

Taxation, Free Markets, and the Use of Agricultural Land

Richard E. Wagner
George Mason University

My assignment for this symposium is to explore briefly how taxation might advance or retard the operation of free markets in governing the use of agricultural land. Taxation can either be consistent with and supportive of free markets or it can be inconsistent with and corrosive of market freedom. Which is the case depends on the forms of taxation and the processes by which taxes are generated. A system of taxation that is consistent with market processes and institutions will conform to the central features of property and contract, as these are the central institutional features of a market economy. Such a system of taxation will largely reflect principles of neutrality and benefits received, as these are presented in the public finance literature.¹

Neutrality invokes the claim that government should be a referee but not a partisan participant in determining the uses to which particular pieces of land are put. Whether particular parcels of land are used for soybeans or corn, whether used for crops or houses, or whether left as marsh or filled, are to be determined through interactions among market participants within the framework of private property and freedom of contract. Government acts as a referee in this vision, but not as a partisan of particular participants and their interests.

The benefit principle invokes the claim that when government does act as a participant in the process through which land use is determined, it does so in a manner consistent with the evaluations of the general citizenry. Land that might be used for pasture might be used alternatively as a public park or a public office

building. The public use would trump the private use only to the extent that people in their capacities as taxpaying citizens were willing to make sufficient tax contributions to bid away the land from competing private uses.² The benefit principle would not prevent government from buying land to create parks or wildlife preserves. It would only require that those purchases reflect a genuine willingness to pay among the citizenry, as against representing a situation where differentially heavy burdens or takings are imposed upon some citizens while other citizens benefit from those takings.

At first glance, these two principles might seem to conflict. Neutrality holds that the structure of production in society should reflect the interests of individual citizens, as these are mediated through the principles and institutions of property and contract. Government should not be a partisan player in the economic process, as would happen if it were to modify the structure of production by subsidizing some activities and taxing others. The benefit principle holds that government should influence the structure of production, though only in a particular way through providing publicly beneficial services that cannot be provided so efficiently through market transactions and arrangements. The benefit principle, however, does not hold that anything that government does fits this requirement. The extent to which this requirement is likely to be fulfilled depends importantly on the institutional setting within which budgetary outcomes emerge, a proposition that in turn places heavy emphasis on the incentive-structuring and knowledge-generating properties of different processes for arriving at collective outcomes.³

In this brief paper I consider four topics relating to the taxation of agricultural land, keeping always a focus on markets as the framework for governing the use of land. I start by considering some general features of real estate taxation, as this is the principle vehicle through which land is taxed in the United States. The taxation of real estate is certainly not inconsistent in principle with a system of market-based agriculture, though it is inconsistent with a variety of present practices. Second, I examine how estate taxation operates to restrict the free-market determination of the use of agricultural land. For both property taxes and estate taxes, the restrictions often operate through the political generation of tax abatements, where tax relief is awarded if particular government stipulations are met, which I explore in more detail in the third section. Fourth, I explore some of the ways that claims about market failure has been used to justify tax-based restrictions on free-markets in land, agricultural and otherwise. The particular claims that have been advanced are numerous, and cover a wide territory that includes corrective taxes, impact fees, and measures to control urban sprawl.

Taxation of Agricultural Real Estate

The primary way directly of taxing agricultural land in the United States is the taxation of real property. Until the expansion of educational equalization programs in the early 1970s, property taxation was largely the province of local governments. Now, however, there is a heavy dose of state involvement. There are many variations across states and localities in the specific details of property

taxation, though there are also some generic features that are widely shared. One of these is a distinction between the value of land and the value of improvements. Another is the necessity to rely upon third-party appraisals of value to determine the tax base. While it is possible for the appraised value of a piece of property to exceed the value that is assessed for tax purposes, the direction of movement has been toward assessment at 100 percent of appraised value.

The taxation of real estate raises a number of interesting issues, but none of them reveals any systematic tendency for this form of taxation to hinder or favor agricultural land. In practice, agricultural land may be taxed too heavily or too lightly relative to other forms of land. Either outcome is possible, as is neutrality. There is no principled basis on which to claim that such taxation is contrary to a program of freeing up agricultural land. To be sure, there is a robust strand of literature that advocates site value taxation over the combined taxation of land and improvements.⁴ An examination of this literature and the claims involved is well outside the scope of this essay. Moreover, whether a system of property taxation is based on land and improvements or on land only, it is still the case that there is no clash on grounds of principle between such a tax and the promotion of free markets in agriculture. Indeed, there are strong grounds for thinking that property taxation operates as a relatively efficient instrument of public finance, particularly for local governments. This is because the value of property in particular localities varies directly with the degree of efficiency in service provision. A locality that becomes more attractive through

more efficient provision will become more attractive to residents, which will lead to an increase in property values.

