

HOUSING, INDUSTRY AND THE COLD WAR
The "Liberal" Policy that Hurts Us in All Three

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

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.

In other words, industry, private enterprise housing and slum clearance are discouraged not only because we tax capital too much, but also — and this is far too often overlooked — because we fail to tax land values enough.

According to Advance Release No. 3 for 1957, of the U.S. Census of Governments, there were then in our cities nearly thirteen million vacant lots (not counting parking lots), 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! Inevitably such speculative holding makes land costly for those who need it. How could the result be anything else?

For this reason as well as because of our heavy taxation of buildings and other man-made capital, rental housing certainly costs more, the acquisition of home ownership costs more, well located land costs more for the young farmer and likewise for any other business, saving and investment in the construction of capital are penalized, labor is less well provided with both land and capital and so is not able to produce so much and earn so much, and slums continue to proliferate.

How, therefore, can we self-righteously tell the peoples of other countries to reform their land

and tax policies so as to stave off Communism? Where did we get the idea that it is only the "benighted" peoples of other countries that suffer from an exploitative land (and tax) policy or system and that we do not?

In Drew Pearson's syndicated column of March 12, 1962, on "Troubled Times Ahead in Colombia," he tells of a secular Catholic priest who directs a radio literary broadcast through which more than 200,000 peasants have learned to read and write. He quotes the priest as saying: "We usually receive the very first letters that campesinos write when they have mastered the art — and hundreds of these are expressions of unbridled hatred for the landowners who have exploited them all their lives."

Contemporary landlordism can indeed mean exploitation of peasants who work on farms. But it is a ridiculously narrow view that sees exploitation by landlordism only in rural areas. Contemporary landlordism works injury also to millions who live and work in cities and who, because of it, are not able to earn so much, must pay more for a place to live, and are forced to live, often, in the slums that our land and tax policy breeds. In our increasingly industrialized and urbanized world, vast fortunes stem from ownership of city land as, indeed, also from ownership of valuable subsoil deposits. Nevertheless, it appears that most "liberals" who profess to want "land reform" have in mind only some sort of "agrarian" reform!

In his column printed December 15, 1961, entitled "Time is Running Out for U.S. in Latin America," Mr. Pearson commented: "In the territory to which President Kennedy is flying . . . storms are brewing which are certain to wreck the gold and glittering civilization of the Spanish landowners who still govern Latin America." And he went on to say that if those storms "succeed in sweeping over Latin America, that vast continent will go Communist without any effort or encouragement from the Kremlin." Continuing, he made dramatic reference to "the big estate owners, the oligarchies which have ruled most Latin countries since the days when the grandees of Spain received huge grants of land from their king" which they have "tenaciously held on to . . . ever since."

But then comes the anti-climax, a non sequitur if ever there was one. For what Mr. Pearson believes we should do — will the Kennedy adminis-

tration follow any better policy? — is persuade the Latin Americans to "impose income taxes somewhat comparable to ours." Although the evil especially emphasized is the vast landed estates of the privileged few, there is no suggestion that heavy taxation of land values would be in any way desirable. Instead, the Latin Americans should be asked to tax incomes, regardless of source, as we do. They should therefore, presumably, take as big a per cent in taxation from an income earned by labor or from an income yielded by capital brought into existence by labor and saving, as from an income derived from land ownership, as such. If common folks are exploited by landowners, our government should, in this view, advise a tax system that penalizes efficiency and that penalizes capital formation but does not penalize the holding of vast quantities of land unimproved or under-improved, in the hope of speculative gain!

Nevertheless, the difference between income from man-made capital which can come into existence only through saving and investment, and income which one can receive because he can charge others for his permission to work on, to live on and to draw subsoil deposits from the earth, in those locations made relatively desirable through geological forces and community development, — this difference is fundamental and profound. Because our tax policy ignores this difference, we are continually putting barriers in the way of low-cost private enterprise rental housing, barriers in the way of acquiring ownership of one's home, barriers in the way of increase of capital equipment, barriers in the way of high productivity of labor and high wages; and we are encouraging the proliferation of blight and slums. By ignoring this difference, we lessen the efficiency of the private enterprise system in which we pretend to believe and thus seriously handicap this system in its competition with Communism. Because we ignore it and because most of our leaders do not understand it, we are unable to advise the peoples of other countries how best to get rid of their oppressive and exploitative land systems and to prevent — or, at the very worst, greatly minimize—the evil of blight and slums.

