

Discussion w. Mandy, 11-13-64

Intro. Mutual aggression pact. Doing my best to divert M. - Friedman, Alchian - but look
ran out. Welcome discussion - be sure they spell my name right.

Points of agreement. accelerate renewal

Residual issues

1. Capn. & neutrality. $V = \frac{a - tV}{i} = \frac{a}{i + t}$

Hold'g cost = $V(i + t) = a$. Under credit rationing, get some really.

2. Redistrib. effects

L.v. unaffected by present improvement.

a. What wd. they be? [1st order effect, a wd. Δ by more than loss of
bldg. taxes, bcs. drop excess burden.]

b. Is it justifiable?

i) L.v. in "public value": something for nothing. How did morality get into this?

ii) Not due to Δ tax, but Δ compn., now held in check by bldg. tax. (over)

3. Assessment problems. a) Low priority problem. It is wrong to tax bldgs - inequit-
able, malleable - doesn't become less to do it well. E.g. of N.H. timber. b) Can assess
land well. More homogeneous. Interpolation, contouring. Olcott; Copenhagen maps. My maps.

4. Effects on employment. } c) Qn. of reducing error by combined land & bldg.
assmt.

Δ demand for labor - irrelevant whether ^{or not you} assume full employment.

Δ m.e.c.

complex - more research needed.

Wd. be good arguments even if worsened allocn. In macro, often fly in
face of good allocn. to Δ emplnt. Here, do both.

5. Excess capacity

Fear of confiscon. rests on it. Many can't have it both ways.

a) Spread City

b) Aerial of Mke

c) L.v. map. Half city vacant, all priced urban

Use in Brazil of tax on coffee trees as part of valorizn.

Bldg. tax serves same fn. When get thru the crunch 2 get to elements, most agree it will Δ bldg., Δ demand for labor, Δ inv. opps., etc. But with lower rents!

No cities are engaged in restraint of Trade, to Δ & diffuse l.v. Munics. are monopolies, or cartels. I propose to withdraw their primary power to restrain Trade.

iii) Xfr. strengthen title? Can't buy better than what seller had. Often weakens it - wtr. rts., etc.

iv) Land highly conc'd. A luxury good - Murray showed.

Alonso supports, p. 1276

As to +nts, ~~bldg~~ they escape land tax, but bldg. tax is passed on to them, as Morton points out.

Thus the redistrib. effect is to the poor & property less.

Manning - his points to which I would have objected given time.

a. Employment. M. E. C.

b. Lump sum overstates tax burden

(to take % of income, or monthly payments)

only onerous levy hurts - (but you can get all services w/o any tax on bldg.) (When build new bldg, get the whole burden, & no A services -- a decline, often, less welfare)

Any tax has deterrent effect - but land tax doesn't.

c. Taussig & Hurlburt, error of appraisal A's.

Cite Wenglick

d. Vacant land wd. fall in value. (No.)

("a" wd. not remain constant)

(M. is quoted me.)

e. Indiff. curves

ignatio clenchii

THE ECONOMICS SEMINAR COMMITTEE
INVITES YOU TO ATTEND
THE FIRST SEMINAR OF 1964-65

DATE: Friday, November 13, 3:30 p.m.

PLACE: Economics Department Conference Room - 557
Bolton Hall, 5th Floor
The Campus
University of Wisconsin - Milwaukee

SPEAKERS: Professors Mason Gaffney and Manuel Gottlieb

DOCUMENTS: "Property Taxes and the Frequency of
Urban Renewal" by Prof. Gaffney

"Comments on the Gaffney Paper" by Prof. Gottlieb

"Critique of 'Property taxes . . . ' " by
Prof. Gaffney.

October 30, 1964

MEMORANDUM

TO: Members of the Economics Seminar

FROM: Manuel Gottlieb

Subject: "Property Taxes and the Frequency of Urban Renewal"

The current discussion between Dr. Gaffney and myself confirms again the remark of Francis Edgeworth that "the rating of urban land values is a suitable subject to bring before students of economics because it exercises that faculty of abstract reasoning which is characteristic of political economy as distinguished from Political Science in general" (Papers, II, 227).

