

This brief contribution to Treasury's inquiry into Increasing the Supply of Affordable Housing is made in order to present an important point that will likely be ignored by other submissions.

With no further building construction activity, the supply of housing in Australia would increase overnight were governments (of any persuasion) to act upon the following:-

The price paid for a piece of land is *not* mainly dependent upon its zoning, size, shape, topography, proximity to facilities, nor its **supply**. These criteria are important, of course, but they are very much secondary to the quantum of the site's land rent that is captured by governments by way of municipal rates and state land taxes.

If the *whole* of the annual rent of a piece of land were captured for public purposes—to enable taxes to be retired concomitantly on *productive* activity—land price would notionally decline to *zero*. The site's rental value would remain, of course, but its actual price would disappear were its rent to be completely captured by government, because no land rent would remain to be privately capitalised into a land price. Although trained real estate valuers may appreciate this principle, the 'lack of supply' argument is the only one put forward in economic analyses concerning "high housing prices" (read **land** prices). Hence, this informational void and the under-taxation of land values have acted to foster Australians' speculative investment in land - to an even greater extent than the privileges provided to investors and speculators by way of 'negative gearing' and capital gains discounts.

Due either to educational ignorance or political subterfuge, few people are able to accept that it is **privately-capitalised** land rent which actually constitutes land price. This is unfortunate, because it carries significant implications for making housing more affordable for future generations of Australians.

It flows from this particular understanding that if more land rent is taken by local and state governments than is now captured in Australia, land prices must decline and 'housing' must become more affordable.

I trust Treasury's hearing will appreciate the point.

It may be a secondary consideration that, as land value capture carries no excess burden, it offers the opportunity also to retire some of those inefficient taxes having [an excess burden of some \\$2.34 for each dollar of tax levied](#).

Yours sincerely,

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