While there is nothing wrong in principle between property taxation and free-market agriculture, there are numerous particular ways in which property taxation might be used to support one form of market restriction or another. Many of these operate what might be called the politics of status or classification. In many cases property is placed into one particular category or another, with the tax liability depending on the classification. The same parcel of land might carry a higher tax liability if it is categorized as low-density residential than if it is categorized as agricultural. For instance whether the land foraged by bees is entitled to valuation as open space has been subject to litigation, due to the tax consequences of classification.⁵ Whether land that is used to graze horses for recreational purposes can be appraised as farm land is another illustration of litigation in response to the tax consequences of schemes for land classification, where different classifications carry different tax burdens.⁶ And numerous other illustrations could be given.

Any system of real estate taxation, whereby the tax liability will depend on some act of classification, will inject some scope for what might be called the political economy of venality. In this respect, Fred McChesney (1997) explains that politicians can elicit contributions and support by awarding some special tax or regulatory privilege, as well as by threatening to take one away. In the former case, a taxpayer might seek to secure a more favorable tax classification, and signal that he deserves more favorable classification through various displays of

political support. In the latter case, a politician may elicit such support by announcing his intention to reclassify the taxpayer into a less favorable category. If the taxpayer ignores the politician, the reclassification may proceed. But if the taxpayer responds by signaling beneficial recognition to the politician, his old classification will continue in force. Rent-seeking and rent-extraction are both present in the political economy of tax determination. The scope for such activities widens as political offices come to possess greater discretion in affecting the tax liabilities of particular people. To the extent real estate taxation countenances such discretion, such forces will be present to influence the use of particular parcels of land, including agriculture.

Estate Taxation and Land Use Regulation

The estate tax inflicts particularly heavy damage not just upon agriculture but upon small, family businesses in general. This damage is especially heavy when it is weighed against the small revenue it generates, which is around one percent of total federal tax revenues. This miniscule amount of revenue, moreover, it is probably pretty much offset by the costs involved in complying with and working around the estate tax. Furthermore, by taxing the accumulation of capital the estate tax lowers aggregate income and collections under such other taxes as those on income and payrolls, with the result being that the estate tax operates as a net economic and fiscal drag on the economy (see Richard Wagner 1993).

Abolition of the estate tax would thus provide a clear gain throughout a society, in agriculture as well as everywhere else. Despite these negative features, supporters often defend the estate tax by claiming that it is necessary to promote some notion of equal opportunity. This entails a static view of society, as if there are a fixed number of CEO-type positions in a society. The greater the number of people who gain access to such positions through inheritance, the fewer will be the number of such positions open to everyone else. The taxation of estates increases the ability of other people to compete for those top positions.

This static characterization of society could well come true if taxes were high enough. But with generally low and efficient taxes, a flourishing society is dynamic and possesses an ever-expanding number of CEO-types of positions. The abolition of estate taxation would promote flourishing generally within a society. We might compare two societies, where in each case some people receive inheritances and others do not. One society imposes increases estate taxes to equalize opportunities. In the limit, this will be accomplished when everyone has the same, zero chance of receiving an inheritance. No one receives an inheritance because wealth is dissipated and not accumulated, and everyone is equal in this respect. The other society abolishes estate taxation, flourishing spreads, and increasing numbers of people receive estates. In the limit, everyone will have the same, 100 percent chance of receiving an inheritance. The latter society, however, will be flourishing, where the former one will be stagnant, if not depressed.

The estate tax imposes its negative impacts on small businesses, including farming, through often making the sale of the business necessary to discharge the tax liability. There are, of course, several reasons why a family business might not survive the death of the creator. There might not be any heirs. The heirs might have a disinterest in business. They might also lack the requisite commercial talent. These possibilities notwithstanding, the press of liquidity problems created by the estate tax is surely the strongest source for the demise of family businesses. A study by National Life of Vermont and the Small Business Council of America, *Why Successful Family Businesses Fail*, found that three out of four of those failures followed the unexpected death of the founder, and resulted from the liquidity problems created by the need to pay estate tax.⁷

These liquidity problems are easy to see. The federal tax on a taxable estate of \$2 million is \$588,000. Of this amount, \$1.5 million might be the value placed on the business. The annual net income of the business itself might have been on the order of \$300,000. Faced with such obstacles, many heirs will sell their business to raise the cash to pay the tax. Those who try to maintain the business will take on debt and scale back their operations to provide for the servicing of that debt. Even in this case, the competitive capacity of the business is weakened by the estate tax.

