TWO-RATE TAXATION CONFERENCE IN HARTFORD DRAWS INTEREST OF PROFESSIONALS

by Dr. William Batt, Albany, NY

The Barney School of Business, associated with the University of Hartford, held a morning-long seminar workshop on two-rate taxation of land and buildings on Wednesday June 4, 2003. With the sponsorship of the Lincoln Foundation, it brought in four speakers long associated with the subject. The four were Professors Emeritus Lowell Harriss, Wallace Oates, and Robert Schwab, with a last-minute stand-in by well-known Connecticut assessor Michael Bekech. It was moderated by veteran Connecticut political leader and former Senator, Michael Meotti, and arranged by Business School professor Jeff Cohen. The session, lasting from 9:00 am to 1:00 pm, drew approximately 40 people, including several proponents like Ted Gwartney from Bridgeport, CT, and Wyn Achenbaum from Stamford, CT and myself, Bill Batt.

Working from a prepared paper, Professor Harriss began by noting that land, having inelastic supply, does not change with the imposition of taxes, and therefore that there is no deadweight loss and no distortion. He explained how such a tax fosters optimum land use and yet leaves decisions to the market. This point was certainly not lost on an audience of administrators aware of the enormous burden of management and litigation growing out of land use ordinances. Noting also that his old Columbia colleagues Vickrey and Stiglitz were also strong supporters, he then cited our more closely-allied advocates Steve Cord and Mason Gaffney.

Professor Schwab recounted the interest in two-rate taxation in recent decades, citing particularly the experiences in Pennsylvania, offering an explanation for the failure in Pittsburgh to win continuance of its application after so many years. He attributed its abandonment largely to local political byplay. Professor Oates continued further by recounting several studies that have been done, one notably by this team of speakers. That study compared the frequency of building permits during two successive decades, showing Pittsburgh to be far more economically active compared to other major Northeast cities. The one other outlier besides Pittsburgh was the city of Columbus, Ohio, but the study neglected to note that Columbus expanded its boundaries from 39.9 square miles in 1950 to 206 square miles by 1996 when the study was done. I asked Professor Schwab whether this factor, not mentioned in the study, might account for the comparably high proportion of building permits. He said that he thought that was taken into account, but he wasn't sure. Dr. Oates acknowledged that in the absence of any adjustment for this factor it would certainly account for the peculiarly similar result as for Pittsburgh, even though it has no two-rate tax at all.

Dr. Schwab spent more time reporting the results of a subsequent study he did in 1997 with Dr. Amy Harris, then a colleague of both Oates and Schwab at University of Maryland. That study, now online at www.dcwatch.com/taxrev/taxres17.htm, focused on 65 separate neighborhoods of the District of Columbia, but noted that the several different rates employed for each class of property doesn't make it obvious that advantages would result from a uniform rate applied to all classes, that a greater yield from land would result, or that homeowners/voters would come out ahead, a necessary conclusion were the measure to be adopted. Five alternatives were posed by the study as ways by which to implement a land tax in preference to the present regime where homeowners, residential rentals, office property, hotel/retail parcels and vacant lots now all pay at different rates. Unfortunately the study undertook no comprehensive simulation, and it therefore lacks a conclusion or recommendations.

Assessor Bekech now serves the city of Waterford, an oceanfront town with three nuclear power plants, all close to the residential population of a naval shipyard! He focused on the problems inherent in the Connecticut data - that, for example, assessments are infrequent and of irregular quality, that they may be carried out at different times such that formulas for state aid to localities might be difficult to apply, and that the Balkanization of local governments would still allow developers to game the system. He acknowledged that substantial groundwork would be necessary before any comprehensive application of land taxation would be possible in Connecticut. The inertia of the present system, he argued, would make it very difficult to change, and this may account for the fact that the most recent bill pending for the past three years has once again died in committee.

It is encouraging to note that the subject was introduced to Connecticut residents, and that Land Value Taxation has proponents not only in our own fold but among several public officials and academic leaders. More encouraging still is the fact that the University of Hartford relies upon a gift from the Lincoln Foundation, now part of an endowment, to be employed for the purposes of studying Georgist approaches to taxation and economics. It offers an opportunity for future conferences to open up our discourse to a wider audience and to related questions. Among those questions might be overcoming current assessment practices that for the moment make land taxation a difficult sell, the challenge of sprawl development which plagues the state, and the relationship between transportation, land use and taxation. Connecticut has problems that our approaches can effectively address, and here exists a promising opportunity to press for their use.

Following the formal presentation and audience response, Ted Gwartney announced that the subject would be explored in further detail at the conference of the Council of Georgist Organizations in Bridgeport (July 16-20). He also brought along materials about the conference in hopes that some of the attendees might want to learn about our approach more thoroughly.

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