

# Land Lines

JANUARY 2002

Newsletter of the Lincoln Institute of Land Policy



# Land Lines

JANUARY 2002 • VOL. 14, NO. 1



## Features

- 1 *Land Use Planning and Growth Management in the American West*
- 5 *The Influence of de Soto's The Mystery of Capital*
- 9 *Toward More Effective Property Tax Systems in Latin America*

## Departments

- 12 *Faculty Profile: Thomas J. Nechyba*
- 15 *Publications: Valuation and Taxation*
- 16 *Fellowships*
- 18 *Program Calendar*
- 20 *Publications: Planning and Development*

**EDITOR**  
Ann LeRoyer

**ASSISTANT EDITOR**  
Kathryn Foulger

**PRESIDENT & CEO**  
H. James Brown

**DESIGN & PRODUCTION**  
David Gerratt & Amanda Wait  
DG Communications

**CHAIRMAN OF THE BOARD**  
Kathryn J. Lincoln

The Lincoln Institute of Land Policy is a nonprofit educational institution established in 1974 to study and teach land policy and taxation. By supporting multidisciplinary educational, research and publications programs, the Institute brings together diverse viewpoints to expand the body of useful knowledge in two departments—valuation and taxation, and planning and development—and in the program on Latin America. Our goal is to make that knowledge comprehensible and accessible to citizens, policy makers and scholars in the United States, Latin America and throughout the world. The Lincoln Institute is an equal opportunity institution in employment and admissions.

*Land Lines* is published quarterly.

Copyright © 2002

### Lincoln Institute of Land Policy

113 Brattle Street, Cambridge, MA 02138-3400 / USA  
Tel: 617-661-3016 Fax: 617-661-7235

Email: [annleroyer@lincolninst.edu](mailto:annleroyer@lincolninst.edu) (editorial content)  
[help@lincolninst.edu](mailto:help@lincolninst.edu) (information services)

Web: [www.lincolninst.edu](http://www.lincolninst.edu)

Cover: Subdivision southeast of Phoenix, Arizona,  
© Alex MacLean, Landslides Aerial Photography,  
Cambridge, Massachusetts

## From the PRESIDENT

We are inaugurating our fourteenth volume year of *Land Lines* with a new look and feel—more color, more articles, more news about our faculty, and more announcements about our courses, publications and special projects.

In the past five years our educational programs have expanded to reach policy makers and practitioners in federal, state and local government throughout the United States and in many countries of Latin America, Europe, Africa and Asia. Our faculty has developed a broad range of introductory and advanced professional development courses that explore both the theory and practice of land and tax policy.

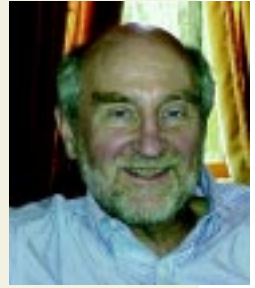
The Institute's Department of Valuation and Taxation, chaired by Joan Youngman, has three major goals: improving public and scholarly debate on the taxation of land value; addressing the economic impact, feasibility, political acceptability, and appropriate use of value-based taxes; and contributing to a better understanding of the valuation process for tax purposes. The local property tax is a major focus of the Institute's work, but we analyze a variety of revenue instruments, particularly with regard to their treatment of land value increments attributable to public investment.

The Department of Planning and Development, cochaired by Rosalind Greenstein and Armando Carbonell, links interests in the theory and practice of planning with an understanding of how land markets operate. Our concerns focus on urban and regional planning and design, land conservation, urban redevelopment, and the behavior of land markets, particularly the integration of urban and environmental systems; public and private roles in decisions involving land policy and land use; the effect of land markets and the institutions that support them on the city and its residents; and the role of land and real estate in the larger economy and in poverty alleviation.

Martim Smolka directs the Institute's Program on Latin America and the Caribbean, which focuses on five priority topics: value capture policies and implementation of instruments to mobilize land value increments; property taxation systems that can meet the needs of rapid urbanization; regulatory environments supporting large-scale urban intervention; security of tenure, regularization and urban upgrading programs; and urban land market forces, including spatial and social segregation, speculation, vacant land and related issues.

Each issue of *Land Lines* will continue to feature articles by faculty who share the ideas discussed and lessons learned in Institute-sponsored courses. In addition, we will announce upcoming courses, lectures and other programs that are open to a general audience, and we will keep you informed about new publications, web-based programs and other resources that address our work in land and tax policy.

We welcome your thoughts about this revised newsletter design, and we encourage you to share your copy with your colleagues. This complimentary newsletter, now being produced quarterly, is available to anyone who wants to join our mailing list. Please contact the Institute by email or by using the form on the inside back cover.



Jim Brown

# Land Use Planning and Growth Management in the American West

During the past two years, state planners in 13 western states have met in the Western State Planning Leadership Retreat, an annual event sponsored by the Lincoln Institute of Land Policy and the Western Consensus Council. Co-sponsors include the Western Governors' Association, the Council of State Governments—WEST, and the Western Planners' Association. The retreats provide a forum for state-level planners to compare their experiences, learn from each other's successes and failures, and build a common base of experience for planning in their states and across the region. Rather than promote a particular approach to planning and growth management, the retreats encourage planners to explore a range of strategies for responding to growth and land use issues in the West. This article summarizes what we have learned during the first two retreats in 2000 and 2001.

MATTHEW MCKINNEY  
and WILL HARMON

The West is changing. New forces and trends are redefining the region's quality of life, communities and landscapes, directly influencing how we approach land use planning and growth management. One force that sets the West apart from other regions of the country is the overwhelming presence of the landscape. The West has more land and fewer people than any other region, yet is also very urbanized. More people live in urban centers than in rural communities.

The dominance of land in the politics and public policy of the West is due in part to the large amount of land governed by federal and tribal entities (see Figure 1). More than 90 percent of all federal land in the U.S. lies in Alaska and the 11 westernmost contiguous states. The U.S. Forest Service, U.S. Bureau of Land Management, National Park Service, and the U.S. Fish and Wildlife Service manage most of the West's geography and significantly influence the politics of land use decisions. Indian tribes govern one-fifth of the interior West and are key players in managing water, fish and wildlife.

The West is also the fastest growing region of the country (see Figure 2). The five fastest-growing states of the 1990s were Nevada, Arizona, Colorado, Utah and Idaho. Between 1990 and 1998, the region's cities grew by 25 percent and its

rural areas by 18 percent, both significantly higher rates than elsewhere in the U.S. As western demographics diversify, the political geography has grown remarkably homogeneous. Following the 2000 elections, Republicans held three-quarters of the congressional districts in the interior West (see Figure 3) and all governorships except the coastal states of California, Oregon and Washington.

Within these trends, western state planners recognize a variety of common challenges: pockets of explosive population growth, sprawl, drought, out-of-date legislation, a lack of funding, and a lack of public and political support for planning and changing the way development occurs in the West. They also point out many

differences in their states' approaches to planning. Oregon and Hawaii have long-standing statewide land use planning efforts, but planning in Nevada is a recent phenomenon, limited mainly to the Las Vegas and Reno areas. Vast federal holdings in Nevada, Idaho and Utah dictate land use management more than in other states, and Arizona and New Mexico share planning responsibilities with many sovereign tribal governments. Alaska and Wyoming—with small populations and little or no growth—do very little planning.

## Major Themes

Based on the first two retreats, we have identified six major themes related to planning and growth in the West.

FIGURE 1 Federal Government Lands in the U.S.



Source: Center for Rocky Mountain West, The University of Montana, 1997, based on data from the U.S. Geological Survey.

*Why plan? How can we build public and political support for planning?*

Historically, planning was motivated by a concern to promote orderly development of the landscape, preserve some open spaces, and provide consistency among develop-



*“This (the West) is the native home of hope. When it fully learns that cooperation, not rugged individualism, is the quality that most characterizes and preserves it, then it will have achieved itself and outlived its origins. Then it has a chance to create a society to match its scenery.”*

Wallace Stegner, *The Sound of Mountain Water* (Penguin Books 1980, 38)



ments. These continue to be important objectives, but they are insufficient for building public and political support. Particularly during economic recession, planning takes a back seat—the public can focus on only so many problems at once. Today, the most compelling argument for planning is that it can be a vehicle to promote economic development and sustain the quality of life. People move to the West and create jobs because they like the quality of life in the region, and planners need to tap into this motivation.

In Utah, for example, quality of life is an economic imperative, so state planners tie their work to enhancing quality of life rather than to limiting or directing growth. It is used to integrate economic vitality and environmental protection. Several years ago, business leaders and others created Envision Utah, a private-public partnership. Participants use visualization techniques and aerial photos, mapping growth as it might occur without planning, and then again under planned cluster dev-

elopments with greenbelts and community centers. These “alternative futures” scenarios help citizens picture the changes that are coming and the alternatives for guiding those changes in their communities. As Utah’s state planner says, “Growth will happen, and our job is to preserve quality. That way, when growth slows, we will still have a high quality of life.”

Kent Briggs, executive director for the Council of State Governments—WEST (a regional association for state legislators), and Jim Souby, executive director of the Western Governors’ Association, acknowledge the difficulty of nurturing public and political support for growth management in the West. They agree that political power shifts quickly from one party to the other, and yet is a lagging indicator of cultural, demographic and economic change. Governors and legislators might be more convinced to support land use planning, they say, by using visualization techniques to help them understand the costs of existing patterns of development, and to picture the desired future of our communities and landscapes.

*How much planning is enough, and who should be in the driver’s seat?*

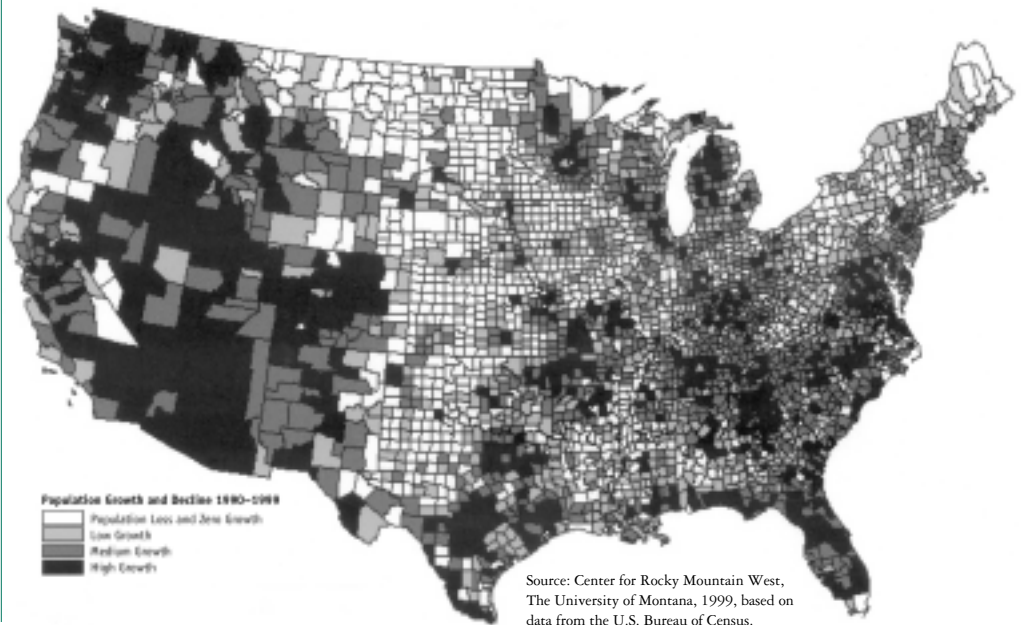
Arizona and Colorado have smart growth programs designed to help communities

plan for growth and preserve open space. In the November 2000 elections, citizen initiatives in both states introduced some of the nation’s most stringent planning requirements, but both initiatives failed by a 70 to 30 percent vote, suggesting that citizens want to maintain flexibility and freedom—and local control—when it comes to planning and growth management. The story is similar in Hawaii, where business profitability—not zoning maps—directs land use. In May 2001, Hawaii’s governor vetoed a smart growth initiative because it was perceived as being too environmental and would limit developers’ ability to convert agricultural lands.

