Rent—*Ambiguous Term?*

A book resulting from a study sponsored by the Lincoln Foundation in 1959 by four professors at the Graduate School of Business Administration of New York University, recently came under the careful examination of James T. Gibbs, a research assistant at the American Institute for Economic Research at Great Barrington, Massachusetts. He was quick to see that the authors of *Theory and Measurement of Rent** — Messrs. Keiper, Kurnow, Clark and Segal—had overlooked the importance of the effect of population growth on urban land values and made errors in the computation of land rent that resulted in a serious understatement of its value.

"They gloss over George's important unrefuted hypothesis that population growth in urban areas greatly increases land values there and assert that 'land values are more heavily concentrated where agriculture is preponderant;' " said Mr. Gibbs. "This assertion may be refuted easily by anyone who compares the price of a site in the business district of any city with that of an equal area of farm land.

"The authors report the generalization of the term 'rent' by neoclassical economists to refer to a surplus that may accrue to any factor of production, and observe that 'rent as defined in economic theory is an ambiguous term,' " Mr. Gibbs notes. "The attempt to develop an adequate measure of land rent in the United States involves a grave error. The authors acknowledge that a tax on land might be included in the computation of land rent provided 'that the landowner bears the whole burden of the tax and cannot shift any part of it.' After citing brief and vague assertions by other authors to the effect that the tax may be shifted under certain conditions, they decide to exclude it from land rent 'on the ground that the errors involved will tend to cancel each other.' (p. 99) The result is a seriously inadequate estimate of land rent.

"Consideration of the facts of competitive life reveals that a tax on land value ordinarily is not shifted. If the economic advantage of the use of a site, equal to Y, is paid to the owner by a processor, and if the tax on the value of the site equals X, then the owner's net income equals Y-X. Assume that the site owner, who has the power to permit or deny the use of the site, requires the processor to pay the tax as a condition of use. The advantage of the use of the site still equals Y, and the processor now can afford to bid only Y-X for its use. In either case, the owner's net income is the same, and he bears the tax.

"The authors commit another error that results in a further understatement of land rent. To estimate the market value of land, from which land rent was computed, they divided the assessed value of land by the ratio of assessed value to sales price for *land and improvements together,* using data for each state provided by the 1957 *Census of Governments, Volume V: Taxable Property Values in the United States.* While the authors acknowledge that a given assessed-value-to-sales-price ratio does not necessarily apply equally to land and improvements, they assert 'there is no evidence which would indicate that they [errors introduced by using combined ratios] result in consistent upward or downward bias.' (p. 134) However, the *1962 Census of Governments, Volume II: Taxable Property Values* provides evidence that the nationwide assessed value of vacant lots was about one-fifth of their market value, but that

***Published by The Chilton Co., Philadelphia, 1961. Reviewed in HGN December, 1961, by Robert Clancy.**

the assessed value of nonfarm residential property, including both land and improvements, was about one-third. This evidence indicates that land is assessed at a substantially smaller percentage of its market value than are improvements; consequently, the use of combined ratios to compute the market value of land alone results in an underestimate of land value and of land rent. Widespread underassessment of sites on which urban commercial buildings stand probably results in further understatement of land rent."

The Joseph A. Stockman Memorial Fund

The largest audience ever assembled at the birthplace of Henry George in Philadelphia, came on Sunday, February 9th, to honor the late Joseph A. Stockman, its curator and director of the Henry George School, who died on January 14th. Some sixty friends, relatives and students gathered for the informal program of talks that brought out the many-sided character of this remarkable man. Despite the numerous tributes the program did not seem long, and a warm-hearted spirit prevailed.

Among those who spoke were his son, George Stockman; the first director of the Philadelphia school, Julian P. Hickok; Lucia Cipolloni, the extension's faithful secretary; and Lancaster M. Greene, vice president of the Henry George School in New York.

Also John T. Tetley, Alexander M. Goldfinger and Dr. Geoffrey Esty, respectively, New Jersey's director, dean and president; Robert D. Benton, Detroit director; and several students and friends. A poem composed for the occasion by Mrs. Mabel L. Rees was read. Robert Clancy, of New York, director of the Henry George School, presided. From the many messages received, tributes from Professor Harry Gunnison Brown of Pennsylvania; the school's president, Joseph S. Thompson of California; and the director of the National Home Study Council, David A. Lockmiller, were read.

Plans are being made to continue the Philadelphia extension and to install a suitable memorial. Funds for this purpose were spontaneously proffered by those present, including Mrs. Joseph Stockman, Professor P. H. Schweitzer of Pennsylvania State College, and many others.

HGN readers wishing to contribute to this fund may send their checks to the Henry George School, 50 East 69th Street, New York 21, N.Y., indicating that they are for the Joseph A. Stockman Memorial Fund. This will be used for the benefit of the Henry George Birthplace and the Philadelphia extension of the Henry George School—the cause dearest to the heart of its late director.

Miss Lucy M. Cipolloni,
1002 W. Lindley Ave.,
Philadelphia, Pa.