

Symmetry in Budapest

The simplicity and symmetry of a land valuation is revealed in this report by the one time chief valuer of the Hungarian capital city which he presented at the Oxford international conference on land value taxation in 1923. It serves as a blueprint for local taxation reform for any city in the nineteen sixties.

I WAS ENTRUSTED with the Directorship of the Valuation Office. The number of the sites to be valued in Budapest was about 40,000. The aggregate (unimproved) value of the sites, including also the value of the sites exempt from taxation (for the most part land belonging to the State and to the town), amounted to 5,000 million Hungarian Crowns (at the 1918 exchange, say £200 million sterling). The value of the sites, subject to taxation (land belonging to private individuals and corporations), amounted to 3,500 million Hungarian Crowns (£140 million), and the yearly revenue of the municipality of Budapest from the local tax on site value (the rate being $\frac{1}{2}$ per cent, that is 1.2 pence in the pound) amounted to 16 $\frac{3}{4}$ million Hungarian Crowns (£700,000).

I had to fight and to struggle for every word of the statute. I have specially to mention the late Deputy-Mayor, Dr. Francis Harrer, who stood firmly by me. We declared that we were open to discussion as to the *degree* of the reform (as to the rate of the tax) but not as to the *kind* of tax, not as to alternatives that were opposed to the basic principle. We said that, if the time and the common opinion were not yet ripe for the adoption of a straightforward and uniform site value tax, then the site value tax might be postponed for another 10 or 20 years. If necessary, we would have to acquiesce in that, but we would oppose with all our might any suggestion that this important reform should be perverted, compromised and frustrated in its first stage.

It became manifest that a quite radical and uncompromising proposal (provided it is a rational one), offering no points of attack, has a better chance of getting through than one which cravenly surrenders, or is false to its own basic principle and so emasculates itself. If we had not stuck so strongly to the basic principle, then we would have opened the door to other alterations too, as justified as the first one, and then we should have had to give way all along the line, at least totally losing our cause.

THE VIRTUES and merits of our statute are not to be sought in what it contains—these are the merits of Henry George and of the principle laid down by him—the merits of our statute are to be sought rather in what it does *not* contain, in avoiding of those “improvements” and mistakes, which seem to be so indifferent and innocent, that they have been allowed to enter into most land value legislation that I know of.



LET ME comment on some provisions of the statute:—

Section 1—Collection of the tax begins January 1st, 1919.

Section 2—Subject to the tax: land of every description within the boundaries of the town.

There is, you see, no discrimination whatever between developed and undeveloped land or between ‘agricultural’ land and ‘building’ land.

Section 3—Exempted: land belonging to the State, the Municipality, or the King or Queen; land which, together with the buildings upon it, is permanently, wholly and without any fee or recompense (rent, entrance-money, etc.) open to the use of the whole public (e.g. churches, hospitals, free schools, museums, etc.).

The first and original context of this section was:

“exempted: land which, together with the buildings upon it, is devoted to purposes of public utility.”

But this context did not fail soon to lead to very unwelcome and rather delicate discussions with several kinds of owners. It is quite an arbitrary matter to decide whether some purpose is or is not of ‘public utility’. The site value tax was introduced just at a time of frequent and brisk political changes, and it depends upon the political, social or philosophical standpoint of a man, a party, or a regime, whether for instance a monastery, a workmen’s association, a trade union meeting-place, a Freemason’s hall, or even a house dedicated to charitable purposes should be regarded as a house of ‘public utility’ or a house of public nuisance. The opinions of clergy, freemasons and socialists are very different on

this point. To save the Valuation and Assessing Office from such arbitrary and conventional points of view, a really unmistakable criterion was wanted, and I suggested the context being altered to 'wholly permanently and without any recompense open to the use of the whole public'. On that basis the discussions with the parties concerned became short and easy.

In one of the towns (Ujpest), which adopted the site value tax, the whole section was omitted, and no exemptions at all were inserted into the statute. They accepted the principle that if the use made of a site is not worth paying the site value tax then that use does more harm than good.

