The TRED-MILL Does It Again

MARY RAWSON

Professionals Debate Aspects of Land Value

THE COMMITTEE on Taxation, Resources and Economic Development (TRED) has now sponsored eight or nine conferences on various aspects of the taxation of land resources. TRED annually brings together a dozen of the leading theorists in a specific field, each of whom presents a paper. TRED also invites a handful of less honorific practitioners who attend as listeners and questioners, offering their ignorance as a whetstone to improve the clarity and edge of the academic contributions.

To attend week-long symposia such as these is surely an education for the most learned as well as the most humble participant. Not content with making this opportunity however (which in the selection of a useful theme and the seeking of serious and knowledgeable people, persuasion of their attendance and contribution is a good work in itself) not content with this, TRED has carried through with publication* of several of the "scripts" revised and improved by the testing at the symposia.

The most recent TRED book to come out is *The Assessment of Land Value*. Edited by Daniel Holland of M.I.T., this book presents the proceedings of the 1969 TRED conference which Mr. Holland chaired. The contributors range from such freshman members of the academic community as Paul Downing of the University of California at Riverside to such senior members as Ursula K. Hicks of Oxford, England. The participants are well-equipped, assigned to a specific aspect, and argue on a high plane. The result is an interesting and valuable book.

Mrs. Hicks, as the senior contributor (perhaps also as a foreigner and "a Lady") is given the lead-off position. Relative to her reputation, her paper is weak. The style is discursive and the line of argument shaky. Nevertheless, it is important to have a paper from such a source in order that the panorama of expertise now available is laid before us. We may choose what we wish, but at least more wisely.

William Vickery, who sets out to define land value, is the very type of the erudite nimble-minded pure theory professor who can dance rings around most economists both intellectually and verbally. His fine-spinning is sometimes too demanding of ordinary mortals, but his practicality, honesty and clarity of thinking are a treat.

Kenneth Back of Washington, D.C. gives an excellent workmanlike description of present assessment procedures for levying the property tax, demonstrates that proper land-value assessments are a key to fair assessment, and describes how these values can be and are obtained in entirely built-up jurisdictions.

The leading valuers in the world (as witness valuation experts employed by international agencies), are from Australia. John Copes' paper is a confirmation of the high degree of professionalism that exists there both among valuers and in the judges of the valuation courts. To read Kenneth Back and John Copes in relation to each other is to realize what a comparative wasteland of ignorance and incompetence Back has to operate in, and the job of education that he and other leading American assessors have set themselves. Don Beach, State Valuator in Arizona, confirms Back. In his opinion, the low quality of assessment personnel in the U.S. and the fact that most of the professional valuers are *building-oriented* are real handicaps in getting good land valuations.

Among the several speakers who addressed themselves to the problem of how to find land value, it was Paul Downing, the youngest economist contributing, who used the newest "with it" technique—multi-variate analysis—and to good effect. The chief message was, as always in land-valuation problems, commonsense is required—in this case, commonsense in selecting the variables. Downing used many, and by doing so demonstrated that only three or four were relevant for mass appraisal. Ted Gwartney followed with a description of computer applications in sales and assessment work based on experience in Sacramento County where computerized assessment is a fact.

The latter half of the book is taken up by three contributors who look forward, as it were, to the establishment of land-value taxation as the prime local tax. The three are economists Arthur Lynn of Ohio State, Mason Gaffney of Wisconsin, and Lowell Harris of Columbia. That three economists so acceptable to their peers are willing to muse in public on the possibility and even the

*Daniel M. Holland ed. *The Assessment of Land Value*. Proceedings of a Symposium sponsored by the Committee on Taxation, Resources and Economic Development (TRED), University of Wisconsin Press, Milwaukee, 1970 308 pp. $10.00.

desirability of establishing land-value taxation is evidence of a great change in a decade.

Arthur Lynn's piece is a leisurely survey of legal obstacles to the adoption of the tax. In effect he tells us that the law is the main tool of the *status quo* and that it is slow to change.

Gaffney was asked to consider the adequacy of land as a tax base. In a typically serious but sprightly treatment he answers that question, and several others as well! One has the feeling that the range of Gaffney's thought is so great and his mind is so active that it must take any and every opportunity to spill out its ferment. Who could be ungrateful? After reading this paper filling out as it does the tapestry of theory with the daily fact of real business life, one can feel only impatience with the scores of articles that attempt very little, and whose authors get in the way of that.

In the final paper, Harriss, dealing with the "period of transition" to land-value taxation, points up major problems: differences in tax rates, homestead and other exemptions, climate of public opinion and understanding, special cases of hardship, and upgrading of assessment practice. He suggests a number of aids to transition including the obvious one of Federal government inducement (*e.g.* help for housing or urban renewal being tied to tax reform at the local level). Harriss takes the view that a shift to land-value taxation is worth making, that it is *not* a minor change, and that the marginal force could have effects of some magnitude. Harriss' subtle and tentative treatment of possible problems and solutions is more tantalizing than conclusive, but it is always interesting.

There is something in this book for everyone from practising assessor to mathematical economist to city planner. Within each field the papers are of a high quality, with the exception of that of the disappointing Lady. It is very good to have all these people put their minds to work for us. May TRED keep up the good work.

Creeping Pervasion of Industry

RAY LINLEY

"A list about eight feet in length"

"FULLY OWNED State industries are financial monsters showing, on the whole, all the worst abuses possible to monopoly power." This is the view expressed in a brief Aims of Industry paper* which argues that the advance of State control in industry should be halted and reversed.

One significant aspect is that because nationalisation and the poor performance of public undertakings has provoked so much public hostility, State intervention in industry has taken more subtle and insidious forms. For

example, nationalised industries may form new companies or may acquire shares in existing companies. The intention is that these companies should then be expanded to trade more extensively either in sectors directly connected with the enterprise or by diversifying into new fields. The costs involved are low enough to be absorbed into the accounts of the nationalised industry, so that although most annual reports of nationalised concerns have listed new holdings, the creeping pervasion goes generally unnoticed.

In addition to the activities of public undertakings, the Government itself has taken direct shareholdings in more and more companies, under the provisions of the Industrial Expansion Act, through powers given to Industry Boards and through the Industrial Reorganisation Corporation. The total number of separately registered companies in which the State held financial interests in 1969 was 914. As a supplement to the paper there is an impressive pull-out list of these, showing the name of each company and the percentage State holding. It is not until one stands back and looks at this list which, although set in very small type, is about eight feet in length, that one can comprehend the true extent of State influence in industry. Each month, more may be added to the list.

The main argument put forward for the reduction of State industrial interests is that of efficiency.

The paper concludes by suggesting that a suitable policy might be a gradual one. Some of the peripheral activities of State corporations could be restored to the private sector. Where only partial ownership exists, shares could immediately be offered to the public.

The minimum appeal is that creeping Government ownership should be allowed only by Parliamentary sanction so that the public could at least be aware of what was going on. "The tendency in recent legislation defining State bodies' powers is to give them a blank cheque to diversify at will."

The economic arguments briefly put forward would seem indisputable. How greater is the case for diminishing Government intervention if one adds to these the primary moral ones which are not referred to in this paper. Each time Government oversteps the mark, it is unjustifiably infringing the liberties of individuals, both as consumers and producers. What is needed is a decision as to just what is and what is not the province of Government. Good economics follows on naturally.

Galloping Nationalisation. Simon Bewlay & Edward Davey. 2s. 6d. (12½p.)