We can, indeed, point to the fact that an economic system based on Marxism must be regimented. Because Marxism regards private enjoyment of income from capital as robbery of labor, a Communist government cannot permit it. Thus the incentive for voluntary saving and investment, to bring capital into existence, is taken away. And since capital — buildings, planted fruit trees, machinery, locomotives, steamships, trucks, etc. — is necessary for effective production, government has to see that new capital is brought into existence and that depreciated and obsolete capital is replaced. Hence industry must be socialized and saving must be compulsory.

But our own tax policy draws heavily on the

yield of capital, thereby penalizing the voluntary saving and investment on which we chiefly depend for the capital we need. And the net return to labor and capital from industry is further reduced by the artificial scarcity of land that results from the speculative holding which our tax policy encourages. It is to be noted, too, since the Federal Government does not tax land values, as such, that every "liberal" Federal expenditure which enables local governments to hold down or to reduce local taxes, encourages still further the speculative holding of land out of use. Hence, the further we go in this direction, the nearer we get to the point at which owners of land can hold it out of use year after endless year, with no tax penalty at all! Thus the strangulating effect of land speculation will be accentuated.

How far can we go in the direction of untaxing land values and increasing the tax burden on capital and income from capital, before complaints arise that private enterprise saving (voluntary saving) is not providing us with the capital we require and that government must provide it? Already a number of our own states have legislative provisions for using public funds to pay for — or partially pay for — the construction of factories to be used by industrial concerns. Insofar as any funds so used are raised by taxation, do not we, too, like the Communists of whom we profess disapproval, have compulsory saving?

In a consistent private enterprise system, anticipation of gain from individual saving and investment makes it possible for us to rely confidently, for the capital we need, on voluntary saving. But no such advantage is realized or can possibly be realized from allowing large incomes to landowners, as such, — incomes that landowners are able to enjoy because they are in a position to charge others for permission to work on, to live on and to draw subsoil deposits from the earth. The anticipation of such incomes is definitely not an incentive that increases productivity and the general welfare. Instead, it is, as we have seen, a cause of land speculation and the consequent scarcity of available land, a cause of higher housing costs, a cause of blight and slums and an influence tending to keep down productivity, profits and wages.

If we — including our chosen leaders and spokesmen — could and would recognize the radical difference between income from man-made capital and income from land, we could make an appeal to the peoples susceptible to Communist propaganda, that would be logically unanswerable and that could inspire widespread enthusiasm. If we cannot or will not make this basic distinction, and apply it to our own tax policy, we shall continue to be badly handicapped — and subject to continued suspicion — in many of the countries we seek to save from Communism.

In Ralph McGill's syndicated column of February 24, 1962, entitled "Robert Kennedy's Superb Success," there is especial reference to Mr. Kennedy's "best performance" as being "one which pitted him against the 39-year-old secretary general of the Marxist Socialist Party of Japan." Mr. McGill quoted the Attorney General as saying: "You know the United States as run by this administration is not made up of imperialists and capitalists. Did you gather that from Labor Secretary Arthur Goldberg, who came from the steelworkers union? Or from a country which has . . . passed the biggest housing bill in history?"

But doesn't it appear strange that so prominent a member of the administration should use as an argument against a Marxist - who therefore believes in socialization throughout the economy - an American housing bill which itself provides for a great deal of socialized housing?

Furthermore, this "biggest housing bill in history," though constantly touted as "liberal" legislation, brings not benefit but substantial injury to the average citizen and to the average and below average wage earner. For the spending of billions of dollars in slum clearance and in Federal housing projects

(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 land 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 - which are certainly drawn in considerable degree from wages - to pay for slum clearance.