Section 4—The rate is to be paid on the basis of the capital value of the lots, whereby the value of improvements, which happen to exist in or under the ground (buildings upon or underneath it, trees, other plantings, etc.), are not to be taken into account.

TO VALUE BUILDINGS IS NOT EASY

WE ASCERTAINED directly and immediately the unimproved capital value of the sites and taxed them accordingly. The capital value (the market value) of each site was assessed as if on the one hand the site itself was quite unimproved, and as if on the other hand all the surrounding sites remained in their existing condition as at the time of valuation. It would have been a big mistake, and unfortunately the mistake is often made, to try to ascertain the value of the whole estate (value of the land together with that of the improvements) and then to deduct from this gross value the value of the improvements. This would have been not only a superfluous thing to do but it would also have complicated and disturbed all our work. Besides, valuation of improvements is not easy; on the contrary, it is a much more difficult task than valuation of land. Valuation of improvements is altogether unnecessary in a land valuation, where the value per square unit of the several lots can be entered on a map and be easily compared lot by lot by anyone and every one. Valuation of the land alone, apart from its improvements, was performed by us quite easily, without any uncertainty and to the perfect satisfaction of all parties interested.

We paid no attention to encumbrances, mortgages, burdens, charges, etc., affecting the land. They cannot be taken into consideration and cannot possibly be deducted from the value of the land, and though this is not expressly mentioned in the statute, nobody ever doubted it.

The selling value of land is no doubt reduced by the land value tax itself, as this tax works commercially like a perpetual mortgage and as it reduces also the speculative value. But as long as the rate of assessment of the land value tax is a small one, this makes no palpable difference. With the future increase in the rate of tax it does weigh more and more in reducing the market

value, and will require to be taken into consideration at a later stage. [Here Dr. Pikler discussed very fully the argument for taking 'annual value' as the basis of assessment in contradistinction to 'selling value'.]

Section 5—The value of the sites to be re-ascertained every third year.

I hold this section of our statute to be a faulty one. The only correct method, in my opinion and from my practical experience, is to re-ascertain the values year by year.

YEARLY REVISION — CHEAP AND SIMPLE

PEOPLE are inclined to think that the yearly revision, with its opportunity for appeals, etc., causes more work than that made periodically at longer intervals. The contrary is the case. The work of revision is easier and simpler, and the valuations grow more and more reliable, the shorter the intervals are.

The first work, the first ascertaining of the values (the first establishing of the register) being done, the continuous registering and investigating of the sales and other transactions is an easy task that has to be done in the same way whether the interval of revision is shorter or longer, and it keeps the valuation continuously and reliably up to date. The revision and the hearing of new appeals throw no *extra* work on the office.

The main work done on the *first* valuation does not require to be repeated with every subsequent revision. That is only the case with long intervals, between one valuation and another.

The longer the interval, the greater the work of re-valuation and the farther we get away from a true, continuous, and operative valuation. Moreover, the longer the interval, the greater is the danger that the Valuation Office becomes lazy, inert, allowing matters to rest and losing the necessary everyday keen contact with the land-market. The longer also will mistakes in the valuation remain valid which are unavoidable in verdicts of the higher courts of appeal and so the public confidence in the system is lessened.

Section 6—For the purpose of ascertaining and revising the market value of the sites a permanent register of the market-values is to be kept. The register (the *cadastre*) is to lie at the Valuation Office. The rolls have to state for each site the following data: registration number, street, house-number (where there are no streets yet, other means of identification), name of owner, acreage in square units, type of shape (we devised eight types and sub-types of shape and signed them with A, a; B, b, etc., and they proved quite sufficient and satisfactory for the short indication of the type of shape), length of front, average depth, value per square unit, value in whole and yearly sum of the tax to be paid.

Section 7—The market value of the sites, expressed in value per square unit is to be ascertained by the Valuation Office, and the tax is ascertained

on the value so ascertained. The Office makes its valuation with the help of a Committee of experts elected and delegated by the Magistracy from the members of the Town Council. This Committee of experts serves as a consultative and advisory section of the Valuation Office, the opinions of the Committee not being binding upon the Valuation Office (the Valuation Office being alone responsible for the Valuations).