This emphasis on home rule or local control is supported by a recent survey of citizens in Montana, conducted by the Montana Association of Realtors. In the survey, 67 percent of respondents said that city or county governments should have the power to make land use decisions, while 60 percent opposed increasing state involvement in managing growth-related problems.

In Oregon, citizens narrowly passed Measure 7, an initiative requiring state and local governments to pay private property owners for any regulations that restrict the use or reduce the value of real property. While the impacts and constitutionality

**FIGURE 2 U.S. County Population Growth and Decline, 1990–1999**



of this initiative are still being debated, it sends a strong message to planners in a state that has had one of the most progressive land use and growth management programs for 25 years. The message, according to Oregon's state planner, is to not rest on your successes, and to keep citizens and communities engaged in an ongoing discussion about the effectiveness of land use planning. He also stressed the need to balance preservation with appropriate development, emphasizing that "good planning doesn't just place limits on growth and development."



Subdivision, Phoenix, Arizona

© Alex Maclean/Landfiles

recently presented the state legislature with a regional plan that emphasizes resolving growth issues locally rather than at the state level.

In New Mexico, the city and county of Santa Fe each recently updated their comprehensive land use plans. The plans were fine, except that they were stand-alones prepared with no coordination. Citizens demanded better integration of planning efforts and pushed for a new regional planning authority. Within 18 months, citizens and officials developed a joint land use plan for the five-mile zone around

### *What is the role of state government?*

Douglas Porter, keynote speaker at the first retreat and a nationally known consultant on land use and growth policy, says that one of the most important state roles is to offset the lack of will to plan at the local level. He says that state programs should support local planning efforts, and should try to engage the "big players," such as transportation departments, to work with local jurisdictions. Porter also suggests that state governments can maintain their state's economic competitiveness by encouraging local communities to improve their quality of life through infill, redevelopment, and preserving the natural environment.

Oregon's state government attracted \$20 million in federal funding to help communities overhaul zoning ordinances and remove obstacles to mixed uses. Colorado created an Office of Smart Growth to provide technical assistance on comprehensive planning; document best practices for planning and development; maintain a list of qualified mediators for land use disputes; and provide grants for regional efforts in high growth areas. In Arizona, Montana and New Mexico, state planning offices provide a range of technical services to assist communities, such as clarifying state laws, promoting public participation, and fostering intergovernmental coordination.

Jim Souby suggests that one of the

most effective roles of state government is to promote market-based strategies and tax incentives. "Tax what you don't like, subsidize what you do like," Souby says. Other incentives might include cost sharing and state investment strategies—similar to Maryland and Oregon—to drive development in a positive direction.

### *How can regional approaches to land use planning complement state actions?*

Regionalism allows multiple jurisdictions to share common resources and manage joint services, such as water treatment facilities and roads. In Washington, citizens recently rejected the top-down smart growth model popularized in Florida due to concerns over home rule and private property rights. In response, the state legislature approved a system of regional planning boards that instill some statewide consistency while allowing for regional and local differences.

Nevada, despite double-digit growth in the Las Vegas and Reno areas, does not have a state planning office. However, the legislature mandated Washoe County (home of Reno and Sparks) to create a regional planning commission to address growth issues jointly rather than in a piecemeal manner. Key municipal and county officials in Clark County (Las Vegas) formed their planning coalition *voluntarily*—compelled to cooperate by the highest growth rate in the nation. This coalition

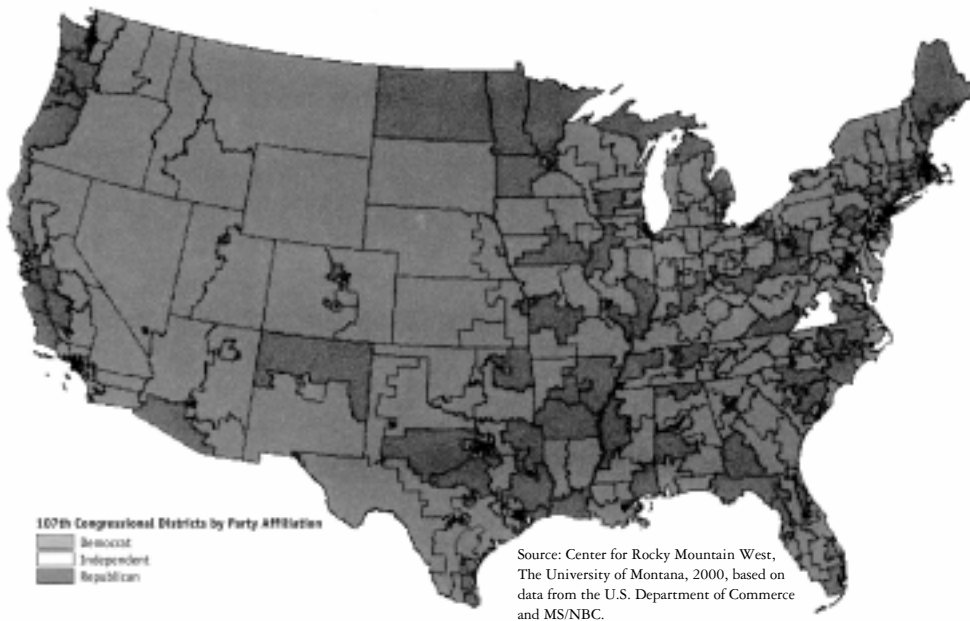
the city, and the regional authority is now developing zoning districts and an annexation plan. In Idaho, city and county officials in Boise voluntarily created the Treasure Valley Partnership as a forum to discuss policies for controlling sprawl, and to coordinate the delivery of services. They are also reviewing the possibility of light rail development.

Regional approaches are gaining momentum, but they also create new challenges. For example, the city of Reno has been reluctant to join the neighboring city of Sparks and Washoe County in revising their regional plan. With no enforcement or penalty at the state level, the other jurisdictions can do little to encourage Reno's involvement. Likewise, New Mexico has no policy framework for regional planning and thus no guidelines on how to share taxing authority, land use decision making and enforcement responsibilities.

### *Foster effective planning and growth management through collaboration.*

Collaboration can be defined many ways, but most planners agree with the premise that if you bring together the right people with good information they will create effective, sustainable solutions to their shared problems. Collaborative forums allow local officials to weigh and balance competing viewpoints, and to learn more about the issues at hand. According to

FIGURE 3 107th Congressional Districts Political Party Affiliation



Jim Souby, local efforts should incorporate federal land managers because they play such a dominant role in the region's political geography. Kent Briggs agrees that collaboration, when done correctly, allows the people most affected by land use decisions to drive the decisions. Collaborative processes, when they include *all* affected interests, can generate enormous political power, even when such efforts do not have any formal authority. While it may be appropriate in some cases to have national or state goals, it is ultimately up to the people who live in the communities and watersheds of the West to determine their future, according to Briggs.

*How do we measure success?*

In 1998, the Arizona legislature passed the Growing Smarter Act, which was amended in 2000, and created a Growing Smarter Commission. The act reformed land use planning and zoning policies and required more public participation in local planning. The commission recommended that the state should monitor and evaluate the effectiveness of land use planning on an ongoing basis. The governor recently appointed an oversight council to continue this work, but council members say that

clear benchmarks are needed against which to evaluate the effectiveness of land use planning—a percentage of open space preserved, for example, or a threshold on new development that triggers tighter growth restrictions. Arizona law, however, simply identifies the issues that must be addressed in comprehensive land use plans. It does not set specific standards or expectations, making meaningful evaluation impossible. This brings us full circle to our first theme—Why are we planning?

**The Three Cs of Planning**

Three recommendations emerge from the western state planners' retreats that can be implemented throughout the country.

First, identify the most **compelling** reason to plan in your community. What are you trying to promote, or prevent? Be explicit about the values driving the planning process. Emphasize the link between quality of life, economic development and land use planning as a way to sustain the economy and the environment. Remember that people must have meaningful reasons to participate constructively in the planning process.

Second, rely on **collaborative** approaches. Engage the full range of stakeholders, and

do it in a meaningful way. A good collaborative process generates a broader understanding of the issues—since more people are sharing information and ideas—and also leads to more durable, widely supported decisions. Collaboration may also be the most effective way to accommodate the needs and interests of local citizens within a regional approach and when the state's role is limited.

Third, foster **regional connections**. Recognize that planning is an ongoing process, not a product to be produced and placed on a shelf. Link the present to the future using visualization and alternative futures techniques. Build monitoring and evaluation strategies into plan implementation. Encourage regional approaches that build on a common sense of place and address transboundary issues. Emphasize that regionalism can lead to greater efficiencies and economies of scale by coordinating efforts and sharing resources. **■**

**MATTHEW MCKINNEY** is executive director of the Western Consensus Council in Helena, Montana, a nonprofit organization that helps citizens and officials shape effective natural resource and other public policy through inclusive, informed and deliberative public processes.

**WILL HARMON** is the communications coordinator for the Western Consensus Council and a freelance writer based in Helena. Contact: [mmckinney@state.mt.us](mailto:mmckinney@state.mt.us) or [wbarmon@ixi.net](mailto:wbarmon@ixi.net).

**REFERENCES**

Center for Resource Management. 1999. *The Western Charter: Initiating a Regional Conversation*. Boulder, CO: Center for Resource Management.

Kwartler, Michael. 1998. Regulating the good you can't think of. *Urban Design International* 3(1):13-21.

Steinitz, Carl and Susan McDowell. 2001. Alternative futures for Monroe County, Pennsylvania: A case study in applying ecological principles, in *Applying Ecological Principles to Land Management*, edited by Virginia H. Dale and Richard A. Haeuber. New York, NY: Springer-Verlag, 165-189.

Swanson, Larry. 1999. The emerging 'new economy' of the Rocky Mountain West: Recent change and future expectation. *The Rocky Mountain West's Changing Landscape* 1(1):16-27.

U.S. Environmental Protection Agency. 2000. *Environmental Planning for Communities: A Guide to the Environmental Visioning Process Utilizing a Geographic Information System (GIS)*. (September).

# The Influence of de Soto's *The Mystery of Capital*

EDESIO FERNANDES

**T**he proliferation of informal and illegal forms of access to urban land and housing has been one of the main consequences of the processes of social exclusion and spatial segregation that have characterized intensive urban growth in developing countries. Given the absence of adequate housing policies and the failure of the land market to offer sufficient, suitable and accessible housing options, millions of urban poor have to create their own shelter, either by invading private or public land or by buying land illegally and constructing their own housing. This phenomenon has attracted the attention of many researchers, policy makers and others worried about the grave socioeconomic, environmental and political implications for the urban poor and society at large.

Peruvian economist Hernando de Soto is one of the most influential contemporary ideologues addressing this complex issue. His ideas and proposals regarding large-scale regularization programs, most recently presented in his book, *The Mystery of Capital*, have received extensive media coverage and have raised the level of public debate. His influence can be measured by the fact that an increasing number of countries and cities, in Latin America and elsewhere, have introduced regularization policies based on his ideas, and these programs have already had a significant impact on international and institutional approaches to property reform and good governance. In many countries, politicians who were never particularly interested in urban development concerns have now become vigorous defenders of de Soto's ideas. Why?

## A Review of Urban Settlement Trends

Before addressing de Soto's work directly, a brief summary of the current situation is in order. In Latin America, the urbanization



© Martin Smolka

**Sprawling informal settlements like this one outside Campinas, Brazil, are common around most Latin American cities as illegal tenure arrangements have become the main form of urban land development.**

process has been especially significant: 380 million people, some 75 percent of the total population, lived in urban areas in 2000, making it the most urbanized region in the world. While the globalization of urban land markets has intensified in Latin America, the region has also seen poverty escalate. It is estimated that between 40 and 80 percent of the population lives illegally because they can neither afford nor gain legal access to land near employment centers. As a result, illegal tenure arrangements have become the main form of urban land development.