Since this subject will now be pursued in the give-and-take of a seminar session, further discussion of the issues in debate can be deferred for that session. I should like in this communication to clear the way for that discussion by further clarification of a few points relative to my own position.

a. Full Employment Assumption. I did not argue that full employment obtains now or in the past but merely that it is convenient and useful -- for reasons that I shall elaborate upon later -- to abstract from aggregative employment effects while considering other effects of the conversion of the local property tax into a site value tax.

Is ok to limit scope of discussion to manageable size. But a discussion of resource allocn. is implicitly a study of full employment. anyway, (over)

b. Importance of Property taxes on Business Investment.

Dr. Gaffney writes: "If this point is relevant at all, it is only re industry and commerce." It was expressly addressed to the case of industry and commerce. He also writes: "it is essentially an irrelevance since the subject is not the general one of attracting

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a. Full Employment Assumption. I did not argue that full

employment obtains now or in the past but merely that it is convenient

malallocn. is underemployment, whether of labor, land, or capt. bes. less ~~cannot~~ ~~are not really~~ "fully" employed unless allocated. "Unemployment" is just ~~the~~ ~~an~~ ~~extension~~ of malallocn. I'm worth mentioning but I get sharp cleavage of macro & micro institutionalized in our course orgn., & might be worth genl. discussion. } I agree is

tangential to present issues, bes. emplmt. was not discussed in original paper. So long as has come up, however, I wd. appreciate reactions to my genl. position on subject.

industry, but the subject is property taxation." My point concerned the importance of property taxes in the profitability projection involved in business decisions to invest, not where the investment would be located. My comments, like his paper, was concerned with the effects of an altered system of property taxation for an entire economy and not for a particular local area. *Contradicts (a).*

cover

c. Best Information on Investment Spending. References to "our best information" regarding the important factors in business investment can be found in the works dealing with that subject. A guide to the recent literature may be found in the Meyer and Kuhn book, The Investment Decision (1959) and in the recent sessions of the American Economics Review Proceedings dealing with investment activity (May 1962, pp. 190-228, and May 1963, pp. 237-274).

Non-specific

d. Statistical Test. Professor Gaffney writes: "The proposed statistical test is obviously beyond the resources of the present exchange." Of course, I was aware that carrying through of the test would involve a formidable research effort which I hope somebody will tackle.

1, two

e. Appraisal Error. Professor Gaffney writes that "Professor Gottlieb's interesting concept of pooling land and building assessment to offset errors proceeds from a postulate generally contrary to fact, that the two are separately assessed and then added." I do not see that my argument that the probability of error in appraised over true value in the built-up portions of a city is greater for the land than for the improvement component hinges in any way upon the so-called "postulate" which, by the way, is one of the appraisal methods found in wide practical use.

Case of mal-communication. I referred to "appraisal errors for improvements & land values are partially random & offsetting."

industry, but the subject is property taxation. My point con-

cerned the importance of property taxes in the profitability pro-

b. Property tax is local, or at most state. Makes sense in

that context, & so my paper treated it.

affects rural. - the smaller the jurisdn., the sharper the differences in migratory ^{capl.} non-migratory land. In a closed ec.

the diff. wd. be in terms of effects on capl. fmtn. & capl. turnover.

Sum of state & local pols. have aggreg. effects, but policies remain local.

b. I shd. have said "stimulating" indy., not "attracting," to obviate open-closed issue.

Issue of "where" to invest is impt. bcs. sprawl forces heavy soc.

f. Effect of Site Taxation on the Value of Vacant Lands.

