

# Symmetry in Budapest

The simplicity and symmetry of a land valuation is revealed in this report by the one time chief valuer of the Hungarian capital city which he presented at the Oxford international conference on land value taxation in 1923. It serves as a blueprint for local taxation reform for any city in the nineteen sixties.

By the late DR. J. J. PIKLER

I WAS ENTRUSTED with the Directorship of the Valuation Office. The number of the sites to be valued in Budapest was about 40,000. The aggregate (unimproved) value of the sites, including also the value of the sites exempt from taxation (for the most part land belonging to the State and to the town), amounted to 5,000 million Hungarian Crowns (at the 1918 exchange say £200 million sterling). The value of the sites, subject to taxation (land belonging to private individuals and corporations), amounted to 3,500 million Hungarian Crowns (£140 million), and the yearly revenue of the municipality of Budapest from the local tax on site value (the rate being  $\frac{1}{2}$  per cent, that is 1.2 pence in the pound) amounted to 16½ million Hungarian Crowns (£700,000).

I had to fight and to struggle for every word of the statute. I have specially to mention the late Deputy-Mayor, Dr. Francis Harrer, who stood firmly by me. We declared that we were open to discussion as to the *degree* of the reform (as to the rate of the tax) but not as to the *kind* of tax, not as to alternatives that were opposed to the basic principle. We said that, if the time and the common opinion were not yet ripe for the adoption of a straightforward and uniform site value tax, then the site value tax might be postponed for another 10 or 20 years. If necessary, we would have to acquiesce in that, but we would oppose with all our might any suggestion that this important reform should be perverted, compromised and frustrated in its first stage.

It became manifest that a quite radical and uncompromising proposal (provided it is a rational one), offering no points of attack, has a better chance of getting through than one which cravenly surrenders, or is false to its own basic principle and so emasculates itself. If we had not stuck so strongly to the basic principle, then we would have opened the door to other alterations too, as justified as the first one, and then we should have had to give way all along the line, at last totally losing our cause.

THE VIRTUES and merits of our statute are not to be sought in what it contains—these are the merits of Henry George and of the principle laid down by him—the merits of our statute are to be sought rather in what it does *not* contain, in avoiding of those “improvements” and mistakes, which seem to be so indifferent and innocent, that they have been allowed to enter into most land value legislation that I know of.



LET ME comment on some provisions of the statute:-

*Section 1*—Collection of the tax begins January 1st, 1919.

*Section 2*—Subject to the tax: land of every description within the boundaries of the town.

There is, you see, no discrimination whatever between developed and undeveloped land or between ‘agricultural’ land and ‘building’ land.

*Section 3*—Exempted: land belonging to the State, the Municipality, or the King or Queen; land which, together with the buildings upon it, is permanently, wholly and without any fee or recompense (rent, entrance-money, etc.) open to the use of the whole public (e.g. churches, hospitals, free schools, museums, etc.).

The first and original context of this section was:

“exempted: land which, together with the buildings upon it, is devoted to purposes of public utility.”

But this context did not fail soon to lead to very unwelcome and rather delicate discussions with several kinds of owners. It is quite an arbitrary matter to decide whether some purpose is or is not of ‘public utility’. The site value tax was introduced just at a time of frequent and brisk political changes, and it depends upon the political, social or philosophical standpoint of a man, a party, or a regime, whether for instance a monastery, a workmen’s association, a trade union meeting-place, a Freemason’s hall, or even a house dedicated to charitable purposes should be regarded as a house of ‘public utility’ or a house of public nuisance. The opinions of clergy, freemasons and socialists are very different on this point. To save the Valuation and Assessing Office from such arbitrary and conventional points of view, a

really unmistakable criterion was wanted, and I suggested the context being altered to *'wholly permanently and without any recompense open to the use of the whole public'*. On that basis the discussions with the parties concerned became short and easy.

In one of the towns (Ujpest), which adopted the site value tax, the whole section was omitted, and no exemptions at all were inserted into the statute. They accepted the principle that if the use made of a site is not worth paying the site value tax, then that use does more harm than good.

*Section 4*—The rate is to be paid on the basis of the capital value of the lots, whereby the value of improvements, which happen to exist in or under the ground (buildings upon or underneath it, trees, other plantings, etc.), are not to be taken into account.