The violent evictions and forced removals of the 1970s have been gradually replaced by a relative tolerance of illegal occupations, culminating in some cases with the official recognition of such settlements. Responding to growing social mobilization, public administrators and policy makers in several countries have struggled to formulate regularization programs aimed at both upgrading informal areas and recognizing the land and housing rights of the dwellers, thus legalizing their status.

Most land tenure regularization programs have been structured around two intertwined objectives: to recognize security of tenure and to promote the sociospatial

integration of informal communities within the broader urban structure and society. The definition of what constitutes security of tenure has varied in both theory and practice. The UN Global Campaign for Securing Tenure for the Urban Poor, for example, seeks to protect dwellers against eviction and achieve other basic objectives, such as contributing to sustainable livelihoods; improving access to basic services; securing urban citizenship; producing certainty and incentives for investment; mobilizing disparate communities; and empowering women.

Generally speaking, regularization programs in Latin America have been more successful in upgrading settlements through public investments in urban infrastructure and service provision than in legalization programs. The definition of the nature of the rights to be attributed to dwellers has varied greatly, ranging from titles (such as freehold and leasehold) to contracts (such as social rent and other rental mechanisms) and precarious administrative permits (such as temporary licenses and certificates of occupancy). Experiences based on the transfer of individual freehold titles have been largely unsuccessful, given the many existing legal, technical and financial obstacles.

### de Soto's Contributions to the Debate

Although he has claimed that he initiated the debate, de Soto instead has made an undeniably important contribution to a long-standing discussion of the need to confront the phenomenon of urban informality and illegality through public policies aimed at legalizing informal settlements and other extralegal economic activities. Since the 1970s, this debate increasingly has involved planners and policy makers, but de Soto has repackaged the discussion and, to some extent, contributed to widening its scope and reach.

What makes de Soto's ideas so appealing is that, perhaps better than anyone else, he has been able to emphasize the economic dimension and implications of urban illegality. Most of the academic research, social mobilization and policy-making on the matter of informal settlements and land regularization have been supported by a combination of humanitarian, ethical, religious, sociopolitical and environmental arguments. de Soto's approach, on the other hand, has stressed the significant impact that comprehensive regularization programs could have on the overall urban economy by linking the growing informal extralegal economy into the formal economy. Moreover, he has argued that such public policies can be instrumental in reducing social poverty.

In his view, small informal businesses and precarious shanty homes are essentially economic assets, "dead capital," that should be revived by the official legal system and turned into liquid capital so people could gain access to formal credit, invest in their homes and businesses, and thus reinvigorate the economy as a whole. He has estimated the amount of dead capital in the developing world at about US\$9.3 trillion, a staggering figure that has drawn the attention of many influential politicians, land developers, government officials and financial organizations (Bourbeau 2001). His argument has been summarized as follows:

"Most of the poor already possess the assets they need to make a success of capitalism.... But they hold these resources in defective forms.... They lack the process to represent their property and create capital ...They have houses, but not titles.... It is

the representation of assets in legal property documents that gives them the power to create surplus value" (Mammen 2001).

In his first book, *The Other Path*, de Soto advocated the formalization of informal settlements. In his new book, *The Mystery of Capital*, he has taken this argument one step further, advocating that property ownership is the reason "why capitalism triumphs in the West and fails everywhere else," which is also the subtitle of the book. de Soto offers a three-part argument:

- People need to feel secure of their legal tenure status so they can start investing in housing and business improvements;
- Security of tenure and resulting access to credit can only be provided by the legalization of informal settlements and businesses;
- The way to proceed is to provide universal title ownership through individual freehold titles, with clear titles and enforceable rights, to enable third world countries to leverage themselves and thus eradicate poverty.

The recognition of property ownership in de Soto's proposal is important because it would entail access to credit and finance. He argues that European countries and the U.S. improved their property systems, allowing economic actors to discover and realize the potential of their assets and thus to be in a position to produce the kind of noninflationary money necessary to finance and generate production. Following that logic, national and international organizations have proposed, and even imposed, the full legalization of businesses and the unqualified recognition of individual freehold titles for urban dwellers in some informal settlements as the "radical" way to transform decaying urban economies.

### Critiques of de Soto's Assumptions

Appealing as his ideas are, there are many flaws in de Soto's arguments. Now that the dust raised by the initial media attention to his book has started to settle down, the debate has become increasingly critical. Such an appraisal is especially important because the regularization programs inspired by his ideas have had a significant impact on the daily lives of millions of people.

To begin with, there has been increasing criticism of de Soto's methodological approach that led to the highly unlikely estimated figure of existing dead capital. Some analysts have pointed out that his grasp of the role and social construction of individual property ownership in European and U.S. economic history is not entirely correct (Payne 2001). Others have criticized de Soto for oversimplifying, if not totally misunderstanding, the complex dynamics of both informal and formal urban land markets (Bourbeau 2001). I have stressed the specific, perhaps unique, role of land ownership in developing countries, especially in Latin America, where historically the combination of weak capital markets, highly inflationary economies and deficient social security systems has turned land value appreciation into a fundamental capitalization mechanism, thus generating a culture of speculation that has long supported a heritage of patrimonialism and political clientilism. This process has, in its turn, deeply affected the conditions of access to urban land and housing and the spatial distribution of public equipment and services, as well as generating urban illegality.

Another related critical argument is that de Soto has failed to recognize that the poor, despite their poverty, have already amassed assets through access to credit, albeit not from formal institutions. In fact, de Soto has failed to provide evidence that banks and other official financial and credit institutions would be prepared to give systematic credit to the poor, even though there is historical evidence to the contrary. For example, in de Soto's country of Peru very few people have been able to access official credit following a massive regularization program (Riofrio 1998; Calderon 2001). Moreover, existing research in Colombia and other Latin American countries has indicated that the poor would not even be interested or willing to obtain official credit, given the socioeconomic and fiscal implications of this process (Gilbert 2001). Recent studies also have questioned the urban and socioeconomic sustainability of settlements in Mexico, Peru, El Salvador and elsewhere that have been legalized by programs inspired by de Soto's ideas (Duhau 2001; Kagawa



2001; Zeledon 2001). Such programs have focused exclusively, and artificially, on the formal legalization of informal settlements and have not included adequate upgrading and other socioeconomic programs, thus failing to promote any sociospatial integration.

From my perspective as a legal scholar, I see three main flaws in de Soto's argument. First, while discussing the importance of legalizing informal settlements, he has failed to question the very nature of the legal system that has generated urban illegality in the first place. I believe that the discussion of laws and legal institutions has to be supported by a critical understanding of the nature of the law-making process, the conditions for law enforcement, and the dynamics of the process of social construction of urban illegality. In particular, I have argued that the legal treatment of property rights should be taken out of the narrow, individualistic context of civil law so the matter can be interpreted from the socially oriented criteria of redefined public urban law (Fernandes 2001).

In this context, far from being radical, de Soto's argument is a very conservative one. His work has failed to qualify the discussion on property rights, and he seems to assume that there is a universal, a-historical, "natural" legal definition of such rights. However, in Latin American countries and elsewhere in the developing world, the state has treated differently the different forms of property rights (financial, industrial, intellectual, etc.) and the social relations around them, allowing for varying degrees of state intervention in the domain of economic property relations. It is only for a very specific form of property rights, land and real estate, that the state has failed to affirm the notion of the social function of property versus the dominant individualistic approach given to such rights by anachronistic civil legislation (Fernandes 1999). The historical and political factors that have allowed classical legal liberalism to survive in Latin America have to be addressed before any comprehensive legal reform, such as that proposed by de Soto, can be implemented. The intimate though dialectically contradictory relationship between legality and illegality cannot be ignored (Fernandes



**This private housing development for low-income residents in rural El Salvador is built on inexpensive land that is not easily accessible to urban services and employment centers, creating a hardship for potential residents.**

and Varley 1998). Such a critical approach to law would certainly serve to dismiss de Soto's claim that formal, unqualified individual ownership can be used against crime and terrorism.

A second flaw is that research in many developing countries has indicated that, given a combination of certain social, political and institutional conditions, residents in informal settlements can share an effective perception of security of tenure, have access to informal (and sometimes formal) credit and public services, and invest in housing improvement, even without having legal titles (Payne et al. forthcoming).

Third, and more important, existing research has shown that while the recognition of individual freehold titles can promote individual security of legal tenure it does not necessarily entail sociospatial integration. Unless titling is undertaken within the context of a broader set of public policies that address urban, politico-institutional and socioeconomic conditions, legalization programs may actually aggravate the processes of exclusion and segregation. As a result, the original beneficiaries of the programs might not be able to remain on the legalized land, although that should be the ultimate objective of regularization programs, especially on public land.

Moreover, regularization programs have had little impact on social poverty, in part

because the traditional banking and financial mechanisms have not embraced them, as de Soto has claimed. The root of the problem runs deeper because regularization programs have a remedial nature. They can only have a more direct impact on urban poverty if they are part of a broader set of preventive public policies aimed at promoting overall urban reform and supported by socioeconomic policies aimed at generating job opportunities and income. There is a fundamental role for the market economy in this process, but it requires systematic intergovernmental relations, public-private partnerships and renewed social mobilization. Furthermore, de Soto has failed to consider the essential gender and environmental implications of land legalization.

To prevent the production of these perverse effects, we must identify and understand the factors that have contributed to the phenomenon of urban illegality. These include not only the combination of land markets and political systems but also the elitist and exclusionary legal systems still prevailing in Latin America. To legalize the illegal requires the introduction of innovative legal-political strategies to promote the articulation of individual land tenure with the recognition of social housing rights compatible with keeping dwellers in their existing settlements. Housing rights cannot be reduced to individual property rights.

New tenure policies need to integrate four main factors: legal instruments that create effective rights; socially oriented urban planning laws; political-institutional agencies and mechanisms for democratic urban management; and inclusionary macro-socioeconomic policies. The search for innovative legal-political solutions also includes the incorporation of a long-neglected gender dimension and a clear attempt to minimize the impacts such policies have on the land market. The benefits of public investment should be captured by the urban poor, not by traditional and new private land developers, as has happened frequently in settlements regularized according to de Soto's proposals.

In conclusion, I would argue that regularization programs should be group specific, taking into account the local historical, cultural and political contexts as well as the existing forms of tenure arrangements, both legal and customary and formal and informal. Public administrators and lawmakers should refuse the pressure to homogenize land and property laws. Individual property ownership will always be an attractive option that should be considered, but there are many other legal-political alternatives.

Hernando de Soto is absolutely right when he questions the legitimacy of exclusionary legal systems. However, while he has uncritically assumed that legitimacy would result from the widespread recognition of individual ownership, other research has proved that this is not necessarily the case. He is generally right when he says that lawyers lack an understanding of the economic process. However, many observers believe that his own understanding of the economic process may be deeply flawed, and that he could also learn a thing or two about the legal process. **L**

**EDESIO FERNANDES** is an attorney, urban planner and lecturer in the Development Planning Unit of University College London. He is also coordinator of IRGLUS-International Research Group on Law and Urban Space. This article is based in part on his ongoing research and a lecture he presented at the Lincoln Institute in October 2001. Contact: [edesiofernandes@compuserve.com](mailto:edesiofernandes@compuserve.com).

## Latin America Network on Property Taxation

The Lincoln Institute has recently formed informational networks of scholars and policy makers focused on several key issues in land and tax policy in Latin America. Led by Martim Smolka, senior fellow and director of the Lincoln Institute's Program on Latin America and the Caribbean, the first meeting of the property taxation network took place in conjunction with the seminar in Porto Alegre in April 2001 (see page 9). Network representatives came from Argentine (Hector Serravalle), Brazil (Claudia M. De Cesare, Cintia E. Fernandes, Mauro Lunardi and Sol G. Pinto), Chile (Carlos Acuña), Colombia (Maria Camila Uribe and Claudia Puentes), Ecuador (Mario R. Maldonado), El Salvador (Roberto Cañas) and Mexico (Sergio Flores).