Professor Gaffney believes my analysis of equity effects is "premised on a technical error" to wit that "vacant land as such would necessarily suffer a decline in value because its taxes would go up." That would involve not a technical but a substantive error for given the necessary simplicity of assumptions, economists could err in estimating the direction of the price movement of a taxed item only through an analysis that was substantively unsound.

g. Distributive equity. My argument does not presuppose that distributive equity prevails generally and hence does not rest upon a "contentment with the status quo that would be hard to duplicate on the midway or in the shadows of Beverly Hills or Monticello." I merely presuppose that investors who now hold property with a land/improvement ratio ^{clings to s.r. anal.} less than the average are not morally suspect and derelict or worthy of expropriation in whole or in part. I likewise hold that investors who now hold real property with a land/improvement ratio greater than the average are not worthier or deserving of public largesse. I likewise do not hold that private property in land is unworthy or morally suspect.

h. Present Amounts of Vacant Land. Professor Gaffney imputes to me the belief that "there exists a large excess capacity in vacant land." I called attention to the relatively large stock of vacant lots, around 13.7 million, in the country. I did not, nor would I, characterize this stock as "excess." For reasons that I will expound upon later, freedom of choice in the land and realty market requires a substantial supply of vacant lots to be on hand at all times, and it is a moot issue whether and to what degree that supply is now "excessive."

"Public value of land" has special quality.

"mass dumping"

maybe, but L.V.T. wouldn't prevent it if so.

h. Permanence of policies and vested interests. My argument does not presuppose that public policy with regard to any "vested interest" must be "frozen permanently." My argument is concerned with the adequacy of the grounds for transferring wealth between groups in the manner and on the scale involved in the proposal under discussion.

i. I fail to see the "technical error" alleged to exist in my analysis of "allocation effects" (paragraph h of my memorandum). But I do see a striking "technical error" in a theory of tax capitalization, "unfortunately little understood", which reaches the result that "the annual individual cost of holding land title is simply equal to the ground rent at any tax rate from zero to infinity." We shall expound upon this subject at the coming meeting.

j. To facilitate oral discussion, I am attaching herewith certain excerpts from a few related writings on the subject.

Excerpts

Edgeworth, Papers, II, pp. 192-3. "But even the landlord of urban sites is in the concrete not perfectly inert. The 'master's eye' produces some of its proverbial effect. If he has not supplied sewers and roads, at least he has supervised the arrangement of streets and type of houses so as to render the neighbourhood attractive. That the labour of supervision may fall upon an agent does not affect the productional aspect of this consideration."

Edgeworth, Papers, II, pp. 213-4. "The writer holds no brief for urban landlords. He has impartially pronounced against them upon several counts. He has disputed the favourite argument that they have been already rated in that their rents are by so much less than they would have been if the rates had not existed. He would go so far as to allow that, even if it were true that the landlords had paid the rates out of unearned increase in the past, it might nevertheless be reasonable to rate unearned increase in the future. He has met the recherche objection that a special rate on ground rent would be nugatory, since the landlord would be compensated by the increased demand on the part of occupiers. He has fully accepted Mill's doctrine on the taxation of 'future unearned increment' of rent. He has admitted that the industry of which house-accommodation is the product presents something peculiar and exceptional in the long incorporation of land with labour, in virtue of which an impost on the profits of the producers might have less than its usual effect on the interests of the consumers. He regards it as conceivable that a greater than Mill might succeed in demarcating some portion of the gains of middlemen in this industry as par excellence 'unearned,' so different in kind from the ordinary blends of work and luck as to become the object of a specially heavy impost without detriment to the quantity of production or the equality of distribution. But this problem which Mill did not attempt has not been solved by his successors. In a matter so complex and momentous it may reasonably be demanded that action should not be taken until a scheme is forthcoming which shall stand the test of abstract general reasoning as well as Mill's scheme."

North Central Regional Research Publication, Research Bulletin 810, V. L. Hurlburt, "Rent Determination within the Farm Firm," pp. 12-13. "Valuation of buildings to determine annual cost has no knotty theory aspects. There are difficulties of judgment, decisions as to rate of depreciation, and the necessity of distinguishing between depreciation, annual upkeep, and improvement costs. There is necessity for handling the problem of valuation of the residence (a consumption good) separately from the production factors. Further, one can note the necessity of valuation in terms of the farm as a firm -- the value in this given business -- rather than value in some other firm. Here, part of the problem of valuation is tied up with the problems of allocating resources between firms. For example, a machine shed and shop that is suitable for combination with a 1000 acre spread is decidedly underutilized if combined with other resources on a 100-acre spread; and the owner of such

building cannot expect the 1000 acre valuation to apply in the 100-acre unit.

