

Can Both Pronouncements Be Right?

I

Rockefeller School Plan

From an editorial in the *Christian Science Monitor*, January 11, 1960

His proposal, in simple form, is to give local elected officials authority to levy small utility taxes, sales taxes, or state income tax surcharges, when their educational systems are lagging—as so many are today—and when local property taxation *simply cannot be increased without frightening away industry and residents.*¹

II

Beating the Building Recession

From *Progress* (Melbourne, Australia), November, 1959

Rural Victorian cities of Wangaratta and Mildura have recently shown how the current building recession can be turned into a boom. These cities are now passing through *the greatest wave of building activity in their history at a time when building in most other provincial areas is at its lowest ebb for years.*²

For rural Victoria the year 1956 was the peak with a total value of £35,869,000 in building construction activity. Compared with that level the value for 1957 fell by 9% and in 1958 by 14%.

Contrasting with this general pattern of decline, *these two cities successively made an enormous advance in each year on their previous high level of building activity.* The 1958 value in Wangaratta was up 100% and in Mildura up 69% above the 1956 high mark.

In both cases reason for the wave of development was that their local municipal finance system was changed to exempt buildings and cultivation from local rates [taxes] and to base these only on the unimproved capital value of the site. Many Victorian towns before had made this change so far as their general rates [taxes] were concerned with less stimulating effect on building activity. But Wangaratta and Mildura were the first to switch all their rates to the site value basis and completely exempt buildings. Wangaratta put its water, sewerage and general rates [taxes] on the U. C. V. [unimproved capital value] basis. Mildura did so for its general and sewerage rates but could not do so for water which was controlled by a separate authority. Significantly, the stimulation in Wangaratta, where the change was complete, is greater than for Mildura.

In both places, although the previous building level had been stable at a high figure there was an immediate upward leap in all classes of building following the change.

¹ Italics supplied.

² All italics are supplied.

In the two years since the change, Wangaratta's building permits totalled £1,518,000 compared with £740,000 under the old system of taxing buildings. For Mildura the figure was £1,111,000 against a reasonable expectation of £662,000.

With this development, employment opportunities have kept pace and enabled the growing output of the schools to be employed locally. As most of the money spent in the building industry passes through the local business community, the shopkeepers [merchants] are in clover with an extra £778,000 in Wangaratta, and £449,000 in Mildura, plus the spending of the new customers occupying the new houses. Some are paying higher rates but these are a minute fraction of their increased turnover due to the development. *Shopping centers have been transformed in a wave of modernization.*

The above article from *Progress*, by A. R. Hutchinson, was published or used as the basis of reports by *West Australian*, *Country Leader*, *Sunraysia Daily*, *Geelong Advertiser*, *Benalla Standard* and *Wangaratta Chronicle*.

The experience of these two Australian cities—and this is but a small fraction of the evidence—has significance for American cities, too. American magazines and newspapers which publish such experience will be rendering an important service to their communities. How overwhelming must the evidence become before American journalists, other than the exceptional few, will notice it?

Recent Legislation in Pennsylvania

By legislation passed in 1951, Pennsylvania's third class cities were given the option of taxing land at a higher rate than buildings. Now a 1959 act removes the limitation on the rate at which land may be taxed, so that any of the forty-seven third class cities of the state can raise as much revenue from taxing land values only, as they could raise previously by taxing both land and buildings. The 1959 act permits tax rates indefinitely higher to be levied on land, provided that "the respective rates on lands and buildings are so fixed as not to constitute a greater levy in the aggregate" than the real estate levy now authorized for third class cities.

A third class city in Pennsylvania can, therefore, if its Council so desires, substantially reduce its taxation of buildings and make up for this reduction by increasing the tax rate on land values. *Or it can completely abolish its taxation of buildings.* And it can do this either at once or by successive steps over a number of years.

The analysis and the data from *Progress*, presented above, indicate that cities which *take full advantage* of this recent Pennsylvania legislation are likely to enjoy much greater commercial and industrial development and to suffer far less from obsolescence, deterioration, slums and blight than cities which do *not*,—or than cities in *other* states, which *cannot*.

Are Our "Liberals" Really Liberal?

By HARRY GUNNISON BROWN

To spend vast sums—billions of dollars—in slum clearance and in government housing projects, has been described as "liberal." And members of Congress who vote for such expenditures are sometimes referred to as "liberals."