The network's mission is to pursue more effective property tax systems in Latin America and to reinforce the role of the property tax as an alternative for local government revenue. The network will promote professional development, identify relevant themes for comparative research and educational programs, and disseminate information and experiences. The members of the network have prioritized the following projects:

- property tax indicators;
- annotated bibliography;
- database on institutions, permanent courses and educational programs;
- development of curriculum; and
- exchanges for professional learning.

Although isolated initiatives at national or state levels have improved cadastral systems, valuation procedures and communication skills in some countries, the network members agree there is still great potential for improving efficiency and equity in current tax systems. The members also wanted more accessible information and better communication on property tax issues in Latin America. Innovative experiences and lessons like those cited in the following article can be shared within the group. Future educational programs may be a source of inspiration for other municipalities, like Porto Alegre, facing challenges in property tax administration.

The next property tax program is scheduled for April 15–19 at the Lincoln Institute in Cambridge, Massachusetts. For more information, see page 18 or contact Alejandra Mortarini at [alejandra@lincolninst.edu](mailto:alejandra@lincolninst.edu).

### REFERENCES

- Bourbeau, Heather. 2001. Property wrongs: How weak ideas gain strong appeal in the world of development economics. *Foreign Policy* (November/December):78-79.
- Calderon Cockburn, Julio A. 2001. Comparative analysis of the benefited and non-benefited population by the national formalization plan, in *Has the well-being of the population improved?: A balance of the main social policies and programs*. Lima: National Institute of Statistics and Information (INEI): 65-92.
- Duhau, Emilio. 2001. Impacts of regularization programs: Notes on the Mexican experience. Paper presented at the Lincoln Institute workshop on Informal Land Markets: Land Tenure Regularization and Urban Upgrading Programs (October).
- de Soto, Hernando. 1986. *The Other Path*. London: I.B. Tauris & Co Ltd.
- \_\_\_\_\_. 2001. *The Mystery of Capital*. London: Bantam Press.
- Fernandes, Edesio. 1999. Redefining property rights in the age of liberalization and privatization. *Land Lines* (November) 11(6):4-5.
- \_\_\_\_\_. 2001. Law and the production of urban illegality. *Land Lines* (May) 13 (3):1-4.
- Fernandes, Edesio and Ann Varley, eds. 1998. *Illegal Cities: Law and Urban Change in Developing Countries*. London: Zed.
- Gilbert, Alan. 2001. On the mystery of capital and the myths of Hernando de Soto: What difference does legal title make? Paper presented at the N-AERUS Workshop in Leuven, Belgium (June).
- Kagawa, Ayako. 2001. Policy effects and tenure security perceptions of Peruvian urban land tenure regularization policy in the 1990s. Paper presented at the N-AERUS Workshop in Leuven, Belgium (June).
- Mammen, David. 2001. Roundtable discussion for the International Division of the American Planning Association. *Interplan* (June):2-9.
- Payne, Geoffrey. 2001. The mystery of capital: Why capitalism triumphs in the west and fails everywhere else. *Habitat Debate* (September) 7 (3):23.
- Payne, Geoffrey, et al. Forthcoming 2002. *Land, Rights and Innovations: Secure Land for the Urban Poor*. London: International Technology Development Group (ITDG).
- Riofrio, Gustavo. 1998. Why have families mortgaged so little? Paper presented at the Lincoln Institute workshop on Comparative Policy Perspectives on Urban Land Market Reform in Latin America, Southern Africa and Eastern Europe (July).
- Zeledon, Aida. 2001. De facto and legal regularization programs in El Salvador. Paper presented at the Lincoln Institute workshop on Informal Land Markets: Land Tenure Regularization and Urban Upgrading Programs (October).

# Toward More Effective Property Tax Systems in Latin America

As part of its ongoing education program in Latin America, the Lincoln Institute, with the Porto Alegre (Brazil) City Council, organized the “International Seminar on Property Taxation” in April 2001, to discuss equity and efficiency in property tax administration. More than 200 delegates came from 12 countries, 14 Brazilian states and 45 local authorities. Internationally recognized experts and public officials in government, academia, public finance and taxation represented such institutions as the Inter-American Development Bank (IDB), the International Property Tax Institute (IPTI), the International Association of Assessing Officers (IAAO), the Brazilian Association of Secretariats of Finance of Capitals (ABRASF) and the Brazilian School of Fiscal Administration (ESAF). This article draws on the issues and experiences discussed at that seminar.

CLAUDIA M. DE CESARE

**A**s in the United States, there is an ongoing debate in Latin America over the replacement of the property tax with alternative revenue sources, such as fees and charges, that might be easier to administer, less influenced by political factors and more efficient. Nevertheless, the property tax remains the predominant option for raising revenue to finance public services at the local government level in Latin America.

An important characteristic of the property tax is the great diversity found in its administration. For example, the property tax is a purely local tax in Brazil, Colombia and Ecuador, but it is administered at the province level of government in Argentina. In Mexico, the role of the local authorities has been reduced to primarily tax collection. In Chile, the property tax is an important revenue source for local governments, although the central government is responsible for administering the cadastral, assessment and collection systems. El Salvador is the only country in Central America that has never introduced the property tax, although currently there is strong pressure for establishing new taxes, since tax revenue represents only about 11 percent of GDP.

## Insights on Property Tax Administration

In general the property tax is recognized as a ‘good tax’; its role is essential in the process of recovering revenue, funding



© Courtesy of the Municipality of Porto Alegre

**Speakers at the property tax seminar in Porto Alegre included (left to right) the Mayor, Tarso Genro; the City Council President, Luiz Fernando Záchia; Martim Smolka of the Lincoln Institute; and José Eduardo Utzig, Secretary of Finance of Porto Alegre.**

public services and promoting social development. The unique nature of the property tax provides important links among wealth and income, social development, and land use and occupation. However, the property tax must be administered fairly to avoid inefficiency and inequity in the distribution of the tax burden. Concerns mentioned in several seminar sessions included the need for an adequate cadastre, as complete as possible in terms of coverage and containing basic attributes needed for assessing different types of properties. One discussion group recommended integrating the community in the continual process of updating cadastral data. Others emphasized the need for performing a careful cost and benefit analysis before implementing geographic information systems.

In countries where the cadastre is not administered by the central government, there is no standard model or system. Depending on the development level of the municipality and/or financial resources available, the cadastre technology can vary enormously from a simple list of properties to a cadastre based on a geographic information system with multiple purposes. Diverse valuation approaches are also observed: self-assessment is used in Colombia and Bolivia, whereas the cost approach is commonly used in Brazil, Chile, Ecuador and Mexico. Some local authorities in Brazil are engaged in a movement to use the sales comparison approach for residential property. In applying the cost approach, the land value is determined using the sales comparison approach. Although based on market information, the land value is

also estimated in different ways, causing concerns over how to reduce assessment inequities.

Valuation is primarily a technical task that requires assessment uniformity and short valuation cycles, and should not be used for political purposes. Capping systems, which limit tax increases between consecutive periods for each individual property up to an overall adjustment based on annual inflation rates, are seen as a major source of assessment inequity. Transparency in the valuation results is considered fundamental for guaranteeing the taxpayers' confidence in and acceptability of the tax system. Other basic premises include fiscal accountability, fairness, democratization of information, and translation of technical language into a form that is understandable to community members and leaders. Furthermore, community members should take part in making decisions on public revenue collection and expenditures.

A recent development of interest in this regard is the increasing use of Internet facilities by taxpayers to receive and pay tax bills, review statistical data on their property and update cadastral information. Chile is considered the benchmark in Latin America in the use of these technologies.

### Experiences with Fiscal Reform

Several seminar presenters shared their experiences with property tax reform and revisions, which often include investments in cadastral systems. For instance, the improvement in the collection performance of the property tax in Colombia increased as a percentage of GDP from 0.22 percent in 1970 to 0.91 percent in 1994. This improvement was attributed in part to legislation that demanded the implementation and updating of the cadastre throughout the country. The strong pressure against updating assessed values, as well as administrative difficulties in undertaking valuations, resulted in the establishment of a self-assessment procedure. Taxpayers are now responsible for declaring the assessed value of their properties, but the value cannot be less than the recorded cadastral value. To reduce underassessment, the

**TABLE 1 Average Local Government Revenue (in R\$) per Inhabitant, 1996**

Number of Inhabitants in Brazilian Cities	less than 10,000	from 10,000 to 100,000	from 100,000 to 200,000	more than 200,000	Brazil total
<b>Current Revenue</b>					
Revenue from property tax	6.24	10.04	20.30	39.74	23.07
Revenue from other taxes and fees	10.33	16.45	36.97	91.49	49.11
Tax transfers from:					
• Central Government	166.77	76.69	42.51	22.89	58.02
• State	97.53	80.42	108.44	130.11	105.17
• Voluntary contributions	46.34	32.56	34.43	34.44	34.60
<b>Capital Revenue</b>	<b>331.14</b>	<b>224.29</b>	<b>255.20</b>	<b>346.76</b>	<b>286.46</b>

Note: R\$(Reais) is the Brazilian currency. In 1996 R\$ 1 equaled approximately US\$ 1.

assessed value is also used as the basis for expropriation.

Fiscal reform initiatives in Argentina during the 1990s were strongly motivated by financial crises in the public sector. The reform project relating to the property tax was divided into two main areas, cadastres and fiscal administration. The equivalent of over US\$ 120 million has been invested in these reforms, yet the project has been completed in only about 50 percent of the jurisdictions. In another example, Mexicali, the capital city of Baja California, pioneered the adoption of land value as the property tax base in the 1990s. Although this was a successful experience with property tax reform, current challenges in Mexico include achieving fiscal balance between public expenditure and revenue raised and recovering the importance of the property tax as a revenue source.

### Property Taxation in Brazil

Political, legal and practical obstacles have contributed to the continuation of inequities and inefficiencies in the property tax in Brazil. Frequently there is no common interpretation of tax regulations among major branches of government (the judiciary, legislature and executive), creating a pervasive lack of confidence in the tax system. Primary concerns in property tax administration include incomplete and out-of-date cadastres, resulting in irreplaceable losses in revenue; poor assessment practices that generate a low degree of uniformity; the strong influence of historical assessed values, because valuation is infrequent

and approval of a new valuation list in the Chamber of Councilors is often difficult; and low performance in tax collection.

The validity and feasibility of adopting progressive (sliding) rates for the property tax, largely used in Brazil during the 1990s, was reexamined. The basic idea had been to establish progressive rates according to classes of assessed value and to insert an element of ability-to-pay into the system, simultaneously making high-value properties pay more proportionally and alleviating the tax burden on low-value properties. In 1996, the Supreme Court declared the use of progressive rates for the property tax unconstitutional. However, a recent constitutional amendment authorized progressivity in the property tax rates based on the value of properties, as well as different rates based on property location.

Arguments expressed in the seminar against the application of progressive rates for the property tax were based on the principle of keeping the tax simple, and concerns about the measure's effectiveness. Arguments in favor of progressivity included the concentration of income disparities in Brazil and the fact that the poor are likely to spend more proportionally in housing expenditures than are the wealthy. The majority of seminar participants believed that the progressive rates might promote a fairer distribution of the tax burden. However, progressivity should be gradual; that is, a higher rate should be applied only over the part of property value that exceeds the limit established in each

class of assessed value, to avoid a large difference in tax burden for properties with values slightly above and below the boundaries of each class.

At the national level in Brazil, inefficient use of the property tax as a revenue source is widely recognized. Revenue from property taxes represents less than 0.4 percent of GDP. Indeed, the tax actually collected is only symbolic in many parts of the country. A recent survey of municipalities investigated several aspects of local government performance, including tax evasion. In only 13 percent of the municipalities was the tax evasion rate less than 20 percent. In one out of five municipalities, the revenue collected represented less than 20 percent of the properties included in the cadastre.

