

CAN WE AVOID COMMUNIZED HOUSING

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THE EFFECTIVE ANSWER TO COMMUNISM

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Both the President's Commission on Civil Disorders (the Kerner Commission) and the National Commission on Urban Problems are recommending federal subsidization of housing in the billions of dollars. The necessary funds will, of course, be drawn from all who pay anything in federal taxes, either directly or indirectly, including the very poor. For the proposal is not to substitute incentive taxation for anti-incentive taxation, without increase of total taxes. Instead it is a proposal to subsidize housing and, therefore, to levy enough in additional taxes to pay the subsidies, and at a cost in the billions of dollars. Furthermore, their proposal carries with it an intention — though they do not use the word — to communize housing.

Why should we criticize adversely the Russians and the Chinese for their communism if we ourselves are going to have communized housing? Would our next step take us into communized manufacturing and our third step into communized retailing?

The consistent supporters of free private enterprise are those who realize that to give private enterprise a fair chance, our system of taxation must pay attention to incentive. And our current tax policy, which punishes, by increasing his tax burden, any owner of slum property who improves his property, weakens or destroys his incentive to do so. Likewise, our current tax policy—and also the extralegal policy of assessors who constantly assess vacant land at much below its market value—encourages the holding of land out of use for years and even for decades. That is why there are in American cities, according to the latest (May 1968) figures, 14 million vacant lots. What the owners hope to get for themselves from their vacant lots are the increased values of the lots, brought about by the increased community produced location advantages of the lots. Is it any wonder that housing for the poor is unnecessarily expensive? And the only way to prevent this without subsidization at the cost to taxpayers, poor as well as rich, in the billions of dollars, is to reduce taxes on improvements, preferably to zero, and correspondingly increase the taxation of land values. To do this would definitely reduce the cost of becoming a homeowner and would reduce rents for those who must be tenants. It would help lessen the slum evil, because owners could improve their slum buildings without having to pay higher taxes. With land speculators forced to sell, land would be cheaper and tenants could have better housing without having to pay higher rentals. Of course it cannot be asserted that absolutely every owner would make improvements, but we can be

confident that this tax reform would lead in general to better housing for the poor. We would have incentive taxation instead of anti-incentive taxation and without any increase in the total taxes collected.

But the Commission on Urban Problems, in addition to its recommendation of federal subsidization of housing, has proposed that (1) "the U.S. Treasury Department undertake an intensive study of this subject" and that (2) there should be "vigorous exploration by state governments of the desirability and feasibility of providing through the state-local revenue systems for additional taxation of land values or of land-value increments." The Commission would not itself recommend such a reform,—only a study of it. And the very fact that it recommended subsidization of housing, makes it appear much less likely that many states—or perhaps any state—will even study such a reform. For

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if the federal government is to continue its subsidization of housing in the billions of dollars a year, the state legislatures are likely to be much less willing to offend either the slum owners or the vacant lot owners by increasing their tax burdens.

The evidence of the stimulating effects of an incentive taxation policy (land value taxation) in Australia, New Zealand, South Africa and elsewhere is overwhelming. Our fiftieth state, Hawaii, by legislation in 1963, took a first step toward incentive taxation in 1965, with additional steps provided for in succeeding years. Why then is the evidence so persistently overlooked in continental America? And why do our federal commissions persist in recommending federal subsidization? Why do so many of our economic advisors and political leaders in continental America (1) give no attention to incentive taxation, which is essential for a successful free private enterprise system, (2) make a fetish of denouncing communism while (3) urging a subsidization—which amounts to communization of housing?

There is considerable evidence that communism won control in Russia, and later in China, because of the discontent of the agrarian peasantry with landlordism.

If we in the United States are now going in the direction of communized housing, this too seems to be because of landlordism, but in our case chiefly landlordism in the cities. The discontent is with the slums—the ghettos—and with the high cost of housing, of which the speculative holding out of use—largely in our cities—of 14 million vacant lots is the basic cause. And all of this is related to our anti-incentive property tax policy. There is nothing in this policy likely to convince the Russians or the Chinese that they should turn from communism to capitalism.

However, recent events, contemporary conditions and contemporary propaganda suggest how we may find it politically possible to take the right road to a solution, and under federal leadership.

Constitutional restrictions make it impractical for the federal government to itself levy a real estate tax or a general property tax. The states—or cities and towns if authorized by state constitutions—can levy such a tax. But the states—with the exception of Hawaii, two cities in Pennsylvania and the agricultural land in the California irrigation districts—have failed to take any steps toward taxing land values more heavily and abolishing or reducing taxes on improvements. The federal gov-

ernment cannot and the states will not, or at any rate do not.

But since the states and their cities and towns do not, they suffer acutely from the slum evil and from the speculative holding of land out of use, with a consequent high cost of homes (also of land for factories, office buildings and stores) and high rents charged to tenants.

Instead of adopting an incentive tax policy, the states look to the federal government for expenditures amounting to billions of dollars in the subsidization—hence the communization—of housing. Members of Congress should be acutely aware of the fact that the states and cities, while clinging to anti-incentive taxation, are constantly hoping and expecting that the members of Congress will extract from their own constituents large sums to undo the evils that our state and local anti-incentive taxation policies are continually inflicting on us.

The logical policy would be for the federal government to make any subsidization of housing or any similar subsidization conditional, granted only to states—or cities in those states—that will change their tax policy from an anti-incentive to an incentive policy. The change could be made in successive steps, but there should be no thought of evasion.

Such a requirement would leave the federal government still subsidizing, but the burden on federal taxpayers would become progressively less as one city and state after another reformed its tax policy to promote incentive.

This is the line of high statesmanship. It would provide temporary federal help where the need was great. Members of Congress could support such an arrangement, knowing that the demands at the start would be limited, and confident that, one by one, the state governments would agree to a policy so favorable to the permanent prosperity of their state and so clearly conducive to the strengthening of capitalism in a world already a third communist.

Communism has won nation after nation by promising land to the peasantry. If we must stand for an anti-incentive tax policy that breeds exploitative landlordism, communism's prospects of gaining influence and power will be decidedly increased.

The leadership of the federal government here suggested would be the line of high statesmanship which could do more than anything else to promote prosperity in all of our states and to increase greatly the prestige and the strength of free private enterprise in a world of conflicting ideologies.

Why, with all the tax and privately raised money for economic and social studies education, do so few of our more intelligent and better educated people see that the real estate property tax is two kinds of taxes, not one; that one is good and the other bad for man and country? Why don't more of them act as if they know, if they do, that both 'little' home owners and tenants pay all real estate, personal property (inventory and machinery), and all utility taxes in rents, prices and rates; that people who rent housing, industry, business and utilities are tax collectors, not tax payers; that prices of all products and services would be lower if this were not true?

There can be but one answer. Unfortunate failure in economic and social studies education. But don't be discouraged. This can and will be corrected.

Write or phone for literature.

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