

CONTEMPORARY POVERTY AND ANTI-INCENTIVE TAX POLICY
A LETTER TO SOME 750 EDITORS

Is there any limit to the burden which Federal income taxpayers can be asked to bear?

An April 15 news item stated that Senator Jacob K. Javits had endorsed a plea of four religious leaders favoring "a multibillion-dollar program for the poor, sought by the assassinated Martin Luther King, Jr." Dr. King was quoted as saying this program "would cost about \$12 billion."

Legislation that includes open housing is simple justice to the well-to-do Negroes who can afford better housing, by breaking down the barrier of race discrimination. But such legislation is certainly not enough. It can give no relief at all to the poorer Negroes, who live in the slums (or ghettos) because they cannot afford anything better. (The well-to-do Negroes are but a small percent of the entire Negro population.) Nor can open housing help the many Whites who must live in the slums, and for the same reason.

Consider the fact that millions upon millions of vacant lots are being held speculatively out of use year after year. This attempt by the land speculators to get for themselves all of the community produced increase in the location value of their lots, inevitably adds greatly to the prices of the lots, because it brings about an artificial scarcity of available land. Why should these speculators be allowed thus to increase the cost of housing? And why should all salaried and all wage earning workers, many of whom can ill afford it, have to help pay such swollen costs? Yet the religious leaders referred to in the second paragraph of this letter as favoring "a multibillion-dollar program for the poor," make no suggestion that there should be any tax penalty (in the form of increased land value taxation) on the speculative holding of needed land out of use, although such a tax penalty would decidedly reduce the cost of housing.

In this connection one is reminded of an ancient saying that the aristocracy are willing to do anything for the exploited poor except to get off their backs!

More than a year ago a round table of 33 urban experts (reported in Nation's Cities, April, 1967) gave advice on the solving of the housing problem. Referring to government subsidization they said: "It is just plain nonsense to hope that any such sum for urban betterment can or will be supplied by any government, Federal, state or local. . . Cities will find it a lot easier to interest private enterprise in urban betterment if they modify their system of property taxation to encourage new construction and better land use instead of (as now) penalizing improvements by overtaxation, and subsidizing blight, slums and sprawl by undertaxation."

(over, please)

Although we criticize communist countries adversely for not providing adequate incentive, our own local property tax system punishes, by increasing his tax burden, any owner of slums who spends money to improve them. And our local property tax system rewards, by reducing his tax burden, any owner of slum property who lets his slums become worse slums.

In some Australian states, where the land value tax policy (with buildings exempt) has been, and is being, adopted in one city (or town) after another, only property owners can vote on the matter. The great majority of homeowners - about 80 or 90 percent - find their taxes lower. But it would appear that Federal subsidization of housing not only fails to reduce the local taxes on owners of real estate but very greatly increases the amount of their taxes (except for owners of vacant land, who pay no Federal taxes at all on it unless they sell it and have to pay the relatively low capital gains tax) imposed on them by the Federal government. For nearly all Federal taxpayers must bear a heavier tax burden. And certainly the Federal tax burden on wage earners must be heavier because of the great expense of subsidization.

Are American voters so stupid that they will prefer to vote for candidates who favor a heavier burden on all Federal taxpayers, to pay for slum clearance and the subsidization of housing, when they could have as much and as good housing without any increase at all of their Federal tax burden?

But if, notwithstanding these considerations, the Federal government is going to subsidize slum clearance and housing in, perhaps, the billions of dollars, at the expense of Federal taxpayers, such subsidization should certainly be conditional on local tax reform, so that private enterprise housing can be stimulated and so that Federal taxpayers will not have to subsidize housing in the billions of dollars, year after year. For certainly that would be a kind of madness, and extreme cruelty to Federal taxpayers.

Sincerely yours,

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