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Professor Case is also a founding partner in the real estate research firm, Fiserv Case Shiller Weiss, Inc., and serves as a member of the Board of Directors of the Depositors Insurance Fund of Massachusetts. He is a member of the Standard and Poors Index Advisory Committee, the Academic Advisory Board of the Federal Reserve Bank of Boston, and the Board of Advisors of the Rappaport Institute for Greater Boston at Harvard University. He has served as a member of the boards of directors of the Mortgage Guaranty Insurance Corporation (MGIC), Century Bank, Lincoln Institute of Land Policy, and the American Real Estate and Urban Economics Association. He was also an associate editor of the Journal of Economic Perspectives and the Journal of Economics Education.

After receiving his B.A. from Miami University in Ohio in 1968, he spent three years on active duty in the Army and received his Ph.D. in economics from Harvard University in 1976. His research has been in the areas of real estate, housing, and public finance. He is author or coauthor of five books including Principles of Economics, Economics and Tax Policy, and Property Taxation: The Need for Reform, and he has published numerous articles in professional journals. Principles of Economics, a basic text coauthored with Ray C. Fair and Sharon Oster, is in its tenth edition. Contact: kcaser@wellesley.edu

Karl E. “Chip” Case

LAND LINES: *How did you become involved with the Lincoln Institute of Land Policy?*

CHIP CASE: I learned about the Lincoln Institute in the 1970s, when it was sponsoring conferences for the Taxation Resources and Economic Development (TRED) Committee. I had written my dissertation on property taxes and had been invited to attend one of those conferences. In the fall of 1980, I began my first sabbatical year from Wellesley College and needed a way to fund my research. I arranged a meeting with Arlo Woolery, who was executive director of the Institute at the time, and he agreed to support my work.

My relationship with the Lincoln Institute has continued over the four decades since then. I was on the Board of Directors in the mid-1990s and on the executive search committees for H. James Brown, the former president of the Lincoln Institute, and Gregory K. Ingram, the current president and CEO. I taught at many Institute-sponsored programs with the Land Reform Training Institute (now the International Center for Land Policy Studies and Training) in Taiwan for 15 years, and have participated in programs in Cuba and China multiple times as well.

Much of my research is in the spirit of what the Institute is about, and I continue to make regular presentations at various conferences and seminars. I was especially pleased to be involved with a conference on “Housing and the Built Environment: Access, Finance, Policy,” held in Cambridge in December 2007. The Institute later published the papers and commentaries as “Essays in honor of Karl E. Case” in a volume titled *Housing Markets and the Economy: Risk, Regulation, and Policy*, edited by Edward L. Glaeser and John M. Quigley.

LAND LINES: *What sort of work have you done for the Lincoln Institute recently?*

CHIP CASE: Earlier this year I served as a discussant for the “Urban Economics and Public Finance Conference,” which was organized by Lincoln Institute visiting fellow Daniel McMillen with the Department of Valuation and Taxation. This annual program brings together leading scholars in the fields of urban economics and public finance to present and discuss their research. It’s a great forum and a good opportunity to showcase new empirical work.

I also recently returned from a Lincoln Institute program in Beijing, where I gave a series of lectures to planners and economists at the Peking University–Lincoln Institute Center for Urban Development and Land Policy. My role was to help decipher what has been happening in the U.S. housing market and to provide insight into the relationship between the housing market crash and the current financial crisis.

Chinese officials are very interested in learning from the market experience of the United States. To say that the housing market in China is in a boom period would be an understatement. In most cities, the market is straining under the limited amount of available land and insufficient infrastructure. The government has recognized that the rapid growth poses a challenge to its market authority and at the same time realizes that the growth can be harnessed as a source of potential revenue for the country’s cities.

LAND LINES: *What did you learn about the problem of local government finance in China?*

CHIP CASE: Local governments in China own all the land inside their jurisdictions, and they have traditionally raised money by signing long-term leases on that land with joint ventures and other business interests that then use the land for development. The revenue from these leases has enabled local jurisdictions to provide the necessary public goods and infrastructure without ever collecting a tax.