#### TO VALUE BUILDINGS IS NOT EASY

**W**E ASCERTAINED directly and immediately the unimproved capital value of the sites and taxed them accordingly. The capital value (the market value) of each site was assessed as if on the one hand the site itself was quite unimproved, and as if on the other hand all the surrounding sites remained in their existing condition as at the time of valuation. It would have been a big mistake, and unfortunately the mistake is often made, to try to ascertain the value of the whole estate (value of the land together with that of the improvements) and then to deduct from this gross value the value of the improvements. This would have been not only a superfluous thing to do but it would also have complicated and disturbed all our work. Besides, valuation of improvements is not easy; on the contrary, it is a much more difficult task than valuation of land. Valuation of improvements is altogether unnecessary in a land valuation, where the value per square unit of the several lots can be entered on a map and be easily compared lot by lot by anyone and everyone. Valuation of the land alone, apart from its improvements, was performed by us quite easily, without any uncertainty and to the perfect satisfaction of all parties interested.

We paid no attention to encumbrances, mortgages, burdens, charges, etc., affecting the land. They cannot be taken into consideration, and cannot possibly be deducted from the value of the land, and though this is not expressly mentioned in the statute, nobody ever doubted it.

The selling value of land is no doubt reduced by the land value tax itself, as this tax works commercially like a perpetual mortgage and as it reduces also the speculative value. But as long as the rate of assessment of the land value tax is a small one, this makes no palpable difference. With the future increase in the rate of tax it does weigh more and more in reducing the market value, and will require to be taken into consideration at a later stage. [Here Dr. Pikler discussed very fully the

argument for taking 'annual value' as the basis of assessment in contradistinction to 'selling value'.]

*Section 5*—The value of the sites to be re-ascertained every third year.

I hold this section of our statute to be a faulty one. The only correct method, in my opinion and from my practical experience, is to re-ascertain the values year by year.

#### YEARLY REVISION — CHEAP AND SIMPLE

**P**EOPLE are inclined to think that the yearly revision, with its opportunity for appeals, etc., causes more work than that made periodically at longer intervals. The contrary is the case. The work of revision is easier and simpler, and the valuations grow more and more reliable, the shorter the intervals are.

The first work, the first ascertaining of the values (the first establishing of the register) being done, the continuous registering and investigating of the sales and other transactions is an easy task that has to be done in the same way whether the interval of revision is shorter or longer, and it keeps the valuation continuously and reliably up to date. The revision and the hearing of new appeals throw no *extra* work on the office.

The main work done on the *first* valuation does not require to be repeated with every subsequent revision. That is only the case with long intervals, between one valuation and another.

The longer the interval, the greater the work of re-valuation and the farther we get away from a true, continuous, and operative valuation. Moreover, the longer the interval, the greater is the danger that the Valuation Office becomes lazy, inert, allowing matters to rest and losing the necessary everyday keen contact with the land-market. The longer also will mistakes in the valuation remain valid which are unavoidable in verdicts of the higher courts of appeal and so the public confidence in the system is lessened.

*Section 6*—For the purpose of ascertaining and revising the market value of the sites a permanent register of the market-values is to be kept. The register (the *cadastre*) is to lie at the Valuation Office. The rolls have to state for each site the following data: registration number, street, house-number (where there are no streets yet, other means of identification), name of owner, acreage in square units, type of shape (we devised eight types and sub-types of shape and signed them with A, a; B, b, etc., and they proved quite sufficient and satisfactory for the short indication of the type of shape), length of front, average depth, value per square unit, value in whole and yearly sum of the tax to be paid.

*Section 7*—The market value of the sites, expressed in value per square unit is to be ascertained by the Valuation Office, and the tax is ascertained

on the value so ascertained. The Office makes its valuation with the help of a Committee of experts elected and delegated by the Magistracy from the members of the Town Council. This Committee of experts serves as a consultative and advisory section of the Valuation Office, the opinions of the Committee not being binding upon the Valuation Office (the Valuation Office being alone responsible for the Valuations).