Table 1 demonstrates the relative importance of property tax revenue in Brazil, according to the size of the municipality. Small municipalities are financed largely by transfers from other government levels and larger municipalities are more dependent on the property tax as a revenue source. However, the performance of property tax administration depends directly on political will, which varies enormously among cities. For instance, due to an extensive updating of its cadastre, the city of Santana de Parnaíba, with 60,000 inhabitants in the State of São Paulo, collects approxi-

mately R\$ 212.00 per inhabitant, while the average revenue collected from property tax for cities of its size (10,000 to 100,000 population) is R\$ 10.04 per inhabitant. That performance is even better than in São Paulo, the capital of the state, which collects less than R\$ 80.00 per inhabitant. Similarly, a participatory approach involving local community and nongovernmental organizations (NGOs) allows critical issues of property tax assessment and administration to be discussed, resulting in actions to improve the system. In the city of Ribeirão Pires, for example, measures that increased revenue by 40 percent included an ample review of the property tax legislation that allowed the adoption of better assessment practices, new property tax rates and more efficient procedures for tax collection. Furthermore, the tax reform has contributed to increasing the local government's popularity.

### Case Study of Porto Alegre

Inspired by the April seminar and previous research and analysis, the local government of Porto Alegre has prepared a proposal for a property tax reform aimed at increasing fiscal equity, enhancing the importance of the property tax as a revenue source, and creating more efficient administration of the tax. The project was presented on September 28 to the City

Council, the entity in charge of either approving or rejecting the measures, which must be decided before the end of 2001. A multidisciplinary project team was composed of local authority members, such as valuers, property tax experts, and urban and environmental planners, as well as a group of statisticians and information technology experts from the Federal University of Rio Grande do Sul. The measures being proposed have been discussed thoroughly with representatives of public associations, community leaders, the media and city councilors (See Table 2).

### Conclusion

The participation of several hundred delegates at the seminar is evidence of the importance of property taxes in their countries. Although there is still an ample need for improving the overall performance of property tax systems, the debate demonstrated progress in the way the tax is administered and perceived in many parts of the region. Several independent experiences made it clear that political will is the principal element for explaining differences in the performance of property taxes in Latin America. Recent technological advances, now accessible to any country, have been able to provide better solutions in data management, valuation and assessment. Challenges are gradually moving from the technical to the political sphere. More than ever learning how to implement tax reforms and revisions is essential for pursuing more effective property tax systems. A trend toward using a participatory approach when undertaking such revisions is also evident, since public acceptance is likely to facilitate the reform process. **L**

**CLAUDIA M. DE CESARE** is a property tax advisor to the Secretariat of Finance for the municipality of Porto Alegre, Brazil. She also conducts research and teaches courses on valuation and property taxation at the Federal University of Rio Grande do Sul and the Lincoln Institute. She is a member of the advisory board of the International Property Tax Institute (IPTI) and is active in other professional organizations. Contact: [cmdecesare@smf.prefpoa.com.br](mailto:cmdecesare@smf.prefpoa.com.br)

TABLE 2 Major Areas of Proposed Property Tax Reform in Porto Alegre

**General valuation:** Mass appraisal techniques and current data on property sales are used to improve assessment performance. Assessment bias that causes either over- or under-assessment of certain classes of properties is being reduced.

**Provision of tax relief to properties used for agricultural purposes and timber production:** The provision aims to provide economic incentives to preserve agricultural activities and timber production in urban areas. The properties affected by the regulation are being identified and classified.

**Provision of tax relief to historical buildings and properties in environmental preservation areas:** The provision aims to make available economic incentives to preserve current land use and avoid environmental degradation. These properties also are being identified and classified.

**Progressive rates according to classes of assessed values:** An empirical analysis of the link between taxpayers' income and property values, as well as the impact of the proposed measures on the distribution of the tax burden, was undertaken to orient decisions on the rates established in the proposal.

## Thomas J. Nechyba

**Thomas J. Nechyba** is professor of economics at Duke University in Durham, North Carolina, where he also serves as director of undergraduate studies for the Department of Economics. In addition, he is a research associate at the National Bureau of Economic Research, and he serves as associate editor for the *American Economic Review* and the *Journal of Public Economic Theory*. His research and teaching focus on the field of public economics, in particular primary and secondary education, federalism and the function of local governments, and public policy issues relating to disadvantaged families.

Professor Nechyba has lectured and taught in courses at the Lincoln Institute for several years, and he recently completed a working paper based on Institute-supported research, “Prospects for Land Rent Taxes in State and Local Tax Reform” (see page 15). This conversation with Joan Youngman, senior fellow and chairman of the Institute’s Department of Valuation and Taxation, explores his interest in land taxation and his research findings.

### Joan Youngman

*How is a land tax different from a conventional property tax?*

### Thomas Nechyba

It’s really a question of tax efficiency. Any tax has two effects, which economists call the income and substitution effects. The income effect of a tax is the change in the choices made by the taxpayer because payment of the tax has reduced the taxpayer’s real income. The substitution effect arises because the very existence of the tax changes the relative prices of the taxed goods, and therefore gives an incentive to taxpayers to substitute non-taxed goods for taxed goods. The income effect does not give rise to any efficiency problems; it simply implies that some resources are transferred from taxpayers to the government, and we hope the government will do something useful with the money. But, the change in behavior from the substitution effect causes an economic distortion that does not benefit anyone. That is, when the higher price of a taxed good causes me to substitute to a different non-taxed good purely because of the distorted prices, then I am worse off and the government gets no revenue. This is the source of the loss of economic efficiency from taxation, because people are worse off than they were previously, and by a larger amount than the tax collections themselves. This phenomenon is sometimes called a deadweight loss.

Once I asked my students to react to the following statement on an exam: “People hate taxes because of income effects, but

economists hate taxes because of substitution effects.” One student wrote that it was undeniably true because it showed that economists aren’t people! Well, I think at least some economists are also people. However, it is true that people dislike taxes primarily because they don’t like paying money to the government. Economists especially dislike those taxes that cause greater deadweight losses, i.e., taxes that have greater substitution effects.

A land tax is a very unusual tax. It does not carry this deadweight loss because it does not give rise to a substitution effect. No one can make a decision to produce more land or less land, and the fact that land is taxed will not distort economic decisions. If we think of the price of land as the discounted present value of future land rents, a tax that reduces expected future rents will cause the price of land to drop. But the total cost of the land, which is the purchase price plus the tax, remains unchanged. Those who are considering the purchase of land therefore face the same cost before and after the tax: before the tax, they simply pay a single price up front; after the tax, they pay a lower price up front but they know they will also have to pay all the future taxes. There is no substitution effect, only an income effect for those who currently own land, because now they can sell it for less than before.

Property taxes that tax both land and buildings, on the other hand, do give rise to substitution effects because they distort the cost of making improvements to the property.

A revenue-neutral shift to land value taxation would reduce other, distortionary taxes. A shift to a more efficient tax can improve economic welfare without a loss in tax collections. This much is well known. What is not well known is the magnitude of this benefit and of the cost to landowners in terms of lower land prices.

Conventional wisdom predicts that a shift to an efficient land tax would increase income and output but reduce land prices. This kind of general statement isn’t much help to policy makers. If one is suggesting major changes in a tax system, policy makers need to know whether the benefits and the costs are going to be large or small. My recent Lincoln Institute working paper, “Prospects for Land Rent Taxes in State and Local Tax Reform,” constructs a model of state economies in the U.S. to help us think about the effects of such changes.

*JY: How did you become interested in developing an economic model for land taxation?*

*TN: A few years ago, Dick Netzer, professor of economics and public administra-*



Thomas J. Nechyba

tion at New York University, suggested that I look at the implications for the U.S. economy of replacing capital taxes with land value taxes. Most economists know of the Henry George Theorem and recognize that land taxation is efficient, but they associate his ideas with nineteenth-century economic thought. We assume that all the changes in the economy since then, and changes in the economic role of land, have left these ideas inapplicable to contemporary tax systems. So I was quite surprised that my model indicated that substituting a land value tax for capital taxes on a national level would not only be efficient, as expected, but would actually raise the value of many types of land. However, property taxes are state and local taxes, and the U.S. constitution places special impediments to a national property tax, so a land tax would not be possible on a national level. Further, since each state economy is different, the results of substituting land value taxes for other taxes will also vary from state to state.

**JY:** *How can a tax on land increase land prices?*

**TN:** In and of itself, a tax on land does not increase land prices; it actually reduces land prices, because it reduces the discounted present value of land rents. My research does not consider a land value tax in isolation, but as part of a revenue-neutral tax reform that replaces other, distortionary taxes with a land value tax. Lower taxes on capital will increase capital usage, and more intensive use of capital will raise land prices. For example, if constructing a building becomes more profitable because the tax on the building is lowered or eliminated, an investor may be willing to pay a higher price for its components, including the land.

**JY:** *How did you go about estimating the magnitude of these effects?*

**TN:** I developed a general equilibrium model of an economy that uses land, man-made capital and labor in production. A general equilibrium model is one that examines how changes in one kind of market affect all other markets. This model is then applied to different states, as well as

to one hypothetical “average” state, to see how various tax reforms that substitute land value taxes for taxes on capital or labor would affect prices and production. The division of capital into land and man-made capital is a departure from standard analysis, which generally looks at capital as a single category.

One critical element is the elasticity of substitution among these factors; that is, the ease with which one can be substituted for another. Technically, it is the percentage change in one factor that results from a 1 percent change in the other. This is the key to efficiency gains from reducing the tax on man-made capital and on labor and increasing the tax on land. A lower tax on man-made capital will increase the use of that capital, which in turn will produce greater output and more hiring of labor. The easier it is to substitute man-made capital and labor for land, the greater the benefit from a switch to land value taxation.

**JY:** *Where do the elasticity numbers come from?*

**TN:** I use a range of estimates drawn from the economic literature. For example,

most studies of the substitution between capital and land give elasticity estimates between 0.36 and 1.13. My paper uses the relatively conservative estimates of 0.75, 0.5 and 0.25 as high, medium and low values, and looks at the result under each assumption. This number is then adjusted to reflect the amount of land in the state devoted to farming, on the assumption that farmland is less easily substituted for capital in the production process. I also ask similar questions with regard to substitution between land and labor.

The elasticities of the actual supplies of man-made capital and labor are also crucial. If taxes on them are reduced, how much extra capital and labor will be available as a result of the increased after-tax return? Often in studies of this sort we make what is called a “small open economy assumption.” We assume that the economy we are looking at is small in relation to the rest of the world, and that capital and labor flow freely into and out of the jurisdiction. In that case, the elasticity of supply is infinite. The opposite extreme would be an economy with the equivalent of closed borders, where no capital could enter or leave. In that case the elasticity of supply

**TABLE 1** Estimated Changes in Income and Land Prices for an Average State When Current State Taxes Are Replaced by Land Taxes

Change in State Income			
State Tax Replaced by Land Tax	Responsiveness of Economic Variables <sup>1</sup>		
	Low <sup>2</sup>	Medium <sup>3</sup>	High <sup>4</sup>
Sales Tax	0.51%	6.06%	7.85%
Personal Income Tax	0.30%	3.52%	4.51%
Corporate Income Tax	0.33%	1.13%	1.71%
Property Tax	1.61%	5.43%	8.65%
Change in Average Land Price			
State Tax Replaced by Land Tax	Responsiveness of Economic Variables <sup>1</sup>		
	Low <sup>2</sup>	Medium <sup>3</sup>	High <sup>4</sup>
Sales Tax	-246.47%	-78.40%	-66.99%
Personal Income Tax	-141.82%	-42.65%	-35.27%
Corporate Income Tax	-259.4%	-2.27%	1.22%
Property Tax	-140.66%	-20.32%	-6.94%

1 “Responsiveness to Economic Variables” refers to different assumptions regarding the ease with which capital, land and labor can be substituted for one another (i.e., elasticities of substitution) and the degree to which the supply of capital and labor responds to changes in interest rates and wages (elasticities of supply).