To be sure, people can buy large amounts of life insurance to try to provide liquidity to maintain their businesses intact after their death. And many people do this. But notice that such life insurance purchases are simply tax payments in advance. Life insurance can soften the liquidity problems that the

estate tax creates, but it cannot undo the damage to the creation of new enterprises that the estate tax creates. All life insurance can do is replace one big payment at death with an actuarially equivalent set of individually smaller payments during life. A business that spends \$100,000 annually on life insurance is a business that has \$100,000 less to invest in its operations. Among other things, this amount could have employed five people working at \$10 per hour, which in turn would have allowed the business to grow according to the productivity of those employees.

While perhaps most of the glamour and glory associated with commercial life resides at the level of our largest corporations, small, family businesses are a vital contributor to our commercial and civic life. They are vehicles of creativity and experimentation. They are robust sources of employment. And they nurture a wide variety of forms of participation in our civic life that supports such virtues as diligence, devotion, enterprise, and care that are essential for the maintenance of our liberty and our prosperity.

Tax Abatement, Conservation Easements, and Land Trusts

There are ways to reduce estate tax liability without abolishing the estate tax. So too are there ways to reduce income tax liability without lowering tax rates. All that is necessary is to incorporate various sheltered and privileged positions into the tax. Indeed, in a regime of high taxation the political economy of rent-seeking and rent-extraction revolves around such shelters and privileges. The problems created by high taxation are mitigated not by tax reduction but by

the creation of privileged positions that are able to avoid the high taxes that are maintained. Such bargains between particular taxpaying groups and the state come at a high price, as Richard Epstein (1983) explains in great detail. The state does not grant tax privileges for the fun of it or the equity of the matter, but as the price of getting something in return. Where tax reduction or elimination might well be part of a program of freeing agricultural land, the negotiated privileges that are more commonly used are rather part of a program of generating politically-crafted restrictions on agricultural land.

One of the primary examples of politically-crafted restrictions on agricultural land is the use of privileges under the estate and income taxes to create incentives for people to donate conservation easements to land trusts. Someone may own land that is appraised at \$800,000. A conservation easement might be donated to a land trust. This easement might strictly limit future development. Suppose the appraised value of the land after the easement was \$600,000. The \$200,000 decline in appraised value could be deducted as a charitable gift from federal and state income taxes.

Such easements can also reduce liability under the estate tax. Liability under the federal tax starts at \$600,000, and with a marginal rate that starts at 37 percent and rises to 55 percent. If a decedent's estate were comprised wholly of this land, it would incur a tax on the \$200,000 that remained after the \$600,000 exemption. A conservation easement would eliminate this tax liability of around \$75,000. Moreover, 1997 federal tax legislation increased the incentives to make

such donations, by making it possible for an executor to make a post-mortem transfer to a land trust and qualify for a charitable deduction under the estate tax.

Land trusts are spreading throughout the nation, and conservation easements, which are examined carefully in the essay by Roger Meiners and Bruce Yandle in this volume, are an important instrument in this spread. Just as an owner of land might transfer mineral rights to someone else, so might a landowner transfer development rights. Such transfers can be fully consistent with free markets in agricultural land. Yet there is good reason to be skeptical with respect to much of the contemporary activity in land trusts. For one thing, they are often created to secure tax reductions and not to pursue genuine commercial advantage. A transfer of development rights that increased the aggregate value of land holdings, as is the case with mineral rights, would be pursued for commercial advantage. The tax favored status of conservation easements, however, makes it rational for a land owner to transfer development rights even if aggregate land value falls, so long as the tax saving makes the transfer worthwhile to the land owner.

In this latter instance, land trusts become the institutional form that accompanies governmental programs to restrict market governance over the use of land. Land trusts resemble market arrangements, and yet really represent the replacement of private property governance with a form of common property governance. The transferability of mineral rights to an individual or corporation does not impair the continued transferability of those rights. The transfer of

development rights to a land trust, however, extinguishes continued transferability.

