

HOUSE PRICES

Several suggestions for solving the housing problem and encouraging building have become popular. Unfortunately all of them are doomed to failure unless we can stop the ever-increasing rents and prices demanded for the use of land.

One suggestion has been the large-scale building of prefabricated houses. However, the inevitable result of any increased building activity is to increase the demand for land. Land prices would rise and cancel out the benefit of building economies. All attempts at helping young couples by increasing mortgage facilities, lowering interest rates etc., increase the demand for land for new houses and consequently raise its price.

The charges made for the use of land will never be reduced until we remove the causes of artificial land scarcity. This scarcity arises because property users are paying progressively higher taxes, whilst property held idle or badly used pays little revenue by comparison, no matter how valuable it might be. All producers, workers and pensioners are paying an ever-increasing burden of income tax, sales tax, payroll tax, stamp duties, road taxes, etc. On the other hand, site values are being exempted more and more from taxation by State Governments despite ever-increasing site values.

In consequence, much valuable land and property is held out of use or is badly used even in the most densely populated towns. The competition amongst intending purchasers and tenants for scarce property forces property prices and rents up to high scarcity levels.

The only solution is to reverse this process by encouraging land and property owners to develop fully and to compete for tenants and purchasers through radical tax changes.

If, instead of taxing production, the full annual value of all sites was collected for public revenue, property owners would expand building development and compete for tenants and purchasers to such an extent that land prices would drop dramatically and

rents charged would reflect building costs and not situational values. To attract tenants, property owners would improve the quality of buildings and provide more garden space and communal facilities. On the other hand, property owners would no longer be faced with high income, profits, payroll taxes, etc.

No other suggested remedies for speeding up housing accommodation and lowering house prices and rents can work until this basic tax reform is introduced.

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