

THE CASE FOR A LAND PRICE INDEX

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ARTHUR BRYANT, in his sweeping panorama of Britain in the early nineteenth century, *The Age of Elegance*, highlights how the growth of new technology brought huge wealth to the land owners of Great Britain.¹ Even offset by the landlord funded poor laws, about which these privileged few were constantly complaining, the benefits for holding land were enormous.

The economists of those days, such as Ricardo and Malthus showed as much diversity of opinion as those of today. However, today there is much more of a polarity observable between the major schools of thought. This polarity, like the two party state, tends to limit options to two pragmatic directions. These directions can be loosely described as, in favour of a high degree of community ownership and in favour of corporate dominance. Both of these fail, because they have to maintain the economy by recourse to a constant legislative process. These constant changes try to overcome the effects of one policy with another, rather than tracing any ever present underlying mechanisms involved in the uneconomic distribution of wealth.

There is a large body of material, supporting *our* view of underlying mechanisms, such as the works of Henry George. These develop very believable scenarios that appeal to those who approach their opinions from Aristotelian logic. This approach may obtain converts of like mind, but, today, we need also to deal with those who are products of our education systems and who demand detailed proofs of an econometric nature. Econometrics must, therefore be in our bag of tools.

If the wealth arising from ownership of land is a fundamental part of our theory concerning the causes of poor economic performance, and econometric tools are wanting, then we need to address this issue.

But if we set out to construct support for our case, we must be seen to be using tools held in common by researchers in the area of economics. This presents a problem, because the econometric tools available have been designed primarily to meet the needs of the two dominant schools of economic thought.

There is a cynical saying in statistical circles, that the only way of presenting data, which is truly disinterested, is to produce data of value to no one. It is cynical because it assumes that value, like price, is always determined by market driven forces.

Econometric models, for all their sophistication, are still only metaphors designed to foretell the future.

The answer of some Georgists to the inadequacies of the current econometric models is to indulge in volumes of pointed criticisms, or to start constructing entirely new models. It is quite shortsighted to say that these efforts are without value, for lots of reasons. Neither do I suggest that a total uniting of our forces behind either of these or other strategies, attractive as it is, is preferable to each of us doing what our natural talents lead us towards. Such attempts at superimposing a mass mind set is counter to the sort of society we want, in the end, to progress towards.

My background and training leads me towards the conclusion that rather than throwing the baby of the modern economist out with the bath water, we can begin to add a dimension to their models which, in the long run may result in their evolving towards a more rational and consistently useful model.

One of these addenda would be an index of land prices (LPI) or assessed prices.²

Indexes are of little use unless they are compared to other variables. High correlations between variables being indicators of interest to econometricians. High correlations do not necessarily imply a causative relation, but as in the tobacco and lung cancer debate it provides enough evidence to attract funding for further study.

What are the other variables to which an LPI can be made; not to prove our case, but to stimulate investigation into areas not normally of concern to those limited by existing popular econometric models?

One such variable would be the money supply. Another, the effect of government policies that effectively enhance the landlords market power. Such policies as providing accommodation vouchers for welfare beneficiaries. The volume and value of vacant or unoccupied sites. Building permits, trade tariffs, unemployment and a host of other socially important indicators.

To see the value to economists of these comparisons, and the various dynamics of the lagging effects on the LPI, would need a great deal more information than I can present here. I suspect that, once economists have such a tool, there will break out an enormous debate on what is driving what. This can only provide us with more opportunities. Not opportunities to impress others with the merits of our case, but opportunities to give encouragement for those who want to arrive at their own conclusions after examining new evidence. It is important in my view that, while some people can be talked into an ideology, its real merit is found when those who are independent thinkers discover that as students from widely divergent backgrounds, they are all arriving at the same conclusion.

Whether a LPI will be valuable in itself, or form a part of a new set of analytical tools, we may not yet be in a position to categorically say. My opinion is that it has the power to shift the emphasis of current main stream economic research into a new direction. For the outlay involved and the risks of failing to gain any substantial benefits for our cause, we could do worse. Compared to the more expensive alternative actions being promoted, our expectations for an LPI may seem unduly modest, though it seems to me that they can not fail utterly.

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REFERENCES

1. P307 Reprint Society edition 1954.
2. Commonly called "values, but changed to prevent confusion with value as used elsewhere in this paper.