. Housing constructed today will constitute the older housing stock in fifty years' time. If this housing is built to meet the demands of the present climate, it may be inadequate to meet the basic needs of its future inhabitants. The changing standards of housing thus complicate how we adjudicate between claims to housing. Public examination of the substantive attributes of housing sits uneasily within a paradigm wherein how people are housed is cast as an expression of individual choice.

### **Housing and disadvantage**

What should be the basis for the determination of a social minimum of adequate housing? A Rawlsian response to this question would be that the housing needs of the least advantaged members of society should determine the basis of the minimum standard of housing. Likewise, beyond meeting a fundamental need for housing, this distribution of housing should be such that it betters the lifetime prospects of the least advantaged. As such, all decisions about what is just distribution of housing should be based on the needs of the poorest members of society.

### *Housing and capabilities*

One of the core challenges raised by capabilities scholars to Rawls's *Justice as Fairness* is that the social contract he sets out – the two principles of justice – is founded on citizens having capabilities that fall within the 'normal range' (Nussbaum 2002, 2006). That is in order to meet Hume's requirement of the objective circumstances of justice, parties to the original position must have similar mental and physical powers, because the consent to be governed could only reasonably apply if those giving consent stand to benefit from this arrangement. Indeed, it is this sanctioning that allows Rawls to be concerned with the distribution of a narrow and hierarchical range of primary goods (Gardiner 2011a). In effect, however, the needs of those people whose needs fall outside of the perceived normal range are, therefore, not a matter for the social contract.

Defining disadvantage in terms of income and wealth, while important, thus necessarily overlooks the different capabilities people have to translate income and wealth, and other means into ends (Sen 1979, 2009). These disparities are exacerbated by the housing stock that is designed, constructed and located to meet the needs of people in the 'normal range'. Central to Sen's (2009) argument, however, is that justice and injustice are measured not just in terms of the functions or outcomes people are able to achieve, but also how these outcomes are achieved. It matters that people have agency in determining these outcomes: that these outcomes are ways of doing or being that they have reason to value. From this perspective in relation to housing, our evaluations of justice must take into account whether people are able to translate housing into ends that are not just objectively desirable, but which *they* have deemed to be valuable. These issues can be briefly explored by reference to housing and the needs of people with a disability, and the housing needs of an ageing population.

### *Housing and disability*

In Australia, for example, the Productivity Commission (2011) found that housing costs for people with a disability are often greater because they require modifications to their housing. Further, from a capabilities approach, it is possible to identify that people can have disadvantage beyond wealth and income specific to housing. That is, people have different capacity to translate housing into desired ends by virtue of illness, physical impairment and so on; for example, in requiring the assistance of others to carry out basic functions, such as toileting, bathing and cooking, and in connecting people physically to their communities. What is more, people who are less able to leave the home, who don't work, or who are ill are likely to have greater needs for heating and cooling around the home. People with the nervous-system disease multiple sclerosis (MS), are particularly sensitive to increases in temperature, for example, with the symptoms of the disease exacerbated by core body temperature increases of as little as 0.2° to 0.5° (Guthrie & Nelson 1995; Lerdal et al. 1995, Simmons et al. 2001; Summers & Simmons 2009). This sensitivity reduces the capacity of people with MS to carry out everyday activities in the home. As a result, many people with MS use air conditioners to cool their homes during hot

temperatures as a medical necessity, and they are estimated to spend around four times as much on energy than other households (Summers & Simmons 2009, p.3).

### *Housing and ageing*

As people age their ability to use their housing will change. A person's ability to transform their wealth (particularly wealth tied up in housing) also changes, depending on age, mental and physical health, cultural background and the environment in which that person lives. For some people, this ability is tied to changes in mobility; while others who are frailer, may require help with activities such as bathing, dressing, toileting, oral hygiene and cooking. As people age, the greater the likelihood that they will need some sort of care, particularly for those aged over 85 years (Productivity Commission 2011).

