

SUBMISSION TO THE FINANCIAL SYSTEM INQUIRY

- I worked as a real estate valuer in the Australian Taxation Office and the Commonwealth Bank of Australia, before co-founding a private valuation practice which has become Australia's largest municipal valuation company.
- In an article in the British journal **Geophilos** (Autumn 2001, No.01 (2), I forecast the GFC → <http://lvrg.org.au/files/coming-kondratieff-crash-2001.pdf>, so I trust my submission will be seriously considered.
- As the latest real estate bubble burst in the USA, I provided evidence of the relationship between bursting land price bubbles and recession, using Australian data as a proxy for what had occurred across much of the world → <http://lvrg.org.au/files/riches-of-oz.pdf> (also attached).
- I consider US professor of economics and financial expert Michael Hudson (UMKC) explains the calamitous connection between bank credit-induced real estate bubbles and financial collapse succinctly in the following extract, especially at #3 below:-

"Modern tax systems are based on the land's usufruct, with governments having the right to tax this on the logic that:

(1) land still belongs to the state or community

(2) its market price is created by a combination of public infrastructure spending (e.g., on roads and other transportation, water and sewer systems, and other public utilities) and by the general level of prosperity rather than by the landholder's own efforts; and

(3) failure to tax the land would leave its "free lunch" ground rent to be capitalized and pledged to banks for loans, thereby loading down a nation's natural resources with debt service – while forcing governments to tax labor and industry, raising the cost of living and doing business." (*Dr Michael Hudson, 'Fables of Land Ownership and of Who Obtained its Rent'*)

Repetitive financial bubbles in land prices which burst into recession can be eliminated by reforming a perverse tax regime that penalises productivity and rewards speculation. The Henry panel's "**Australia's Future Tax System**" pointed the way in which this may be done, but it has been largely ignored because rent-seekers unfortunately seem to have our politicians' ear. It would be nice to believe the Murray Inquiry will be able to act beyond this consideration.

Thank you.



Bryan Kavanagh AAPI