2 Low elasticity assumptions essentially assume little to no response of behavior to tax changes. These are reported here simply for comparison and are generally viewed as highly unrealistic.

3 Medium elasticity assumptions correspond to reasonable estimates of short-run responsiveness of economic behavior.

4 High elasticity assumptions correspond to reasonable estimates of long-run responsiveness of economic behavior.

would be zero. In looking at U.S. states, the small open economy assumption is not completely accurate, and zero elasticity is not accurate either. The right number is somewhere in between. Neither capital nor labor is as mobile internationally as within the U.S., and labor in particular is less mobile across state boundaries than within a state or a small region. The small open economy assumption may be appropriate in some circumstances for smaller states, but we have to introduce more complex assumptions in other cases.

**JY:** *How does your model compute taxes on land and labor and man-made capital? This isn't a standard classification of taxes.*

**TN:** This is complicated, because it involves payroll taxes, federal and state corporate taxes, federal and state income taxes, property taxes, sales taxes, and so on. So the model looks at all these taxes and makes assumptions about who is paying them to estimate an overall tax rate on labor from all sources—federal, state and local. Similarly, the model estimates an overall tax rate on land and on man-made capital. This allows us to move from an illustrative example in which taxes on labor and capital are replaced by land value taxes to considering changes in real-world taxes, which of course are never based solely on labor or capital.

**JY:** *How do you represent the shift in taxes from labor and man-made capital to land?*

**TN:** This is a hypothetical policy experiment in the model. Suppose, for example, you wanted to eliminate all sales taxes in a revenue-neutral way, making up the lost collections through a land value tax. Sales taxes are the average state's largest revenue source, so this shift would be quite ambitious. The model shows what would happen under various elasticities of substitution and elasticities of supply, as described above. The tables in the paper show what land tax would be necessary to maintain revenue, and the changes in capital investment and land prices that would result.

**JY:** *How do you move from the hypothetical average state to the 50 individual states?*

**TN:** You have to begin by asking what factors might cause states to have different experiences with land value taxation. We consider each state's taxes, because the benefits of shifting to a more efficient system will vary according to how much current taxes distort economic choices. Some states have no income taxes. Some states tax property heavily, while others tax sales heavily. The other critical component concerns the state's sources of income—how they are divided among land, labor and man-made capital. The Bureau of Economic Analysis reports income from various sources by state, but does not account separately for income from land. For that information we draw on the Census of Agriculture data on the amount and market value of farmland to estimate an income figure.

**JY:** *What kinds of results did you obtain?*

**TN:** Since taxation of land is always economically efficient, and since taxation of other factors is always economically inefficient, a shift to land taxes always increases capital, income and labor use. For the "typical" state it seems that most of the simulated tax reforms are feasible, particularly those that reduce taxes on capital. A 20 percent cut in the sales tax, for instance, requires a nearly 24 percent increase in the tax on land, while a similar cut in property taxes requires virtually no change (0.2 percent) in the tax on land. Even a complete elimination of the state and local property tax calls for only a 23 percent increase in the tax on land, while an elimination of the sales tax would require a whopping 131 percent increase. Landowners would be deeply and adversely impacted by reforms that cut the sales tax (losing up to two-thirds of their wealth under a complete elimination of the sales tax), while they would barely feel the impact of most reforms focused on the property tax. They would experience at most a 7 percent decline in their wealth under

the complete elimination of the property tax, and an actual increase in their wealth for less dramatic property tax reforms.

But these results differ substantially by state. For instance, the percentage change in the tax on land required to maintain constant state and local government revenues as taxes on capital are eliminated ranges from -1.91 percent to over 104 percent. Similarly, the impact on land prices varies greatly, with prices barely declining (or even increasing) in some states while falling by as much as 85 percent in others. While the elimination of all state and local taxes on capital is therefore technically feasible in all states, it is clearly politically more feasible in some states than in others. Overall, of course, replacing distortionary taxes with non-distortionary taxes on land always brings growth in the employment of capital and labor and increases output—but the size of these impacts also varies greatly. Given that the main political hurdle to land taxation is the expected adverse impact on landowners, these results seem to indicate that, as in the case of the "typical" state, such reforms should emphasize the simultaneous reduction in taxes such as the corporate income tax or the property tax.

**JY:** *What do you take as the central lessons of this work?*

**TN:** Several broad lessons emerge from the analysis of a typical state. First, elasticity assumptions are crucial to the exercise of predicting the likely impact of tax reforms. Second, under elasticity assumptions that are both plausible and relatively conservative, this model predicts that some types of tax reforms are more likely to succeed than others. In particular, tax reforms that reduce taxation of capital in favor of land taxation will have more positive general welfare implications while minimizing the losses to landowners. So policy makers might consider reforming corporate income and property taxes rather than sales and personal income taxes. Third, since elasticities tend to be lower in the short run, it is likely that some of the positive gains of tax reforms that reduce dis-



tortionary taxes in favor of land taxes will emerge only with time.

The most striking lesson from simulating tax reforms for the 50 different states is how greatly results can vary depending on underlying economic conditions and current tax policies in those states. Thus, far from arriving at “the answer” regarding the impact of land tax reforms, this study suggests that such answers are likely to differ greatly depending on the context in which the reforms are undertaken. Reforms that raise the tax on land are likely to be more effective the larger the size of the reform, the higher the initial distortionary taxes in the state, and the lower the current level of state income. And, reforms are more likely to be politically feasible (in the sense of not causing great declines in land values) when they involve reductions in taxes on capital.

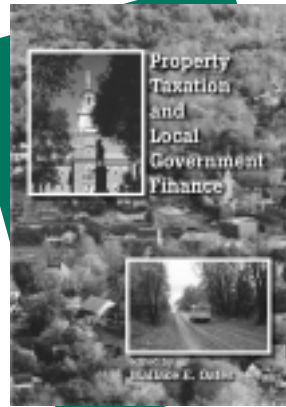
The idea that land value taxation is unrealistic or would drive land prices into negative numbers is based on a static view of the economy, where no one responds to tax changes by substituting one factor for another. Once you accept that behavior will change in response to taxes, that static view no longer applies. Under these fairly conservative assumptions, tax reforms that use land taxes to eliminate entire classes of distortionary taxes are economically feasible in virtually all states. This work shows that, far from being quaint or outmoded, the idea of taxing land value is quite relevant to the contemporary policy debate. **L**

### Working Paper Information

Thomas Nechyba. 2001. “Prospects for Land Rent Taxes in State and Local Tax Reform.” 70 pages. \$14.00. Code: WP01TN1. The complete paper is posted on the Lincoln Institute website at [www.lincolninst.edu](http://www.lincolninst.edu) and may be downloaded for free. To order the printed version, contact [help@lincolninst.edu](mailto:help@lincolninst.edu) or call 1-800-LAND-USE (800-526-3873).

## PUBLICATIONS

### Valuation and Taxation in the U.S.



#### Property Taxation and Local Government Finance

Wallace E. Oates, editor

The property tax is considered a most unpopular tax, among both scholars and taxpayers. Yet, recent research and analysis has proposed at least a partial rehabilitation of this tax and its role in the arena of local public finance. Based on a conference sponsored by the Lincoln Institute in January 2000, this book presents a systematic and comprehensive review of the economics of local property taxation and examines its policy implications. The ten papers and paired commentaries are written in a non-technical form to make the findings available to a broad audience of policy makers and other non-economists.

2001. 345 pages, paper. \$20.00.  
ISBN 1-55844-144-1

#### Impacts of Electric Utility Deregulation on Property Taxation

Philip Burling, editor

Current steps toward deregulation signal a new environment for the taxation of public utility property. This book compiles the formal papers and commentaries from a Lincoln Institute seminar held in October 1999 that brought together experts with varying perspectives on the taxation of deregulated electric utility facilities. The participants considered the enormous impacts of deregulation on the appraisal, assessment and taxation of these properties. In this unsettled and still evolving environment, the book is intended to increase understanding and point out probable approaches for addressing the impacts of deregulation in the utility industry.

2000. 210 pages, paper. \$20.00.  
ISBN 1-55844-140-9

#### Land Values and Property Taxation: 1999 Annual Roundtable

This publication is based on the second Chairman's Roundtable, which focused on the property tax as the primary instrument used for appropriating a portion of private land value for public purposes. Seven scholars in public finance and property tax policy considered the property tax from perspectives of economic theory, political experience and governmental structure. This publication includes each formal paper, the author's summary and the ensuing roundtable discussion.

1999. 64 pages, paper. \$15.00.  
ISBN 1-55844-136-0

#### Land Value Taxation: Can It and Will It Work Today?

Dick Netzer, editor

Many contemporary scholars and practitioners question whether land value taxation is a serious contender as an important revenue source. But, whatever its political potential may be, economists continue to find the theoretical case for a land tax compelling. This collection of eight scholarly papers and ten commentaries is derived from a conference sponsored by the Lincoln Institute in January 1998 to explore and debate the applications of the land value tax in contemporary societies.

1998. 284 pages, paper. \$25.00.  
ISBN 1-55844-133-6

#### Local Government Tax and Land Use Policies in the United States

Helen F. Ladd, with Ben Chinitz and Dick Netzer

This nontechnical book evaluates economic thinking on the nexus between local land use and tax policies. Ladd summarizes the literature and clarifies issues such as the use of land use regulation as a fiscal tool, the effects of taxes on economic activity, and tax policies to promote economic development. Other contributors present new research on issues such as the impact of growth on tax burdens, land value taxation and metropolitan tax base sharing. Copublished with Edward Elgar Publishing Ltd.

1998. 272 pages, cloth. \$80.00.  
ISBN 1-85898-657-5

#### Ordering Information

Use the order form on the inside back cover of this newsletter, email to [help@lincolninst.edu](mailto:help@lincolninst.edu) or call 1-800-LAND-USE (800-526-3873).

## David C. Lincoln Fellowships for 2001–2002

The David C. Lincoln Fellowships in Land Value Taxation were established in 1999 to develop academic and professional interest in land value taxation through support for major research projects. The fellowship program honors David C. Lincoln, chairman of the Lincoln Foundation and founding chairman of the Lincoln Institute, and his long-standing interest in land value taxation. The fellowship program encourages scholars and practitioners to undertake new work in this field, either in the basic theory of land value taxation or its application. The projects will add to the body of knowledge and understanding of land value taxation as a component of contemporary fiscal systems throughout the world.

The fellowships announced here are the third group to be awarded under this program; several recipients are continuing projects from last year. The deadline for the next annual application process is September 15, 2002. For information, contact [belp@lincolninst.edu](mailto:belp@lincolninst.edu) or visit the Institute's website at [www.lincolninst.edu](http://www.lincolninst.edu).

### A Study of European Property Taxation Systems

**Peter K. Brown**

*School of the Built Environment  
Liverpool John Moores University  
Liverpool, England*

**Moira Hepworth**

*Policy and Research  
Institute of Revenues Rating and Valuation  
London, England*



The overall aim of the research is to develop a comprehensive English-language reference source regarding the nature, scope and implementation of local property taxation systems in Europe, from an assessment and application viewpoint. In this third and final year of our research we will continue to update the previous years' work to reflect changes to European taxes, tax rates and other associated changes. We also hope to provide a statistical framework of the significance of the taxes as a means of financing local or other forms of government and the burden that the tax places on the taxpayer.

### American Federalism and the Property Tax

**David Brunori**

*Tax Analysts/State Tax Notes  
Arlington, Virginia*



This project's primary objective is to increase awareness of land taxation on the part of state and local political leaders and policy makers. The highlight of the work will be the presentation of

the following theory: "A property tax system based primarily on land values will strengthen American federalism." Without significant reforms to the public finance system, local governments in the United States face a serious threat to their autonomy. The property tax must be strengthened; there are no viable alternatives for raising revenue for local governments. The property tax can be strengthened only through significant reforms, and one of those reforms is an emphasis on taxing land value. If the hypothesis that property taxation must be strengthened as a means of raising revenue is correct, then the potential for increased use of land taxation has never been greater.