The prevalence of certain diseases also increases with age, particularly the prevalence of conditions such as diabetes and dementia. A 2010 study found, for example, that dementia<sup>21</sup> prevalence in people aged 70 to 74 years was 3.5 per cent for women and 3.35 per cent for men; for those aged 85-89 years, prevalence increased to 21.1 per cent and 24.4 per cent for males and females respectively, and to 37.2 per cent and 47.3 per cent for those aged 95 years and over (Access Economics 2010, p.11).

While most Australian households aged over sixty-five years are 'asset-rich', as in they own their own homes, focusing on this is likely to conceal that conventional housing may not be adequate for them, or else they may need the help of other people to get 'ordinary' benefits of their housing. According to the Canadian National Occupancy Standard of housing utilisation, for example, a house is considered 'overcrowded' if there are more than two adults per bedroom, or if single household members over the age of 18 years do not have their own bedroom. Conversely, if a couple or single person lives in housing with more than one bedroom, their housing is 'under-utilised' (ABS 2007). According to this measure,

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<sup>21</sup> The term 'dementia' is used to refer to a range of conditions that impact a person's brain functions, including their capacity for language, memory, perception, personality and cognitive functions, which can lead to a loss of intellect, social skills and emotional reactions (Alzheimers Australia).

84 per cent of housing in which Australians fifty-five years and over live in, which more often than not has three or more bedrooms, is under-utilised (Boyd 2010). Bridge *et al.* (2011) found that often these additional rooms are used for temporary and permanent residents, for visiting friends or family members, or as space for hobbies, exercise or study. As such, they argue that larger houses may ‘play an important role in healthy ageing’. The need for heating or cooling also changes with age.<sup>22</sup>

Research indicates, however, that most people want to stay in their homes, live independently, and to exercise discretion about how they live their lives as they age (Boyd 2010). In other words, they wish to exercise the basic freedoms associated with housing, yet realise these freedoms require some assistance from others.

One of the challenges that Nussbaum (2002) raises to the contractarian approach is that defining the ‘normal range’ of capabilities in practice, is not clear cut. Again, this can be illustrated by reference to ageing and disability. That is, some of the circumstances of people with a disability including those with a profound disability (thus outside of the normal range), are very similar to those experienced as people age (inside the normal range).

[I]f we recognize the continuity between the situation of the lifelong disabled and phases of so-called normal lives, we must also recognize that the problem of care for people in a condition of asymmetrical dependency is vast, affecting virtually every family in every society— every family, at any rate, that has either children or aging parents or lifelong disabled family members or members affected by phases of acute disability in the course of a “normal” life (Nussbaum 2006, p.422).

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<sup>22</sup> The World Health Organization (WHO) sets a temperature of between 18 and 21 degrees as the benchmark for acceptable indoor temperatures. For older people (and those whose health makes them more vulnerable), the benchmark increases by 2 to 3 degrees. In a submission into an inquiry on national energy pricing, for example, the Australian Council for the Ageing (COTA 2012, p. 4) cited the example of deaths of older people during heat waves in the summer of 2009, which increased by 64 per cent as evidence of the importance of being able to heat and cool a home. In addition, it involves modifications to housing. Research by Bridge *et al.* (2012) also found that even for people who do not get diseases, the majority expected to make modifications at some point. Yet almost half (46 per cent) of people interviewed as part of the study felt they were ‘unable or uncertain’ of their ability to pay for these modifications.

As such, analyses of housing and climate change as a problem of justice must be mindful to the different capacity people have to use their housing, now and in the future, as part of their realisation as full citizens.

### **Justice as a process of public reasoning**

As set out earlier, the core tension between housing affordability and environmental sustainability relies weighing the interests of people alive today with the welfare of people living in the future. How people are housed – how housing is distributed, how and with what it is built and constructed and what people do with and in their housing – has implications not only for them. Rather, it has implications for people removed in time and space. If we cannot be said to have obligations toward future generations, then beyond referring to the interests of people in the future metaphorically (in the same way we might encourage a child to clear their plate because children elsewhere have no food to eat), there is little case, from a justice point of view, to justify taking steps to address climate change.

