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AUSTRALIAN EXPERTS' VIEWS OF HOUSING IN THE ECONOMY: ABSTRACT DREAMINGS OR REAL DIRECTIONS?

Duncan Maclennan, Jinqiao Long
(University of Glasgow)

Hal Pawson, Bill Randolph, Fatemeh Aminpour
(City Futures Research Centre, UNSW)

Chris Leishman
(University of South Australia)

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Executive Summary

This report analyses the expert opinions of 87 leading economists and other senior housing market specialists on interrelationships between the housing system, economic performance, and wealth distribution in Australia. It is based on an online survey undertaken in October/November 2020 and forms part of a wider program of associated research being developed by the recently-formed Housing Productivity and Research Consortium (HPRC).

The survey took the form of 54 propositions to which participants responded by indicating their reaction to each contention – from strongly disagree to strongly agree. Respondents were drawn from academic, industry and government sectors. Approximately half were trained economists and, in common with non-economist counterparts, were mainly employed in senior positions such as Professor, Partner or CEO.

Key findings

- Australia's leading economists and housing policy experts overwhelmingly support the case that Australian governments must pay greater regard to housing system impacts on productivity and growth – a view held by almost two thirds of economists participating this research (64%), and by 94% of other housing experts.
- Economists generally recognise the damaging economic effects of high housing costs:
    - On innovation and entrepreneurship (with only 23% disagreeing with the proposition that high housing costs deter both)
    - On the distortion of metropolitan labour markets (69% in agreement)
    - On the productivity impairment that results from over-expensive housing for low-income renters (66% taking this view) and
    - On the way that high mortgage debts and burdens (reflecting high house prices) raise instability risks for the economy as a whole (73% agreeing)
- By a margin of five to one, economists and other experts see 'status quo' economic policies as having exacerbated income and wealth inequality; yet by a margin of two to one, they doubt that countering inequality is genuinely a current official policy priority.
- Some 84% of experts see a need for major additional fiscal stimulus measures beyond those announced in the October 2020 budget. By a margin of eight to one, it is seen that omission of social housing investment from the 2020 budget was mistaken.
- By a margin of four to one, experts believe that in supporting housing sector stimulus through fiscal measures, such action should be directed at the non-market sector rather than at market housing.

The need for further stimulus and the role of housing investment

Some 84% of respondents (74% of economists) believe that major new fiscal policy measures were still required over and above those contained in the Commonwealth Government's October 2020 budget.

In one of the most emphatic sets of responses evoked by any of the 54 propositions, the overwhelming majority of participants believed the Commonwealth Government has been mistaken in having excluded social housing investment from 2020 post-pandemic stimulus efforts to date. By a margin of no less than eight to one, respondents disagreed with the proposition that omission of such measures within the 2020 budget was well-judged. Moreover, 57% (51% of economists) disagreed strongly.

Beyond this, two thirds of economists and non-economists alike believe that in supporting housing sector stimulus via the budget, such action should be directed at the non-market sector rather than market housing. Since only 17% disagreed, the margin in favour of non-market targeting was almost four to one. There was also general support for the proposition that any such effort should be channelled through not-for-profit community housing providers rather than state/territory governments.

More importantly, two thirds of respondents were concerned that the absence of a clear housing market strategy poses a risk to Australia's post-pandemic economic recovery.

Housing system outcomes and economic performance

The findings indicate that Australia's top economists and other housing market experts accept that high housing costs impair economic performance. The research explored the phenomenon that high and/or rising real housing prices are often put forward as 'evidence' of a successful economic strategy. In our survey, two thirds of economists actually rejected this idea. In fact, a large majority of respondents acknowledge that high housing prices supress demand for other goods and services, and that they can also trigger problematic distortions in the functioning of metropolitan labour markets.

Respondents overwhelmingly supported the contention that Australian governments fail to pay sufficient regard to housing system impacts on productivity and growth. This view was held by almost two thirds of economist participants (64%), as well as by 94% of other respondents.

Housing and inequality

The survey evoked widespread expert recognition that recent official economic policy preferences have tended to exacerbate inequalities in income and wealth in Australia. By a margin of almost five to one, it was agreed that reliance on monetary policy tools such as low interest rates and Quantitative Easing has widened the gap between rich and poor. Moreover, 88% believed that existing inequality will be compounded by the economic downturn triggered by COVID-19. However, by a margin of two to one, they reject the proposition that 'Concerns about inequality of economic outcomes are now front and centre for economic policymakers'.

Problematic housing system outcomes: the roles of tax, planning and market responsiveness

Almost two thirds of respondents (63%) indicated acceptance that tax treatment of housing plays an important role in explaining Australia's poor record on housing affordability.

However, respondents were highly divided in relation to the commonly articulated contention that high rates of housing unaffordability are largely the fault of inadequate supply due to overly restrictive land-use planning. By a narrow margin (43% to 38%), economists tended to agree with this view (see Table 22). Non-economists, by contrast, by and large rejected it.

Respondents were also split on the associated proposition: ‘The construction and development industries are often unresponsive to shifting market demands’. Economists, in particular, tended to disagree with this statement (51% versus 39% agreeing).

Nevertheless, a clear majority of all participants (54%) agreed with the contention that ‘The development industry is careful to manage land and housing supply to best match output to market cycles in order to maintain property prices’ By implication, therefore, respondents generally accepted the argument that developer behaviour is an important variable affecting house prices and housing affordability, and that – even if ‘unencumbered by planning restrictions’ – developers would be unlikely to maintain or expand output in a falling market.

Conclusions and next steps

Leading Australian economists and other experts understand why governments support home-ownership growth but are generally somewhat uncomfortable with the means to that end. They are also critical of official neglect of the wider consequences of house price inflation driven, or tolerated, by core policy approaches.

There is a clear sentiment that there is now significant under-investment in affordable rental housing and that stimulus action is now urgently needed that would channel community housing investment towards low-income workers close to jobs.

In further analysis of the survey data, the researchers will seek to identify different schools of economic policy thought. In a second report generated by the research we will also complement this initial analysis through further exploration of the issues covered in the survey, as elaborated by 20 selected respondents through in-depth interviews.

1 Introduction: aims and approach

Over the last few years participants in Australia's recently formed Housing and Productivity Research Consortium (HPRC) have been developing a new, evidence-based narrative to frame robust economic cases for housing policies to achieve better outcomes at both individual and population-wide levels (Maclennan and Long, 2019; Pawson et al, 2020). While not detracting from needs-based arguments for housing interventions (primarily to address social justice aims), and employment-creation and income stabilisation arguments for boosting investment, the HPRC is building a broader economic case. That broader justification does not exclude cases for supporting the poorest Australians with high housing payment burdens, often in the worst homes. But the argument is much more than that: it addresses the core question:

> *How do housing system outcomes impact the major policy goals that Australian governments, Commonwealth, state/territory and local, seek?*

This report focuses on the opinions of Australia's top economists and other senior policy experts on how housing fits into economic and policy narratives in this country. The research findings reported here are drawn from an online survey of these groups. Following on from this survey, the project has involved in-depth interviews with a subset of respondents. It also involves a review of international literature on evidence of the interactions between national/metropolitan/regional economies and affordability, wealth, stability and productivity effects in the housing sector. These two additional components of the research will be reported separately.

The project that underlies this report has looked to extend beyond aggregate indicators of housing-economy 'sentiment' that Shiller (2019) termed a particularly febrile area of economic narrative. We have investigated the existence of a dominant conventional wisdom among top economists and other housing experts about economic policies, housing policies and the housing effects of economic policies. We have also explored the diverse thinking that underpins views about housing and the economy that evoke diverse expert opinions. Changing and diverging views on macroeconomic policy thinking are increasingly apparent (IMF 2020) but it is also important to establish whether there are also diverse views on economic policy thinking for and about the housing sector. In particular, it is often widely asserted within housing sector debates that economists are likely to be unsympathetic to housing policy cases (and that argument has been explored in previous work): that assumption needs to be tested too.

The study was commissioned by the HPRC, ideally to enable the Consortium's future research intentions to be tailored according to revealed consensual – or, alternatively, divergent – expert interpretations of housing-economy interactions in Australia. Thus, the project is intended as a launch-pad for the broader HPRC research program on housing and the economy envisaged as unfolding from 2021.

The remainder of this report is structured as follows. First, in Section 2, we further contextualise the research in terms of conceptual underpinning and with respect to the COVID-19 setting. Next, in Section 3, we briefly outline the survey methodology. Section 4, the main body of the report, details the survey results; that is, the distribution of responses to the propositions framed by the research team for participant consideration. While the results are laid out in full in Appendix 2, key tables are also brought forward into this part of the report for easier comprehension. Finally, in Section 5 we draw some brief conclusions and themes to be explored in the in-depth interviews that form the second part of the study.

