

RATE RISES VERSUS LAND PRICES

Rates are in the news again, as councils strive to keep rate rises below the annual increase in the CPI.

Unfortunately, success in that endeavour will only prolong the recession or make it worse, because rates are only one side of a very important equation.

The other side of that equation is land price, and if rates rise more slowly than inflation, then land prices rise more swiftly than either earnings or the price of goods and services. That pushes property prices up, adds to mortgages and to the amount of interest paid, and creates homelessness and unemployment by driving potential home owners and employers from the real estate market.

Low rates allow landowners and investors to withhold idle or under-used land from prospective purchasers or tenants, while waiting for prices or rents to rise. This creates an artificial scarcity of land and adds further dollars to the price of many sites.

Low rates also create anomalies in valuations, with the price of some land being even more inflated than the price of other land, depending on its attractiveness to investors from home and overseas.

Australians have a choice – high rates and low land prices or low rates and high land prices.

A sharp increase in rates, accompanied by a substantial lift in the threshold for income tax, would bring land prices and mortgage costs down, give the building industry a boost, foster self-employment and the creation of small businesses, and allow more Australians to own the land on which they live and work.

The alternative (low rates and high land prices) favours the wealthy (including multi-national corporations and absentee landlords) who can more easily pay a high capital price for land. Therefore, protests against rate rises help turn Australia into a banana republic, with a few rich landholders and a multitude of landless poor.

For prosperity, we must protest against income tax, sales tax, petrol tax, consumption tax, etcetera, and support a steep increase in rates, accompanied by measures to ease any distress thereby imposed on pensioners and the farming community. That is the only way to overcome the recession, and keep Australia in Australian hands.

Dr. Les Hemingway,
"Warrnambool Standard",
13/10/92.