As a general rule, the law of trusts has precluded such extinction of transferability. This is illustrated nicely by the rule against perpetuities. Someone may place an estate in trust, and give various beneficiaries claims to the income generated from that trust. The rule against perpetuities, however, requires the corpus of that trust to vest in specific people within 21 years after the death of the last person named in the will who was alive at the time the trust was created. The perpetual character of land trusts runs contrary to the principle behind the rule against perpetuities, and instead hearkens back to the times of the ancien régime when such things as entail and primogeniture ruled, whereby first sons inherited but could not sell.

Externality Claims and their Resolution

Governmental promotion of conservation easements is not generally articulated as a means for infringing upon market freedom but as a means by which government can correct market failure. Most instances of governmental control over land use and transferability are based upon some line of argument that the measure in question corrects market failure. At the same time, however, merely to advance a claim of market failure does not itself make that claim true. Claims of market failure are not necessarily true. They may be false. Moreover, there is no truly unambiguous way to distinguish between true and false claims. As Ronald Coase (1960) explains, any claim of market failure simultaneously

implies the failure of market participants fully to exploit the profit opportunities that exist among them. This suggests that market failures can be only temporary, and would disappear as market participants continue to exploit profit opportunities. Much of the externality literature postulates that large-number settings will be particularly plagued by market failure, due to high transaction costs. At the same time, however, a sizeable literature has arisen which shows that many claimed cases of market failure involve no such failures at all.⁸ Regardless of their truth or falsity, claims of market failure have been used to support such measures as taxes on certain inputs in production, restrictions on land transfers to control urban sprawl, and the imposition of impact fees on land development.

It is easy enough to articulate claims that market processes generate negative externalities that can be controlled through regulation. A proposal to lay a water pipeline to a growing community southwest of Austin, Texas has evoked substantial environmental opposition, based on claims about negative externalities attributed to such things as increased traffic congestion. The claim in this case would be that if the costs of the negative externalities were added to the cost of the pipeline, the pipeline would not be laid because it would be too costly. A number of claims have been advanced that the water runoff from farm lands increases the rate with which reservoirs fill with sediment, thereby increasing the cost of supplying water because of the need for increased dredging. Similar situations are simmering continually throughout the land,

differing in the particular details of description but not at all in terms of underlying principles.

In many instances, claims of negative externality are used to justify some direct regulation. In other cases, claims of negative externality are used to justify increased taxation as an alternative approach to reducing the amount of some activity. For instance, it is often claimed that the application of fertilizer imposes a negative externality by increasing water pollution, both through the runoff of water into lakes and streams and through the seepage of water into aquifers. An alternative to some effort to regulate the application of fertilizer would be a tax that would reduce the amount of fertilizer that people would use. Such taxes are typically called corrective taxes, in line with the presumption that such taxes are imposed as a means of correcting alleged market failures. A tax on fertilizer, for instance, would reduce the amount of fertilizer used, thereby reducing the amount of pollution runoff.

This line of argument for increased taxation seeks to argue that it is not really taxation that is being proposed, but rather what is being proposed is a correction of some failure for market prices fully to reflect the resources used in particular acts of production. To be sure, it is easy to invoke some claim of negative externality as a means of justifying a tax, as there is practically an unlimited supply of opportunities for doing so. As a conceptual matter, it is easy to advance a model of negative externality and to explain how the externality can be corrected through a tax. As an empirical matter, however, there is no fool-proof procedure to distinguish true from false claims. There are two different

methods of approach, each with its own capabilities and limitations. One is based on third-party calculation, the other is based on the predicted properties of institutional arrangements.

Third-party calculation is illustrated by benefit-cost analysis and related techniques. This represents an effort of third parties to calculate the benefits and costs that are neglected by market transactions, and to determine what kind of tax or regulation might be warranted as a result. With respect to the claims about fertilizer and water pollution, for instance, (Liang, Lovejoy, and Lee 1999) conducted such an analysis and concluded that a tax on fertilizer was not warranted. The claim that fertilizer usage created market failure was declared to be false in this study.

There are, of course, different ways to do studies as well as different people to do studies. I would not be surprised to find that different approaches to this topic would yield different results, some accepting claims of market failure and others rejecting them—and with those that find failure differing in the estimated magnitude of that failure. What will actually be done in the face of such conflicting evidence will depend on how a political process mediates among these conflicting claims and their supporters. This leads to the second, procedural approach to resolving competing truth claims.

