The release last month of (albeit heavily redacted) [Treasury advice] to the Turnbull Government on the likely effects of the policies the Labor Opposition took to the 2016 election regarding negative gearing and the capital gains tax discount once again highlights the extent to which those defending the *status quo* in this area are willing to create their own 'alternative facts' in order to promote their arguments.

Treasury's advice was exactly as anyone who has followed this debate for any length of time would have expected it to be. They were entirely consistent with the views Treasury had when I was a junior Treasury officer in the 'Stone age' (the late 1970s and early 1980s), views which played an important part in my own thinking about the interactions between the taxation system and housing markets.

First, Treasury advised the Government that negative gearing and the capital gains tax benefits disproportionately benefit high-income households. According to Treasury's calculations, 52.6% of the tax benefits from negative gearing accrue to the top 20% of income earners, while 54.3% of the tax savings from the capital gains discount accrue to the top 10% of families ranked by income.

Despite this, the Government and the property industry continue to assert that the main beneficiaries of negative gearing are "teachers, nurses, and police officers", or (alternatively) "Mums and Dads trying to get ahead".

Second, Treasury again noted that "previous changes to negative gearing (1985-87) … had little discernible impact on the [housing] market". This is of course readily evident to anyone who takes the trouble to go back and examine the historical record with regard to the behaviour of rents across Australia's capital cities at this time – as I did nearly 15 years ago and again just over four years ago.

Yet the Government, and the property industry, persist with the fiction that the temporary abolition of negative gearing for property investors by the Hawke Government between 1985 and 1987 resulted in 'rents going through the roof', and that this 'history' would be repeated in the event that negative gearing were to be abolished – or even 'tinkered with' – again.

This is a 21st century illustration of the saying attributed to Josef Goebbels, that if a lie is big enough, and it's repeated often enough, it can become accepted as the truth. That certainly seems to be the motivation who use this demonstrably false assertion as to what 'happened' in the mid-1980s to fuel their scare campaigns about the 'consequences' of any changes to the tax treatment of property investment.

Third, Treasury advised the Government that the policy proposals which the Labor Opposition took to the last election "could introduce some downward pressure on property prices in the short term" – particularly if those proposals were to come into effect co-incidentally "with a weaker housing market" – but that "in the long term" any such downward impact would be "relatively modest" (emphasis in the original). Treasury went on to note that the extent of any impact on property prices would be "likely to [be] limit[ed]" by the response of owner-occupiers. Existing and prospective home-buyers would of course not be adversely affected by Labor's proposed changes, but would face less competition in purchasing housing from investors.

Treasury's advice is consistent with the analysis by the Grattan Institute which concluded that changes to negative gearing and the capital gains tax discount similar to those proposed by Labor would result in property prices being "up to two per cent lower than they would be otherwise".

Yet the Government, and the property industry, continue to assert that changes to negative gearing and the capital gains tax discount as proposed by Labor would amount to a "sledge-hammer" (or some other similarly sinister piece of heavy machinery) which would "smash" the housing market.

What this episode underscores is the extent to which the Government and the property industry are willing (to paraphrase John F Kennedy) to "tell any lie, peddle any fiction, distort any fact, and conceal any contrary advice no matter how authoritative its source, in order to assure the survival" of the privileged treatment which the Australian taxation system confers on investors.

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