### VALUES COMPARED AND RELATED

**T**HE WORK of valuation proved to be very easy, easier than I had imagined in advance. The assertion that it is impossible to separate land from improvements and to value the land apart from its improvements is a naive mistake, if not a humbug. The mistake (where it is a mistake, and not as it often is, the outcome of deliberate hostility) arises partly from confusing the valuation of a *single* lot by itself (that is *sporadic* valuations) with a *general* valuation embracing all sites on a given date. The two things are of quite a different kind. In the first case (*sporadic* valuation) there is no control whatever or a very poor and uncertain control, whereas in the second case (*general* valuation, extended over *all* sites) each of the valuations (per square unit) is controlled not only by the valuation put down for the right and left neighbours and by that of the opposite side of the street, but also by the valuation (always per square unit) of *all* the other sites in the town.

So the work turns out to be not only quite easy, certain and invulnerable, but also, and this is of the greatest importance, to be in fact not a work of valuation, but a work of *comparing* and *relating* values. The way in which values must reciprocally control and bind one another is a most efficient insurance against any favouritism or corrupt practice on the part of the Valuation Office.

The valuation of the several sites (per square unit) should always be set clearly (say 15 or 20 per cent) below the indubitable market-value. Then we can pass peacefully through our task and make the site value tax not odious, have no boring quarrels and discussions about the absolute level but only interesting, and as I have experienced, very instructive discussions about the correct relation of the values. The fiscal revenue of the tax can be augmented by the raising of the rate of assessment (from 0.5 per cent to 0.75 per cent, 1 per cent and so on), but never by straining after 100 per cent valuations.

### KEY POINTS ESTABLISHED

**I** BEGAN by ascertaining the market-value (per square unit) of what was known to be the most valuable site in the town. The several members of my advisory

committee estimated the value between 16,000 and 14,000 Crowns per square unit. I let them discuss for a while and then I closed the discussion declaring that I was now sufficiently informed, and when they asked me at what value I estimated the site, they expected, as I clearly saw, that I would arrive at 15,000 Crowns as the average of their different opinions. They were surprised when I gave my figure as 13,000. 'That is its worth at any rate,' they all said and they understood at once that that was the right way of settling the matter quite peaceably and of making an easy and interesting task of the work that seemed to be so difficult and vexing in advance.

The next site I asked them to discuss was of course not a neighbouring one, but one rather far away from the first; but now it was not an absolute value that was to be ascertained, but the *relative* value as compared with the first one. The question to be solved was now: if the value of the first is 13,000 per square unit, what is the value of this other site? The question was solved in much less time than the first one. We proceeded to a third site situated still farther and soon we had a network of 25-30 fixed points extended over the whole area of the town, and with the fixation of these points the work was in *principle* done.

After these 25-30 fixed points had been studied and thoroughly examined for some days as to the correctness of the relations, we proceeded by strewing another 50 fixed points among the first ones (always from the standpoint of correct relation to the previous ones, but of course nevertheless always unconsciously guided and controlled also by the commonly-known absolute level) and making the network of 'fixed points' ever denser and so the work went on with always quickened speed.

The work in Budapest was carried out with a very small staff and consequently with very little cost within a very short time. Valuation of the 36,000 sites occupied 8½ months.

### LANDHOLDERS' HELP AND SUPPORT

**T**HE INTEREST of the landholders in the work grew day by day. They came by scores to the office to look at the valuation of their sites, which they were and are always allowed to see, and with their observations, criticisms and comparisons involuntarily and unconsciously gave us the greatest help and support. They all expressed satisfaction and were reassured to find that unfairness and favouritism were excluded not by my personal attributes but by the nature of the work.

One of the main points was the above-mentioned lowness of the absolute level of the valuations (about 15 per cent, below the market price), and it was just this point that gave rise to a very angry but rather amusing remark of one of the landholders who had, as I know, always opposed the site value tax.