There is no point in arguing as to which of the factors has the least perfect market; but the contrast between markets for most of the fixed inputs and markets for the variable inputs is at least to be mentioned. The land market stands out noticeably as one characterized by relatively low rate of turnover, lack of standardization and gradation, buyer and seller familiarity with mainly local conditions, overlapping of lack of recognized market areas, and the almost universal tendency of packaged deals -- that is, with farms sold as units combining land and other factors."

Marshall, Principles of Economics. "It has been argued in Book V that the rent of land is no unique fact, but simply the chief species of a large genus of economic phenomena; and that the theory of the rent of land is no isolated economic doctrine, but merely one of the chief applications of a particular corollary from the general theory of demand and supply; that there is a continuous gradation from the true rent of those free gifts which have been appropriated by man, through the income derived from permanent improvements of the soil, to those yielded by farm and factory buildings, steam-engines and less durable goods"[p. 629].

"We have seen that the incidence of a new local tax on printing would differ from that of a national tax mainly by causing such parts of the local printing industry as could conveniently migrate beyond the boundaries of the local tax to do so. Those customers who needed their printing to be done in the locality would pay rather higher for it. Compositors would migrate till only enough remained to find employment locally at about the same wages as before; and some printing offices would be transferred to other industries. The incidence of general local rates on immovable property follows different lines in some respects. The power of migration beyond the boundaries of the rates is a very important factor here, as in the case of a local tax on printing. But of perhaps even greater importance is the fact that a large part of the local rates is spent in ways that conduce directly to the comfort of those very residents and workers in the locality, who might otherwise be driven away. Here two technical terms are needed. Onerous rates are those which yield no compensating benefit to the persons who pay them. An extreme case is that of rates devoted to paying interest on a loan incurred by a municipality for an enterprise which failed and has been abandoned. A more representative case is that of a poor-rate levied mainly from the well-to-do. Onerous rates tend of course to drive away those persons on whom they would fall.

On the other hand beneficial or remunerative rates are those spent on lighting, draining, and other purposes; so as to supply the people who pay the rates with certain necessities, comforts and luxuries of life, which can be provided by the local authority more cheaply than in any other way. Such rates, ably and honestly administered, may confer a net benefit on those who pay them; and an increase in them may attract population and industry instead of

repelling it. Of course a rate may be onerous to one class of the population and beneficial to another. A high rate spent on providing good primary and secondary schools may attract artisan residents, while repelling the well-to-do. 'Services which are preponderantly National in character' are 'generally onerous'; while 'those which are preponderantly Local in character generally confer upon rate-payers a direct and peculiar benefit more or less commensurate with the burden'." [Appendix G, p. 794]

". . . the ground rent which a builder is willing to pay for any site is governed by his estimate of the additional value which that site will give to the buildings erected on it." [p. 796]

"Therefore onerous taxes on site values tend to be deducted from the rental which the owner, or lessee receives; and they are accordingly deducted, insofar as they can be foreseen, from the ground rent which a builder, or anyone else, is willing to pay for a building lease. Such local rates as are remunerative, are in the long run paid by the occupier, but are no real burden to him." [p. 797]

"The principle which lies at the base of this scheme is capable of larger application; and something may be said as to one suggestion of an extreme character, which has recently attracted some attention, to the effect that in future rates should be assessed mainly or even wholly on site values, with little or no reference to the value of the buildings. Its immediate effect would be an addition to the value of some properties at the expense of others. In particular it would raise the value of high and expensive buildings in districts in which the rates were heavy, even more than those in which they were low; because it would afford relief from a greater burden. But it would lower the value of low obsolete buildings on large sites in heavily rated districts. After a time, the amount of building put upon a site would vary generally, subject to the bylaws, with its advantages of situation; instead of as now partly in proportion to these advantages, and partly inversely as the rates. This would increase concentration and tend to raise gross site values in advantageous districts; but it would also increase the aggregate expenditure from the rates; and, as this would fall on site values, the net site values might be very low. Whether on the whole the concentration of population would be increased, it is difficult to say: for the most active building would probably be in the suburbs, where vacant land no longer escaped heavy rating. Much would depend on the building bylaws; the concentration might be much lessened by a rigorous rule that there would be a large free space at the back as well as in front of all high buildings." [p. 800]

