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Professor Skidmore's research has focused on public economics and urban/regional economics. Current research interests include state and local government tax policy, intergovernmental relations, the interrelationship between public sector decisions and economic activity, and the economics of natural disasters. His work has been funded by the Fulbright Program, the Lincoln Institute of Land Policy, the National Science Foundation, the Urban Institute, and USAID.

His articles have appeared in journals such as *Economic Inquiry*, *Economics Letters*, *Journal of Urban Economics*, *Kyklos*, *Land Economics*, *National Tax Journal*, *Public Choice*, *Regional Science and Urban Economics*, and the *Southern Economic Journal*. His research also has been cited in prominent news outlets such as the *BBC*, *China Post*, *The Economist*, *Europe Intelligence Wire*, *Forbes*, *International Herald Tribune*, *Los Angeles Business Journal*, *MSNBC*, *Newsweek*, *The New Yorker*, *The New York Times*, and *PBS News Hour*.  
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# Mark Skidmore

**LAND LINES:** *This year, you are a Visiting Fellow at the Lincoln Institute. What issues are you working on?*

**MARK SKIDMORE:** About two years ago, my colleague Gary Sands and I were invited by City of Detroit Councilman Kenneth Cockrel to evaluate Detroit's ailing property tax environment. Councilman Cockrel wondered what gains might result if Detroit were to shift to a land-based tax. We were given access to detailed data for more than 400,000 property parcels within the city, in order to conduct an evaluation, and we are grateful for the Institute's support to pursue that project. Our report identified significant erosion of the property tax base and explored options for expanding the base, including a shift to a land-based tax. Our evaluation showed that a land-based tax would serve to broaden the tax base but also would produce substantial shifts in the tax burdens of residential, commercial, and industrial property owners.

In 2013, Detroit's fiscal challenges came to a head when Governor Rick Snyder appointed an emergency financial manager who subsequently set in motion a filing for bankruptcy. On December 3, 2013, Judge Rhodes ruled that the City of Detroit is eligible for Chapter 9 bankruptcy protection. Despite the near-complete collapse of the real estate market within the city during the Great Recession, the property tax remains an important revenue source, and its administration can help or hinder economic and fiscal recovery. This year, I plan to use the parcel-level data set to examine important issues such as tax delinquency, the over-assessment of property, the value of vacant land, and policies related to transfer of property ownership from the private sector to the public sector due to tax foreclosure, and transfers back to the private sector.

**LAND LINES:** *What are some of the underlying factors behind Detroit's current problems?*

**MARK SKIDMORE:** About 48 percent of Detroit property owners are delinquent on their tax bills, a fact that reflects the erosion of the social contract between citizens and the city. This extraordinarily high delinquency rate is the result of a confluence of factors. First, the city has failed to enforce tax compliance, particularly for low-valued properties. Second, many citizens perceive the tax to be unfair because of the over-assessment of their property. Finally, anecdotal evidence suggests citizens are not paying taxes because local authorities are failing to provide basic public services such as street lighting, snow plowing, and public safety.

One key cause of the high delinquency rate is the over-assessment of property for tax purposes. The real estate crisis hit Detroit particularly hard. In 2010, the average selling price of a residential parcel with a structure was less than \$10,000, yet the average assessed value of such properties for tax purposes was \$54,000. According to state guidelines, the ratio of assessed value to sales price should be close to one. In September 2013, city officials announced that over the next three to five years all properties within the city would be reassessed.

Second, Detroit has a history of tearing down dilapidated tax-foreclosed structures. As a result, it is one of the few large cities in the United States with frequent sales of vacant land. The value of vacant land is often difficult to ascertain in highly urbanized areas, but accurate valuations are essential if one wants to impose a land tax or a two-tier tax on land and structures. The large number of sales transactions of vacant land in Detroit provides an opportunity to estimate land value. Interestingly, the average value of an unimproved parcel in 2010 based on sales data was \$34,000—much higher than the average price of residential parcels with structures, which, as mentioned, was less than \$10,000.

The city government now owns and manages more than 25 percent of the city's land area, and public ownership continues to grow because tax foreclosures have outpaced the transfer of publicly owned parcels back into private

hands. Some of the questions I am investigating are: What are the appropriate policies in a market-oriented society for managing low-valued urban land transactions? Why is the delinquency rate so high, and what can be done to improve property tax compliance in the context of a nearly collapsed urban real estate market? What role does the perception of “unfair” assessments play in tax delinquency?