As I have demonstrated, theories of justice suggest that we do have an obligation of justice to future generations who are members of the same sovereign society. As Clements (2012) has argued, for example, the potential consequences of climate change threaten to compromise basic requirements for human life of some of the world's poorest people. The fact that having food to eat, water to drink and clean air to breathe, and protection from the elements are foundational for human survival is an obvious connection between Rawls's concept of the social minimum and what is at stake in the debate over climate change (Clements 2012). Indeed, Rawls's use of Hume's 'circumstances of justice' predicates that without a moderately scarce supply of these resources, the concept of justice itself does not apply. There is, therefore, a *prima facie* case that these basic requirements ought to be protected: as Clements has argued 'climate change threatens livelihoods for so many, so protecting these people takes on particular urgency in Rawlsian analysis' (2012, p.151). Further, while wealthy industrialised nations, such as Australia, are the major contributors to climate change, some of the worst impacts of climate change are predicted to be experienced by people who do not live in Australia but in the world's poorest countries.

As such, the crux of the affordability and climate change problem is its intergenerational and international dimensions. By examining housing as a question of intra-generational distributive justice we can go some way to understanding what ought to be protected in taking steps to address climate change. At the same time, however, it is important to recognise the limits on the sorts of claims that the principles of justice are designed to adjudicate between.

As set out in *Chapter Three*, however, theories of justice provide not only principles to guide evaluations of justice, but also conceptualise justice as a process of reasoning. For instance, Rawls provides the method of wide reflective equilibrium in which we seek to align our judgements or intuitions, the principles that govern these judgements and the theoretical considerations that bear on accepting judgements and principles. Using this method, judgements about justice are defended on the basis of their internal coherence rather than on claims to their truth. Importantly, however, as discussed in *Chapter Three*, Rawls felt that there must be something more than internal coherence in defending moral and ethical claims. These claims must be tested and potentially revised through encounters with new problems and alternative conceptions of justice, such as the intergenerational issues that arise from the climate change debate.

Beyond achieving wide reflective equilibrium, the other aspect of justice as a process is that it is a deliberative public process. For Rawls, as all citizens are to be governed by the same implicit social contract, the terms of which are determined through public reasoning, then it is only fitting that all citizens play an equal part in determining the terms of this contract (as representative persons in the original position). As discussed in *Chapter Three*, in order that this process is not skewed to favour some members of society over others, Rawls uses the device of the veil of ignorance. The veil forces the parties to the original position to imagine that they may belong to any social or economic class, or indeed any generation of that society. As such, justice is not only as a process of reasoning in which people fend for their own interests, but in which we think of the self as the other. I argue that this idea, whereby justice relies on reasoning *as if* we were in someone else's situation, is a

common thread between theories of justice and I refer to it as justice relying on moral imagination.

*Justice in a non-ideal world*

Part of Rawls's defence of the device of the original position is that while it is a hypothetical, it was empirically realistic (in contrast to Kant's metaphysical conception of the Kingdom of Ends). One of the key challenges that both Sen and Sandel raise is that while Rawls approach is highly commendable, as a process of public reasoning, justice cannot be limited to the realm of the ideal, or as an academic or theoretical exercise. Rather, reasoning about justice – what is the right thing to do – must take place in the real world and deal with the imperfect realities of that world. Take, for instance, Sen's example of the perfect artwork: knowing that the *Mona Lisa* is the ideal painting does not really help in determining whether a Picasso painting is better than one by Salvador Dalí (Sen 2009). To this end, Sen argues that we must find ways in actuality to increase the voice of as many people as possible in debating how to advance justice. Similarly, Sandel argues we must create the conditions for reasoned debate over what is just (though with the important caveat that this should not eschew debate over the content of the ends that people seek) (Sandel 1998, 2009). From this view, determining what should be done about housing affordability and climate change requires better public deliberation over what matters in terms of housing and what we owe each other.

The key challenge that housing affordability and climate change raise with regard to conceptions of justice is that people in the future cannot practically participate in public debate over what should be done to address climate change and the impacts on how people are housed. In this way, there is an insurmountable asymmetry in the relationship between present and future generations, which cannot be overcome by increasing voice for certain members of society.