VALUES COMPARED AND RELATED

THE WORK of valuation proved to be very easy, easier than I had imagined in advance. The assertion that it is impossible to separate land from improvements and to value the land apart from its improvements is a naive mistake, if not a humbug. The mistake (where it is a mistake and not, as it often is, the outcome of deliberate hostility) arises partly from confusing the valuation of a *single* lot by itself (that is *sporadic* valuations) with a *general* valuation embracing all sites on a given date. The two things are of quite a different kind. In the first case (*sporadic* valuation) there is no control whatever or a very poor and uncertain control, whereas in the second case (*general* valuation, extended over *all* sites) each of the valuations (per square unit) is controlled not only by the valuation put down for the right and left neighbours and by that of the opposite side of the street, but also by the valuation (always per square unit) of *all* the other sites in the town.

So the work turns out to be not only quite easy, certain and invulnerable, but also, and this is of the greatest importance, to be in fact not a work of valuation, but a work of *comparing* and *relating* values. The way in which values must reciprocally control and bind one another is a most efficient insurance against any favouritism or corrupt practice on the part of the Valuation Office.

The valuation of the several sites (per square unit) should always be set clearly (say 15 or 20 per cent) below the indubitable market-value. Then we can pass peacefully through our task and make the site value tax not odious, have no boring quarrels and discussions about the absolute level but only interesting, and as I have experienced, very instructive discussions about the correct relation of the values. The fiscal revenue of the tax can be augmented by the raising of the rate of assessment (from 0.5 per cent to 0.75 per cent, 1 per cent and so on), but never by straining after 100 per cent valuations.

KEY POINTS ESTABLISHED

I BEGAN by ascertaining the market value (per square unit) of what was known to be the most valuable site in the town. The several members of my advisory committee estimated the value between 16,000 and 14,000

Crowns per square unit. I let them discuss for a while and then I closed the discussion declaring that I was now sufficiently informed, and when they asked me at what value I estimated the site, they expected, as I clearly saw, that I would arrive at 15,000 Crowns as the average of their different opinions. They were surprised when I gave my figure as 13,000. 'That is its worth at any rate,' they all said and they understood at once that that was the right way of settling the matter quite peaceably and of making an easy and interesting task of the work that seemed to be so difficult and vexing in advance.

The next site I asked them to discuss was of course not a neighbouring one, but one rather far away from the first; but now it was not an absolute value that was to be ascertained, but the *relative* value as compared with the first one. The question to be solved was now: *if* the value of the first is 13,000 per square unit, what is the value of this other site? The question was solved in much less time than the first one. We proceeded to a third site situated still farther and soon we had a network of 25-30 fixed points extended over the whole area of the town, and with the fixation of these points the work was *in principle* done.

After these 25-30 fixed points had been studied and thoroughly examined for some days as to the correctness of the relations, we proceeded by strewing another 50 fixed points among the first ones (always from the standpoint of correct relation to the previous ones, but of course nevertheless always unconsciously guided and controlled also by the commonly-known absolute level) and making the network of 'fixed points' ever denser and so the work went on with always quickened speed.

The work in Budapest was carried out with a very small staff and consequently with very little cost within a very short time. Valuation of the 36,000 sites occupied 8½ months.

LANDHOLDERS' HELP AND SUPPORT

THE INTEREST of the landholders in the work grew day by day. They came by scores to the office to look at the valuation of their sites, which they were and are always allowed to see, and with their observations, criticisms and comparisons involuntarily and unconsciously gave us the greatest help and support. They all expressed satisfaction and were reassured to find that unfairness and favouritism were excluded not by my personal attributes but by the nature of the work.

One of the main points was the above-mentioned lowness of the absolute level of the valuations (about 15 per cent. below the market price), and it was just this point that gave rise to a very angry but rather amusing remark of one of the landholders who had, as I know, always opposed the site value tax.

"I was prepared," he sincerely and smilingly avowed, "keenly to criticise and contest the valuation work itself, but by putting down the values at such a reasonable and indisputable level and leaving room only for discussion on the relation of one value to another, you have done the most cunning and — (d—n you!) — the most insidious thing. We can't but hold our tongues!"