2 Contextualising the research

2.1 Conceptual underpinning

Housing outcomes occur across all parts of the housing system, and impact all users: rural and urban, public and private, rich and poor, young and old, renters and owners. Housing market and policy outcomes are not only defined by the simple quantitative adequacy of Australia's housing, but also by housing costs, prices, asset performance, size, quality, comfort, connection, neighbourhood and location relative to the places where households work, shop, learn, and play. Home and neighbourhood are central to how households are impacted by, and impact upon, society, the environment and the economy.

It has been long recognised that economic growth and demographic change are key drivers of housing system pressures, prices and production. But despite this, and considering the key integrative role of the housing system within economies, there has been a lack of research and policy attention to how housing outcomes shape the wider economy (and indeed society and environment too). More plainly, there has been too little attention to how good and bad housing outcomes affect the development of individuals, families, neighbourhoods, cities and nations. While housing policy must always be concerned with supporting the poorest households and the homeless, it is much more than that.

There has been a growing recognition in applied economics research that housing market outcomes can play a part in stability and growth processes (RBA, 2017)). Traditional Keynesian arguments that housing can play an important role in stimulus strategies have been somewhat diminished as other infrastructure investments, notably transport infrastructure, come with well-argued productivity as well as stabilisation cases (Maclennan et al. 2019). Such 'housing cases' are nevertheless now supplemented with an understanding that modern housing markets (with reinforcing equity withdrawal in the upswing and reduced consumer confidence when house prices are static or falling) may amplify economic volatility.

A stronger argument is that pressured housing markets with over-stretched mortgage borrowing (manifested in high loan to value ratios and high loan to income ratios) pose a systemic threat to national financial and economic stability. This perspective has dominated macro-policy thinking since the GFC when a housing-driven financial crisis generated widespread recession and subsequent austerity. Australia of course entered the 2010s relatively unscathed by these instability shocks. Nevertheless, in Australia and elsewhere, this millennium has seen a growing recognition that house price increases are a crucial factor in shifting the distribution of wealth and incomes (Piketty 2014; Maclennan and Miao 2107; Coates and

Chivers 2019). And over the last five years Australia has seen an expanding number of researchers and policymakers seeking to grasp the extent of the productivity effects from housing investments and outcomes, with HPRC participants playing a lead role in that process. One objective of the current project is to gauge how far the potential stability, wealth and productivity effects of housing outcomes are appreciated by the wider body of Australian economists and other industry experts.

The current project is also shaped by our understanding that housing outcomes have complex and long-term effects on productivity and economic growth, as well as on economic inequality (Maclennan and Long, 2019). As such, they have impaired the economic and entrepreneurial performance of Australian households, businesses and places. Our associated concerns have formed part of previously articulated critiques and calls for the housing sector to improve the economic content of its policy narrative (Ibid; Maclennan et.al, 2018). Such analyses also imply that economists and policymakers working on housing issues within government need to modernise and rethink their housing and economic policy narratives to embrace a broader understanding of what housing does in the economy.

The end of 2020, when this report is being drafted, marks a time of deep uncertainty not just about the trajectory of the economy but about how best to understand it. There is much debate about which conceptual framings to use in shaping macroeconomic policies, the range of goals that such policies might address and the balance of different policy tools, such as the relative weight of monetary and fiscal policies. Earlier in 2020 The Economist (17 July 2020) drew attention to a plethora of views prevailing within economics literatures, that have emerged as the efficacy of the 'Washington Consensus' has appeared to wane (Rodrick, 2015). This has occurred as circumstances have changed and neglected policy issues have become central to policy agendas, not least issues of inclusion and sustainability (Rodrigues-Pose, 2017; Lonergan and Blyth, 2020). In the 2020 Reith Lectures (BBC, 2020) Mark Carney has also emphasised how the policy agendas of governments and central banks have broadened as crises of credit, carbon and COVID have all called for new approaches to monetary and fiscal policies.

It is also important to acknowledge that diverse policy views and approaches have persisted in different places through major policy paradigms. We note McCloskey's (1983) important observation that the workaday policy narrative of economists is often different from the core theoretical stories of academic seminars and journals. Accordingly, the project explores the idea of the 'conventional wisdom' regarding housing in the economy. Or indeed whether there are multiple (or indeed any) such wisdoms.

2.2 Housing markets and COVID-19: shocks, scarring or structural change?

COVID shocks

The COVID-19 pandemic has constituted a deep and prolonged public health emergency that has lasted through almost all of 2020. Even with vaccines being approved for widespread use during 2021, the pandemic is widely believed likely to have significant global impacts on social and economic activity for many years to come (IMF 2020). As indicated above, this research is primarily concerned with problematic structural issues and trends long pre-dating the pandemic, most of which are arguably likely to remain undiminished (in some instances exacerbated) by the crisis. Nevertheless, the project's timing necessarily required the incorporation of COVID-related considerations. Moreover, the COVID experience to date in fact helps to highlight our broader point that housing situations and outcomes have mediated the pandemic's economic impacts. Partly for these reasons, it is appropriate to presage our findings with a brief review of this aspect of the research context.

By comparison with many countries, Australia has experienced more limited public health and economic damage due to the pandemic. September 2020 Australian GDP, nevertheless, remained 3.8 percent lower than 12 months earlier (ABS, December 2020). And this was despite significant government spending and monetary policy initiatives to stimulate demand and partially compensate households for lost incomes. A range of measures to support homeowners and renters through the crisis have played a significant role in minimising housing sector damage through 2020 and early policy reactions in some states also led to a significant short-term reduction in street homelessness (Pawson et al. 2021).

While house prices dipped in the March to July period in most capital city markets, they subsequently recovered significantly with signs of upward pressure in many well-connected suburbs, towns and non-metropolitan seaside locations (See Table 1). Meanwhile, rental housing markets experienced substantial turbulence during 2020, with markedly divergent trends experienced between inner cities and regional areas, between houses and units, and between the eastern state capitals and Perth (Pawson et al 2021). Median rents fell significantly in Sydney and Melbourne, but rose in non-metropolitan Victoria, and in many parts of regional NSW (ibid).

Table 1. Residential Property Price Indexes: Eight Capital Cities

Capital City	Mar-20	Jun-20	Sep-20	Dec-19 to Sep-20
Sydney	1.9	-2.2	1	0.7
Melbourne	2.1	-2.3	-0.3	-0.5
Brisbane	0.6	-0.9	1.5	1.3
Adelaide	0.4	-0.8	1.6	1.2
Perth	0.6	-0.7	1.4	1.3
Hobart	2.4	-0.4	1.2	3.2
Darwin	0.7	-1.4	0.8	0.1
Canberra	0.2	0.8	0.9	1.8

Source: ABS Release: Residential Property Indexes: Eight Capital Cities; 'Dec-19 to Sep-20' is calculated based on ABS Release

By late 2020 GDP was recovering rapidly in most states other than Victoria, and official forecasts anticipate that Australia will have regained early 2020 income levels by late 2021. Housing market expectations vary significantly with SQM (2020), for example, suggesting modest price growth across capital cities, albeit with Melbourne and Adelaide at risk of price declines in scenarios of continuing low immigration and fast withdrawal of JobKeeper support. More bullishly, others predict generally robust price inflation through and beyond 2021 (Joye 2020). SQM highlights concerns on the rental apartment market in downtown areas, that have been hard hit by reduced visitor numbers and in overseas student demand. Late 2020 saw reports of rising rent and mortgage payment stress and a growing number of apartment landlords seeking to sell units (Martin North, Digital Finance Analytics).

These views stress the importance of seeing COVID-19, primarily, as an unwelcome shock. As the prospect of extensive vaccination by mid-2021 emerges, there is a growing awareness that the pandemic shock may have a lesser impact on Australia's GDP than global trade disruption with Sino-Australian/OECD tensions and indeed adjustments required to meet global carbon reduction targets. It is also important to note that many economic processes and phenomena can be described as 'mean reverting', in the sense that temporary shocks can appear very real at the time, but are quickly smoothed away in the long run as fundamentals reassert. This is almost certainly true of linkages between housing system outcomes, including unaffordability and inequality, and economic productivity.

COVID scarring

Another view would be that COVID has inflicted more than a 'shock'. There are likely 'scarring' effects with some COVID-19 outcomes wreaking lasting social and economic damage. It is predicted that unemployment rates will rise sharply when government stabilisation and emergency measures are removed in early 2021 and unskilled, female and service sector workers are likely to be most impacted. This will potentially exacerbate homelessness and concentrations of poorer households in poor housing, as well as further inflaming rental affordability stress. Employment patterns, fiscal supports and the inevitable low interest features of current monetary policies could, however, potentially support a buoyant home-ownership market in 2021, especially for established owners. Arguably, as discussed below, such housing outcomes are also 'scarring effects'.

Importantly, of course, rental stress and household indebtedness were already running at very high levels prior to the pandemic. For example, largely reflecting growth in mortgage debt, the national household debt to income ratio rose from 68% in June 1990 to a recent peak of 188.5% in June 2019 then to 185% in June 2020 (CoreLogic 2020; Kearns et al., 2020).

