



The US: haven from Poverty?

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NEW YORK

ONE YEAR LATER, Reaganomics is on the defensive. President Reagan's economic programme of tax cuts and budget cuts to revitalise the economy is running into trouble, with conservative as well as liberal critics. A recession is under way, unemployment is up, the tax cuts have not produced the increased investments that were anticipated. Wrestling with the budget has yielded a deficit of approximately 100 billion dollars and the national debt has reached a trillion dollars for the first time in history.

It is estimated that 90 per cent of the taxpayers will not gain from the tax cuts. Furthermore, the states are deploring the "new federalism" that reduces their financial aid from the federal government, thus requiring them to increase their own taxes.

There is also widespread criticism of the social costs of the Reagan programme. Too many people have become dependent on government payments and too much suffering is anticipated in the process of bringing down inflation. The economy has become accustomed to pervasive governmental involvement and redistribution, and this is not so easy to untangle as Reaganomics and supply-side economics so bravely supposed.

The unsolved economic problems lie deeper and remain mostly untouched.

BAFFLED ECONOMISTS, unable to diagnose the troubles in our economy would do well to look at the soaring price of land.

Two organisations in Washington have recently issued studies to this effect. The Worldwatch Institute reports that "the cost of land has been the single most important housing problem over the last decade." In 1949 the cost of land for a new home averaged 11 per cent of the price, in 1980 it was 23 per cent. In rapidly growing cities there were dramatic rises. Land costs quadrupled in San Diego and tripled in Seattle between 1975 and 1980.

The Homer Hoyt Institute issues a *Land Review* newsletter about land cost. A recent issue had the following story:

"A California land investor, David Michaelson, says his favourite story has to do with a downtown parking lot in Denver, which purportedly changed hands four times in 12 months, while the price increased by a factor of six. The hands all belonged to Canadians. Some Canadians bought it for \$100 a square foot and sold it 30 days later. Thirty days after that, the buyers sold it for \$250 a square foot. Then, those Canadians sold it in 90 days for \$400 a square foot, and the next buyer double-escrowed it and sold it for \$600."

Canadians own more agricultural acreage in the U.S. than any other foreigners. Would you believe that the

Dutch Antilles, Hong Kong and Liechtenstein are among the top ten foreign countries represented by ownership of U.S. agricultural land? High as land prices are in the U.S., foreign investors find them a bargain.

BANKS are in trouble these days. High interest rates are causing many of them to pay out more than they are taking in, and depositors are withdrawing more money than they are putting in. Numbers of bank failures are recalling shuddery memories of the 1930s, and big banks are gobbling up little banks. *Barron's*, a business weekly, offered this humorous advice to ailing banks:

"(1) Stretch out losses over the life of the auditor.

(2) Merge with another sick bank and change your name. That way, it could take twice as long to go under, and, in any case, your creditors will have trouble finding you.

(3) Go into the oil business."

As for (1), stretching out losses is already being practiced. In the case of (2), mergers and changes of name are certainly taking place. And (3) is not bad advice. While practically every other business rolled up losses in 1981, the oil business raked in lush profits. The banks, symbols of big bad capitalism, are showing themselves to have feet of clay. Better to have your feet in an oil well or some other natural resource.

NEW YORK has its full share of problems, with a deteriorating transit system, pollution, strikes, blighted areas, etc. But New Yorkers according to a poll taken by the New York Times regard crime as the most serious of all the city's problems. Indeed, crime has worsened and 1981 had the doubtful distinction of seeing more murders committed in New York than any other year – and 1982 started off at a good clip. Muggings and burglaries are on the rise, and the story is similar in other big cities.

There is a demand for more police, swifter trials, more severe punishment (including a return of the death sentence). But the judicial and penal systems are already overloaded. With crime at epidemic proportions, it's time to look at the social causes of crime and do something about that.

ILLEGAL IMMIGRATION into the U.S. continues at a steady pace. Mexicans cross the border almost uninterrupted, despite sporadic efforts to restrain them. Since their labour is available at low pay – but higher than they get in their own country – employers are not anxious to report or deport them.

A recent influx is from Haiti. Desperate to escape from grinding poverty and an oppressive regime, Haitians climb into frail boats risking their lives (indeed many have lost theirs) trying to get to the U.S. Their welcome is less than idyllic and they are herded into detention camps.

Nobody knows how many illegal immigrants there are in the U.S. – estimates run to ten million. Groups agitating to stop this influx might ponder the words inscribed on the Statue of Liberty:

"... Give me your tired, your poor,
Your huddled masses yearning to breathe free,
The wretched refuse of your teeming shore,
Send them, the tempest-tossed, to me."

Many Americans seem to have changed their minds about that, forgetting that America was a haven for their own forebears who were escaping poverty and oppression and looking for better opportunities.