

The 13.5% ceiling on housing interest rates was causing untold harm to the housing industry. What is more it was inequitable among home buyers and lenders.

The ceiling was regressive. If one were to believe Labor's egalitarian rhetoric one would have expected the rules which favoured the rich against the poor to be repealed in short order.

With precedents like these one does not take political rhetoric at face value:

Labor Party factions temporarily united to defend privileges which allow two bites at the aged persons' welfare system, a practice called double dipping; to allow housing capital gains to remain untaxed; and again to preserve free tertiary education for our wealthiest citizens. They have united again to defend regulated housing interest rates. In each case Ministers tried to lead the Hawke Government a small step in the direction of equality, equity and efficiency. In each case party factions threw their lot in with the status quo and support for the privileges of the relatively wealthy.

New Class socialism, whether in Britain, the Netherlands or, in more extreme form, the Soviet Union, has never been more than privilege at the expense of under classes. The Hawke Government is better but only because a few of its senior ministers are not as easily influenced by special pleading as most politicians. However their vision of an equitable society is apparently not shared by many of their colleagues.

Dr Judith Yates, a senior lecturer at Sydney University, supplied the arguments about housing finance for the Campbell Enquiry into the Australian Financial System. No one has written more sense on the subject.

The Campbell Committee reported: "... interest rate controls are an inefficient and ineffective means of assisting low income potential home buyers. They have regressive distributional consequences, harming many they are intended to benefit, and benefiting many who do not require assistance. In short they can be said to be counter-productive in achieving their welfare objectives, while hurting the community at large by impairing the efficiency of the financial system....the Committee reiterates its belief that low income groups are most unlikely to suffer as a result of deregulation, and that interest rate controls have tended in the past to have had regressive effects."

Regulated interest rates are regressive because the market for money is divided by the regulations between a cheap regulated or subsidised sector and a full price sector. Of course more people want the cheap money than there is money to go around. Of course again, banks lend to those who are most likely to repay the loans - those who can offer the highest equity or the highest earnings-to-repayments budgets. Those who don't get regulated money resort

to hire purchase and second mortgages.

The Campbell Committee wrote, "the committee does not believe that the effective cost of housing finance would necessarily rise appreciably as a result of deregulation of interest rates....some will pay more and some will pay less...low income earners are less likely to obtain a 'rationed loan' than high income earners."

In 1979-80 45% of the adult population had incomes less than \$185 per week; they got 3.6% of the cheap money. 19% of the adult population had incomes over \$385; they got 49% of the cheap money.

Interest regulation is regressive in its effects on depositors too. People who have lent money at the artificially low rates have tended to be people with relatively low incomes. There is no doubt that on average people who borrow home loans have higher incomes than those who lend the money.

The Campbell Committee reported also on the instability of housing finance flows. By implication it predicted the present housing industry 'crisis'.

Housing is favoured relative to other investments by the absence of taxes on capital gains and imputed rents, and by schemes for first home buyers and welfare housing. Compared with other nations with similar per capita incomes we are well housed. Therefore it might be a good thing if Australians spent a bit less of their available capital on dwellings and a bit more on mines, farms, factories and other productive assets. But surely we don't want some people to build bigger homes because the money they borrow is cheap while others find that they cannot borrow, or can only borrow very expensively, because the major home lending institutions are prevented by law from lending at a price at which funds can be raised from lenders who are no longer quite as unsophisticated.

These frustrated home buyers have been forced on to the rental market, driving up rents. In Western Australia this fact has encouraged Housing Minister Wilson to advocate a monumentally silly proposal to regulate rents - to repeat the home loan mistake in the rental market! A similar policy has stopped the building of rental accommodation in New York and turned it into a disaster area for the homeless.

In the end Mr Keating had his way. Labor had already adopted monetarism, floated the dollar, permitted foreign bank entry, and is slowly privatising. Housing interest is another of Mr. Howard's policies which Labor has adopted because events have shown there are no other responsible options and some senior elements of the Labor leadership are responsible.

I hope that Howard, whose personal record on economic management has been courageous, sensible and generous to the government, can

induce his colleagues to forego the short term political advantage of opposing deregulation.

There was little political advantage in wooing ill informed inarticulate poor people and there were votes to be won by toadying to young, mostly white collar, middle class or New Class home buyers. The attitude of the Labor back bench and junior ministry is understandable if inexcusable. It would be less sickening without the sanctimonious prattle about egalitarianism.

ALAN MISSEN: Senator Alan Missen is dead and the Parliament is poorer. Alan, a leading spokesman for the 'wets', and I, often but by no means always disagreed. He was a formidable opponent. Because he more than many spoke for principle rather than interest, his arguments demanded an answer. I think the most comprehensive and consistent interpreter of the 'wet' position has gone.