Lately some jurisdictions are running out of new, undeveloped land to lease and thus are losing the source of revenues they need to support local schools, infrastructure, and health services. China has never had a property tax, but a property tax system has been recommended as a solution to falling local revenue. Convincing the local officials to implement a property tax, however, has proven to be a political challenge for many reasons.

LAND LINES: *How does your research relate to the work of the Lincoln Institute?*

CHIP CASE: I have studied land and property tax issues for a long time. I published my doctoral dissertation under the title *Property Taxation: The Need for Reform*. My early interest in the property tax led me to think about the housing market, its inefficiencies and failures. I have written about the efficiency of the property tax and about the distributional effects of land prices and increases.

A significant component of my research deals with measuring land value and assessing how land value affects the location of labor markets and the allocation of resources and public goods. When someone buys a house, that person is buying access to a package of rights that is tied to the piece of land under the house. The value of the package of rights is capitalized into the cost of the house and is taxed as a component of the property's assessed value. The package of rights—what is included and how it varies by location—is a hot issue right now, in no small part because of the current state of the housing market and its resulting impact on the financial stability of the country's economy.

LAND LINES: *Tell us more about your interest in the property tax.*

CHIP CASE: I'm an unabashed fan of the property tax. It has the potential to operate as a clear, transparent means of raising revenue. The fair market value of property is not a bad index of the ability to pay. Compare this to the federal income tax, which has become so complex as to be a bizarre means of allocating the

cost of government, with very little intuitive connection to taxpaying ability.

Taxes should be neutral, and ideally not affect economic behavior. When taxpayers change their actions to avoid tax, they are worse off and the government has lost revenue at the same time. The hidden costs of these changes include higher prices and lower wages. The land portion of the property tax is one of the few taxes that does not distort economic activity, and that's an extremely valuable tool for public finance.

The property tax offers support for local jurisdictions, self-government, and direct democracy. Local governments have a hard time imposing independent sales or income taxes if people can find a lower rate in the next city or town. Real estate is immovable property, and that's a good base for a local tax.

The property tax is always under attack because it is highly visible. Almost no one knows how much sales tax they pay in a year, and for many people income taxes are withheld from their wages. But writing a large check for the property tax focuses taxpayer attention. That means controversy, but it also means accountability, and it allows local voters to decide whether their taxes are in line with the public services they receive. That's almost impossible to judge at the state or federal level.

The property tax can always be improved, and that's part of the important mission of the Lincoln Institute. But it needs supporters who can point to its strengths, and I'm always happy to take on that role.

LAND LINES: *What is the subject of your current research?*

CHIP CASE: I am working on a paper with Robert Shiller about the effect of people's expectations on the housing market in 1988 and during the period from 2003 to 2012. Shiller and I collected questionnaires from people who had purchased or sold a house at some point during those calendar years. We used more than 5,000 questionnaires to create a dataset that allows us to better understand the nature

of the recent housing bubble and to pinpoint the beginning of shifts in expectations. It gives us a way to quantify and analyze various expectations about the housing market and to determine how those expectations play a role in decision making.

We can see, for example, that in 2005 the goal of owning a house began to fade from the American dream. This type of shift is culturally and economically significant. When it occurs in conjunction with the inertia of people's expectations, we begin to see volatility in the housing market. And if the swing is strong enough, we also see that volatility may affect the national economy.

Since the price of a house includes all rights and resources tied to that piece of land, expectations about the market and access to future rights and resources play a role in determining the market value of the house. The market value in turn affects the amount of tax levied on the property. The relationship between market expectations and the property tax is complex; the research that Shiller and I are doing will provide some insight.

LAND LINES: *What do you anticipate will happen in the U.S. housing market going forward?*

CHIP CASE: I am cautiously optimistic about the future of the housing market. The numbers seem to indicate that the housing sector is stabilizing and showing signs of slow but positive growth. The housing sector composes only about 6 percent of the country's GDP, but it has been enormously important in the past. Its recovery would certainly help the economy come back from the devastating effects of the recession. **■**