### Property Tax Reform in New Hampshire: Economic and Land Use Impacts of a Land Value Tax in the Granite State

**Richard W. England**

*Center for Business and Economic Research  
Whittemore School of Business and Economics  
University of New Hampshire  
Durham, New Hampshire*



The premise of this project assumes a need to coordinate state and local land use regulations with a state tax on land values if forests and other forms of open

space are to be preserved. The study will analyze data on state and local regulation of land use and on the spatial distribution of land cover and uses. The impacts of a revenue-neutral shift from a statewide property tax to a land value tax will be simulated using the REMI regional econometric and policy simulation model. This project is being conducted in partnership with the Society for the Protection of New Hampshire Forests.

### Property Taxes in the British Commonwealth

**Riël Franzsen**

*Department of Mercantile Law  
University of South Africa  
Pretoria, South Africa*

**William J. McCluskey**

*Property Studies Group  
Applied Management and Computing  
Division*

*Lincoln University  
Canterbury, New Zealand*



The aim of this project is to collect and collate property tax data on 37 of the 54 member states of the British Commonwealth. An analysis of property tax systems in these countries, spread across the globe, should lead to a better understanding of the international use of property taxes. The diversity of countries allows for interesting comparisons as member states differ in terms of size, population, per capita income, stages of economic development, and political, land tenure and legal systems. The availability of data and more detailed information on assessment and collection 'best practices' from the more developed member states could benefit less developed jurisdictions in need of assistance and advice.

**Land Value Taxation in Asia: Current Status and Future Roles**

**Yu-Hung Hong**

*Department of Public Administration and Urban Studies, University of Akron  
Public Assets Research & Development, Inc.  
Hudson, Ohio*



This project will assess the importance of land value taxation in 12 Asian countries. The goals are to generate comparative analyses of major land and building taxation systems in Asia, to integrate this research with comparative studies on property taxation systems in Europe and Southern Africa conducted by other David C. Lincoln Fellows, and to develop a curriculum for a summer training program on Asian property taxation. A standardized template will guide data collection using three research methods: country surveys, in-depth personal interviews and focus groups.

**Property tax Reform in Indiana: Challenges and Issues**

**Frank S. Kelly and Jeffrey S. Wuensch**

*Nexus Group  
Indianapolis, Indiana*



Vast changes to Indiana's real and personal property assessment systems are scheduled to take effect in 2002. In the third year of our fellowship project, we will focus more on educational opportunities for the assessment community. In particular, this fellowship will be used in association with the Indiana Assessment Academy, a newly created nonprofit organization whose mission is to "...provide ongoing educational opportunities to the Indiana assessment community through specifically targeted courses, seminars, workshops and research projects."

**Land Taxes and Revenue Needs as Communities Grow and Decline: Evidence from New Zealand**

**Suzi Kerr and Dave Maré**

*Motu Economic and Public Policy Research  
Wellington, New Zealand*



In 1998, 56 percent of New Zealand local government revenue came from property taxes. What drives long-term changes in the property/land tax base? How responsive is

land tax revenue to external shocks? How does a 'property tax' empirically differ from a 'land tax' in terms of the variability of the tax base? We will combine economic analysis based on an extremely rich dataset with valuation techniques to identify causes and levels of fiscal stress and study the responses of local governments. Based on these empirical results we will assess how reliant local government should be on property and land taxes.

**Preparing for Land Value Taxation in Britain**

**Anthony James Vickers**

*Henry George Foundation of Great Britain  
London, England*



The first-ever land valuation of part of a major British city for taxation purposes will be the central task of this third and final stage of the project. Working with Liverpool City Council, a

leading public finance lawyer, a commercial valuer and a spatial data analyst, Vickers will complete a 'blueprint' for governments in Britain wishing to implement LVT. The use of land value maps in public education forms a large part of the project.

**Dissertation Fellowship Applications Due by March 1, 2002**

The Lincoln Institute announces its annual funding cycle to select applications for dissertation projects that focus on land use planning, land markets and land-related taxation policies. This fellowship program demonstrates the Lincoln Institute's commitment to provide financial support to Ph.D. students who will contribute to the land and tax policy knowledge base and will develop new ideas to guide policy makers throughout the world. The program provides an important link between the Institute's educational mission and its research objectives by supporting scholars early in their careers.

The Institute will award between five and ten dissertation fellowships of \$10,000 each. All recipients will be invited to present their work to other fellows and Lincoln faculty in a seminar at Lincoln House in Cambridge, Massachusetts, in June 2003.

To be considered for funding during the 2003 fiscal year (starting July 1, 2002), applications must be received at the Lincoln Institute by March 1, 2002. To obtain a copy of the application guidelines and forms, you can download the document from the Institute's website at [www.lincolninst.edu](http://www.lincolninst.edu), request a copy by email at [rfp@lincolninst.edu](mailto:rfp@lincolninst.edu), or call 1-800-LAND-USE (800-526-3873).

## PROGRAM CALENDAR

### Courses and Conferences

The courses and conferences listed here are offered on an open admission basis and are presented at Lincoln House in Cambridge, Massachusetts, unless otherwise noted. For more information about the agenda, faculty, accommodations, tuition fee and registration procedures, visit the Lincoln Institute website at [www.lincolninstitute.edu](http://www.lincolninstitute.edu) or email to [help@lincolninstitute.edu](mailto:help@lincolninstitute.edu).

#### TUESDAY, FEBRUARY 5

##### The Theory and Practice of Land Valuation: A Case Study Approach

Joan Youngman, Lincoln Institute, James J. Czupryna, appraiser and consultant, Townsend, Massachusetts, Paul V. O'Leary, attorney and appraiser, West Barnstable, Massachusetts, and Charles Fausold, Cornell Cooperative Extension of Schuyler County, New York

Using a specific parcel in southeastern Massachusetts as a case study, this course offers a detailed examination of the valuation of undeveloped land. Actual documents concerning this parcel, including appraisal reports, site plans, deed restrictions and comparable sales data, will be provided to assist participants in analyzing market value before and after development.

#### FRIDAY, APRIL 26

##### Advanced Land Valuation: Spatial Analysis

Joan Youngman, Lincoln Institute, and Jerome C. German, Lucas County Auditors Office, Toledo, Ohio

Large-scale valuation of land throughout a taxing jurisdiction requires techniques different from the intensive single-parcel approach considered in the introductory course on "The Theory and Practice of Land Valuation." This advanced course reviews innovative methods for integrating computerized appraisal and spatial analysis techniques and considers their place in modern assessment practice.

#### THURSDAY, FEBRUARY 28

Orlando, Florida

##### Land Market Monitoring

Rosalind Greenstein, Lincoln Institute, Gerrit Knaap, Department of Urban Studies and Planning, University of Maryland, and Terry Moore, ECONorthwest, Eugene, Oregon

Cosponsor: Orange County Planning Division

This course identifies the elements of a locally based land monitoring system and illustrates its applications. Topics include components of a land monitoring system, data requirements, and its uses and limitations. The concept of land supply as an inventory problem will be introduced, as well as the relationships between land supply monitoring, urban growth processes and growth management policy.



#### SPRING/TBA

Atlanta, Georgia

##### Mediating Land Use Disputes I

Armando Carbonell, Lincoln Institute, and Lawrence Susskind, Consensus Building Institute, Cambridge, Massachusetts

Land use disputes tend to be among the most contentious issues facing communities throughout the United States. Local officials struggle to find ways of balancing environmental protection, economic development and private property rights. This introductory two-day course for planners, policy makers, public officials, developers and community advocates presents practical experience and insights into negotiating and mediating solutions to conflicts over land use and community development. Through lectures, interactive exercises and simulations, participants discuss cases involving land development and community growth, designing and adopting land use plans, and evaluating development proposals.

#### WEDNESDAY–FRIDAY, APRIL 3–5

##### Mediating Land Use Disputes II

Armando Carbonell, Lincoln Institute, and Lawrence Susskind, Consensus Building Institute, Cambridge, Massachusetts

This interactive three-day course is designed for planners and other practitioners who have attended "Mediating Land Use Disputes I" and trained mediators with public policy dispute resolution experience. Participants explore different approaches to consensual land use decision making and deepen their understanding of assisted negotiation techniques to settle land use disputes. This course offers experienced mediators an opportunity to learn about the special problems associated with land use disputes, including infrastructure and facility siting disputes, disagreements over how to manage new development, environmental justice battles, zoning and permitting rights, and discord over the preparation of long range resource management and land use plans.

#### MONDAY–FRIDAY, APRIL 15–19

##### Land and Building Taxation in Latin America

Martim Smolka, Lincoln Institute, and Claudia De Cesare, Municipality of Porto Alegre, Brazil

This course builds on the experience of the Institute's first training course and network meeting on property taxation in Latin America, held in Porto Alegre in April 2001. The curriculum includes determination of property values; property tax in the context of urban finance; principles of taxation; components and definition of the property tax base (assessment levels, valuation methods, complex properties); assessment performance; property tax rates and exemptions; property information systems (cadastre, maps and GIS); collection and appeal; analysis of the efficiency of current systems; and responsibilities for policy and administration. (See article starting on page 9.)

**Thursday–Friday, May 2–3**  
**The Reuse of Brownfields  
and Other Underutilized Properties**

Rosalind Greenstein, Lincoln Institute,  
and Lavea Brachman, Delta Institute,  
Chicago, Illinois

Designed for representatives of nonprofit, community-based organizations engaged in urban redevelopment projects, this course has two related objectives: first, to provide the tools community redevelopment leaders need to promote redevelopment; and second, to engage experts, stakeholders and nonprofit leaders in a discussion about the essential elements of successful brownfield and vacant property redevelopment.

**Lincoln Lecture Series**

The lecture series is presented at Lincoln House in Cambridge, Massachusetts, at 12 noon; a complimentary lunch is provided. Pre-registration is required; contact [help@lincolninst.edu](mailto:help@lincolninst.edu).

**MONDAY, MARCH 4, 2002**

**Living Downtown:  
Successes and Challenges**

Eugenia L. Birch, Department of City and  
Regional Planning, University of Pennsylvania

Some cities have been more successful than others in attracting new residents into their downtowns. In analyzing the reasons for this phenomenon, this lecture demonstrates that larger public policies, including important capital investments, focused incentives, collaborative projects and leadership commitment, have provided favorable environments for the entry of private investors into this market. Several cities will be examined, but the focus will be on Lower Manhattan.

**WEDNESDAY, APRIL 17**

**Subnational Financing: The Property  
Tax and the Challenges for Its  
Modernization in Latin America**

Luiz Villela, Inter-American Development Bank,  
Washington, D.C.

This lecture will discuss the importance of the decentralization process in Latin America and its main characteristics, stressing the need for adequate local government finan-

cing and focusing on the main characteristics, advantages and shortfalls of the property tax as compared to other forms of municipal funding. The property tax helps to forge a strong bond between the taxpayer and the service-providing governments, and can help to meet the need for enhanced fiscal responsibility and transparency in Latin America. The lecture will also examine various approaches to property taxation in the region and the efforts to modernize local tax administrations. It will conclude with an analysis of the technical, cultural and political challenges to improve the collection of property taxes in Latin America.

**MONDAY, APRIL 29**

**The Property Tax as a Coordinating  
Device: Financing Internal Improve-  
ments in Indiana, 1834–1842**

John Wallis, Department of Economics,  
University of Maryland

In 1836, the state of Indiana set out to build a system of canals, railroads and turnpikes after a decade of intense debate. This presentation investigates the role played by the adoption of an ad valorem property tax in ameliorating sectional rivalries by coordinating the costs of financing the transportation system with the taxes levied to finance it. As Henry George had suggested, counties where canals were built (or proposed) experienced higher increases in land values after 1836, and therefore paid a larger share of the tax burden under the ad valorem system. Unfortunately for Indiana, land values fell unexpectedly after 1839, plunging the state into bankruptcy.