A market is a process that allows alternative claims about valuation to be resolved peacefully. Someone owns a dairy farm of 100 acres not far from town. Someone else would like to put an amusement park on 20 of those acres. Are those 20 acres of greater value when they are used as a dairy farm or when they

are used as a site for an amusement park? If the park owner is able to buy the acreage from the farmer, both parties agree with the park owner's thesis that the amusement park is the more valuable use of those 20 acres. Similarly, should the park owner be unable to buy those acres, the park owner would agree with the farmer's thesis that dairy farming was the more valuable use of that land. After all, if disagreement were present the exchange would not occur.

Claims of externality cause trouble for this simple illustration, in several ways and for several reasons. Suppose the farmer were willing to sell the land to the park owner. Claims of externality could easily be invoked to explain why this sale should not be allowed. One simple claim of this sort would be that the park would generate added traffic that would require more roads and policing services, and would impose congestion costs on people as well. Those various costs could easily be sufficiently high that they would negate the transaction if they had to be taken into consideration. Suppose, for instance, that those 20 acres are valued at \$150,000 by the dairy farmer and at \$200,000 by the park owner. There is a bargaining range of \$50,000 within which an agreement to sell the land could be reached. If the claimed external costs were to exceed \$50,000, however, the gains from trade would vanish if those costs were incorporated into the transaction, regardless of on whom those costs were nominally imposed.

A conceptual answer to the comparative value of these two competing land uses is given by a comparison of aggregate land values in the affected area. The claim that farming is the better use for those 20 acres would involve the claim that aggregate land values would fall in the affected area if the amusement

park were created. There could be any of a number of reasons for this fall in aggregate land value. The increased taxes required to provide roads and policing might make the area less attractive to people, decreasing land values generally throughout the area. The area near the park might experience some increase in land values as complementary commercial enterprises locate close by. Nonetheless, the aggregate effect of the change in land use can be gauged by the change in aggregate land value.

The conceptual clarity of this setting is, of course, clouded mightily by reality. Everything else does not stay constant so that this experiment can be performed. Moreover, the experiment cannot even be performed in the first place. Comparative statics may be reversible, but history is not. Either the farmland will be sold for a park or it will not. If it is not, we will never know what the outcome would have been had it been sold. And if it is sold and if aggregate values are found to have fallen, there is no possibility of erasing and starting over.

These kinds of issues and claims arise continuously. In a truly insightful piece of work, Spencer MacCallum (1970) once noted that cities and counties are essentially no different from hotels and shopping centers. A hotel must decide how much space to allot to rooms and how much to allot for such recreational activities as pools and exercise rooms. In doing so it seeks to maximize the value of the hotel, and to do so while providing both private and public goods in an environment characterized by externalities. Rooms are private goods, but hotels also provide such public goods as vertical subways.

Hotels also resolve potential conflicts and externality relationships, as by reaching decisions about how much land to devote to a swimming pool, or whether to have squash courts or a track, as well as in whether to have separate smoking and nonsmoking rooms.

A hotel is a revolving community that is organized through contract and not through sovereignty. It is the ownership of land and the effort to organize the operation of that land so as to maximize its value that forms the basis of the peaceful community. What is required for this process to work reasonably well is some degree of land unification, which is the opposite of land subdivision. If the residents of a hotel had to buy and sell their rooms, even if the transaction costs could be kept low, subdivision would result. This would be a condominium, in which case the peaceful maximization of value would be only an unintentional by-product of resident homogeneity and not anyone's commercial objective.

To be able to handle such situations as that illustrated by the dairy farmer and the park owner requires not land subdivision but land unification, as exemplified by hotels and shopping centers. Land trusts could perhaps provide a model for accomplishing this, with appropriate revisions from their current form. What I have in mind is a situation where some appropriate sized unit, say a county, though this is probably way too large in many cases, particularly in the west, was organized as a land trust, only organized in corporate form. Individuals would hold transferable ownership rights in the land holding enterprise, and in their capacities as residents would hold various contractual rights to residential properties. This would result in communities organized

entrepreneurially through property and contract, generating what MacCallum (1999) designates as “entrecoms”, in contrast to organization through sovereignty and common property governance.⁹

Conflicting truth claims are rampant throughout society, with claims pertaining to the use of land providing just one set of examples. The preceding illustration of the proposal to build an amusement park and claims about congestion is repeated continually throughout the land, differing only in the descriptive details. Urban sprawl, for instance, is generally opposed on the basis of some argument about external costs that are not taken into consideration in the choices that generate sprawl.¹⁰ Some of the claims advanced in opposition to sprawl are easily refutable through empirical examination, as illustrated by the claim that sprawl is destroying agricultural land (see Bruce Beattie in this volume).