Government measures to cope with 2020 health and economic crises have inevitably led to record levels of public sector (peacetime) debt. Notwithstanding record low interest rates, the ratio of public debt to GDP in Australia is estimated to have risen to around 60% (IMF 2020). This will mean a substantial repayment effort over the decades ahead and this must count as another potential scarring on the economy. Much will depend on how effectively stabilisation spending is used to maintain viable firms, support human capital and provide the infrastructure, including housing, that the nation requires for a productive future. This argument has to lie at the heart of claims for enhanced government support for housing investment. It is imperative that policies use debt-funded expenditures to raise future productivity rather than simply boosting prices and current consumption.

COVID fashioned household activity and mobility behaviours that may have induced structural change in spending and time (and space)-use (ABS 2020b). Most obviously there are likely to be longer term effects in terms of the reduced need for service sector office space and the capacity of residential environments to facilitate working from home. Online shopping has shifted demands for retail space within city and suburban centres. Interest in active travel has grown. It is important to take account of such structural shifts in the demand for housing in relation to size, locational, connectivity and neighbourhood attributes. But it is also important not to exaggerate them. Price and other consequences, driven by the limited number with income levels and securities who could make immediate relocation choices, have reflected low levels of market supply.

COVID-19, through shock, scarring and structural change effects has emphasised the importance of housing outcomes in shaping the capabilities of communities and households to be resilient in the face of change. And it has, in a broad sense, 'unburied' some of the key policy challenges of the times, that are shaped by housing outcomes and the housing system, but that policy has often overlooked. As the pandemic recedes out of sight behind still rising mountains of public debt, these are times of uncertainty and potential policy change.

3 Research methodology

As mentioned in Section 1, the research on which this report draws has three main components:

- An international academic and policy literature review on housing and the economy
- An online survey involving leading Australian economists and housing market experts
- In-depth interviews with a sub-sample of online survey respondents.

This report presents initial descriptive findings from the survey. More detailed statistical analysis of survey responses will be included in a later output.

The survey sample comprised 169 of Australia's top economists and housing market and/or policy experts. It included The Conversation's 47-member Economics Panel – a grouping nominated by the Economics Society of Australia that includes colleagues employed in various senior industry positions, as well as in the top ranks of academia. Beyond this, invitees included senior economists and others highly reputed for their academic, business or regulatory knowledge of Australia's housing system, and drawn from academia, industry (private and not-for-profit) and government.

With 87 completed responses the survey achieved a creditable response rate of 51%. Fuller details are provided in Appendix 1. The majority of respondents (54%) were trained as economists with 40% working as economists and the remaining 14% engaged in another professional position. Some 45% came from another disciplinary background. Two in five (40%) were academics, 8% were in government, a fifth (20%) worked in non-profit organisations and 30% in the private sector.

Undertaken in October/November 2020, the survey solicited respondent reactions to 54 statements or propositions about housing market futures, economic policy, housing policy, and the connections between housing outcomes, economic growth and productivity. Respondents were invited to express their level of agreement with each proposition across the range: strongly disagree, disagree, neutral, agree, strongly agree. All 54 propositions, together with the distribution of responses are listed in Appendix 2.

4 Survey findings

In the tables included in this section results are presented as percentage breakdowns of responding participants (up to 87) in relation to each statement.

Aggregate scores are a means of generalising the balance of respondent views across the cohort. These are calculated by assigning scores of 1-5 for responses from strongly disagree (=1) to strongly agree (=5), with scores for all participants on each statement summed and divided by the number of respondents on that statement. Thus, an aggregate score of 1 indicates a universal response of 'strongly disagree'; 5 – all strongly agree.

An 'economist' is a respondent identifying themselves as either 'Trained economist – working as an economist' or 'Trained economist – engaged in another professional sphere'. All of those responding to the survey are termed 'experts', denoting their renowned standing as economists and/or housing market professionals.

4.1 Post-COVID economic and housing market recovery expectations

Overall, the experts surveyed were substantially more pessimistic than official forecasts, with the vast majority (77%) disagreeing with the proposition that GDP will recover end 2019 levels by end 2022 – see Table 2. Perhaps surprisingly, economists in the survey, regardless of the sector in which they worked, were less pessimistic (62% disagreeing with the proposition).

Table 2 (Proposition (1b)) Australian GDP will have recovered to Dec 2019 levels by 2022

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	19	43	21	15	0	2	100	**2.33**
Non-economist	30	65	3	0	0	3	100	**1.72**
All respondents	24	53	13	8	0	2	100	**2.05**

Respondents were evenly split between those agreeing that uncertainties would reduce within five years and those who saw a longer enduring uncertainty (Proposition 1a – see Appendix 2). Again, while economists were much more optimistic that COVID uncertainties would dissipate, both economists and non-economists shared the view that there will be sustained high levels of unemployment to 2025 (Proposition 1c).

Albeit that responses were somewhat divided, survey participants tended to see demographic change rather than economic growth as the main driver of housing market change – 47% taking this stance versus 26% disagreeing (see Table 3).

There was even less consensus in relation to the perceived likelihood of a rapid recovery in migration rates to pre-pandemic norms (see Table 4). The critical patterns to understand are how net migration drives not a single national market but impacts on different local quality and tenure segments of the system. Indeed, a less pressured housing system, that may well bring easing of some affordability burdens, could at the same time split the housing system into divergent ownership and rental markets (see below).

Table 3 (Proposition (6a)) Demographic change rather than economic growth drives the housing market

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	17	32	38	9	2	100	**3.35**
Non-economist	3	33	15	38	10	3	100	**3.21**
All respondents	2	24	24	38	9	2	100	**3.28**

Table 4 (Proposition (6b)) Net overseas migration will rebound to pre-2020 levels by 2023.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	6	40	13	35	4	2	100	**2.89**
Non-economist	8	30	15	43	5	0	100	**3.08**
All respondents	7	36	14	38	5	1	100	**2.98**

Related to views on the housing market significance of demographic influences, and to expectations on post-COVID migration recovery, most respondents doubted that housing markets would recover to pre-pandemic construction output levels by 2022. As shown in Table 5, nearly two thirds (64%) of participants disagreed with this proposition, although sentiment was somewhat less pessimistic among economists.

Table 5 (Proposition (1d)) Housing markets will rebound to reach pre-COVID levels of construction output by 2022

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	15	40	23	17	4	0	100	**2.55**
Non-economist	20	55	5	18	3	0	100	**2.28**
All respondents	17	47	15	17	3	0	100	**2.43**

4.2 Macroeconomic policy approaches

4.2.1 The need for further stimulus and the role of housing investment

It was noted above that the Economist (17 July 2020) drew attention to the divergent views that now prevail in macro-economic policy thinking within and across the OECD countries. The authors drew attention to new conceptual thinking (i.e. Modern Monetary Theory, see Kelton, 2020), the growing use of new of policy instruments such as quantitative easing approaches and the adoption of potential new roles for central banks (IMF 2020) beyond meeting inflation targets that might shift the balance of macro-policies from fiscal to monetary actions. Our survey sought to draw out Australian attitudes to these key possibilities and the likely implications for housing sector outcomes.

In response to the pandemic, an unprecedented package of actions were undertaken by the RBA and the Federal Treasury to support incomes and employment, as well as to meet the direct costs of containing the pandemic. Key initiatives enacted/announced from March 2020 up until, and including, in the October budget included:

- Further reductions in interest rates and quantitative easing
- Measures to facilitate mortgage payment deferrals
- Income support measures: JobKeeper program and Coronavirus supplement
- Accelerated income tax cuts
- Relaxation of restrictions on superannuation savings withdrawals
- Pro-business investment tax concessions
- JobMaker hiring initiative
- The HomeBuilder subsidy program to stimulate private housing construction and renovation activity.

Monetary policy, through reduced interest rates, and fiscal policy, primarily through increased government expenditure and borrowing rather than tax changes, assuaged the still deep output and employment declines consequent to the pandemic 'stopping' Australia's economy during 2020. However, when asked whether the Federal government could sustain and then repeat this effort beyond the end of March 2021 there was no consensus among our survey respondents. Just under half (49%) believed the policy effort could be sustained at current levels beyond that date, while 37% thought otherwise (Proposition (2a) Appendix 2). However, 84% (74% of economists) believed that major new fiscal policy measures were still required over and above those contained in the October budget – see Table 6.

Table 6 (Proposition (2b)) Major new economic policy efforts – other than monetary policy and additional to the measures announced in October Budget – are essential to stimulate a sustainable post-pandemic economic recovery.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	6	17	34	40	0	100	**4.04**
Non-economist	3	3	0	45	50	0	100	**4.38**
All respondents	2	5	9	39	45	0	100	**4.20**

Moreover, the vast majority of participants agreed that monetary policy should not only maintain low interest rates but also utilise innovative demand stimulus measures such as quantitative easing. The implications of such measures are summarised in Appendix 3.

