

Editorial *by Karl Fitzgerald*

This edition features a report by Bryan Kavanagh on the implications of high land prices. It positions readers with a long-term perspective for how the Australian economy will perform over the next few years. But to look forward we must learn from the past and it is here that Bryan's report excels.

The Wallis chart will be an eye-opener for many. It shows that property taxes in America at times made up more than 40% of all revenues up until 1933, but have now been relegated to less than 10% - as in Australia.

Perhaps the most outstanding contribution in the piece is the socio-economic analysis provided in the Kavanagh-Putland Index (produced in conjunction with colleague Dr Gavin Putland). We all criticise politicians for doing this, or not doing that; we occupy Wall Street; we riot in Paris. Can Australia offer the conclusion that we are ultimately driven by how comfortable we are feeling about the level of mortgage debt we are carrying?

After 27 years of continuous growth and the Reserve Bank sitting on their hands for 28 consecutive meetings, many now understand that interest rates are dead in the water as a counter-cyclical measure. If interest rates increase, they will crash the market. If they are further reduced, we may well see further property speculation. Have policy makers learnt?

My colleague Emily Sims and I recently visited Parliament House, Canberra where we met with five MPs and their officers. This was based on the political expediency of the *Unspoken Alternatives to Expensive Housing report* featured in the previous edition of *Progress*. We received a response from the office of the Opposition Treasurer Chris Bowen within hours of sending a meeting request. Liberal MP John Alexander was a standout, with his knowledge of Land Value Capture and his wonk-like ability to reel numbers and policy strategies out one after the other. Some MPs really are thinking!

We tied these meetings in Canberra to the Australia Institute's *Revenue Summit*. There we heard Richard Denniss postulate how tax revenues don't matter much - 'you have to figure

out the spending first'. Georgists may well choke on such thinking, rightly critiquing that taxation is not only to raise revenue, but to improve economic behaviour. Respected economist Bob Gregory (ANU) pointed out that the fall in indirect taxes and company taxes post-2000 indicates that income taxes must increase in the future.

With the pressures of climate change and the commodification of land driving inequality, we expect politics to become more radical. Taxes on monopoly rents will have to increase - rather than income taxes, Bob!

Philip Soos was featured on *Renegade Economists* episode 570 where he highlighted his favourite forecasting tools. Alongside annual real estate sales growth (the KPI index), Soos mentioned the importance of the debt accelerator, auction clearance rates, and sales to new listing ratios. The science of economic analysis is genuinely improving in the world of heterodox economics. And the mainstream?

Philip has kindly offered Prosper supporters free access to the 810 page *Bubble Economics* ebook that he co-authored with Paul Egan. Talk about summer reading - visit the prosper website!

News regarding *Renegade Economists radio* is that after 573 shows over 11 years the show will scale back. It's time to focus more on research and video production. December 19th will be the last weekly show. The show will go monthly from February 2019. A recent comment from a show-highlighted the cry of humanity.

All my life I have observed creative people unable to create due to not owning land.. i yearn to grow food...to be able to be with the soil...but how ? I live in a bus to avoid the rental costs but must always move on....i see large tracts of land owned by one old person....a few animals graze where i could create a garden of Eden....creativity and the gifts of good people lie fallow because we cannot secure a place on Earth to growwhat can we do ? I seek a way.

This edition is crafted for just such a pathway.