Other of those claims are not so easily addressed by straightforward empirical examination, and call instead for some examination of interest groups and institutional processes. Consider a simple model with both developed and undeveloped land. Urban sprawl represents an increased demand for undeveloped land relative to developed land. Regulations that restrict development to limit sprawl prevent that shift in demand. The result is to increase the value of developed land while lowering the value of undeveloped land. If the owners of developed land are politically dominant, restriction on urban sprawl can serve as a measure that transfers wealth to them, financed by

the owners of undeveloped land and the citizens who would have chosen to live in lower density surroundings but were prevented from doing so.

What are variously called impact fees or exactions have this same chameleon-like character. An impact fee is a charge imposed on a developer of land that is justified as a payment for various forms of public infrastructure that will be provided in conjunction with that development. Such fees can easily run several thousands of dollars per single-family residence. At first glance, those fees seem like a form of market pricing, and would render them an illustration of the benefit principle in action. A closer examination, however, raises the prospect that they really operate as a tax on sprawl, thus producing the same form of wealth transfer as discussed immediately above.

If impact fees were truly a form of market pricing, residents in those developments should get rebates on their local taxes to the extent those local taxes go to finance infrastructure elsewhere in the locality. In those other areas, taxes finance infrastructure. In the newly developed areas, however, impact fees finance the infrastructure. If impact fees truly reflect the principles of market pricing, the payment of those fees would generate offsetting tax rebates. Otherwise, residents in the new areas would be paying twice. It is quite conceivable that a political system would generate this outcome. Suppose there are residents who would have a relatively high demand for low-density housing. The locality cannot charge differentially higher taxation to some areas than to others. It can do so, however, by calling that increased tax an impact fee. This brings about a form of price discrimination, which leads to some of the consumer

surplus that would have accrued to the people who choose the lower density housing being transferred to residents or land owners in the high-density areas.

Wrapping Up

Anything that can be accomplished through a tax and subsequent appropriation can be accomplished instead through a regulation. For instance, a government could abolish its school budget simply by requiring parents to send their children to approved schools. If this were thought to be too hard on parents relative to people without children, a mandatory mentoring program could be instituted. This would require people without children to take some responsibility for children. Through such regulatory measures as these, school budgets could be eliminated without changing at all the extent of government control over education.

When it comes to a wider scope for market governance over agricultural land, taxation often serves as an instrument for interfering with market governance. This often happens by imposing restrictions or conditions upon the receipt of relief from high taxation. High taxation is the norm, and people purchase tax relief by adhering “voluntarily” to what could otherwise have been accomplished through regulation. In other cases, regulation is imposed as an alternative to taxation. Instead of taxing the owners of undeveloped land and subsidizing the owners of developed land, a government can enact regulatory measures to limit urban sprawl. In any project to explore how a greater measure

of market freedom might be brought to the use of agricultural land, the ability of governments to shift between taxation and regulation will have to be kept in view.

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Endnotes

¹ These principles are examined in the context of contemporary discussions over tax reform in Richard Wagner (1998). The principle of “market conformity” as a constitutive requirement for economic policy based upon free markets is central to the ORDO-liberal tradition that is associated with Walter Eucken (1952).

² For a treatment of the benefit principle, along with a consideration of the ways in which it is misused, see the various essays collected in Richard Wagner (ed.) (1991).

³ For some of the intellectual background for this orientation, which traces back to Knut Wicksell in 1896, see Richard Wagner (1988).

⁴ The taxation of site value was central to Henry George (1879), and has ever since commanded a respected though small amount of support among public finance scholars. For an argument in favor of reducing the tax on improvements relative to the tax on site values, though without embracing full site value taxation, see Dick Netzer (1973).

⁵ *Pizzitola v. Galveston County Central Appraisal District*, 808 S.W.2d 244 (1991).

⁶ *Kerr Central Appraisal District v. Stacy*, 775 S.W.2d 739 (1989).

⁷ This study was cited in (Center for the Study of Taxation, 1996).

⁸ See, for instance, the numerous essays collected in Tyler Cowen, ed. (1988).

⁹ For an extended examination of related ideas and their implications for ownership and governance, see Fred Foldvary (1994).

¹⁰ For a careful examination of such claims about urban sprawl, see Sam Staley (1998).