A Home with a View . . . and a Higher Property Tax

BY P. GARDNER GOLDSMITH

It took me years to understand what my father meant when, on being confronted by a disagreement in taste or talking about the price of a product, he would suddenly speak in Latin: *De gustibus non est disputandum*.

For someone who took four years of Spanish and couldn't even remember much of *that*, his statement was about as comprehensible as American Sign Language to a blind dog. But now, after studying economics, I can see abundant examples of my father's aphorism being put into practice.

Case in point: the New Hampshire "view tax."

What, you might ask, is a "view tax"?

Well, contrary to the hopes of many, it is not a tax placed on insufferable network chat programs broadcast before noon on weekdays (and, of course, supporting such a proposal would run counter to the very principle I am exploring).

The "view tax" is New Hampshire's property tax applied to a home's view, which is factored into the so-called valuation of the land. It received national recognition when David Fahrenthold in the *Washington Post* last year described the plight of Brad Wilder, a Plainfield, New Hampshire, resident who saw his property-tax bill skyrocket after an assessor added extra value to his land because of the "view."

According to the *Post* the value of Wilder's panoramic view of the White Mountains was fixed by the government assessor at $237,265, causing his tax bill to increase by $4,700. Like an improvement to his home, Wilder's view was deemed by the government to be worth a certain amount, and although he lives in the state where our motto is "live free or die," he will be forced to pay, or else risk losing his property.

The bright spot in the story is that the reporter came close to embracing a fundamental principle of free-market economics. Mind you, this was the *Washington Post*. Fahrenthold writes something more profound than he might think: "How do you value a view?" The question prompts a valuable lesson about the phrase *de gustibus non est disputandum*.

Roughly translated the expression means, "There is no disputing one's taste," and the wisdom of such a sentence is remarkable, for it not only applies to art, food, fashion, and innumerable other cultural stimuli we encounter every day; it also applies to property and work as well.

What my father understood is that the valuation of something, anything, is subjective. The Austrian school of economics has this phenomenon at the core of its theory of marginal utility. When one looks at property and toil, each of us values things differently, and it is impossible for government to produce any exact, objective measurement of that value.

But that doesn't stop government bureaucrats from trying. To levy their taxes, property assessors are hired by politicians to produce "objective measurements" of value for our homes, our garages, our lawns, our neighborhoods, and even our views. By looking at what they call "comparably valued homes" on the market, they create Byzantine formulae, backed by charts and graphs, which in the abstract constitute what some might think are believable and reasonable assessments of how much a certain kind of house, barn, yard, or view might fetch on the market.

Gardner Goldsmith (elggrande@yahoo.com) is a radio talk-show host in New Hampshire.

The trouble is that this abstract government construct is *not* the market, and only in the market, where people are free to value their property *themselves*, in peaceful exchange with others doing the same, can there be a momentary representation of the value of a product.

The core of the problem for government assessors is this: of value to whom? You might value a piece of property, or a sunset, or a picket fence differently from me. You might have a family and like knowing there is a pond nearby where the children can play. I might be bothered by the sounds of the bullfrogs calling out in the night from the shore. Each of us places a value on these qualities, and our opinions are as numerous and as varied as the entire population of the world allows. As a result, when a government assessor tries to objectify, for purposes of taxation or for any other reason, the value of our property, he is doing something that is literally impossible.

By turning to the "comparable value" theory of assessment, our friendly government bureaucrat can *try* to overcome this impossibility. He can attempt to approximate or assume the value of a home when placed on the market. But his assumption has within it the classic conceit that someone *not* involved in a transaction can tell others how they value their property.

Many bureaucrats might feel comfortable attempting to approximate what a piece of property will fetch on the market. The trouble is that the owner is not involved, and one cannot assume for him how he values his property, the view, or anything else in his life. An assessor may appeal to an exponent of the free market by saying that he is merely following the market itself, but again, the fatal conceit of his theory comes to the fore. He is not actually in the market, and neither is the homeowner on whom the tax will be assessed.

Only through a free exchange with an interested buyer can a proper price be determined, and even then, on the sale of the home, free-market economists understand that this price is momentary. Once determined by the participants, it is in the past, and though future exchanges of similar items may approximate this single transaction, and future players in the market may use the transaction as part of their assessment process, no future exchange can be precisely predicted by those not involved in new transactions, for it will take place with other participants, and thus other subjective valuations will be involved.

New Factors Upset Predictions

This is another key insight of the Austrians. The prices reflected in the market are not fixed, and cannot be used to perfectly predict the future, because there are always new participants entering the marketplace and new variations regarding supply and demand. It was with this insight that the Austrians came to the important conclusion that government attempts to objectively fix a value for a product now and in the future, and econometric models used by businesses to predict the future price of a product, are inherently unstable and useless. Unless the same small group of participants, engaged in a transaction under the same subjective circumstances with the same desires as they had in their first exchange, are the only players in the market, no precise prediction can be made as to the future value of a product.

The phrase *de gustibus non est disputandum* applies to each one of us, and does so as we travel through life. To assume, as a government "view tax" assessor must, that one has perfect knowledge of someone else's situation is the height of arrogance. Of course, just as one can never predict precisely what the market will do in the future, one can never underestimate the desire of government functionaries to get their hands on the fruits of our labor. There may be only one exception to the aphorism "there is no disputing one's taste," and that is when one considers the peculiar taste of government to tell us what to do with our money and how to value the important things in our lives.

In those cases disputation is certainly in order.