

How Reagan went wrong

THE INITIATIVE to establish a reliable index of land prices was taken in Washington, D.C., in 1979.

Such an index is vital if gaps in econometric models of the economy are to be filled in.

Armed with a reliable series of figures on land values, it becomes possible to test, with mathematical rigour, the proposition that operators in the land market can influence what happens elsewhere in the economy.

Some information is already available:

- Every five years the Census of Governments reports on assessed values of properties, including vacant lots.

- The Department of Agriculture publishes a series on farmland values.

- The Federal Housing Administration (FHA) is a source of residential land values, gained in the course of appraising homes for insurance purposes.

- A few non-governmental bodies may be able to produce data, such as the Home Owners Warranty Corporation.

But there are deficiencies in the information supplied by these agencies, a critique of which is supplied by Grace Milgram and others in papers delivered at a Workshop on Rural Land values in 1982.¹

THE MAN who saw the enormous political importance of a reliable land price index was Henry Reuss.

In 1979, as the then chairman of the House Committee on Banking, Finance and Urban Affairs, Mr. Reuss asked the Congressional Research Service for "exploratory work leading up to the possible creation of a national land price index".

The CRS and the Office of Management and Budget established a Task Force on Development of a Land Price Index.

The Task Force established two distinct types of needs:

First, at the national level, the index would be valuable in refining the U.S. income and wealth accounts; and to analyse the reciprocal impact of land values and policy decisions in relation to taxes, housing programmes, land management and other Federal programmes.

Second, at metropolitan level, the information would be valuable in considering government policy as it

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affected property taxes, zoning, the provision of municipal services and housing needs.

It quickly became clear, then, that there would be a big pay-back on the money spent in collating data on land values.

By Paul Knight
in Washington

The Bureau of Labor Statistics, for example, when asked to review the possibility of developing a land price index, discovered several ways in which such an index would be useful to their programmes.

The BLS designed a pilot programme to see how best the information could be collected. At the same time, the Department of Housing and Urban Development (HUD) commissioned exploratory studies and a conference to consider the results.

Then Ronald Reagan was elected as President.

The new White House Administration decided to cut back on govern-

ment spending, and the BLS and HUD research was among the first victims.

"Presumably, these budgetary constraints will be lifted at some time in the future," writes Ms. Milgram optimistically.

FOR SOME years, now, the United Nations has recommended that member countries ought to be collating information on land.

An analysis of government accounts showed that these were all but useless for assessing trends in the price of land.

"Land," as one U.S. Department of Commerce economist has noted, "has little role to play in a system of flow accounts built around the measurement of production."²

The U.N. emphasises the urgency of collecting this information. It proposes that land values should be net of the value of improvements on the land.

President Reagan claims to want to make the Federal Government more efficient. Here is one example where new expenditure would undoubtedly improve the value of the taxpayer's dollar.

1. Gene Wunderlich, *Land - Something of Value*, Vols 1 and 2, Cambridge (Mass.): Lincoln Institute of Land Policy, 1982.
2. Helen Stone Tice, 'Measuring land in the national economic accounts', *ibid.*



● Henry Reuss - he could see value of land price index