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Submission to the Senate inquiry into Australia's financial regulatory framework and home ownership

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Australia's housing market is not providing enough homes. Nation-wide residential vacancy rates have fallen well short of the 2-3% band generally seen as a sign of overall market health. This has led to an affordability crisis even for people on median incomes.

The Australian Greens have proposed the establishment of a public property developer that would initially construct 360,000 homes over five years. These homes would be rented out or sold at below-market rates. In my view, this is the best way to begin solving the national housing crisis.

In my article entitled "The Australian Greens' Public Property Developer: An Input-Output Analysis", recently published in the peer-reviewed journal *Australian Economic Papers*,¹ I lay out the economic case for such a genuinely national housing plan.

In sum, the Greens' proposal would have created an extra \$84.14 billion in total economic activity and around 109,000 direct FTE jobs if implemented in 2021-22, all else equal.² Moreover, associated inflationary pressures can be kept in check through strategic federal planning.

Four comments are in order.

1. My analysis shows that an ambitious government-led program of housing construction would likely generate significant economy-wide benefits, even before we start to consider non-economic benefits. Housing can and should be seen as vital nation-building infrastructure.

2. The Parliamentary Budget Office published a costing of the Greens' policy in March 2024. My article explains why this costing is not economics. It is, at most, an incomplete accounting exercise.

3. Question: where would the workers come from? Answer: In my article, I show that there may be more unused construction capacity than we have been led to believe. The industry is quite cyclical. Second, policymakers tend to take the current workforce distribution as given, and then bemoan a lack of skilled workers to meet urgent social needs. Yet Australia has enough people to build all the housing we need. Untapping this potential requires more radical intervention in labour markets.

4. The *Commonwealth and State Housing Agreement Act 1945* shows that the sort of political cooperation necessary to coordinate the national economic plan has historical precedent in Australia.

¹ The official online link to the article is: <https://doi.org/10.1111/1467-8454.12376>. It can be freely downloaded and shared given the Open Access licence. Disclosure: the author is a member of the Australian Greens. The article was researched and written without any political direction or funding whether formal or informal.

² The \$84.14 billion number does not represent a straight GDP increase. While GDP components are included in this number, it captures much broader flow-on effects between industries from additional residential building construction. In this sense, GDP is a quite limited measure of economic activity.