

# FIGHTING COMMUNISM IN ASIA

Yet Simultaneously

## HANDICAPPING PRIVATE ENTERPRISE AT HOME

By HARRY G. AND ELIZABETH R. BROWN

(Dr. Brown, Professor Emeritus of Economics, University of Missouri, is author of *The Economic Basis of Tax Reform*, etc. Mrs. Brown is author of *How College Textbooks Treat Land Value Taxation*.)

When Congress convened on January 10, 1966, the question arose: "How much to be pumped into the war in Viet Nam and how much to further President Johnson's 'Great Society' program at home." Perhaps, then, the present juncture will be favorable politically for ending — or at worst *greatly reducing* — federal subsidization of housing and slum clearance. For such subsidization is an excessive and unfair burdening of federal taxpayers in order to offset, in part, the evil results of anti-incentive local taxation. There is plenty of factual (including statistical) evidence that if it were not for such anti-incentive taxation, private enterprise could do a far better job of providing good and low cost housing than our local tax policies have ever allowed it to do. The effective remedy, tested by its results in a number of countries, is to reform our real estate tax policy so as to exempt buildings and other improvements, and secure the necessary revenue by increasing the tax rate on land values.

If our real estate taxation policy were changed so as to exempt improvements and increase the tax on location values sufficiently to secure the same total revenue as before, most real estate owners would find their tax burden reduced. But many real estate owners simply do not know the facts.

A land value tax (or, as some prefer to call it, a location value tax) policy, although it does mean a higher tax on land values, means no tax at all on buildings and other improvements. This fact alone means that many owners of real estate — because their improvements are worth so much — will find their total real estate taxes appreciably lower if only land value (or location value) is taxed and improvements are tax exempt.

But even if the value of an owner's land is so great and the value of his improvements is so little, that he believes a land value tax policy would increase his total *real estate* tax burden, he may still gain by this policy. For such a policy would probably *reduce* his income tax and/or other federal taxes on him. So it may be very foolish of him, as regards his personal gain or loss, if he fights against a land value tax policy.

For unless there is a land value tax policy, there will continue to be millions of vacant lots held out of use for years — and even for decades — in the hope of speculative gain. This artificially induced scarcity of available land, must inevitably make housing more expensive. Then the Congress attempts, via subsidized housing, to bring down the high cost of housing for those whose incomes are so low or who are so old, as to qualify them for such housing. But this increases the burden of federal taxation imposed on wage earners, on investors in factory (and other) equipment and also, of course, on owners of income-yielding real estate. Do *real estate owners* wish to have this additional federal tax burden imposed on them? Will not the total tax burden of many such real estate owners become appreciably greater than it would be if the local real estate tax were on location value only and if, therefore, the cost — in the billions of dollars — of federal subsidization were avoided?

(Over, please)

Here we should note that money spent by the Federal Government in purchasing land for federally subsidized housing, tends towards higher land prices and thus increases still further the cost of private enterprise housing.

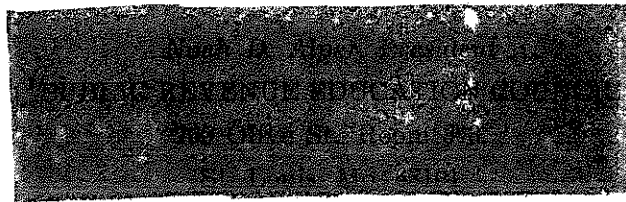
Furthermore, unless there is a state and/or a local land value tax policy, our local real estate tax policy will continue to *punish* slum owners with higher taxes if and whenever they improve their tenements and so make them less slum-like. And our local real estate tax policy will continue to *reward* them by reducing their taxes, if they permit their tenements to become still more slum-like. But such conditions increase the hue and cry for federal slum clearance and redevelopment; and the cost of such undertakings must be paid by those who are subject to federal taxation. This means that owners of real estate which yields them an income will have to pay higher taxes on that income.

So it is not only wage earners and investors in industrial capital, who are losers from an increase of federal taxation necessitated by federally subsidized housing. Many owners of income-yielding real estate will also lose.

Federal subsidization of housing, and likewise federal subsidization of slum clearance and redevelopment, as at present carried on, involve utterly unjust government exploitation of taxpayers. If there is or can be any justification at all for such federal subsidization, it ought certainly to be a *conditional* subsidization, limited to those states and cities willing to adopt a tax policy (1) that will *not* encourage the speculative holding of land out of use, and so will *not* hold up the price of land and the cost of private enterprise housing; (2) that will *not* breed blight and slums by punishing with higher taxes any slum owners who improve their property and rewarding with reduced taxes any owners of slums or other buildings who let them become less fit to live in or to work in, and (3) that will *not* discourage by taxation either new construction or the repairing and/or improving of depreciated property.

As things are now and as they have been for far too long, federal taxpayers are obliged by federal legislation to pay the cost for what is, in effect, *bribing* the state and local governments, *not* to follow a policy that would encourage improvements, increase the incentive for investing in productive capital, minimize blight and slums, and increase the productivity and earning power of labor.

Thus, in this critical era of ideological conflict between capitalism and communism, and when it is costing our people — including owners of real estate! — billions of dollars to finance a war against communism in Asia, we insist on maintaining in our own country a miserable caricature of what capitalism could be at its possible best. How can we afford to do so? Is this the way to win over the peoples now tempted by communism?



**Harry Gunnison Brown**  
**403 South Garth Avenue**  
**Columbia, Mo. 65201**