

Professor rides to the rescue

Tory

A PRESTIGIOUS economic research organisation has attacked claims that Pittsburgh's two-tier property tax has generated new construction.

The challenge comes in the form of a lengthy report by the Pennsylvania Economy League's Pittsburgh Division (PEL) which claims that there was no building boom after the building-to-land tax switch began in 1979.

The report, when delivered to Mayor Richard Caliguiri's office, provoked questions about the future of property tax policy.

● Between 1925 and 1979, the city's land tax rate was always double its building tax rate. Then, in 1979, as the result of obtaining a Home Rule Charter from the state legislature, the rate on land was almost doubled without changing the building tax rate at all.

● Now, seven cities in Pennsylvania discriminate in favour of buildings – by raising the tax rate on land values, and reducing the tax burden on capital improvements. And this, according to the local Centre for the Study of Economics (CSE), has caused building booms.

Not true, declares the PEL study, which asserts that Pittsburgh's two-rate tax "does little to spurt downtown development."

AT FIRST sight, this seemed a devastating conclusion, for the league operates as influential con-



● Mayor Richard Caliguiri. Plenty of questions after he received the PEL report



● Steven Cord

BY IAN BARRON IN PITTSBURGH

sultants on economic issues to governments throughout the state. Would their report start to reverse the state-wide trend downwards the two-tier property tax?

CSE researchers soon breathed sighs of relief, however, as they discovered that the report was deeply flawed. It contained contradictions, made questionable comparisons, and employed unrealistic assumptions.

Professor Steven Cord, who conducted a critique of the PEL report for the CSE, concluded that it was still safe to draw some important conclusions on behalf of the two-tier tax:

● Home-owners in those wards with less than median income save AT LEAST \$728,741 a year under the two-tier system;

● There WAS a construction boom after 1979 which, in part at least, had to be explained in terms of the trend towards raising more revenue from land values; and

● Reversion to a uniform tax rate for land and buildings would result in a massive redistribution of income (over \$1m p.a.) from poor to rich districts.

PRIME MINISTER Margaret Thatcher's promise to abolish the property tax – the rates – has trapped the government in a political cleft stick.

Tory supporters, who would benefit most by such a policy, are annoyed that no progress has been made on this commitment.

Unfortunately for them, Cabinet-level reviews have disclosed that the policy is impractical. But so emotionally committed is Mrs. Thatcher to this cause, that some face-saving tactic has had to be devised.

So the government has now decided that no action could be taken before 1990. The plan is to introduce a poll (or head) tax christened by the Tories a "community charge" in 1990, which would be substituted for the

TOURISTS AND RENT

WHEN governments and dealers manipulate the foreign exchange rates, they do not give a thought to the way in which they are influencing rental levels.

Now a report by one of London's top real estate firms, Hillier Parker, has identified the chain of cause and effect.

In their report on "The Effect of Tourism on Central London Shop Rents", they demonstrate how the exchange rate influences Central London shop rents.

The exchange rate affects the number of visitors to the capital. This, in turn, affects the level of spending, which in turn influences shop rents a year later.

Politicians often advocate a shift towards "favourable" exchange rates, to help their depressed economies, but never do they point out that one result is a redistribution of income in favour of rent receivers.