"Caution is necessary. But the cause of high site values is that concentration of population, which is threatening a scarcity of fresh air and light and playroom so grievous as to lower the vigour and the joyousness of the rising generation." [p. 803]

Pigou, A Study in Public Finance, pp. 152-3. "In view of the excellence of a tax on the public value of land from the standpoint of announcement we should plainly need proof that, taken all in all, it was abnormally bad distributionally before being justified in rejecting its claims to a place in the tax system. If it were proposed to put a very high rate of duty upon the annual -- still more upon the capitalised -- public value of land, owners of valuable sites would, indeed, have ground for complaint that gross discrimination was being practised as between them and other equally wealthy persons. Even with a fairly low rate of tax the discrimination may be considerably more important than it is at all likely to be in the case of, say, a tea tax; because some persons draw a proportion of their income from true rents larger than the proportion of their income that any persons spend on tea. Moreover, taxes on true rents, if imposed with an expectation of continuance, are apt to become amortised: that is to say, the present owners of land, should they wish to sell their property, are forced to accept a purchase price reduced by the discounted value of the future annual imposts. When this happens they are hit, pro tanto, with greater severity. This is a sound reason against imposing very high rates of tax on true rents. It is of little weight, however, against low or moderate rates; for, after all, every single tax taken by itself is bound to be in some degree unfair between individuals. On the whole, therefore, I conclude that, in any tax system which relies on a number of different imposts, there is a strong case for including among the rest a moderate tax assessed at a moderate percentage upon the (annual) public value of land."

Taussig, Principles of Economics, 4th edition, p. 147. "Periodic valuation is not impracticable; but it is extremely complex and expensive. Indeed so expensive is it that this alone is a forbidding obstacle; the cost of ascertaining the increment may easily be greater than the revenue secured. Only if a valuation of sites is undertaken in any case for other tax purposes (the ordinary taxes on real property), and if continuing records are thus available, is there likelihood that a substantial net revenue will be secured. It would carry us too far afield to enter on a discussion of the administrative and political questions that must arise: the control of valuations, the rights of revision and appeal, the friction between local and central authorities. No doubt difficulties of this type are often exaggerated. They are made much of by those who at heart oppose all change and turn to any and every pretext for justifying their opposition. On the other hand, ardent reformers often fail to face squarely the problems involved in the legislative formulation of their proposals. No final judgment can be rendered on any scheme until it is seen what it is like in the form of a carefully drafted bill or statute."

To: M. Gottlieb
From: B. Patterson

Subject: Comments on your Comments on the Saffney Paper
Taking point by point:

a. This is the weakest of your arguments. Your point would apply, appropriately, to a consideration of an over-all tax increase to finance new benefits, or to a purchase. It applies perhaps most strongly when different locations, with different tax rates and different levels of government services, are being considered. However, when the increase applies to only one, or a few, properties, the increase in benefits would be so diffused as to provide a negligible offset ~~for~~ ^{to} the cost. This applies a fortiori in the case of a shift of taxes from one group to another.

b. Probably a valid point - but does it not mean a modification of the degree of influence rather than the direction?

c. A very good point. My only argument is that the worst offenders, the slumlords, are hardheaded businessmen who are very much aware of tax rates, and the probable change in taxes (assessments) that would result from improvements.