In one of the most emphatic sets of responses evoked by any of the 54 propositions, the overwhelming majority of participants believed the Federal Government has wrongly excluded social housing investment from 2020 post-pandemic stimulus efforts. By a margin of no less than eight to one, respondents disagreed with the proposition that omission of such measures within the 2020 budget was well-judged (see Table 7). Moreover, 57% (51% of economists) disagreed strongly.

Table 7 (Proposition (2c)) In its 2020 Budget, the Federal Government has rightly resisted calls for inclusion of social housing investment in its post-pandemic recovery stimulus package

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	51	30	9	6	4	0	100	**1.83**
Non-economist	65	20	3	8	3	3	100	**1.59**
All respondents	57	25	6	7	3	0	100	**1.72**

Table 8 (Proposition (4a)) Coming out of COVID 19, stimulating housing production is best achieved through social/affordable housing investment rather than private market incentives

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	13	19	34	32	2	100	**3.87**
Non-economist	5	18	8	30	40	0	100	**3.83**
All respondents	2	15	14	32	36	1	100	**3.85**

Table 9 (Proposition (4b)) Any additional investment in social housing should be best made through community/non-profit vehicles rather than State housing agencies

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	17	43	26	9	4	100	**3.22**
Non-economist	3	20	25	23	28	3	100	**3.54**
All respondents	2	18	34	24	17	3	100	**3.37**

Beyond this, 68% of respondents (66% of economists) believed that in supporting housing sector stimulus via the budget, such action should be directed at the non-market sector rather than market housing (see Table 8). Since only 17% disagreed, the margin in favour of non-market targeting was almost four to one.

Particularly among economists (some of whom lacked detailed familiarity with this aspect), a significant proportion of respondents could not make an informed judgement on whether new social housing investment should be channelled through public or community housing. Among those expressing a view on this there was a two to one split in favour of the latter (see Table 9). Put bluntly, most respondents – economists and non-economists alike – supported a social housing stimulus package to be delivered via the not-for-profit sector.

There was also some clarity about the shape and aims of such stimulus. Again, nearly three quarters of respondents (74%) agreed with the aim of investment programmes that might reduce the housing cost burdens of lower and middle income working renters (Proposition (3c) Appendix 2). Further, 82% of respondents (70% of economists) agreed that increases in affordable housing investment should be prioritised in job rich areas (Proposition (3d) Appendix 2)[1].

1 This proposition was framed with reference to our earlier modelling study that quantified the scale of the potential net economic benefit resulting from government investment in well-located non-market rental housing for low income workers (Maclennan et al. 2019).

Finally, in this section it is important to highlight the wider concern that the absence of clear housing policy direction for Australia poses a risk to post-pandemic economic recovery. As shown in Table 10, two thirds of survey respondents (67%) endorsed this anxiety.

Table 10 (Proposition (9g)) The absence of a coherent housing market strategy for Australia now constitutes a significant barrier to structural adjustment in the economy and to an effective post-pandemic recovery

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	23	21	36	17	2	100	**3.48**
Non-economist	0	10	8	35	48	0	100	**4.20**
All respondents	0	17	15	36	31	1	100	**3.81**

4.2.2 Monetary policy

Monetary policies always have limitations in periods of demand deficiency (temporary or longer-term), or indeed 'stopped' markets. Most economists agree that demand deficiency currently prevails in Australia. Keynes, almost a century ago, noted that in recession/depression conditions attempts to stimulate aggregate demand by reducing interest rates are as effective as 'pushing on a string'. Nevertheless, there was a fairly strong consensus among survey respondents both that active use of monetary policy instruments is essential in the current circumstances and as regards the instruments preferred.

Some 85% of respondents agreed that monetary policy must utilise instruments over and above short-term interest rates (Proposition (3c) Appendix 2). However, only 12% agreed with Proposition (5f) that the Reserve Bank should act in accordance with Modern Monetary Theory (MMT). As most prominently advocated by Kelton (2020), MMT thinking implies that printing money to fund activity should be supported provided that inflation is not prevalent and that a more relaxed view of public debt to GDP ratios should be adopted.

At the same time, most respondents (53%) anticipated that quantitative easing (QE) would be significantly extended by the Reserve Bank over the next five years (Proposition (5e) Appendix 2). QE, inter alia, blurs the traditional distinction between fiscal and monetary policy roles.

Around two thirds of respondents (66% of economists) were sympathetic to the possible widening of central bank roles beyond inflation and output targets to embrace macro-policy concerns about sustainability and inequality (see Table 11). At the same time, just over a quarter of economists (26%) took the opposite view, perhaps motivated by concerns that this could result in a loss of corporate focus. Respondents (economists and non-economists alike) were evenly divided on whether such a change would likely result in restriction of central bank independence (Table 12).

Table 11 (Proposition (3a)) Central banks should resist calls to embrace wider policy objectives (e.g. employment, sustainability, housing)

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	19	47	9	15	11	0	100	**2.51**
Non-economist	30	33	5	23	8	3	100	**2.44**
All respondents	24	40	7	18	9	1	100	**2.48**

Table 12 (Proposition (3b)) Adoption of wider policy objectives would probably curtail the relative independence of central banks.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	13	26	21	28	13	0	100	**3.02**
Non-economist	8	45	10	25	8	5	100	**2.79**
All respondents	10	34	16	26	10	2	100	**2.92**

Relevant to the impacts of current economic policies on inequality (see Section 4.2), nearly two thirds of respondents (63%) believed that quantitative easing strategies would tend to favour existing borrowers and investors with equity, rather than first homebuyers (Proposition (5b) Appendix 2). Similarly, most survey participants recognised that the policy mix of record low interest rates and quantitative easing will favour existing owners/investors – low mortgage borrowing rates for households with equity prevail at a time of low savings rates and of sustained increases in house prices (Proposition (5d) Appendix 2).

However, most respondents (59%) believed that such problems could be better managed through careful and nuanced use of prudential control/regulation measures in relation to mortgage borrowers – see Table 13.

Table 13 (Proposition (5c)) Prudential controls on mortgage lending (e.g. debt servicing ratio limits or exposure limits to reduce investor speculation) could be used more innovatively to yield better housing system outcomes.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	15	26	45	9	6	100	**3.50**
Non-economist	3	8	18	45	20	8	100	**3.78**
All respondents	1	11	22	45	14	7	100	**3.63**

Overall, the survey results discussed above highlight areas where policy impacts are not well known or understood but where, despite this, there are clear message for macro-policymakers. Monetary policies and prudential regulation need much more nuance if they are not to unbalance investment patterns and wealth outcomes in the housing sector.

4.3 Housing market performance, economic productivity and stability

4.3.1 House prices and economic performance

Economists have become increasingly circumspect in suggesting that rising real house prices are symptomatic of a successful economy (Woloszko and Causa 2020). Likewise, in our survey economist participants were divided two to one in rejecting this association (Proposition (6c) Appendix 2). There was a similar distribution of reactions to the statement that rising house prices are generally good for the economy (Proposition (6d) Appendix 2). This cautious balance of responses stands in contrast to three decades of government policy rhetoric in many OECD nations as regards growth indicators and the feel-good factor benefits of rising residential property values.

Economists among survey participants were somewhat more divided on the question of whether high house prices impair managerial creativity. While 35% agreed, 23% demurred. By contrast, a clear majority of non-economists (63%) accepted this contention (Table 14).

Table 14 (Proposition (7c)) High housing prices impede innovation and entrepreneurship in Australia

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	4	19	38	26	9	4	100	**3.16**
Non-economist	0	18	13	35	28	8	100	**3.78**
All respondents	2	18	26	30	17	6	100	**3.44**

There was close to universal recognition of what the current authors believe to be the reality, that high house prices supress demand for other goods and services (Proposition (7h) Appendix 2). More specifically in relation to the accommodation costs of low income renters, only 12% of all respondents (although somewhat more economists than non-economists) doubted that over-expensive housing for low income renters damages economic productivity (Proposition (7g) Appendix 2).

Finally, in this sequence on high housing cost implications, there was general agreement that such a situation can problematically distort the functioning of metropolitan labour markets. As shown in Table 15, nearly three quarters of respondents (74%) accepted this contention.

Table 15 (Proposition (7b)) Metropolitan housing market distortions (e.g. sub-optimal labour market matching) due to high prices and rents are impairing economic growth and productivity

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	15	15	60	9	2	100	**3.63**
Non-economist	0	5	15	45	33	3	100	**4.08**
All respondents	0	10	15	53	20	2	100	**3.84**

At the same time, respondents generally believed the geographical mismatch of housing and employment as substantially attributable to the shortcomings of metropolitan strategic planning. More than two thirds (69%) agreed that poor decision making in this realm was a contributor to the inefficient spatial configuration of housing and employment in Australia's major cities (Proposition (9d) Appendix 2).

Generally, the findings reported above indicate that Australia's top economists and other housing market experts accept that high housing costs impair economic performance.