"But, however, you can contest the relative values!" I said.

"I see," answered he, "you are very clever, the relations are for the most part correct and where they are not, they can be corrected easily, and we landholders are involuntarily helping you to do it."

HARMONIOUS CO-OPERATION OF OFFICIALS AND THE PUBLIC

THE VALUATION ROLL consists of two parts. One part contains the single schedules, one for each site, or we call them 'individual schedules'. They contain the complete description of the site. The other part consists of the street rolls, one leaf (page) for each side of each street with one horizontal line for each site, so that the values per square unit and the description and dimensions of the site can be most easily compared by the landholders as well as by the office. The important column is the 9th, showing value per square unit. Following vertically this column, viz, the figures in it, the values per square unit can be compared and criticised and the cause of every difference must without any explanation be found in the columns 7 and 8 — length of front and average depth.

The publicity of the valuation rolls proved to be in the interest not only of the general public but also of the office itself, which is very efficiently and gratuitously helped on in its task by an enormous staff of 'experts by self-interest', and so it turned out with the first beginning of Georgeistic practice that in a sound, reasonable and just system of society there exists a co-operation and not an antagonism (as exists in a bad and unreasonable system) between public officers on the one hand and the public on the other hand, and that in a sound system the officers *cannot* be autocrats and tyrants of the public, but can be only, as they ought to be, their servants.

All that I have said as to the reliability and just measure of land valuation applies, however, only where there is an independent and therefore fully responsible Valuation Office and an independent and therefore fully responsible chief. Whenever valuation is entrusted to a Committee or a Board that performs it by deciding questions by vote of those present, the work is sure to be perverted and in the long run becomes unserviceable.

To be concluded next month

New Term Classes

HENRY GEORGE SCHOOL IN BRITAIN

A GOOD all-round enrolment was attained for the new economic discussion classes arranged in London and throughout Great Britain. At headquarters some 90 people per week are attending.

Amongst new tutors starting this term are two farmers, evidence that Henry George's ideas are not unacceptable to the whole farming community. Mr. Alan Anthony who is conducting the Basic Course at a new branch in Sevenoaks, has a pig farm in Farnborough, Kent. Mr. Gordon Bennett, who has opened up an extension of the Isle of Wight centre in Ryde, concentrates mainly on milk production. He is being assisted by Miss Well-spring, an ex-student of the School. At Cowes, the School's original centre on the Isle of Wight, another ex-student, Mr. C. Butterworth, has taken over and, with the help of Mr. E. King, is conducting a Basic Course, Messrs. Keith Picton Evans and Cliff Willis having left the Island. They hope to resume school work when they have settled in their new homes.

The Muswell Hill branch is progressing well with an enrolment of 24 new students for the Basic course. Students of earlier classes are meeting locally for regular monthly discussions.

Classes have been resumed in Dartford, Kent. Mr. Farr, assisted by Mr. Underhay, is conducting the course. Both are ex-students of the School.

Cardiff also had a good enrolment this term — two classes are being held and the ex-students' association continues to meet regularly.

Canadian Architects

MUNICIPAL TAX REVENUES FROM LAND

Extract from the "Report of the Committee of Inquiry into the Design of the Residential Environment of the Royal Architectural Institute of Canada, Ottawa, 1960" reprinted from the May, 1960 issue of the *R.A.I.C. Journal*.

183. There are many views about the strictures on municipal finance. Cities are hard pressed to complete the physical environment in step with the beginnings made by private developers. There seems to be general agreement that Canadian municipal governments are not collecting as large a share of the disposable dollars of their citizens as they did thirty years ago. There is less agreement why this is so; but it seems clear that private wealth is less adequately reflected than it used to be in urban real property, which is the chief base of municipal revenues. With so mobile a society as ours, municipal expense on such heavy items as traffic, health, education and welfare services may well benefit another municipality than the one that met the expense. Where a number of urban municipalities are clustered — and this is the situation where most Canadians live — there