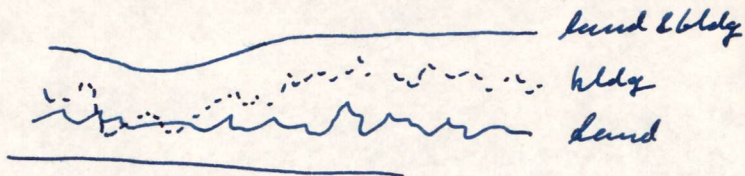
d. Agreed - but this does not apply to rental housing.

e. I can't answer your question - but it is a valid question.

f. A very good point.

g. Quite valid, but not an adequate argument for keeping the present system if the benefits are as great as Saffney claims. Rather, it would imply that something like the Pittsburgh system of a gradual shift toward land values should be employed.

h. Seemingly valid, but your argument here ~~does not~~ contradicts your arguments in points b, c, d, & e. If the degree of impact on property owners is slight, then the resulting increase in concentration would also be slight - perhaps yielding a net benefit, instead of the dangers you mention.



Gottlieb's idea.

But if it is inequitable to tax bldgs
at all, doesn't help much to do
a perfect job.

Care of N. H. trees

Many issues can be overlooked, ^{no substantial issues} settle on a few.

In 1. Aggreg. effects

Economy of land in the time dimension.

Δ renewal freq.

sub. labor for capt. & land

Δ output of ~~big~~ bldgs:

Larger stock

Faster turnover

Out 2. Relative ineptness of bldg. taxes.

Imponderable. We agree are inept enough to talk about - is why we are here.

3. Appraised error

a. Mal-comm.

b. Will show some methods.

Out 4. Distrib. equity.

I'm not sure ^{why Prof. F. led} ~~but~~ morals got into this discussion. If we set out to reconstruct the ec. on a moral basis we wd. certainly have the most radical upheaval imaginable. Present arrangements are essentially amoral & must stand or fall on util. grounds.

Pub. val. of land . . . Some wd. call that moral issue,

In but I can content to point to allocative effects . .

5. Excess capax.

Based on mass dump's

q. says not excess, but equivocates

Give data, from Mke., Spread City, Mich. map, etc.

6. Redistribution.

Land Conv.

7. Capax. & neutrality of land tax

a. Under monistic i.v.

b. Reallocation effect

c. Effect on size of city

d. Seek refs. from earlier works

8. Non-neutrality of bldg. tax.

Mutual Aggression Pact

Debate w. Murray

1. Capm. $V = \frac{a - \tau V}{i}$

Put on board in this form.

spell out various postulates.

- a. Δ land tax, all else const. (onerous)
- b. " " " " , Δ public services
- c. " " " " , lower bldg. tax

2. Review Simon, Pigou

3. Points of agreement

- a. Good pedagogical vehicle
- b.

4. Props -

Map of L.V.

Aerials.

Bldg. tax not neutral. Differential effects - tax on durability. Trees.

Manny's 3 factors determining incl. invmt.

1. Balance of payments
2. Wage rates
3. Property taxes.

All 3 helped by svt.

NOTICE OF MEETING

SOUTHEASTERN WISCONSIN REGIONAL PLANNING COMMISSION

SOCIO-ECONOMIC STUDIES SUBCOMMITTEE

OF THE TECHNICAL COORDINATING AND ADVISORY COMMITTEE

November 10, 1964

DATE:

1:30 P.M.

TIME:

Room 202

PLACE:

Student Union
University of Wisconsin
Milwaukee, Wisconsin

AGENDA:

1. Roll call
2. Approval of minutes
3. Progress report on regional economic simulation model development
4. Critique of model development work by committee members and guests
5. Consideration of expanded committee representation
6. Consideration of employment and population forecasting staff memorandum
7. New business

Louise L. McMillan
Secretary

D145/
LEW.vu
10/16/64

M E E T I N G P L A C E C H A N G E D

NOTICE OF MEETING

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Eugene E. Molitor
Secretary

Re Gottlieb. We are ~~at~~ indebted to Prof. G. for giving his stimulating
Honored to join distinguished company of critics. A welcome occasion
for exercise on several pts. raised.

Preamble.

Assumes full employment. Not relevant to present or foreseeable future.
Accelerating renewal stimulus. employment, is important by-product.

Is not make work, for basic emphasis on ideal allocation, & neutral
taxes. But stress on removal of fiscal deterrence to employment is
important.