4.3.2 Policymaker appreciation of housing system impacts on the economy

Survey respondents recognised an array of economic risks exacerbated by rising house prices. There was close to universal agreement that rising prices requiring larger mortgage loans (in relation to incomes) and consequently rising mortgage debt to GDP ratios, were a key indicator of potential economic instability – see Table 16. At the same time, however, there was also general agreement that economic and housing policymakers have tended to be overly focused on such concerns (Table 17).

Table 16 (Proposition (6e)) Rising mortgage debt poses an economic stability risk to Australia

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	13	11	60	13	2	100	**3.70**
Non-economist	0	8	8	68	18	0	100	**3.95**
All respondents	1	10	9	63	15	1	100	**3.81**

Table 17 (Proposition (8a)) The economic role of housing policy has been too focused on macro-economic stability and the business cycle

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	21	17	45	9	6	100	**3.39**
Non-economist	0	15	15	43	25	3	100	**3.79**
All respondents	1	18	16	44	16	5	100	**3.58**

Consistent with response patterns discussed above, respondents overwhelmingly supported the contention that Australian governments fail to pay sufficient regard to housing system impacts on productivity and growth. As shown in Table 18, this view was held by almost two thirds of economist participants (64%), as well as by 94% of other respondents.

To sum up, these results suggest that respondents were generally concerned about the design of current policies but also about the neglect of evidence on the effects of housing outcomes.

Table 18 (Proposition (8b)) Australian governments have paid too little attention to how housing outcomes also affect productivity and growth

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	15	11	47	26	2	100	**3.85**
Non-economist	3	0	3	38	58	0	100	**4.48**
All respondents	1	8	7	43	40	1	100	**4.14**

4.4 Housing and inequality

There was a widespread expert agreement that recent economic policy preferences are likely to have increased inequalities in income and wealth in Australia. By a margin of almost five to one, respondents agreed with proposition (2e) that monetary policy reliance on low interest rates and Quantitative Easing has exacerbated inequality – see Table 19. Moreover, virtually all those expressing an opinion – 88% of respondents – believed that existing inequality will be exacerbated by the 2020 recession (see Proposition (3e)).

Table 19 (Proposition 2e) Monetary policy reliance on low interest rates and Quantitative Easing has exacerbated inequality by boosting the prices of housing and equities.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	6	11	17	45	21	0	100	**3.64**
Non-economist	3	8	13	48	25	5	100	**3.89**
All respondents	5	9	15	46	23	2	100	**3.75**

As a follow-up to statement (2e) respondents were asked to react to Proposition (3d): 'Concerns about inequality of economic outcomes are now front and centre for economic policymakers'. Here we were referencing the way that, over the past decade, inequality has been increasingly highlighted as a key economic concern by international institutions such as the IMF and the OECD, by the Reserve Bank in Australia, and by legions of leading economists worldwide (e.g. Wilkinson and Pickett 2009; Stiglitz 2012; Piketty 2014). Significantly, little more than a quarter of participants (27%) thought this was the case. By a margin of two to one (53% to 27%) they disagreed with the proposition (see Table 20). It should also be acknowledged that – as revealed through the follow-up interviews – at least some survey participants agreeing with the proposition in the survey had interpreted this as seeking views on whether reducing inequality should be a central concern for policymakers.

Table 20 (Proposition (3d)) Concerns about inequality of economic outcomes are now front and centre for economic policymakers.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	16	35	19	22	8	0	100	**2.70**
Non-economist	18	36	15	21	3	6	100	**2.52**
All respondents	17	36	17	21	6	3	100	**2.62**

Despite generally doubting that reducing inequality constitutes a central objective in current policymaker thinking, respondents tended to agree that fuller employment and better wages for low income workers are now key goals of macroeconomic policy (Proposition (3f) Appendix 2). Some 47% agreed with this statement, while 34% disagreed. Economists were somewhat more bullish, with the comparable split of 54% versus 29%.

4.5 Housing and urban futures

Complementing propositions relating to short term economic and housing market recovery (see Section 4.1), the survey also included questions on housing and urban futures in relation to somewhat more extended time horizons.

Few demurred from Proposition (7a) that 'Australia's major metropolitan areas/capital cities will be the major locations of economic growth in the post-COVID-19 recovery'. Almost three quarters (74%) backed this statement (see Appendix 2). Arguably, therefore, in very broad terms, while COVID-19 was interpreted as a system shock, it was envisaged that recent past growth patterns will return in the medium term.

At the same time, a perception of 'pandemic scarring' effects was evident in views about the possibility of a COVID-triggered structural change in city centre commercial floorspace demand. As shown in Table 21, the majority of respondents (economists and non-economists alike) agreed with the proposition that such a phenomenon could be expected to generate substantial CBD demand for conversion of non-residential to residential building use in coming years. Respondents divided almost three to one in favour of this proposition.

Table 21 (Proposition (7e)) With new post-pandemic work patterns, Australia can expect to see substantial demand for conversion of under-utilised CBD office or other commercial space to residential use over the next five years

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	11	28	51	4	4	100	**3.47**
Non-economist	5	20	20	50	5	0	100	**3.30**
All respondents	3	15	24	51	5	2	100	**3.39**

Almost two thirds of respondents (64%) agreed with the contention that: 'The rise of private rental will continue, with negative effects on the longer-term savings and assets of currently younger Australians' (Proposition (7d) Appendix 2).

An ongoing expansion of private rental at the expense of home ownership was also generally considered a problem because it conflicts with perceived tenure choices. On this point, nearly three quarters of respondents (72%) agreed with the contention that 'The overwhelming majority of young adult Australians still aspire to home ownership' (Proposition (6g) Appendix 2). At the same time, however, most respondents (58%) also agreed that 'Only a minority of young Australians nowadays believe that they will own their own home by the age of 40' (Proposition (6h) Appendix 2).

All of this suggests widespread expert expectations that longer residence durations in renting, later ages for leaving parental homes, pressures on rental housing (post the abatement of the pandemic) and growing difficulties of entering home-ownership will remain key problems for households and policymakers for the decade ahead.

4.6 Explaining problematic housing system outcomes: the roles of tax, planning and market responsiveness

Finally, focusing more squarely on the housing system rather than housing-economy connectivity, the survey contained several propositions to probe respondent views on the extent and persistence of housing affordability as a key policy challenge in Australia.

A clear majority (63%) disagreed with the (deliberately provocative) statement that 'Explanations for Australia's poor record on housing affordability that emphasize tax treatment of housing are often overstated' – see Table 22.

Table 22 (Proposition (9a)) Explanations for Australia's poor record on housing affordability that emphasize tax treatment of housing are often overstated

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	21	36	13	26	2	2	100	**2.50**
Non-economist	30	40	8	13	5	5	100	**2.18**
All respondents	25	38	10	20	3	3	100	**2.36**

Implicitly, therefore, most respondents accepted that tax settings (such as negative gearing and capital gains tax concessions for property owners) are a significant issue in this respect. Notably, however, an appreciable proportion of economists (28%) thought the proposition a fair assertion.

However, respondents were highly divided in relation to the commonly articulated contention that high rates of housing unaffordability are largely the fault of inadequate supply due to overly restrictive land-use planning. It should be noted that in suggesting that planning processes constitute the main cause of unaffordability, the proposition was deliberately couched as a 'hard line' stance. However, albeit by a narrow margin (43% to 38%), economists tended to agree with this view (see Table 23). Meanwhile, although also far from unanimity, responses among non-economists were in general disagreement with the stated proposition (53% to 30%)

Table 23 (Proposition (9c)) The slow processes and restrictive quality of local government planning decisions are the major cause of poor rates of housing affordability in Australia

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	19	19	17	28	15	2	100	**3.00**
Non-economist	23	30	15	20	10	3	100	**2.64**
All respondents	21	24	16	24	13	2	100	**2.84**

Similarly, there was a distinct lack of consensus in response to the proposition: 'The construction and development industries are often unresponsive to shifting market demands'. As shown in Table 24 – and in very much in keeping with the balance of their opinions on the culpability of planning processes – economists tended to disagree with this statement (51% versus 39%). Non-economists were also highly divided (43% agreeing versus 41% disagreeing).

Table 24 (Proposition (9e)) The construction and development industries are often unresponsive to shifting market demands

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	6	45	9	30	9	2	100	**2.89**
Non-economist	13	28	15	38	5	3	100	**2.95**
All respondents	9	37	11	33	7	2	100	**2.92**

From the responses outlined above it can be seen that – at least among economists – there was a general tendency to see planning restrictions rather than industry unresponsiveness as the main impediment to the ability of housing supply to keep pace with rising demand.

Notwithstanding the above perceptions, a clear majority of respondents (54%) agreed with the contention that 'The development industry is careful to manage land and housing supply to best match output to market cycles in order to maintain property prices' (see Proposition (9f) Appendix 2). Moreover, economist responses divided in favour of this statement by two to one. By implication, therefore, the cohort generally accepted the argument that developer behaviour is an important variable affecting house prices and housing affordability, and that – even if 'unencumbered by planning restrictions' – developers would be unlikely to maintain or expand output in a falling market.