Determining what should be done about housing affordability and climate change requires a process of public reasoning in which present generations make decisions on behalf of people living in the future, as if we were in their situation. Rawls's use of the veil of ignorance suggests that in practice, there are certain civic conditions in



which we are better placed to think in these terms. As such, the test that debate over climate change brings to the fore is to what extent do our social and political institutions including the rules governing these institutions, but also the political culture these are tied to, encourage moral imagination.

Gestures to the welfare of future generations, as evidenced in Australian environmental policy discourse, imply a readiness to engage in debate on these terms. Most prominent amongst these were former Prime Minister Rudd's assertion that climate change is the great moral challenge of our generation, and Prime Minister Gillard's claim that introducing a carbon tax was 'the right thing to do' (Australia, House of Representatives 2011a, p.1419). Yet the chasm between this rhetoric and the evidence suggesting potentially grave impacts on future generations of unmitigated climate change on the one hand, and the depth of the policies implemented to address climate change on the other, seem to signal the vulnerability of this idea to present vested interests. As such, perhaps what justice theories draw to the fore, most prominently, is a failure of ethical leadership, particularly in terms of civic virtue.

## **Conclusion**

In this research I aim to contribute an analysis of the tensions between housing affordability and environmental sustainability as a problem of distributive justice. This chapter contributed to this aim by addressing *Research Question Two*: 'what are the tensions in how 'what matters' and 'who matters' have been framed in Australian housing policy?' and *Research Question Three*: 'what is the right thing to do?' I argue that while the core tensions between housing affordability and climate change debates are intergenerational, justice requires that analysis of this problem begins with the justness of current social and political arrangements. In turn, however, reckoning with the intergenerational dimensions of how people are housed and how to address the threat of climate change, relies on a process of political culture and leadership that fosters the space in which people are encouraged not only to set out and pursue their own interests, but also to reflect on and defend, the interests of others.

Framing how we are housed and the challenges of climate change within the narrow metrics of an economic problem, within a broader view of politics and justice as economics by other means is inadequate for this task. It overlooks how these economic outcomes are realised, whether they are things that people value, and at what cost they were achieved. It is inadequate for addressing questions of the adequacy of housing in terms of size, location, amenity and what people need to translate this housing into meaningful ends. Perhaps most importantly, however, this paradigm provides an inadequate language with which to express the moral concerns underpinning housing and climate change.

## CHAPTER SEVEN: CONCLUSION

The purpose of this chapter is to demonstrate how I have addressed my research aim by confirming the key insights of this research, to outline some limitations of the research and suggest areas for further research.

### **Restatement of the research aims and questions**

Through this research I have sought to contribute to knowledge insights into what Australian governments *ought to do* with respect to housing, affordability and environmental sustainability, with a specific focus on climate change. As such, the outcome of this research is a proposal for how we might think differently about housing, as well as insights into what answers this different approach may yield. In this way, the core contribution of this research is not an account of which particular policy is more or less just. Rather, its contribution is in its challenge to the ubiquitous use of the economic paradigm in *processes of public reasoning* about how people ought to be housed. By showing how reasoning about justice is stifled when its only objects are instrumental gains, self-interest, and the narrow paradigm of economic costs and benefits.

I have pursued this aim through the examination of three research questions. My principal research question is ‘what is the right thing for Australian governments to do about housing affordability and sustainability?’ Implicit in this question is that the goals of housing affordability and addressing climate change conflict in some ways. I posed, therefore, two subsidiary research questions to test this assumption. These questions are:

- i. How have ‘what matters’ and ‘who matters’ been framed in Australian housing and environmental policy? (RQ 1)
- ii. What are the tensions between how ‘what matters’ and ‘who matters’ have been framed in Australian housing and environmental policy? (RQ 2)

The theoretical foundation for this research is drawn from the field of political philosophy in particular, the John Rawls's right-based theory of justice and Amartya Sen's capabilities-based approach. Through addressing these problems, these questions set the empirical policy foundation for the research.