~~Some~~ Fed. mngt. of employment pol. is unjustified competent mentalizing. but let
ex. thought- & ex. pol. Modern trend is growing dissatisf. w. ^{highly} ~~agg.~~
anal., structural emphasis. Fed. efforts can be undone by continuing
local policies

Q. a. Not clearly stated.

Future services are capt. into L.V. Bldg. pays by buying.

Do public costs rise? when renewal occurs.

Fns. of area & no. of people & character of people & bldgs.

Fns. of area, reduced by renewal - higher density; more utilities
inside bldgs.

Fns. of no. of peop character - ^{health} welfare, police, fire, bldg. inspection,
all fall. Smaller families. & character only partly ~~by~~ ^{by} sweeping problems
elsewhere, also & new floor space, lower costs.
Fns. of no. of people.

Maybe more school children. Doesn't & net. ~~agg.~~
but local. Maybe a net local & cost - decline elsewhere. Fed. force
indicated. G. Mitchell.

As to vacant lots, it is not bldg. that adds to public costs, for it
means forc'g xpt-ut. extensions to bld. further out.

if relevant at all, only re indy. & comm. & paraded arg.

6. The de minimis argument, Not really an argument at all -
just says writer is spending his time on subject he considers too
trivial to spend his time on. To extent we do consider it,

2

~~shd~~ doesn't change conclusions.

But is more impt. than ^{small white dwarf} Land Bank, which I. favors.
50% cost of new bldg. is impt., if bldg. cost is impt. at all. - &
if it isn't, obviously no plant shd. start on floor space, & we
wd. have no crowded plants, no firm wd. ~~be~~ be kept from
expanding by lack of plant, etc.

Who says what is "our best info"? Hoover & Vernon find
indly. in NY & NJ in location "consistent w. their tax interests" p. 55.

Tax freezes result in new bldgs. Most studies presently relied on were
made at lower rates than now. Indus. flock to low. Tax enclaves,
why if not for tax reasons?

As to short time perspective, if true magnifies bldg. tax, but big impact
is early of. land tax.

c. Tax illusion arg. is variant of ^{primarily} "rationality" arg. A diversion & retreat
into obscurity. ^{Insofar as valid,} Ed. cut either way ... the illusion cd. as well be
larger or smaller than the fact. H. & V. " . . . "

Is gn. of fact, wonderful variety of ways we go vs. our best-calcd
self-int. As 1st approx., however, obviously one shd. compute a
correct evaln. No doubt we are all under many illusions, re
all future costs & revs. Is no reason to ignore - esply. selectively

~~over!~~
as to uncertainty of taxes, that is clearly an added
burden, not a lightening.

d. Stat. test wd. be nice, but obviously beyond res. of present discussion. Several cities in notes, dead bldg: Newark, J.C., Boston. usually cited. Only new bldg. in Boston for decades where by negotiation Ins. Co. was given an assmt. freeze.

More quirky: flight of capt. from older central cities to suburbs, & newer cities of w. & s., moves from higher to lower rates.

e. Well, how does it?

- f. Appraisal of improved land is based on ^{a) sales of vacant land &} sales on eve of demolition - some 10% of all sales now, and a higher % of bldgs were exempted & removal accelerated.
- g) "Model-bldg." after imaginary demolition: ^{c) Spatial interpolation -} not possible w. bldgs. ^{L.V. maps are common - can you imagine a map of bldg. values?} ^{d) Standard tables correcting for depth & shape} & block position; ^{e) Sales of} c) Density factors & Traffic counts
- f) Zoning g) Access to transport. & utilities. h) Distance from foci of value i) Available public services, esp. schools
- j) Amenities: k) Ground rents

Supplemental info. may be had from known bid & ask prices.

I am also recommending that a mechanism be created for public ^{posting &} recording of asking prices, ^{and possibly bid prices also (accompanied by current bid)} This wd. not only help assessment but help the market work better, especially in cases of bilateral monopoly. Low bids wd. strengthen holdouts by lowering ~~assmt.~~ assmts; high asking prices the reverse.

