



Wage Theft's Hidden Architecture: How CPI, Speculation, and Land Monopoly Strip Value from Australian Workers

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Australia's wage crisis is obscured by an inflation measure that excludes the fastest-rising cost in the economy: land. By omitting land prices, the Consumer Price Index masks the true decline in real wages and misdirects policy toward labour restraint rather than structural reform. Drawing on Henry George's *Progress and Poverty*, this issue argues that rising land values function as a systemic transfer of income from workers to landowners, amounting to a modern form of wage theft. Recognising land rent as socially created value, and taxing it accordingly, is essential to restoring fairness, reducing speculation, and aligning economic progress with shared prosperity.



When Statistics on the Cost of Living Are Hokum

Australia’s official inflation measure, the Consumer Price Index (CPI), tells a comforting story: living costs have risen, but not catastrophically; real wages appear stagnant but not collapsing. Yet this narrative collapses the moment we examine the one cost that dominates household budgets: **land**. As the recent analysis in *The Australian* argues that CPI systematically **excludes land prices**, thereby masking the true erosion of purchasing power. When land values soar while wages remain flat, workers are not merely “falling behind”—they are being **stripped of the wealth they create**.

Henry George diagnosed this dynamic with prophetic clarity in *Progress and Poverty*. He showed that when land values rise faster than wages, the gains of economic progress are captured not by labour or enterprise but by **landowners who contribute nothing to the production of that value**. In modern Australia, this dynamic has reached its apex: land speculation has become the dominant mechanism of wealth accumulation, while wage earners shoulder the costs.

This is not a neutral market outcome. It is **systemic wage theft on a national scale**.

Australia’s wage crisis is often framed as a puzzle — a stubborn economic anomaly in which wages appear stagnant despite decades of economic growth. Yet the mystery dissolves the moment we examine the statistical machinery used to measure living costs. At the centre of the illusion lies the Consumer Price Index (CPI), a metric that purports to track inflation but systematically excludes the largest and fastest-rising cost in the economy: land. Once this omission is understood, the apparent stability of “real wages” is revealed as a statistical mirage, masking a profound transfer of income from workers to landowners. Henry George diagnosed this mechanism in the nineteenth century; Australia is living its consequences in the twenty-first.

The CPI Illusion — How the Numbers Camouflage the Theft

CPI measures the cost of housing only through construction costs, rents, and maintenance — all of which lag behind or obscure the true driver of housing inflation. It does not measure land prices, mortgage principal (which is overwhelmingly the price of land), or the capitalised value of future land rents. As a result, CPI reports only modest inflation even as the price of access to land has exploded across every major Australian city.

This statistical blind spot has profound consequences. Because CPI excludes land, “real wages” appear flat or even slightly rising. Policymakers conclude that wages are not the problem. The public is told to tighten belts, boost productivity, or accept wage restraint. Yet when land costs are included, the picture is stark: the median worker must now work far more hours to secure the same access to land their parents or grandparents enjoyed; the share of income absorbed by housing has doubled or tripled; and whatever wage gains workers do achieve are swallowed



whole by rising land rents. This is the silent mechanism by which labour's share of national income is transferred to landowners.

Henry George's Framework: Rising Land Values = Falling Wages

In *Progress and Poverty*, Henry George articulated a universal law: as land values rise, wages fall — not necessarily in absolute terms, but relative to the wealth workers create. The logic is simple. Land is a monopoly. No one produces it. Its value arises from population growth, public infrastructure, community activity, and natural advantages. Rising land values therefore represent wealth created by society, not by landowners.

Speculators capture this socially created value. When land prices rise, landowners enjoy windfall gains while workers face higher rents and mortgages. Businesses pay more for commercial space, reducing profits and suppressing wages. Governments face higher infrastructure costs, diverting public funds away from services. Every dollar flowing into rising land values is a dollar diverted from wages, investment, or public benefit — an opportunity lost to the entire economy.

George's insight into the "margin of cultivation" explains how speculation depresses wages across the board. Wages are set at the margin — the least productive land still in use. When speculation withholds land from productive use, the margin is pushed outward to less desirable, less productive locations. Rents rise, land values inflate, and wages fall relative to the wealth workers generate. Speculation manufactures artificial scarcity, forcing workers to accept lower wages in an economy that appears to be growing.

The Modern Australian Expression — Wage Theft by Landlordism

In contemporary Australia, this dynamic is unmistakable. Workers produce value through their labour, yet their wages rise slowly while the cost of access to land rises rapidly. The gap between wage growth and land price growth is extracted directly from workers' incomes. This is not metaphorical theft; it is structural theft.

Mortgage payments illustrate the point. Most of a mortgage is not payment for a house — a depreciating structure — but for the land beneath it. Workers pay land rent to banks; banks pay interest to depositors and shareholders; and the landowning class grows richer without producing anything. This is the modern form of the "unearned increment" George condemned.

CPI hides this transfer. By excluding land, it renders the theft invisible. Policymakers misdiagnose the problem. Central banks target wage inflation instead of land inflation. Governments tax labour and enterprise instead of land rent. The result is a system that punishes production and rewards speculation.



The Moral Dimension — Theft by Either Law or Credit

For George, economic injustice was not merely inefficient; it was immoral. Land value speculation appropriates community-created wealth, forces workers to pay for what they themselves create, entrenches inequality across generations, and converts the natural world into a private tollbooth. Wage theft in modern economies is not primarily the work of individual employers but of the economic structure itself — a structure that allows private appropriation of socially generated value.

The Georgist Remedy — Ending the Theft

The remedy is as clear today as it was in George's time.

A land value tax (LVT) would capture the unearned increment, return socially created value to the community, remove the incentive to speculate, lower land prices by eliminating the capitalisation of untaxed rent, and raise wages by freeing land for productive use. Including land values in inflation metrics would reveal the true decline in living standards, expose the transfer from labour to landowners, and force policymakers to confront the structural cause of wage stagnation. Most importantly, restoring land rent to the society that generates it would realign progress with prosperity, ensuring that economic growth lifts all boats rather than enriching a privileged few.

Conclusion — The Hidden Architecture of Wage Theft

Australia's wage crisis is not a mystery. It is the predictable outcome of a system that excludes land from inflation measures, taxes labour instead of land, rewards speculation over production, and allows private capture of community-created value. Land value speculation is not merely a distortion; it is the primary mechanism by which wages are stolen in modern economies. Henry George saw it clearly in the nineteenth century. We are living its consequences in the twenty-first. The remedy remains the same: tax land values, free labour and its employment of capital, and return the wealth of the community to the community that produced it.

Sources:

George, Henry. *Progress and Poverty: An Inquiry into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth.* New York: Robert Schalkenbach Foundation, 1879.



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<https://www.theaustralian.com.au/business/economics/how-cpi-masks-our-real-wages-horror-story/news-story/f81fed2f05d5f9b70f3876343be2b651>.

UPDATES

***Free Activities at the
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April:

Courses: Political Economy. Fundamentals

Saturday 18th April 4:00 – 5:30 pm.

May:

**Political Economic History of Thought & Development II.
Early Globalisation & Political Revolution 1519 - 1848**

Monday 4th May 7:00 – 9:00 pm.

(Repeat) Saturday 9th May 4:00 – 6:00

Reading Course: *Condition of Labour I*

Monday 18th May 7:00 – 9:00 pm.

(Repeat) Saturday 23rd May 4:00 – 6:00

**Sydney Open Forum/Georgist Seminar:
A Post-War Multipolar World**

(Speakers & Wednesday date to be announced next issue)

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