## **Key insights**

### *The challenge of sustainability for housing policy*

With respect to *Research Question One*, I have found that as a concept, housing affordability implies that for how people are housed, *who matters* is the household, while *what matters* is the cost of housing (as measured in mortgage or rental payments) in relation to a household's income. This relationship is played out in measures of housing affordability, such as the '30/40 rule' and the 'deposit gap' measure. Furthermore, being concerned with how housing is *distributed*, implicit in the concept of housing affordability, is the private market distribution of housing. The use of the concept is in keeping with the neo-liberal economic paradigm, wherein the role of government is to ensure the more efficient operation of the market in the face of market failure. As a result, the use of the housing affordability concept provides little room for consideration of other, substantive aspects of housing, such as its amenity, location or what people can do with and within it. Nor does it provide space to interrogate *why* such a distribution takes place and whether this distribution is just.

While housing affordability is the dominant paradigm in Australian housing policy, its narrow remit does not reflect the full range of claims about what and who matters, which have emerged in the Australian housing debate. While some of these concerns relate to the cost of housing, some have little to do with it at all. These claims include, for example, that access to housing, irrespective of whether it is owned or rented, is important for meeting a basic human requirement for shelter, while the distribution of private home ownership in particular, is important for wealth distribution. Further, housing is tied to the aspiration of private ends, providing a place for the realisation of routine and everyday practices. Finally, the focus on individual households implicit in the housing affordability concept overlooks the longstanding and elevated status that private home ownership is ascribed in policy

narratives of Australian national identity, as explicit in the promotion of private home ownership as the ‘great Australian dream’.

Claims about what is at stake in environmental policy traverse a range of impacts that directly and indirectly affect how people are housed now and will be housed in the future. The claims about who matters and what matters in Australian housing and environmental policy (as it affects how people are housed) thus conflict in several ways. Primarily, these tensions centre on the differing accounts of how people are housed: as a private matter, a private end and as a means to private ends, situated in a national space (policy debate over affordability) against the notion that how people are housed is tied to factors beyond their household indirectly affecting people who may be far removed in time and in space (policy debate over climate change).

As such, notions of housing as a basic human requirement, of private home ownership as a form of wealth distribution, and of the importance of the private space that housing provides, are set against the more diffuse indirect and uncertain whole-of-system risks of climate change. This conflict is brought to the fore by the realisation that taking steps to address climate change, through regulating for increased energy efficiency standards in newly constructed or significantly renovated housing, or through the introduction of a carbon price mechanism, will affect the cost of housing.

I have drawn these insights initially through critical analysis of the concepts of housing affordability and environmental sustainability (as applied to housing). I have then further tested these through the analysis of policy narratives spanning from the mid twentieth century to 2010, as set out in *Chapters Four and Five*.

*The need to think differently about housing as a policy problem*

In the two policy discourses I have examined in this research – housing affordability and environmental sustainability – we are led to think about the problems of policy as economic. This paradigm stymies the complex and plural claims that arise in policy debate. Its deployment tends to rely on reducing these claims to the narrow metrics of costs and benefits, assumes these plural claims are therefore substitutable, or else pushes to the periphery of debate those concerns that do not fit this

framework. As such, approaching the question of what should be done through this lens does not do justice to the range of claims that actually arise in debate, and for the range of issues that are important to justice.

A more fruitful analysis of what is the right thing to do about affordability and sustainability can be realised by questioning the relationship between how people are housed and (i) the distribution of primary goods (as drawn from *Justice as Fairness*), and (ii) whether people can convert this housing into ends they have reason to value (as drawn from Sen's *capabilities* approach), as I have set out in *Chapter Three*. Addressing these questions widens the remit of 'housing' policy analysis to include matters such as the overall distribution of wealth, not just the distribution of housing wealth. It also puts pressure on taken for granted and implicit goals of housing policy, especially the elevated status of home ownership, by subjecting these goals to critical scrutiny. This alternative approach thus challenges existing ways of thinking about problems and deeply embedded claims about what and who matters by exposing these ideas to explicitly normative criteria.