*"I was prepared," he sincerely and smilingly avowed, "keenly to criticise and contest the valuation work itself, but by putting down the values at such a reasonable and indisputable level and leaving room only for discussion on the relation of one value to another, you have done the most cunning and — (d—n you!) — the most insidious thing. We can't but hold our tongues!"*

*"But, however, you can contest the relative values!" I said.*

*"I see," answered he, "you are very clever, the relations are for the most part correct and where they are not, they can be corrected easily, and we landholders are involuntarily helping you to do it."*

### HARMONIOUS CO-OPERATION OF OFFICIALS AND THE PUBLIC

THE VALUATION ROLL consists of two parts. One part contains the single schedules, one for each site, or we call them 'individual schedules'. They contain the complete description of the site. The other part consists of the street rolls, one leaf (page) for each side of each street with one horizontal line for each site, so that the values per square unit and the description and dimensions of the site can be most easily compared by the landholders as well as by the office. The important column is the 9th, showing value per square unit. Following vertically this column, viz, the figures in it, the values per square unit can be compared and criticised and the cause of every difference must without any explanation be found in the columns 7 and 8 — length of front and average depth.

The publicity of the valuation rolls proved to be in the interest not only of the general public but also of the office itself, which is very efficiently and gratuitously helped on in its task by an enormous staff of 'experts by self-interest', and so it turned out with the first beginning of Georgeistic practice that in a sound, reasonable and just system of society there exists a co-operation and not an antagonism (as exists in a bad and unreasonable system) between public officers on the one hand and the public on the other hand, and that in a sound system the officers *cannot* be autocrats and tyrants of the public, but can be only, as they ought to be, their servants.

*All that I have said as to the reliability and just measure of land valuation applies, however, only where there is an independent and therefore fully responsible Valuation Office and an independent and therefore fully responsible chief. Whenever valuation is entrusted to a Committee or a Board that performs it by deciding questions by vote of those present, the work is sure to be perverted and in the long run becomes unserviceable.*



Picture: Hungarian News and Information Services.

**Riverside Budapest. On the hill the King Matyas coronation church, below it the Fisherman's Bastion, and in the foreground one of the aluminium water buses which ply on the Danube.**

### "SELF-ASSESSMENT"

HERE I would like to say a few words about what is called a 'landowner's valuation' or 'self assessment'.

The main plea for 'self-assessment' seems to be based on the idea that in this way the labour and the cost of a Valuation Office would be considerably reduced. It is quite erroneous. The contrary is the case. Under 'self assessment' the valuations are detached from each other, there are no 'fixed points' and if the Valuation Officer has to compare and bring into harmony the many tens of thousands of returns, it has one hundred times *more* to do than if it begins, continues and finishes the work alone and by itself. The separate returns of the parties can't be but quite unreliable, because they would differ within very broad limits. The Valuation Office has no means whatever to know which of the immense heap of returns (for the most part quite irrational) should be used to check others, or if it does know beforehand, then the returns are superfluous. 'Self-assessment' is a means of confounding both the Valuation Office and the owners, to drive both mad and to make out of a most peaceful and technically most simple task, a thing most odious, hateful, complicated and difficult. If we adopted 'self-assessment' we would abandon one of the main and finest features of Georgeism

and the land value tax, that of *not* asking confessions and returns and *not* giving occasions for lying and for false oaths (as we have a thousand times criticised and were right in so doing in regard to the existing tax system), and we would simply offer another occasion for false or erroneous confessions or returns against which we would try to safeguard ourselves by one or other kind of 'penalty'.

*Section 8* — The valuation records are to be printed and published in book-form in each period of revaluation, the books are to be made available for sale at cost-price at the booksellers, the general public is to be informed of publication by placards and in the journals. The book shall contain for each site the data mentioned in Section 6 and be supplemented by the publication of the alterations which have occurred in the course of the valuation (corrections by the office, objections, appeals, etc.).

Owing to the difficulties that emerged in consequence of the political troubles and the depreciation of our exchange we were constrained to reduce the publication to a stitch book containing 1,200 lines, that is the tabulated description of only 1,200 sites and their value per square unit. The 1,200 sites inserted in this stitchbook were chosen so as to supply a sufficient criterion for general instruction as to the value ascertained in the several districts of the town. My expectation that such a publication of an official and general valuation would meet with keen general interest was fully vindicated; the stitchbook has been in general and very frequent use in all official and commercial circles.

*Section 9* — The first resort for objections is the Valuation Office itself. The time allowed is 30 days from the official publication of the valuation. Entitled to make objections are not only the landholder, that is, not only the assessed person, but every interested citizen of the town, that is, every ratepayer. The objection of an owner or part-owner against the valuation of his land delays the payment of the tax until the settlement of the objection by the Valuation Office. The Valuation Office has to give a written decision.