(3) Definitely tends to raise the price of land, because of the purchase of slum land and other land by the Federal Government and the consequent anticipation that such purchasing will continue. Thereby it makes non-subsidized housing more expensive than before and makes home ownership more difficult to achieve.

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 on the putting into operation of a local tax policy that prevents the development of slums by making them unprofitable and that encourages their restoration to good condition through private efforts and expenditures. For 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. And least of all should it do so in a tense and strife-threatened world.

But it is not only "liberals" who are confused. What about conservatives who say they want to "get government off our backs" and who are sharply critical of political leaders whom they describe as "soft on Communism?" It is indeed amusing - or would be, were it not so tragic - that such conservatives have no word of adverse criticism for a local tax policy which, by lessening the incentive to save and to invest in capital and by encouraging the land speculation which operates as a barrier to production, definitely decreases the efficiency of our private enterprise system. If this is "conservatism," then "conservatism," as well as "liberalism," plays into the hands of the Communists.

In his column of March 24, 1962, Ralph McGill commented:

"In Asia, Africa and South America our aid in recent years has served merely to widen the gulf between the haves and the have-nots. The inescapable presence of new wealth side by side with the squalor of city slums and rural villages has embittered millions and made them more susceptible to Communist propaganda."

And so, at a crucial point in history, when we are faced with the contemporary struggle for men's minds between capitalism and Communism and when capitalism is threatened as never before in the lifetime of any of us, we are completely unable to hold up before the exploited and underprivileged of the countries most susceptible to Communist propaganda, the truly inspiring potentialities of a consistent private enterprise system, - one that would not "harness the profit motive backwards." And the reason we cannot do this is that most of our people, including most of our chosen leaders and spokesmen, do not themselves understand what such a private enterprise system is like and how, therefore, to realize it even for ourselves.

Single copies of Housing, Industry and the Cold War are free.

2-11 copies, 10¢ each; 11 to 19 copies, 7½¢ each; 20 copies and over, 5¢ each. Postage prepaid. Public Revenue Education Council.

IN APPRECIATION

The Public Revenue Education Council is pleased to express its thanks to Dr. Harry G. Brown, and to his wife, Elizabeth R. Brown, for this and numerous other articles which we have used in our publications. Dr. Brown, Professor Emeritus of Economics, University of Missouri, has argued cogently and consistently over the years for these two benefits:

1. The abolition of taxes on Capital.

See next page -

There is a large and increasing amount of factual material, partly descriptive but also much that is definitely statistical and most convincing, on the efficacy of the land-value tax policy. The factual evidence is so compelling that the lack of any mention of it by nearly all of our leading journalists and politicians seems hard to explain. It is high time that those who are considered to be our leaders and spokesmen, familiarize themselves with the available data. Otherwise many or most of them may come to be widely regarded as the economic illiterates they truly are.

**TAXING LAND VALUES AND
EXEMPTING IMPROVEMENTS**

What's Happened Where This Has Been Tried

By

Harry G. and Elizabeth R. Brown

See also - by the same authors -

**THE EFFECTIVE ANSWER TO COMMUNISM,
and**

Why You Don't Get it in College

(100 pp., paper-back, pocket size, 25¢)

The late Professor Glenn E. Hoover of Mills College said 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) chose as the heading for its review of the book:

A Conspiracy of Silence

Smothers the Answer to Communism

Copies of - -

- (1) **Taxing Land Values and Exempting Improvements - What's Happened Where This Has Been Tried (Free)**
- (2) **The Effective Answer to Communism and Why You Don't Get it in College (25¢), can be secured from the:**

Public Revenue Education Council,
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St. Louis 1, Missouri

IN APPRECIATION - Contd.

2. For increased public collection and use of the publicly created rental value of land (land value taxation). We believe these principles are directly dictated by the well known "cause and effect" patterns of economic science.