From this analysis, one of my insights is that the goal of private home ownership – and therefore the legitimate – does not hold special status in relation to justice. That is, there is little ground on which to argue that Australian governments *ought* to secure private home ownership for all citizens, and that a society without such a distribution is necessarily unjust. Rather, what matters from a Rawlsian perspective, is that in the first place, a basic standard or 'social minimum' of housing (irrespective of whether it is owned or rented), sufficient to meet the basic needs of all citizens, is secured for all. Furthermore, the overall distribution, not just of housing wealth, but all forms of wealth and income (which includes the distribution of wealth tied up in mining of natural resources, and raised in the debate over the Resources Rent Tax) must be designed to work to the benefit of the least advantaged members of society. At the same time, determining the just distribution of housing must account for the differing capabilities that some households have, for reasons *beyond* income and wealth, to convert this housing into ends they have reason to value. In this way, determining what is the right thing to do about housing, requires a widening of the field of 'housing' policy debate beyond how people are housed *per se*.

*Insights into how we think about justice*

Approaching housing affordability and sustainability (as climate change) as a normative problem involves more than aligning principles and theories of justice to the claims that arise in policy debate. This is because determining what is just involves evaluation of the process of public reasoning that gives voice and legitimacy to these claims and principles in the first place. Rawls, for example, sets out the rules of this process in the thought experiment of the Original Position, wherein citizens determine the rules to govern the just society, from behind a veil of ignorance, which conceals their status in that society. While Rawls, Sen and Sandel offer differing conceptions of how this process may be done, they agree that it should be open to the interests of a wide array of interests as possible.

One of the unexpected insights from this research is that approaching housing affordability and sustainability as a problem for social justice also puts pressure on the assumption that self-interest should exclusively underpin justice as a process of public reasoning. If we are to take seriously the claim that the welfare of future generations is important, then justice as a process of public reasoning cannot be underpinned by self-interest. Intergenerational relationships are by their very nature asymmetrical, and as such intergenerational justice requires a process of public reasoning in which citizens act *on behalf of* and are stewards of the better *interests of* others who cannot do the same in return. This is what I have referred to as ‘moral imagination’. Such an approach implies a greater demand on the role of governments for ethical leadership, than the management of market failure.

**Limitations**

Three obvious limitations of this research concern its focus and method. In terms of the focus on the research, I have limited this study to examination of the tensions between climate change and housing. Yet climate change and energy use in particular, is only one element of the housing-sustainability nexus. As such, further research might examine other dimensions of sustainability such as water.

For the most part, my analysis of Australian policy has relied on published documents. I have therefore assumed that these provide an adequate reflection of policy developments. In hindsight, my analysis of these developments, and especially core claims about what matters and who matters, may have been enriched or have yielded different insights if I had tested my findings from the policy literature with other empirical methods, such as interviews with policy actors, party politicians and public servants.

### **Areas for further research**

I have already noted that further research might examine other dimensions of sustainability in relation to housing. Early into the project, I had assumed that by examining housing affordability and sustainability in terms of social justice, this research would yield a categorical list of better or more ‘just’ housing policies. As I have detailed, from engagement with the work of Rawls, Sen and Sandel, I have realised that what is critical to justice is the *process of public reasoning* through which the questions about what is the right thing to do are addressed. Further research may seek actually to design and establish institutional arrangements, which enable the processes of public reasoning that provide room for ideas beyond the narrow confines of the economic paradigm to take place. Such research may include analysis of the role of political parties and politicians, as has been a focus in this research, but analysis could also extend to the role of the public service.

If former Prime Minister Kevin Rudd was correct in his 2007 declaration that climate change is the ‘greatest moral, social and economic challenge of our time’, then working out what should be done with respect to housing affordability and environmental sustainability requires new ways of thinking about how people are housed as a problem for policy. This process of public reasoning about the role of housing in a just society must expose tacit and explicit views about the role of home ownership and what is deemed to be adequate housing to critical examination. This means moving beyond seeing housing and climate change as mere questions of economics, to questions about what we owe to fellow citizens and to people living far removed in time and space.



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