Editorial

Dear readers,

I want you to look at the back page graph to remember why this is such an important story. It quickly paints a picture that Australian land prices are out of control. The 1999 halving of the capital gains tax opened the door to rampant land speculation. A decade on, the aggressive GFC stimulus package, which included six interest rate cuts in 7 months, slashed interest holding costs for property owners by 142%.

November 2010 was the last time interest rates increased. Remember back then when we thought surely the world wouldn't risk another property bubble? Despite land prices increasing by $683.5 billion in 2016-17 - the most on record, the RBA held interest rates steady for nearly 3 years, as land prices continued to unhinge from reality.

Then the correction. In 2018-19 land prices fell by twice as much as during 2009's GFC. So the RBA cut twice, followed by another 4 occasions during the 2020 pandemic, shrinking holding rates by another 93.3%. With governments routinely throwing everything they can at the property market, we can only hope land prices don't increase beyond previous records.

The graph tells us why the 2000s really were called the noughties. During the decade following the CGT halving, land prices flew at 12.6% p.a. As wage stagnation kicked in alongside the 4 year GFC moderation, land values increased by a more moderate 4.9% over the 2010-20 decade.

What the graph forecasts into the future is even more pertinent. If we take the last 10 year growth rate and forecast that over the next 5 years to 2026, national total land prices could increase by 33.3%, or by $2 trillion to $8.2 trillion.

Considering this is the growth phase of the 18 year cycle, if we forecast based on the last 20 years of growth (8.7%), land prices may increase by just over $4 trillion to more than $11 trillion, a 64.9% increase in the next 5 years.

In the current political climate, with a mix of wealthy expats returning en masse alongside what may become a lucrative trade in golden visas for wealthy immigrants, these forecasts may not be far off the mark.

I spell this out to remind of the significance of Prosper's work. We know that such an increase in land values will enable greater credit creation, burdening recent mortgagees with ever higher repayments. With the RBA recently leaking that a 1% fall in interest rates could likely increase property prices by 30%, these forecasts are further reinforced.

Now we have that big picture story in place, this edition addresses many of the issues society faces with a sense of coherence. Bryan Kavanagh looks at how two popular current economic policy movements, UBI and MMT, are enhanced when counter-balanced by Land Value Taxation. Fred Harrison gives us a chilling reminder of the need to align the responsibilities of government with our moral code. Next we venture into a chapter from our 10th Speculative Vacancies report, revealing further flaws in trickle down land and housing supply policy. Why is trickle down economics ridiculed everywhere except in housing (read:land) policy?

The recent Capitol Hill invasion (USA, Jan 6) reflected the lack of faith some have in democratic practices - when it suits them. Long time supporter Kidane Hiwot (Ethiopia) writes on the importance of sovereign nations aligning resource beneficiaries with the promises of a nation's constitutional platform. Similar to Harrison, without such consistency, the integrity of the system unspools over time.

Following his recent passing, Prof Mason Gaffney deserves the highest honouring. His *Economics in Support of Environmentalism* winds effortlessly through so many issues to dig into root causes. Such wit alongside such considered thought, we will miss you dear Mase.

Throughout this edition you will note the adaptive nature of Georgist theory and how integral it is to rebuilding faith in governance, particularly through its ability to appeal to both right and left.

Enjoy!