### APPEALS PROVISIONS

**T**HE provision that the Valuation Office itself should be the first resort for objections proved to be very efficient and useful. A great many of the objections were peacefully settled by the office itself without any further complications.

The corrections eventually made embraced, of course, not only the single site in question, but also the neighbouring sites, the owners of which had not made any objection and these other owners were much surprised when they were informed of a reduction of their assessment without having asked for it. This was an occurrence never heard of before in the way of assessments.

The rent of land belonging indeed to the people, our Statute does the right thing in enabling every citizen to raise objections to every assessment. This provision, which deals with the assessment as with a 'cause publica' ought to be inserted in every site value rate or site value tax.

The number of appeals was small (affecting 6 per cent. of the sites valued), being considerably less than it used to be with any other tax, but even this small number was very much reduced by settlement with the Valuation Office.

I would also mention that there were also among the appeals some that aimed at raising the value. They were prompted by very obvious individual reasons and speculations. But bearing in mind the necessary harmony and comparability of the values per square unit, we could not grant such requests.

*Section 10* — Appeal against the decision of the Valuation Office to the Committee for Appeals. The persons entitled to appeal include everyone who had lodged a complaint and also the town-attorney. Time allowed, 15 days.

*Section 11* — The members of this Committee (15 to 20 members) are elected by the Town Council for each single period of taxation. The Committee elects its Chairman, the chief of the Valuation Office reports the cases before the Committee, but is not entitled to vote.

*Section 12* — The cases are to be dealt with street by street. The parties shall be invited and are entitled to plead.

It should be inserted that the sittings shall be held in public.

*Section 13* — Third legal competence: appeal (on matters of law) before the National High Court within 15 days after the decision given by the Committee of Appeals.

*Section 14* — The rate of assessment is yearly one-half per cent. of the ascertained capital value.

### NO DISCRIMINATION

**T**HERE is with us, as you see once more, no discrimination whatever as to the nature of land subject to taxation. Our Statute knows nothing of 'agricultural land' or 'building sites'; it knows nothing of 'developed or underdeveloped' or 'well-used or under-used' land and so on; it only knows values. Nor is there gradation in the rate of tax. Our tax is a uniform and unvarying land value tax of 0.5 per cent. yearly on all land, whether used or not, improved or not, owned by present or absent owners, etc.

With this small land value tax the first and decisive step is taken and the rent is *in principle* given back to the people, and if for the present and for a while the people choose or we choose to draw only for a part of

*their* rent, it is not because of lack of courage, or in order to spare the landowners or cheat the people, but because we don't know and because nobody knows the amount of the economic rent under the quite new circumstances to be treated by full Georgeism. And because of that we may be sure that if we insisted upon taking 'the whole at once' we would obtain, instead of the whole and at once, nothing and never, and only stultify and kill Georgeism. Against that view the contention has been urged that if a *fraction* of the rent can be taken, as we mean to do it and as I have done it, that then also it must be possible to take the *whole* of the same rent. But this I must regard, at any rate as to the objective content of the assertion, as a mere joke, because what we are taking is clearly a fraction of a *present and well-known* quantity easily ascertained, whereas the argument for 'all-at-once' assumes you can take the whole of a *future and quite unknown* quantity, impossible to ascertain at present.

Section 15 — The site value rate is a first charge on the estates.

Section 16 — Part-owners of sites are jointly and severally responsible for the tax.

Our standpoint is that part-owners shall and will divide the charge between themselves according to their share in the partnership and according to general civil laws. That is a matter of course and needs no special and expressed provision. Long leases (99 years) with reversion as instituted in England are unknown with us.



Dr. Pikler described and explained the several other provisions of the Statute, including the important Section 20, which provided that from the day on which the land value tax came into force (1st January, 1919) one of the existing taxes upon house-rent, namely the 'additional pence' was reduced from 3 per cent. to 1½ per cent. of the house-rent. The law thus enacted a Land Value Tax and devoted the revenue to the reduction of taxes on houses.

**A Panoramic view of riverside Budapest, as it is today, looking up the Danube from the south.**

Picture: Hungarian News and Information Services.

