# THE WAY OUT OF OUR CURRENT ECONOMIC MESS

Australia's economy is in dire straits. We are still in the depression "we had to have" (according to P. Keating, whom some misguided individual dubbed as the world's greatest Treasurer, and whom now the Labor Party has promoted to Prime Minister). Many would regard our present situation more as a depression. However, for the 10 per cent plus who are unemployed, for the thousands whose businesses have gone bankrupt, and for the hundreds of thousands of Australians falling into poverty (the vast majority through "economic" circumstances rather than their own fault), this is a matter of semantics.

The Federal Labor Party is manifestly inept. All it can do is to utter some pathetic expression about some vague sign of the economy turning the corner; this is usually negated within the next month.

The Coalition offers its "Fightback" package. Although involving the elimination of seven of our current 70 plus taxes, it involves the introduction of a 15 per cent GST on most articles and services in daily use. (GST, though officially the goods and services tax, has more aptly been named as the Grief and Sorrow Tax.) In view of the political setback to the parties in New Zealand and Canada which introduced it in those nations, the political naivety in proposing this measure is incredible.

No wonder the voters of Wills at the recent Federal by-election returned Phil Cleary. No wonder the polls are indicating major shifts to the Democrats and to Independents.

The major element lacking attention in the current political/economic debate is the high price of land.

Yet, as was shown in our May issue, with the exception of the price of cereal land (i.e. remote rural land), land prices in all other categories rose faster than the consumer price index and average male earnings during the 1978-88 period (i.e. during the "boom" that produced the current "bust").

In the same issue it was shown that, while in 1968, the average after tax income corresponded to 1¼ times the average price of a Melbourne home site, for 1988 the ratio was 2½. Yet is this issue ever recognized by the housing and welfare lobbies?

Likewise, it was shown that if the principal in a typical housing loan could be cut by one-quarter to three-quarters (notably by lowering the price of land), the interest payout required could be reduced to (not by!) one-fifth (actually slightly under).

The sovereign remedy for our current economic ills is to draw community revenue from community created site values, while lowering taxes on earnings, commodities and consumer services. This will lower land prices *and* commodity prices, and increase real wages. Site rent revenue could potentially top 25% of the gross national product, but without distortion, without a cumbersome revenue-producing apparatus, and with the result of prosperity combined with equity.

The human cost of the current "recession" is an utter tragedy. The time for tolerating the shortsightedness of vested interests is long past.

G.A.F.