

Herbert A. Simon
5818 Northumberland Street
Pittsburgh, PA, 15217

December 13, 1979

Honorable President and Members of City Council of Pittsburgh
Fifth Floor, City-County Building
Pittsburgh, Pa. 15219

Gentlemen:

The proposed tax increase submitted by Mayor Caliguiri with his Budget Message is concentrated on an 80 percent increase in the earned income tax, with no increase in the real estate levy on land.

I would like to comment on the recommendation and to express my own view, both as a property owner in the City of Pittsburgh, and as an economist who has had professional experience with urban problems.

Assuming that a tax increase is necessary, it is clearly preferable to impose the additional costs on land by increasing the land tax, rather than to increase the wage tax – the two alternatives open to the City. There are two main reasons for this. First, it is the use and occupancy of property that creates the need for, and the value of, the municipal services that appear as the largest items in the budget – fire and (most) police protection, waste removal, and public works.

Second, about twice as many people benefit from these city services as would have to pay for them if the earned income tax were raised. I refer to the thousands who work in the city but who leave it each evening for the suburbs, and who probably, with their families, outnumber the residents of the city. The average increase in tax bills of city residents will be about twice as great with a wage tax increase as with a land tax increase.

I think we all want to keep Pittsburgh alive and healthy, as a residential as well as a business and industrial center. We want families to stay in the city, and we want to encourage others to move into it. Asking residents to pay a wage tax substantially higher than is paid by their suburban neighbors (and it is already higher) works against that goal.

For all these reasons, I recommend strongly that the wage tax be maintained at its present level (or even be reduced) and that needs for additional revenue be met by increasing the land tax. Such a policy is sound economics and good common sense.

My teaching schedule at Carnegie-Mellon University prevents my personal attendance at the hearings scheduled on this matter for Thursday, December 13, 1979. In order that my views may be heard at the hearings, I am authorizing and requesting J. Craig Kuhn to read this letter and to submit it to Council on my behalf.

Very truly yours,
[signed] Herbert A. Simon

HAS/dps

This letter was read into the City of Pittsburgh Municipal Record on December 13, 1979, by former councilman J. Craig Kuhn. William Batt also found a PDF file of the letter, scanned from a photocopy, in Carnegie-Mellon University's archives of Herbert Simon's writings. This transcription is from that letter. -Dan Sullivan