But the bitter truth is that such legislation

(1) In effect, *bribes* state and local governments to maintain a tax system that *breeds slums*,—since the Federal government will then "bail out" the decayed cities and the slum landlords at heavy additional expense to already heavily burdened Federal taxpayers.

(2) Vastly increases the total tax burden of our citizens. For a local property tax *no higher* than is now levied, if *greatly reduced* on buildings and other productive capital and correspondingly *raised* on site values, would go far to prevent the development of blight and of slums *in the first place*. But instead, we let these evils become almost insufferable and then levy *additional* taxes to pay for slum clearance.

To a considerable extent the legislators who have been so eager to spend billions of dollars on slum clearance and subsidized housing, are among those who demand that we spend more to "close the missile gap" and otherwise increase our military strength. If we do really *need* to spend more for defense, how can we afford to use the *most expensive* method of keeping down the slum evil, when a *far less costly* method is easily available? How confident can we be that these "liberal" legislators are truly and deeply concerned about our military strength, when they persistently ignore a simple, logical and inexpensive way of *preventing* slums and instead *vote billions* for slum clearance!

The purchase of slum land and other land by the Federal government—and the consequent anticipation that such purchasing will continue—helps to raise the price of land and keep it high, thereby to make non-subsidized housing more expensive than before and to make home ownership increasingly difficult to achieve. And this higher price of land could lead to *still more* demands for Federal subsidization!

Our grossly inept method of taxing real estate and other property, lessens the incentive to save and to invest in capital and encourages the holding of good land out of use (recent data indicate between twelve and thirteen million vacant lots in the United States) or inadequately used. For these reasons, our current tax policy retards the economic development of the communities that follow this policy, reduces the annual output of industry, keeps earnings lower than they would be otherwise, and handicaps private enterprise in its competition with the socialized industry of the communist states for the favor of uncommitted countries.

Do our "liberal" economists, journalists, legislators and other leaders really expect to "sell" the private enterprise system to the uncommitted countries of the world, as *superior* to communism, by *weakening* capitalist incentive, *hobbling* productive activity, *interfering* via inept taxation policy with private enterprise housing, and then *substituting public* (i.e., *socialized*) housing for it on the ground that private enterprise housing can't do the job? Instead, may it not turn out that our "liberal" political leaders, while *publicly insisting* that they are opposed to communism and all it supposedly stands for, will be the *very ones* who *do the most* to put private enterprise ("capitalism") *on the defensive* in an increasingly sceptical world?

If you can spare time for getting at the root of the problem and the reasons why it is so little understood by those who should understand it best, see THE EFFECTIVE ANSWER TO COMMUNISM and Why You Don't Get it in College, by Harry G. and Elizabeth R. Brown, published by Robert Schalkenbach Foundation, 50 East Sixty-ninth Street, New York 21, N. Y., 35 cents postpaid. Note especially chapters 2 through 7. Professional economists, however, whether Keynesians or non-Keynesians, might be startled to read (in Chapters XIII and XIV) about a most unfortunate—if not, indeed, a fatal—oversight in Keynes' depression and liquidity-preference analysis. The only plausible explanation for such an oversight by Keynes and, apparently, all or nearly all Keynesians, would seem to be that "You Don't Get it in College." Also economists appear, generally, not to have noticed "How Keynesism Gives Aid and Comfort to the Communists."

Dr. Glenn E. Hoover, Professor Emeritus, Mills College and Councilman, City of Oakland, California, says of this book:

"Those who are serious about creating a truly liberal and just order in these United States should read THE EFFECTIVE ANSWER TO COMMUNISM and Why You Don't Get it in College. . . . The authors write well because they first think well. They know economics and they know, too, the American colleges, in most of which economics is, in truth, a 'dismal science,' and this for reasons which the authors make abundantly clear."

A British periodical (*Land & Liberty*, London, March, 1959) takes as the heading for its review of the book:

A Conspiracy of Silence
Smothers the Answer to Communism

The Public Revenue Education Council (705 Olive St., St. Louis, Mo.) in a recent comment on the book says:

"We can encourage the accumulation of capital and its use in productive enterprise, or we can tax capital into oblivion and strangle the private enterprise system to death. This is the challenge of these fifteen provocative essays. . . ."