EXPANDED PUBLIC HOUSING

Is Labor Leadership Unwittingly Against Labor?

by HARRY GUNNISON BROWN

According to a report appearing in newspapers the morning of November the 21st, 1960, James L. McDevitt, the national director of the AFL-CIO Committee on Political Education, had said, during the week end, that "labor expects — I guess that's the right word," certain things from the incoming Democratic administration. And one of the things listed was *expanded public housing.* Presumably the desire is that Congress and the new administration provide for much more expenditure along this line than President Eisenhower had been willing to permit.

Are such programs really good for labor? Or may it be that, instead, they *seriously injure labor?*

Perhaps the first point to note is that such public housing costs money, billions of dollars of it. And a lot of this money must inevitably, under our present Federal tax policy, come from *the wages of labor.* In the 1930's, when both prices and wages were much lower than they are now, an exemption of $600 each, for himself, his wife and each of their children, would often mean that the workingman did not have to pay any Federal income tax at all. Today, $600 will buy much less than previously and it is a much smaller percent of the worker's income. His exemptions, in terms of purchasing power and as a proportion of his total income, are far less. And so a much larger percent of his income is taken from him as his Federal income tax. If, therefore, *labor must today pay far more* of the cost of slum clearance and of subsidized housing, there has to be a big benefit in it for labor or else the cost to labor exceeds the benefit and labor is actually injured. Perhaps, indeed, there is *no compensating benefit for labor at all, but only still more injury!*

Most people — including, apparently, most of our widely known labor leaders — do not understand why expanded Federal appropriations for housing are actually *worse than futile,* because they do not understand what influences make housing expensive and slum conditions widespread. They do *not look* for the *root* of the trouble but merely demand that the Federal Government somehow correct matters by increased taxing and spending.

What, then, *is* the root of the trouble?

"Today's taxes harness the profit motive sdrawkcab (backwards); they abet speculation but penalize development." So said HOUSE & HOME, the building industry's biggest monthly magazine, in its dramatic August, 1960 issue.

By our present tax policy we do indeed erect barriers to new industries, barriers to the expansion of industries already present, barriers to low-cost housing, barriers to home ownership otherwise than via heavy mortgage indebtedness, and *barriers also* to high productivity of labor and, therefore, to high *wages.* And by this

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same tax policy we encourage and promote deterioration, blight and slums.

To tax buildings and improvements in general, *lessens* the *incentive* to invest in construction and improvement. Such taxation is a *hindrance* to the growth and development of a city, a state, a nation. And it *discourages*, through tax penalties, the clearing up of blight and slums by *private enterprise*.

But to tax just the value of land does *not* lessen the incentive to improve and is *not* a hindrance to a community's development. Instead, it *removes* one of the greatest hindrances to development, the *speculative holding of vacant land* at prices that *keep it vacant*, often for many years or even for decades.

Does it make sense and is it fair to the majority of our people, for our lawmakers in the United States to pursue a policy as a result of which we have nearly thirteen million vacant lots (*not* counting parking lots)[1] in our cities, enough to provide housing space for a third or *more* of our entire population? Has there ever been a strike — or a series of strikes — by labor, of such magnitude as this more or less perpetual strike by our owners of vacant land? And while workers hold back their own labor, owners of vacant land hold back from the use of others, a considerable part of the *earth! Of course* such speculative holding *makes land costly* for those who need it. *How could the result be anything else?*

Have our labor leaders no better solution for this *than to tax wages more* in order *to buy out land speculators?*

We have, indeed, many thousands (perhaps the number runs into six or seven digits?) of holders of — speculators in — vacant lots. Each hopes that the others will continue to ask more than they can get, so that buyers will have to come to *him*. Many vacant lot owners dream of fortunes they might make if a metropolis were to grow around or near to their vacant lots. Because of such hopes and dreams, they are all the more reluctant to let their lots go cheaply or for relatively moderate prices. Hence, though there are indeed millions of vacant lots in *existence*, relatively few are *available* except at comparatively high cost. The high price — and similarly, of course, the high rent — of vacant lots is obviously a *barrier* to new industries, a *barrier* to expansion of industries already present, a *barrier* to low-cost *housing*, a *barrier* to home ownership other than via heavy mortgage indebtedness, a *barrier* to high productivity of labor and, therefore, *to high wages*, — and, along with all this, an *encouragement to deterioration* and *slums*.