**LAND LINES:** *What is the long-term prognosis for Detroit?*

**MARK SKIDMORE:** The city’s fiscal challenges are a symptom of deep underlying issues. Whether one considers the redevelopment of a declining urban area or reconstruction in the wake of a major natural disaster, the most important elements in any recovery are human capital and social/cultural attributes. If one accepts the premise that they are essential building blocks for redevelopment, and if these elements are lacking, then a top priority is to consider policies and actions that can develop them. In 2011, the high school graduation rate in Detroit was 62 percent. The percentage of households headed by a single parent was 62 percent. By some measures, the functional literacy rate among adults is just 53 percent. It is difficult to build a dynamic and robust urban economy upon such a weak foundation.

Clearly, policy makers must address the immediate fiscal challenges, but the longer-term prognosis for Detroit will depend on actions aimed at improving the underlying economic base—human and social capital. Without addressing these deep challenges, Detroit will continue to flounder. There is no quick fix. In order for Detroit to have a chance to prosper once again, Michigan needs to make a long-term commitment to improving these underlying conditions.

**LAND LINES:** *Is Detroit a harbinger for other U.S. cities?*

**MARK SKIDMORE:** Yes and no. A number of other local governments face significant fiscal challenges—Chicago, Jacksonville, Los Angeles, Oakland, and Providence, to name a few. Underfunded retiree compensation promises are often cited as a

major issue. Yet, many of these cities stand a reasonable chance of re-emerging and potentially prospering in the not-too-distant future because they suffer from acute crises brought on by the recession, but not necessarily from chronic fiscal challenges. However, cities with chronic challenges due to significant deficits in social and human capital can look to Detroit as an indicator of their future. My hope is that state and local policy makers from around the country can learn from the Detroit experience and begin making the necessary long-term investments in their most important asset—people, particularly children—so they can avoid the chronic economic and fiscal challenges seen in Detroit.

**LAND LINES:** *How does the Detroit project fit into your larger research agenda?*

**MARK SKIDMORE:** Much of my research has addressed the interrelationship between public decision making and economic activity. Over the years, I have examined issues such as the effectiveness of tax increment finance, the implications of imposing impact fees to cover the infrastructure costs associated with development, and the effects on development of property taxation, tax abatements, and other subsidies. I have also considered other public finance issues such as state lotteries, sales taxes, and income taxation. I am particularly interested in the spatial-dynamic-competitive relationships between adjacent and overlying taxing jurisdictions.

**LAND LINES:** *Much of your research has focused on government policy and finance in the United States. What other work have you done internationally?*

**MARK SKIDMORE:** In recent years, I have partnered with my MSU colleagues on a USAID-funded grant in Mali. My role has been to consider how Mali’s recently decentralized governmental system can be utilized more effectively in food security and land use management. Climate change is affecting Mali in very tangible ways—as the land in the north has become more arid, there has been significant migration to areas in the south, which has better access to water. This migration is resulting in increased violence due to ineffective land tenure and property rights. Now that

democratic rule has been re-established, we are again working with our Malian partners to develop systems that involve local authorities in managing food security, land access, property rights, and land-related conflicts. Interestingly, the issue of what to do with all the publicly owned land in Detroit has informed our work in Mali, and vice versa.

I also have ongoing research in the economics of natural disasters. One of my recently published articles (with coauthor Hideki Toya) used thousands of disaster events from all over the world to show that countries with more decentralized governmental systems have significantly fewer disaster-induced fatalities. Our research provides evidence that decentralized governments provide essential services more effectively than more centralized systems.

A third recently completed project shows that societal trust tends to increase in countries in the years following climatic disasters. The relationship we observe is robust, and we hypothesize that such disasters require and provide opportunities for people to work across social classes to address their challenges, thus building trust and social capital. While natural disasters can have devastating human and economic impacts, a potential spillover benefit of greater disaster exposure may be a more tightly knit society.

**LAND LINES:** *How does your research reflect the interests and values of the Lincoln Institute?*

**MARK SKIDMORE:** The Lincoln Institute is recognized worldwide as a leading organization concerning the use, regulation, and taxation of land—property taxation, tax abatements, economic development policies, decentralized fiscal systems—and all of these are topics of my research. Over the years, the Institute has supported my work on Wisconsin tax increment finance, Michigan local government fiscal stress, and my ongoing evaluation of the Detroit property tax environment. The U.S. system of national and largely autonomous subnational governments provides fertile ground for researchers to study and learn about which policy “experiments” lead to better, or worse, outcomes. I really love doing this work and am thankful to have the Institute as a partner. 