5 Conclusions

In the discussion above we have reported simple distributions of respondent views, sometimes differentiating economists and non-economists. It is important to recognise the diversity of voices and perspectives in any argument, let alone policy debate. In further analysis of the survey data, the researchers will seek to identify different groups of 'views' (or schools of economic policy thoughts). In a second report generated by the research we will also complement this initial analysis through further exploration of the issues covered in the survey, as elaborated by 20 selected respondents through in-depth interviews with the research team.

As far as the findings of the current report are concerned, we see these as confirming that Australia's leading economists and housing market experts generally endorse the contention that officialdom needs to much better understand housing-economy linkages. On many of the topics covered, the balance of respondent views lays down a challenge to conventional wisdom at least as far as this is embodied in status quo government policies (or the lack of them) towards housing and the economy. To reiterate, there is a clear sense that, while agreeing that housing system outcomes have important effects on productivity, growth and wealth distribution, Australia's leading economists and housing market experts doubt that this connection is sufficiently understood within Australian governments.

Three other key conclusions can be drawn from the survey. Firstly, leading Australian economists and other experts understand why governments support home-ownership growth but are generally somewhat uncomfortable with the means to that end and the neglect of the housing price consequences for the economy in the longer term. By and large, experts do not support the ways in which governments have promoted and subsidised home-ownership. They are also critical of official neglect of the wider consequences of house price inflation driven, or tolerated, by such core policy approaches.

Secondly, especially among economists, there remains a large body of opinion that attributes housing system dysfunction mainly to over-regulation – the problematic interference with market processes by landuse planning procedures.

Thirdly, there is a clear sentiment that there is now significant under-investment in affordable rental housing and that stimulus action is now urgently needed that would channel community housing investment towards low-income workers close to jobs.

After the COVID-19 pandemic subsides, with recovery in the economy, migration and housing market, unaltered policy stances will face essentially the same core problems as before 2020. At the time of writing there is no sign whatever that major housing system reform is in prospect. That being the case, an essentially unchanged post-pandemic housing system will continue to produce the same problematic outcomes for the economy. It will continue to fuel divergence between rich and poor, old and young, city and region. That is a future that Australia must strive to avoid.

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Appendix 1 – Online survey methodology details

Questions

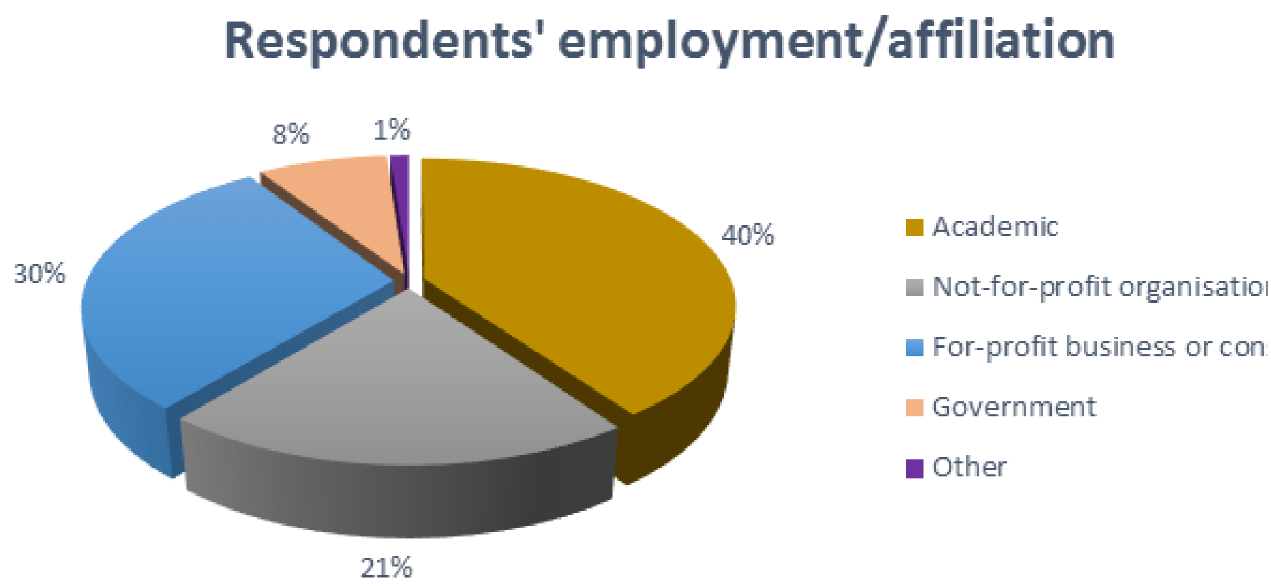
The questionnaire was designed to solicit the participants' level of agreement to 54 statements, structured under the following headings:

1. Likely effects of the COVID-19 recession in Australia
2. Australian Government responses to the COVID-19 recession
3. Macro-economic policy
4. Housing and macro-economic policy
5. RBA monetary policy
6. Housing and demographic outcomes and their possible impacts on the national economy
7. Housing and urban economic productivity
8. Possible new thinking on housing and the economy
9. Explaining and countering house price inflation

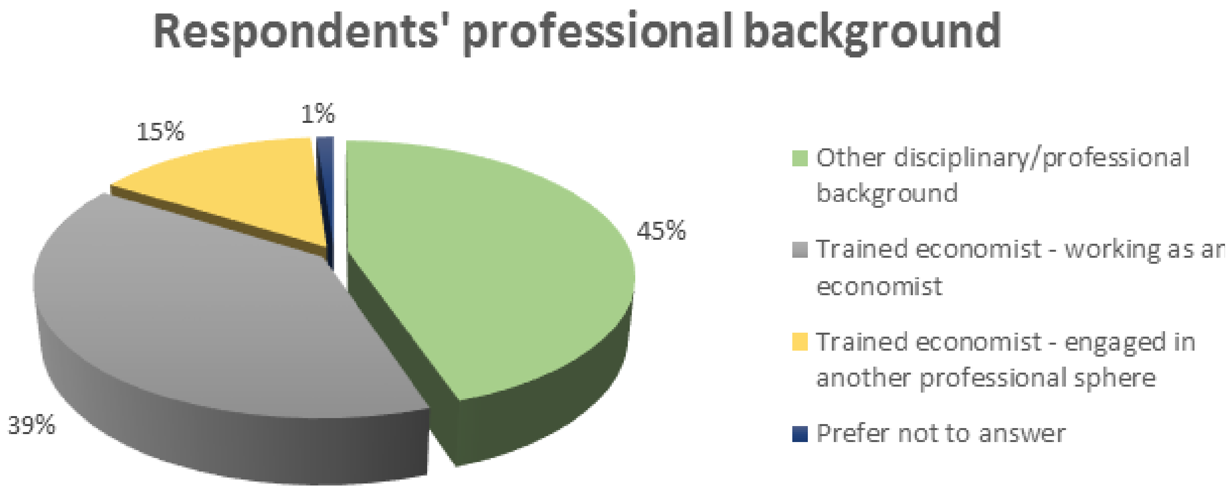
A Likert scale was applied to the questions with five levels (1 to 5), including "strongly disagree, disagree, neutral, agree, strongly agree". An additional option of 'no opinion' was provided in case the respondent is out-of-scope for that question.

Participants

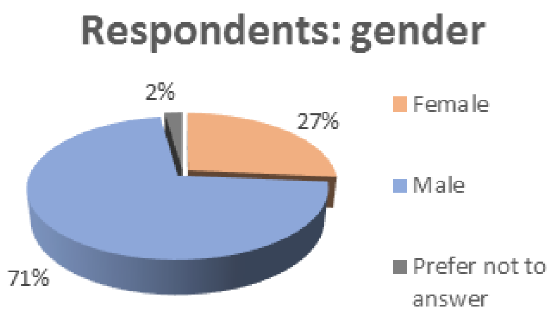
In total, 169 were invited to participate (Female no=52, Male no=117) including 47 Conversation panellists. Eighty-seven valid responses were returned, representing a response rate of 51%. Seventy participants declared their name, indicating willingness to participate in a follow-up on-line interview. The respondents included 35 (40%) from academic sector, seven (8%) from government sector, 18 (21%) from not-for-profit organisations, and 28 (30%) from for-profit business or consultancy.

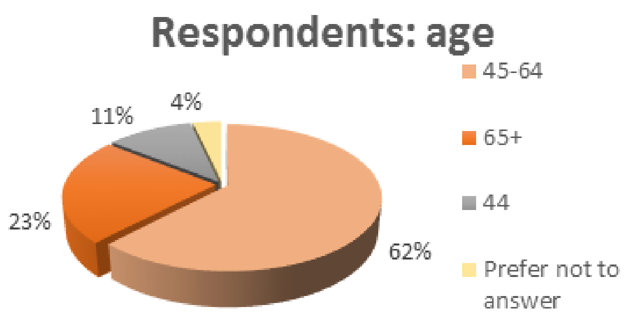


The majority of respondents (54%) were trained economists with 39% working as economists and 15% engaged in another professional sphere. Less than half of participants (45%) were from other disciplinary/professional background.