**TUESDAY, MAY 7**

**Visualizing Density**

Julie Campoli, Terra Firma Urban Design,  
Burlington, Vermont, and Alex MacLean,  
Landslides Aerial Photography, Cambridge,  
Massachusetts

In the realm of community planning and land development, density can be a loaded term. To some it conveys efficiency or urbanity. To others it represents crowding. Planners use quantitative measures to determine and regulate density, but are often at a loss

to express its look and feel. This lecture will bridge this gap between measurement and perception with a visual catalog illustrating numerical ratios of density. Aerial photographs of cities, suburbs and small towns across the country will be used to translate density numbers into mental images, and to demonstrate how various urban design approaches affect the perception of density.

**Audio Conference Training  
Program for Planning Officials**

This audio conference series is cosponsored with the American Planning Association (APA). For registration information, contact Angela Lawson, 312/431-9100, [alawson@planning.org](mailto:alawson@planning.org), or [www.planning.org/educ/audiocon.htm](http://www.planning.org/educ/audiocon.htm).

**WEDNESDAY, FEBRUARY 6**

**Context-Sensitive Signs**

Creating context-sensitive signs is one of the toughest and most persistent problems that communities face. Explore how communities decide upon the right level and type of control and examine case studies of how signs have been created to blend visually with other aspects of design. This program provides an update on the ever-changing legal framework for sign regulation and provides tips on how communities can work effectively with the sign industry.

**WEDNESDAY, MAY 22**

**Preserving Community Retail**

Economic analysts assert that America has overbuilt for retail, as evidenced by the many retail businesses that move or go out of business annually. This situation can be very disruptive for a community and can seriously alter the viability and economic stability of a neighborhood. Learn what communities can do to preserve or attract new retail, explore new options such as ethnically oriented businesses, and find out how to help new entrepreneurs and sustain mature businesses.

## Planning and Development



### Land Market Monitoring for Smart Urban Growth

Gerrit J. Knaap, editor

The fundamental debate about urban growth—no growth, slow growth, go growth—will never be resolved, but there is a general agreement that it will occur, that it needs some type of management and that such management requires public policies. This book is motivated by the belief that measures such as the type, location, amount and rate of urban growth can be assembled, monitored and analyzed to gain a better understanding of urban growth processes and growth management policy. The chapter authors offer considerable insight into the state of the art and practice of land market monitoring—an important and emerging subfield of urban growth management.

2001. 384 pages, paper. \$20.00.  
ISBN 1-55844-145-X.

### Regionalism on Purpose

Kathryn A. Foster

In the past decade, interest in and experience with U.S. metropolitan regionalism have mushroomed as public officials, civic leaders and metropolitan residents seek to address complicated border-transcending problems, including urban sprawl, sluggish regional economies, uncoordinated land use policy, environmental decline, and intraregional inequities in housing, education and tax capacity. Case studies of Louisville, Silicon Valley, Denver, Minneapolis-St. Paul, Cape Cod and Chicago illuminate the challenges as these communities pursue regionalism for political, economic, growth-based, equity, environmental, and multiple purposes, respectively.

2001. 44 pages, paper. \$14.00. PF011

### The New Spatial Order? Technology and Urban Development: 2001 Annual Roundtable

The fourth publication in the Chairman's Roundtable series focuses on the impact of advanced information and telecommunications technology on the spatial form of urban and metropolitan areas. Several broad questions prompted the discussion: What are the trends in technological change affecting where people live and work, and what difference will these trends make in social, environmental and economic terms? Furthermore, who cares, should we be doing anything about it, could we do anything about it, and how would we try to accomplish any alternative changes? Seven scholars and practitioners discussed and debated their views about the new spatial order and the consequences and implications of the new economy for planners and policy makers.

2001. 48 pages, paper. \$15.00.  
ISBN 1-55844-146-8

### Metropolitan Development Patterns: 2000 Annual Roundtable

The Institute's third Roundtable explored the interaction of public policy and private preferences in shaping metropolitan development patterns. Nine scholars and practitioners in urban economics, planning, and public policy prepared papers in advance of the roundtable. A number of tensions emerged during the discussion, including public interests vs. private interests; individual preferences vs. community preferences; what is cause and what is consequence. Since many of the roundtable participants conduct research designed to have a direct effect on public policy, political realities and policy constraints permeated the conversation.

2000. 88 pages, paper. \$15.00.  
ISBN 1-55844-143-3



### Urban-Suburban Interdependencies Rosalind Greenstein and Wim Wiewel, editors

This volume captures work by policy analysts and researchers in a variety of fields that focus attention on metropolitan regionalism, including urban and regional planning, political science and economics. It seeks to bridge the gap between policy researchers' work and policy makers' concerns about metropolitan dynamics. By looking at issues such as economic interdependencies, global competitiveness and intergovernmental relationships, the book is an attempt to understand how cities and their suburbs are dependent on each other and to point to possible avenues for the construction of effective regional policies. 2000. 204 pages, paper. \$18.00.  
ISBN 1-55844-139-5

### Monitoring Land Supply with Geographic Information Systems: Theory, Practice, and Parcel-Based Approaches

Anne Vernez Moudon and Michael Hubner, editors

Monitoring the supply of developable land and its capacity to accommodate growth within urbanizing regions is an important component of land use planning and growth management programs. This volume reviews the state of the art in land monitoring, particularly new GIS tools and data resources. Chapters address technical and methodological frameworks for data collection; analysis and application to specific policy concerns; case studies of successful land monitoring programs; and topics ranging from database design to urban simulation modeling. Published by John Wiley & Sons, Inc.

2000. 326 pages, cloth. \$90.00.  
ISBN 0-471-37163-7

To order this book, contact:  
[custserv@wiley.com](mailto:custserv@wiley.com) or 1-800-225-5945

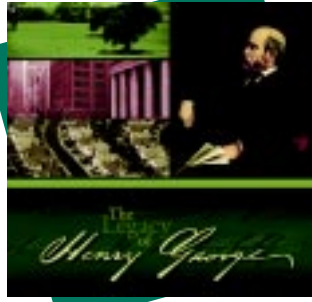
### Ordering Information

Use the order form on the inside back cover of this newsletter, email to [help@lincolninst.edu](mailto:help@lincolninst.edu) or call 1-800-LAND-USE (800-526-3873).

### Other Publications

Visit the Lincoln Institute's website ([www.lincolninst.edu](http://www.lincolninst.edu)) for searchable listings of additional books, policy focus reports and working papers.

# The Legacy & Works of *Henry George*



In its first venture into the medium of the CD-ROM, the Lincoln Institute has released an interactive two-disk pack on the legacy and works of Henry George. It presents a wealth of information about the life and times of this fascinating nineteenth-century social reformer, author and orator whose ideas have influenced economic and social thought for more than 120 years.

Disk One introduces Henry George and his legacy through biographical information, scholarly writings on his continuing influence, essays on the application of land value taxation in contemporary societies around the world, and additional resource information, web links and references. Disk Two includes the complete texts of his seven published books, notably *Progress and Poverty* (1879), as well as numerous speeches and published articles. It also includes the texts of several contemporary publications that explore George's ideas and influences.

The Henry George CD has a flexible, interactive design and is useable on Macintosh OS and Windows-compatible platforms. Disk Two is fully searchable in Acrobat Reader for easy reference to all publications.

For more information about Henry George and this CD product, consult the Lincoln Institute website at [www.lincolnst.edu](http://www.lincolnst.edu). To order one or more copies of the Henry George CD, send email to the Lincoln Institute at [help@lincolnst.edu](mailto:help@lincolnst.edu) or phone 1-800 LAND-USE (800-526-3873). The entire CD packet is available for \$50, plus shipping and handling. Discounts are available for libraries and other educational institutions.

## Order Form

LL1/02

**COMPLIMENTARY INFORMATION:** To receive further information on Lincoln Institute programs, please complete and return this form:

Land Lines  Institute Catalog

**PUBLICATIONS ORDERS:** To order specific Lincoln Institute publications or other products, list the items you wish, add up the total cost, including shipping and handling, and send this form with prepayment by check or credit card to Lincoln Institute Information Services. Institutions and booksellers, please call 800-LAND-USE (526-3873) for special ordering instructions.

TITLE	PRICE	QUANTITY	TOTAL

\* Within the U.S., add \$4.00 for each order plus \$1.00 for each item. For rush and overseas orders, call the Lincoln Institute at 800-LAND-USE (800-526-3873) in the U.S., or 617-661-3016 from outside the U.S.

SUBTOTAL \_\_\_\_\_  
SHIPPING AND HANDLING\* \_\_\_\_\_  
TOTAL ENCLOSED (prepayment is required) \_\_\_\_\_

**FORM OF PAYMENT:**  Check (payable in U.S. funds to Lincoln Institute of Land Policy)

Credit Card:  Visa  Mastercard  American Express

Card Number \_\_\_\_\_ Exp. Date \_\_\_\_\_

Signature (required for credit card orders) \_\_\_\_\_

**MAILING INFORMATION:** Please type or print clearly. Thank you.

Salutation:  Mr.  Ms.  Dr.  Professor  Other: \_\_\_\_\_

First Name \_\_\_\_\_ Middle Initial \_\_\_\_\_

Last Name \_\_\_\_\_

Job Title \_\_\_\_\_

Organization \_\_\_\_\_

Department \_\_\_\_\_

Mailing Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Postal Code \_\_\_\_\_

Country \_\_\_\_\_

Phone (\_\_\_\_\_) \_\_\_\_\_ Fax (\_\_\_\_\_) \_\_\_\_\_

Email \_\_\_\_\_ Web/URL \_\_\_\_\_

Please check the appropriate categories below so we can send you additional material of interest.

**Please check ONE Organization Type**

- Educational Institution
- Public Sector
- Private Sector
- NGO/Nonprofit organization
- Media
- Other

**Please check up to FOUR Areas of Interest**

- Common property and property rights
- Economic and community development
- Ethics of land use
- Farm and forest land
- Growth management
- Housing and infrastructure
- International
- Land dispute resolution
- Land law and regulation
- Land markets and economics

- Land reform and land tenure
- Land value taxation
- Latin America and the Caribbean
- Natural resources and environment
- Open space
- Property taxation
- Tax administration
- Urban planning and design
- Urban revitalization
- Valuation/Assessment/ Appraisal

Please mail or fax this form (with your check or credit card information) to:

**LINCOLN INSTITUTE OF LAND POLICY**

Information Services, 113 Brattle Street, Cambridge, MA 02138-3400 USA  
FAX 617-661-7235 or 800-LAND-944 • Email: [help@lincolnst.edu](mailto:help@lincolnst.edu)

# What's New on the Web?

## LEO: LINCOLN EDUCATION ONLINE

- Basic Planning Course for Planning Officials
- Introduction to Forests Course
- Department of Valuation and Taxation Curriculum Resources

## DEPARTMENTS

- Department of Valuation and Taxation
- Department of Planning and Development
- Program on Latin America and the Caribbean

## EDUCATION

- Descriptions of executive courses, professional development courses, conferences, lectures and other educational programs

## RESEARCH

- Links to research and conference papers
- Announcement of annual dissertation fellowship recipients

## PUBLICATIONS

- Catalog of books, policy focus reports and working papers
- Links to selected working papers available for downloading
- Ordering Information

## NEWSLETTER

- Archive of current and past *Land Lines* issues
- Selected articles translated into Spanish

## LATIN AMERICA

- Descriptions of upcoming courses and conferences
- Links to selected working papers and conference papers, in English and Spanish

## CALENDAR

- Brief listing of upcoming course topics, dates and locations



[www.lincolnst.edu](http://www.lincolnst.edu)

## Land Lines

Lincoln Institute of Land Policy  
113 Brattle Street  
Cambridge, MA 02138-3400  
USA

RETURN SERVICE REQUESTED

Non-Profit Org.  
U.S. Postage  
**PAID**  
Boston, MA  
Permit No. 57852