Dr. Brown has written numerous articles and books and lectured extensively in the United States and Canada on the subject of public vs. private revenue, and other and diversified economic subjects. We have no hesitation in saying that, in our opinion, had there been a few hundred more professors of economics as objective as he who based their discussion of public revenue on basic economic science principles, rather than on the more superficial concepts and reasoning which conform to inept public thinking and politically protected customs which

should have been overthrown years ago, our country would not now be suffering the plague of expanding Welfare Statism. Knowing of the efforts of Dr. Brown to bring about such "correct thinking" in spite of the unexplainable resistance in many institutions of higher learning to the above principles, we hope that we can one day do more to honor this outstanding and freedom-loving American economist.

Noah D. Alper,
President,
Public Revenue Education Council

**WE SHOULD ENCOURAGE - NOT UNFAIRLY
TAX - MODERN LANDLORDS**

History records few words that recall to the informed man more images of economic and social evil, past and present, than the word **LANDLORDISM**; evils that abounded in England, Ireland and Scotland in the past and that afflict many parts of the world today, even the United States. However, today, landlords provide amazingly fine services. We believe **EARTHlordism** is the word that best pictures the "ism" that now abuses **CAPITALism** or **Free Enterprise**. To explain this we reproduce below two sections of our pamphlet, "How to Raise Wages Without Raising Prices". (Single copies of this pamphlet free on request).

EARTHlordism

The term best suited to describe what in our economy does exploit people is **EARTHlordism**. The word **EARTHlordism** in no way suggests and has not been associated with improvements and services. **EARTHlordism** is a system which denies people equal, or economically equalized, right of access to land; and which, in effect, makes the great majority of our people actually pay tribute to others like themselves for the right to live on and use the natural resources of Land, our common heritage. What we here call **EARTHlordism** is due to the vicious and destructive system of taxation that makes control of nature's offering unjustly profitable and produces much of the moral and economic decay of man. All this opens the door to **Communism**. Thus, it can be truly said, **EARTHlordism**, not **Free Enterprise**, Not **Capitalism** - fathered **Communism**.

**TO DEFEAT COMMUNISM TAKE
EARTHLORDISM OUT OF CAPITALISM**

UNLESS we free our **Free Enterprise** system from the parasitical and destructive influence of **EARTHlordism**, we cannot hope to win the cold war **Communism** now so vigorously and cunningly forces upon us. Handicapped as we are by the economic and moral errors we ourselves, and not the **Communists**, impose upon our economy, we are in great danger.

However, if we have the intelligence and courage to recognize the natural and economic science differences between **Labor**, **Capital-owners** and **Free Enterprise** on the one hand, and **Land**, **EARTHlords** and **EARTHlordism** on the other, we can defeat **Communism** hands down.

And, why not? We should never underestimate the intelligence nor overestimate the knowledge and information of our people. Given the basic moral, political and economic facts, they will refuse to buy any part of the low-grade, depressed economic, political and spiritual slavery offered by **Communism** as a substitute for what our system can be and must become. For, freed of gross and destructive **EARTHlordism**, **Free Enterprise** can provide our people with an almost endless quantity, quality and variety of products and services in steadily rising levels. Not only this, freed from **EARTHlordism**, **Free Enterprise** will assure a just and generous distribution of wealth and services as well. It will, not by making **Free Enterprise** work but by allowing it to work as it can and should, produce such good results as to possession of private title to land and to all truly moral private property placed on or in land by its producers; and assure its inheritance by persons and institutions chosen by them as well.

Scientific economic analysis reveals that **RENT-of-land** and **REWARDS-of-human-effort** (Wages and Interest-wages) are the only sources of public revenue. This means we can (and must) eliminate many of the massive variety of taxes now imposed on us.

Analysis also shows that human beings are best served by using **RENT-of-land**, not **REWARDS-of-human-effort**, to support government.

We are a non-profit, non-political, Federally tax-exempt institution, and we urge **IMMEDIATE UNDERSTANDING OF THESE IDEAS**. Correspondence is invited; financial support is urged.

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