About two third of participants were male (71%) with only one-third (26%) female. More than half (61%) of respondents are middle-aged (between 45 and 65), and only 11% less than 44 years old.





Appendix 2 – Online survey results

The survey took the form of a set of statements posed for respondent consideration as to their level of agreement with each. The 54 statements were structured under nine headings – see Appendix 1. The simple results are set out below in percentage breakdowns of responding participants (up to 87) in relation to each statement.

The aggregate scores are calculated by assigning scores of 1-5 for responses from strongly disagree (=1) to strongly agree (=5), with scores for all participants on each statement summed and divided by the number of respondents on that statement. Thus, an aggregate score of 1 indicates a universal response of 'strongly disagree'; 5 – all strongly agree.

An 'economist' is a respondent who identified themselves as either 'Trained economist – working as an economist' or 'Trained economist – engaged in another professional sphere'.

1. Likely effects of the COVID-19 recession in Australia

1a) The current period of acute economic uncertainty is likely to last more than 5 years.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	6	53	11	26	4	0	100	**2.68**
Non-economist	3	30	8	43	18	0	100	**3.43**
All respondents	5	43	9	33	10	0	100	**3.02**

1b) Australian GDP will have recovered to Dec 2019 levels by 2022.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	19	43	21	15	0	2	100	**2.33**
Non-economist	30	65	3	0	0	3	100	**1.72**
All respondents	24	53	13	8	0	2	100	**2.05**

1c) High unemployment will be the most significant consequence of COVID-19 for the next 5 years.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	17	15	57	11	0	100	**3.62**
Non-economist	0	10	5	55	28	3	100	**4.03**
All respondents	0	14	10	56	18	1	100	**3.80**

1d) Housing markets will rebound to reach pre-COVID levels of construction output by 2022.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	15	40	23	17	4	0	100	**2.55**
Non-economist	20	55	5	18	3	0	100	**2.28**
All respondents	17	47	15	17	3	0	100	**2.43**

2. Australian Government responses to the COVID-19 recession

2a) The federal government cannot continue/repeat these measures at comparable intensity beyond March 2021.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	21	26	13	32	9	0	100	**2.81**
Non-economist	10	43	15	23	10	0	100	**2.80**
All respondents	16	33	14	28	9	0	100	**2.80**

2b) Major new economic policy efforts – other than monetary policy and additional to the measures announced in October Budget – are essential to stimulate a sustainable post-pandemic economic recovery.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	6	17	34	40	0	100	**4.04**
Non-economist	3	3	0	45	50	0	100	**4.38**
All respondents	2	5	9	39	45	0	100	**4.20**

2c) In its 2020 Budget, the Federal Government has rightly resisted calls for inclusion of social housing investment in its post-pandemic recovery stimulus package.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	51	30	9	6	4	0	100	**1.83**
Non-economist	65	20	3	8	3	3	100	**1.59**
All respondents	57	25	6	7	3	0	100	**1.72**

2d) The requirement of government to refinance public debt is in conflict with the direction and aims of monetary policy (Quantitative Easing) since the GFC.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	17	17	21	21	4	19	100	**2.74**
Non-economist	5	15	28	13	5	35	100	**2.96**
All respondents	11	16	24	17	5	26	100	**2.83**

2e) Monetary policy reliance on low interest rates and Quantitative Easing has exacerbated inequality by boosting the prices of housing and equities.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	6	11	17	45	21	0	100	**3.64**
Non-economist	3	8	13	48	25	5	100	**3.89**
All respondents	5	9	15	46	23	2	100	**3.75**

3. Macro-economic policy

3a) Central banks should resist calls to embrace wider policy objectives (e.g. employment, sustainability, housing).

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	19	47	9	15	11	0	100	**2.51**
Non-economist	30	33	5	23	8	3	100	**2.44**
All respondents	24	40	7	18	9	1	100	**2.48**

3b) Adoption of wider policy objectives would probably curtail the relative independence of central banks.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	13	26	21	28	13	0	100	**3.02**
Non-economist	8	45	10	25	8	5	100	**2.79**
All respondents	10	34	16	26	10	2	100	**2.92**

3c) Short-term interest rate policies alone are sufficient to ensure macroeconomic stability.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	51	34	4	6	2	2	100	**1.72**
Non-economist	40	45	0	8	3	5	100	**1.82**
All respondents	46	39	2	7	2	3	100	**1.76**

3d) Concerns about inequality of economic outcomes are now front and centre for economic policymakers.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	13	36	21	21	6	2	100	**2.72**
Non-economist	15	40	15	23	3	5	100	**2.55**
All respondents	14	38	18	2	5	3	100	**2.64**

3e) The COVID-19 recession will increase inequalities between higher and lower income earners.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	0	13	47	38	2	100	**4.26**
Non-economist	0	3	8	25	65	0	100	**4.53**
All respondents	0	1	10	37	51	1	100	**4.38**

3f) Fuller employment and better wages for poorer households are now key goals of macroeconomic policy.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	6	23	15	43	11	2	100	**3.28**
Non-economist	10	30	15	25	15	5	100	**3.05**
All respondents	8	26	15	34	13	3	100	**3.18**

4. Housing and macro-economic policy

4a) Coming out of COVID 19, stimulating housing production is best achieved through social/ affordable housing investment rather than private market incentives.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	13	19	34	32	2	100	**3.87**
Non-economist	5	18	8	30	40	0	100	**3.83**
All respondents	2	15	14	32	36	1	100	**3.85**

4b) Any additional investment in social housing should be best made through community/non-profit vehicles rather than State housing agencies.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	17	43	26	9	4	100	**3.22**
Non-economist	3	20	25	23	28	3	100	**3.54**
All respondents	2	18	34	24	17	3	100	**3.37**

4c) There is a need for intervention to increase housing provision for lower to middle income *working* households in order to mitigate unduly high rent or mortgage to income payments for this group.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	19	9	53	11	6	100	**3.55**
Non-economist	0	5	10	48	38	0	100	**4.18**
All respondents	1	13	9	51	23	3	100	**3.85**

4d) Increasing the supply of affordable housing in job-rich locations where housing costs are high would improve the efficiency of labour market matching and raise skilled labour supply.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	4	21	51	19	2	100	**3.83**
Non-economist	0	3	6	50	45	3	100	**4.41**
All respondents	1	3	11	51	31	2	100	**4.09**

4e) Policymakers should pay greater attention to the economic productivity effects of housing market outcomes, such as costs, tenure, quality and proximity to work.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	4	13	43	36	4	100	**4.16**
Non-economist	0	3	5	35	58	0	100	**4.48**
All respondents	0	3	9	39	46	2	100	**4.31**

5. RBA monetary policy

5a) Negative mortgage interest rates would re-stimulate housing demand.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	4	21	26	34	11	4	100	**3.27**
Non-economist	10	10	25	40	8	8	100	**3.27**
All respondents	7	16	25	37	9	6	100	**3.27**

5b) Quantitative Easing with expanded mortgage lending would more likely stimulate existing owners and new landlord investment than support first time home-buyers.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	15	21	47	13	2	100	**3.54**
Non-economist	0	5	23	35	33	5	100	**4.00**
All respondents	1	10	22	41	22	3	100	**3.75**

5c) Prudential controls on mortgage lending (e.g. debt servicing ratio limits or exposure limits to reduce investor speculation) could be used more innovatively to yield better housing system outcomes.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	15	26	45	9	6	100	**3.50**
Non-economist	3	8	18	45	20	8	100	**3.78**
All respondents	1	11	22	45	14	7	100	**3.63**

5d) Mortgage lending arrangements that favour households with more deposit capacity will increase inequalities when looser monetary policy with low interest rates prevail.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	6	17	53	19	2	100	**3.83**
Non-economist	5	5	13	50	23	5	100	**3.84**
All respondents	3	6	15	52	21	3	100	**3.83**

5e) There will be a significant extension of Quantitative Easing in Australia over the next 5 years with banks purchasing government debt.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	9	23	47	6	13	100	**3.54**
Non-economist	0	5	18	43	10	25	100	**3.77**
All respondents	1	7	21	45	8	18	100	**3.63**

5f) The RBA should accept the Modern Monetary Theory case for simply printing money to pay for deficits.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	38	30	17	9	2	4	100	**2.02**
Non-economist	20	35	15	13	3	15	100	**2.32**
All respondents	30	32	16	10	2	9	100	**2.15**

6. Housing and demographic outcomes and their possible impacts on the national economy

6a) Demographic change rather than economic growth drives the housing market.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	17	32	38	9	2	100	**3.35**
Non-economist	3	33	15	38	10	3	100	**3.21**
All respondents	2	24	24	38	9	2	100	**3.28**

6b) Net overseas migration will rebound to pre-2020 levels by 2023.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	6	40	13	35	4	2	100	**2.89**
Non-economist	8	30	15	43	5	0	100	**3.08**
All respondents	7	36	14	38	5	1	100	**2.98**