To how great an extent should we, by our tax system, *discourage* capital accumulation, *handicap* industry, *keep down* the productivity of labor and, therefore, *the wages of labor*, keep the cost of rental housing *high*, make home ownership *unnecessarily expensive* and bring into existence *new slums* faster than, at great expense to our taxpayers, old slums are cleared, — to how great an extent should we do all this for the protection of the land speculator, whom the magazine HOUSE & HOME has termed[2] our "public enemy no. 1?"

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[1]See Chapter entitled "Urban Expansion, Will it Ever Stop?" by Dr. M. Mason Gaffney, in U.S. Department of Agriculture Yearbook for 1958, p. 521.
[2]Editorial, June, 1958.

How can such a *caricature* of the incentive principle help us demonstrate the superiority of the private enterprise system over communism?

To *increase substantially* the tax on land values prevents holding good land out of use. With more land available, the rents that must be paid for land are lower and the sale price of land is lower.

To take taxes *off of* houses, encourages the building of houses and so makes housing cheaper. There is then greater incentive, also, to repair, paint, recondition and modernize slum dwellings and blighted commercial structures.

To spend vast sums — billions of dollars — in slum clearance and in Federal housing projects, has indeed been described as "liberal." And members of Congress who vote for such expenditures are sometimes referred to as "liberals." "Labor," as we have noted, seems now to be demanding this.

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 who are, in large part, wage earners.

(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 man-made capital and correspondingly *raised* on site values, would go far to prevent the development of blight and slums in the first place. Of this there is *impressive factual evidence.* But instead, we let these evils become almost insufferable and then levy *additional* taxes, drawn in considerable degree from *wages,* to pay 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. Yet it appears that our labor leaders are asking for this!*

If the Federal Government is to aid at all in slum clearance without, in effect, *bribing* state and local governments to maintain a slum-producing tax system, such aid must be *conditional.* The Federal Government — *which has the chief responsibility for protecting us all against potential foreign foes — certainly should not* have to *spend billions* of dollars recurrently, *decade after decade,* to clear up slums that have come into existence largely because of inept state and local tax policies. Least of all should it do so in a tense and strife-threatened world. Instead, it may properly insist and *ought to insist* that *no money* shall be made available for slum clearance *except* in those states and cities which will put into effect and keep in effect a local tax policy that operates to *prevent slums* by making them unprofitable and that encourages their restoration to good condition by *private efforts and expenditures.*

Certainly it is *not* unreasonable thus to discriminate against states and cities that are unwilling to put such a tax policy into

effect. It has, indeed, long been customary for the Federal Government to make funds available for specified purposes, to states which will themselves match these funds with contributions of their own, and yet *not* make funds available to states that refuse or merely neglect to match them. And if there is *any* type of Federal aid which, if given, ought to be given *only* conditionally, certainly slum clearance is such a kind or type. If aid were available only under the conditions here suggested, states and cities would be encouraged to follow a tax policy that does *not* lead to the evil consequences for labor — and, indeed, for most of our citizens — which stem from current tax policy and practice. If labor leaders would seek only this kind of Federal aid, they would be truly serving labor instead of *working against* — even though unwittingly — *labor's interests.*

Pennsylvania's Legislature Points the Way

By legislation passed in 1959, any of the 47 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 fact is that, "although few of them, if any, are aware of the fact, a land value tax, *within the limits of what it can yield,* is *more advantageous* to workers *than the most sharply graduated income tax.* And *this is true even for those workers* whose exemptions are sufficient so that they *pay no income tax at all.*" See page 80 of 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 also, on pages 77-78 and 88-89, the criticism of a most unfortunate — if not, indeed, a fatal — oversight in Keynes' depression and "liquidity preference" analysis.

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 . . ."