

Government red tape puts us in house bind

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Herald Sun 4th February, 2011

According to the English humourist Auberon Waugh, the urge to pass new laws must be seen as an illness, not much different from the urge to bite old women.

Perhaps Julia Gillard recognised this in abandoning the cash-for-clunkers scheme.

Designed to reduce greenhouse gas emissions, this was to give new car buyers a \$2000 rebate to scrap pre-1995 cars.

Premature scrapping of serviceable older cars creates a used-car shortage, and this raises the prices of used cars that are mainly bought by younger and poorer people. Giving cash for clunkers would have allowed politically powerful people to parade a phony environmental sensitivity while getting others to pay the cost.

It is not the only example of such hypocrisy.

Self-selected political elites also use environmental concerns to prevent housing developments. Even though urban land comprises only 0.5 per cent of Victoria, and even less for Australia as a whole, regulations restrict city growth.

This creates housing land shortages, increases the cost of land for housing and inflates new house costs.

People without their own homes lose out. But existing homeowners benefit from increased house prices and can therefore have much to gain from supporting planning restraints in the name of environmentalism.

Last week, the think-tank Demographia released price data for detached housing in 325 housing markets in seven countries. Prices in Melbourne and the rest of Australia were, except for land-starved Hong Kong, the highest among the countries examined.

The analysis showed that to buy the average Australian house in Sydney, Melbourne, Adelaide or Perth required 7.1 years of the average household's income (nine years for Melbourne). For comparable US cities, it is 3.3 years, and in Britain, where houses are smaller, 5.1 years. For the sample of 82 world cities with populations over one million, Melbourne's house prices are the 79th highest (Sydney's are 81st).

Demographia demonstrated that government planning restraints creating a scarcity of housing land were the overwhelming cause of Australia's high prices.

Self-proclaimed housing experts have denied that high housing prices in Australia result from our planning and regulatory system. Some have said high prices in Australian capital cities are seen in all seaside cities.

Yet house prices in US coastal cities like Houston and Tampa are a third of Melbourne's. Inland Bendigo's house prices are actually double those of Houston, the world's space research centre.

Some said high Australian house prices stem from low interest rates making them more affordable.

Yet interest rates are far lower in Britain, the US and Canada, but houses are cheaper.

Others blamed high house prices on demand pressures from immigration.

But low house prices in cities like Houston, Dallas and Atlanta are accompanied by far higher immigration levels than in Australian cities.

The Demographia analysis shows the high Australian house costs are overwhelmingly caused by the high costs of land. For a block on the Melbourne outskirts planning regulations, on my reckoning, add \$80,000 to the cost of a new house.

Government intrusion in our lives reduces overall prosperity and often the poor face particularly adverse impacts.

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