6c) Rising real house prices reflect a successfully growing economy.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	13	38	23	21	2	2	100	**2.61**
Non-economist	15	45	10	28	3	0	100	**2.58**
All respondents	14	41	17	24	2	1	100	**2.59**

6d) Rising house prices are generally good for the economy

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	4	38	36	19	0	2	100	**2.72**
Non-economist	10	45	25	20	0	0	100	**2.55**
All respondents	7	41	31	20	0	1	100	**2.64**

6e) Rising mortgage debt poses an economic stability risk to Australia.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	13	11	60	13	2	100	**3.70**
Non-economist	0	8	8	68	18	0	100	**3.95**
All respondents	1	10	9	63	15	1	100	**3.81**

6f) Claims that house price inflation has worsened income and wealth inequalities in Australia are overstated.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	26	55	11	6	0	2	100	**1.98**
Non-economist	40	55	0	5	0	0	100	**1.70**
All respondents	32	55	6	6	0	1	100	**1.85**

6g) The overwhelming majority of young adult Australians still aspire to home ownership.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	4	19	55	15	4	100	**3.80**
Non-economist	0	10	13	60	15	3	100	**3.82**
All respondents	1	7	16	57	15	3	100	**3.81**

6h) Only a minority of young Australians nowadays believe that they will own their own home by the age of 40.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	28	15	40	4	11	100	**3.19**
Non-economist	0	18	5	55	20	3	100	**3.79**
All respondents	1	23	10	47	11	7	100	**3.48**

6i) Although it may gain a foothold, build-to-rent housing will remain only a very minor component of housing construction in 2025.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	4	23	53	6	11	100	**3.64**
Non-economist	0	13	10	65	13	0	100	**3.78**
All respondents	1	8	17	59	9	6	100	**3.71**

7. Housing and urban economic productivity

7a) Australia's major metropolitan areas/capital cities will be the major locations of economic growth in the post-COVID-19 recovery.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	13	11	55	19	2	100	**3.83**
Non-economist	3	13	10	60	15	0	100	**3.73**
All respondents	1	13	10	57	17	1	100	**3.78**

7b) Metropolitan housing market distortions (e.g. sub-optimal labour market matching) due to high prices and rents are impairing economic growth and productivity.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	15	15	60	9	2	100	**3.63**
Non-economist	0	5	15	45	33	3	100	**4.08**
All respondents	0	10	15	53	20	2	100	**3.84**

7c) High housing prices impede innovation and entrepreneurship in Australia.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	4	19	38	26	9	4	100	**3.16**
Non-economist	0	18	13	35	28	8	100	**3.78**
All respondents	2	18	26	30	17	6	100	**3.44**

7d) The rise of private rental will continue, with negative effects on the longer-term savings and assets of currently younger Australians.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	21	23	38	11	4	100	**3.36**
Non-economist	3	10	10	55	23	0	100	**3.85**
All respondents	2	16	17	46	16	2	100	**3.59**

7e) With new post-pandemic work patterns, Australia can expect to see substantial demand for conversion of under-utilised CBD office or other commercial space to residential use over the next 5 years.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	11	28	51	4	4	100	**3.47**
Non-economist	5	20	20	50	5	0	100	**3.30**
All respondents	3	15	24	51	5	2	100	**3.39**

7f) Post-pandemic work practices and housing consumption preferences will result in a lasting shift in housing demand away from cities and towards favoured regional locations.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	6	26	28	30	9	2	100	**3.09**
Non-economist	3	20	20	40	15	3	100	**3.46**
All respondents	5	23	24	34	11	2	100	**3.26**

7g) Over-expensive housing for low income renters has little real impact on economic productivity.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	11	55	15	15	2	2	100	**2.41**
Non-economist	43	38	8	8	0	5	100	**1.79**
All respondents	25	47	11	11	1	3	100	**2.13**

7h) High housing costs reduce consumption of non-housing goods.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	6	2	60	28	2	100	**4.07**
Non-economist	3	3	3	45	48	0	100	**4.33**
All respondents	2	5	2	53	37	1	100	**4.19**

8. Possible new thinking on housing and the economy

8a) The economic role of housing policy has been too focused on macro-economic stability and the business cycle.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	21	17	45	9	6	100	**3.39**
Non-economist	0	15	15	43	25	3	100	**3.79**
All respondents	1	18	16	44	16	5	100	**3.58**

8b) Australian governments have paid too little attention to how housing outcomes also affect productivity and growth.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	15	11	47	26	2	100	**3.85**
Non-economist	3	0	3	38	58	0	100	**4.48**
All respondents	1	8	7	43	40	1	100	**4.14**

8c) Macro-policy modelling that omits land, housing and planning works well in economies where a high proportion of GDP is produced in a few metropolitan areas, such as Australia.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	9	30	36	6	0	19	100	**2.50**
Non-economist	3	30	25	3	8	33	100	**2.74**
All respondents	6	30	31	5	3	25	100	**2.60**

9. Explaining and countering house price inflation

9a) Explanations for Australia's poor record on housing affordability that emphasize tax treatment of housing are often overstated.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	21	36	13	26	2	2	100	**2.50**
Non-economist	30	40	8	13	5	5	100	**2.18**
All respondents	25	38	10	20	3	3	100	**2.36**

9b) The limited fiscal capacity of state and local governments limits their ability to deal with housing shortages resulting from metropolitan growth.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	9	40	6	32	11	2	100	**2.96**
Non-economist	13	25	10	38	15	0	100	**3.18**
All respondents	10	33	8	34	13	1	100	**3.06**

9c) The slow processes and restrictive quality of local government planning decisions are the major cause of poor rates of housing affordability in Australia.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	19	19	17	28	15	2	100	**3.00**
Non-economist	23	30	15	20	10	3	100	**2.64**
All respondents	21	24	16	24	13	2	100	**2.84**

9d) Poor quality strategic metropolitan planning has led to the geographical mismatch between jobs and homes and under-supplied new places to live and work without long commutes.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	15	17	51	13	2	100	**3.59**
Non-economist	3	10	13	48	28	0	100	**3.88**
All respondents	2	13	15	49	20	1	100	**3.72**

9e) The construction and development industries are often unresponsive to shifting market demands.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	6	45	9	30	9	2	100	**2.89**
Non-economist	13	28	15	38	5	3	100	**2.95**
All respondents	9	37	11	33	7	2	100	**2.92**

9f) The development industry is careful to manage land and housing supply to best match output to market cycles in order to maintain property prices.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	4	23	17	49	4	2	100	**3.26**
Non-economist	5	20	13	35	20	8	100	**3.49**
All respondents	5	22	15	43	11	5	100	**3.36**

9g) The absence of a coherent housing market strategy for Australia now constitutes a significant barrier to structural adjustment in the economy and to an effective post-pandemic recovery.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	0	23	21	36	17	2	100	**3.48**
Non-economist	0	10	8	35	48	0	100	**4.20**
All respondents	0	17	15	36	31	1	100	**3.81**

9h) The key difficulty is an unreformed, inflexible housing system set within more flexible and efficient financial and labour markets.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No opinion	Total	Aggregate score
Economist	2	23	28	36	9	2	100	**3.26**
Non-economist	3	13	18	45	13	10	100	**3.58**
All respondents	2	18	23	40	10	6	100	**3.41**

Appendix 3 – Unconventional monetary policy responses to COVID-19

Policy	Transmission Channel	Effect
Forward Guidance (Reduce the cash rate twice in March 2020, to 0.25%, and to 0.1% on 3 November 2020)	Exchange Rate	This policy will lower government bond yields relative to the rest of world, decreasing the attraction of Australian government bonds and thus the demand for Australian currency in international exchange market. As a result, the exchange rate will depreciate, conducive to raising exports and decreasing imports. GDP will benefit directly form the lower government bond yields.
Purchases of Government Bonds in the secondary market (Target a 3-year Australian government bond yield of around 0.1% and $100 billion purchase program)	Business Investment	Lower yields reduce the cost of capital for firms through lowering the long-term discount rate applied to future earnings, thus boost equity prices. Along with the increasing demand for domestic goods, this would contribute to a modest increase in business investment.
	Asset price/Wealth Effect	Higher equity prices boost consumption by increasing household wealth. While a wealth effect has been proved in some research, the wealth effect from financial market is lower than from housing markets.
Term Funding Facility (Interest rate on the TFF is 0.1%)	Business Investment	Provide low-cost funding to banks alongside incentive for them to expand lending to businesses, especially for small and medium-sized businesses.
Lower Mortgage Rates	Cash Flow	The lower mortgage rate increases household disposable income through lower interest payments, boosting consumption. This would also increase demand for housing.
	Wealth Effect	The lower mortgage rate increase leads to an increase in housing price growth, which increases consumption through a wealth effect.

Source: Based on Guttmann et al. (2020) and RBA (2020). Budgetary Policy and Stimulus