Prof. G's concept of pool's land & bldg. assmt. to reduce error proceeds from a premise contrary to fact, that the 2 are assessed separately & then added. ~~But~~ Under today's system, must assess the sum as a unit. Later it is split, but

as an empty ritual. Exception in new areas, e.g. Beagride. But in older areas there is no meaning to add'g lot + house value, bec. lot value depends on reuse under diff. style house — is m's mated to old use. Only meaning of separate value to bldg. is a resid: i.e. value less land value. But that requires indep. assess. of land, is not an independent datum.

g) ~~Only in s.v.~~

Every shift in public policy has redistrib. effects, & ~~any~~ ^{public} ~~any~~ ^{pubs.} conclusion emerg'g from G's line of reasoning here is that all ^{public} ~~pubs.~~ shd. be frozen perm.ly to avoid disturb'g vested int.

It is an assum. of perfect pre-existent equity.

~~If any~~ It assumes a permanence & sanctity in exist'g distribn. of ~~wealth~~

& receipt of govt. largesse — & that is what l.v. are —

that has no historical basis. ~~Fringe l.v.~~ In 1940 a large

share of urban Ann. land had no value — was abandoned for

taxes. ~~off~~ It was br. permissible since then to pursue

pubs. revoling it to present levels. An own hands then

lied to ~~tap~~ some of this ~~for~~ to reimburse public for its contribution?

It is analogous to assum'g perfect compen. Coupled w. earlier assum. of full employment, it bespeaks a contentment w. ~~exist'g~~ status quo that wd. be hard to match

in Midway, or in shadows of Beverly Hills or Monticello.

~~Hist. of L.V. is one of violent swings~~

If, as G. says, ~~we~~ is a great excess capax. in vacant land, is it reasonable to say society obliged to maintain these values at level higher than demand will sustain? ^{That is indeed put's property.} We are all ^(over) members of society — did we ever contract w. any land gambler to underwrite his ~~profits~~ gains? ^{Where are the documents?} ~~Maybe you did —~~ Why shd. ~~we~~ vested interests in form of L.V. be sustained by denying vested ~~I did not~~? ~~I have other ways I'd rather spend my money.~~ int. of alternative taxpayers in a better-working economy?

Again, if this excess capax. prevails, can present prices be sustained anyway? Is only yrs. of time before pressure of foregone gain or imputed int. forces land on mkt. Hist. of L.V. is one of violent booms & bust, w/o help from proposed bldg. exemption. Hard to find any sanctity in Fla. mail order land boom.

On the qn. of distribn. of gains & losses, G.'s ~~part~~ anal. premised on ^{a technical error} ~~incorrect concept~~, when says vacant land as such wd. be devalued. L.V. not depend on

values, even fictitious ones, ahead of human values.

^{extent} improvement, or lack of same. Depends on highest use-potential.

Exempt'g bldgs. wd. redistrib. l.v. by chang'g that potential. Lands w. potential for intensive use, now blocked by taxes, wd. gain value, even if now vacant: lands best suited for extensive use wd. lose.

2. moves from current obsn. that taxes on land now vacant (over)

To extent some lands lose value, & some gain, l.v. system has a built-in agent of equity: winners pay more taxes, losers less.

h.) Overlooks tax capn. Cost of hldg. land unchanged - sub.

t for i. Cost of hldg. title are $I + T = V(i + t) = \frac{a(i + t)}{i + t} = a$

There is beauty of land tax - neutrality (in perfect mkt.)

Exempt'g bldgs. might Δ intensity, but is not position public out of tax'g l.v. that "forces" intensity - is neutral act of exempt'g bldgs. that allows cons. sarty. to prevail.

Overstates, bec. tax on l.v. does have + effects. But they are truly of nature of mkt'g mkt. works better. Good subject to expand at Dept. mtg. Seminar.

wd. rise to incorrect conclusion same l.v. wd. fall. Overlooks that
a) use-potential rises as Δ s to bldg. plans, suboptimal. after bldg. taxes, become
super-optimal; b) Even w/o (a), bldg. exemption of bldg. that wd. be
optimal cum tax leaves more for l.v.