WHO CREATES PROPERTY VALUES ?

POVERTY can never be satisfactorily reduced, urban renewal satisfactorily advanced, and housing requirements satisfactorily met until there is a thorough revision of present methods of taxation, said columnist John Meyer in the *Montreal Gazette*, recently.

Taxation, he said, should be based on benefits derived from property. And by this he meant the location value of sites. The answer was *not* the subsidization of property taxes, he added.

Mr. Meyer revealed that Canadians pay more in property taxes, relative to income, than do the citizens of most other developed countries, and said that the reason is in large part the weakness in the method of taxation. This weakness is the obvious one that those who improve their property are punished for it by a corresponding increase in assessment, while those who mis-use or under-use their property are rewarded by a reduction. Another weakness is the failure to distinguish consistently and equitably between the value of the site itself and the uses to which it is put.

In the heart of most Canadian cities, choice lots, the buildings razed, lie fallow or are used for parking, while the owner waits for the windfall sale that rising values, caused by improvements to the adjoining property, inevitably confer.

In the meantime, tax yields are reduced, accommodation destroyed, and urban renewal baulked, until the price is right. Would that game be played so vigorously if the owners were taxed in terms of benefits derived?

Mr. Mayer quoted the findings of the Regional Plan Associaion of New York on the cost to the taxpayers of the addition of each new family to the city. Taking into account additional school accommodation, police and fire protection, roads, sewers and water-works—the whole infrastructure of city services—that would have to be provided, there is a rough relationship of two to one for what the community contributes and the individual contributes to the value of a residential property. "Studies done in a Canadian city," he said, would probably show the same relationship." "To what extent, if any," he asked, should the land owner be allowed to cash in on the huge investment of others' money in the form of the taxation imposed on them? This is where the crux of the matter lies, and very little has been done to resolve it."

The writer concedes that the valuers do, of course, take location into account, and to this extent recognise land value in the taxation process. But, he said, do they take it fully enough into account to assure common equity in taxation? They distinguish between land use, but do they distinguish finely enough? "Indeed, is it possible for them to do so when so much of the weight of property taxation is borne on the improvements to existing property, including the cost of what is lost in value by letting property run down?"

We should consider, he concluded, the difference between the cost at which run-down property can be bought, held for a few years until the locality is revitalized by others' investment, and the price when resold. "It is a capital gain and, although taxed as such to some extent for professional developers, private individuals go untaxed for the gains they reap in this manner."

When understood, the rating and taxation of land values cannot be faulted on either economic or ethical grounds. The only real barrier to its introduction is a political one. We hope that public and professional pressures will ultimately break down these political barriers.

PAPER PROTECTING PAPER

THE WORLD-WIDE expropriation of people's money by governments in the past year through devaluation might exceed $250,000 million (£104,000 million) estimates Dr. Franz Pick, the international currency expert, in the foreword to his 1968 *Currency Yearbook** published in October. "The results of these past twelve months, even if viewed through non-professional eyes, are simply staggering in their dramatic repercussions," he comments. "Never in the past eighteen years have innocent owners of currencies been subjected to such gigantic losses of monetary value."

From August 1967 until the end of July this year, says Dr. Pick, "there were sixty-nine full or partial devaluations in forty-five countries out of a global monetary system of about 122 different units." He refers to the past years as "one of the most hectic monetary periods in the annals of currency destruction."

Dr. Pick, who is well known in the United States, is famous for his plain speaking and has frequently indicated his distrust of money management by the official economists in Washington. The plans for "paper gold" which came up after the recent crisis in gold, he describes as "a game of paper protecting paper."

"Governments," he says, "are generally at fault, as they delegate monetary decisions to political nominees who are often men who excel in complete lack of knowledge of the subject."

"A return to the principles of currency stability could perhaps avoid world-wide devaluations. However, as a result of government actions and contrary to all official denials, they will have to take place, whether we like it or not. Therefore, the outlook remains for continued shrinkage of monetary value, in order to wipe out government debts the slow but cheap way, until the inevitable increase of the gold price, mainly opposed by the United States, takes, place."

*1968 *Pick's Currency Yearbook*, Pick Publishing Corporation, New York. $60.