

"Urban Renewal: Boon or Boondoggle?"

OVER \$10 billion has been spent by federal and local governments on a vast program called urban renewal, and the rate of expenditure is increasing. It is time to ask: has it worked?

When an area is declared an urban renewal project, the right of eminent domain is used to purchase existing real estate, which is then demolished, the empty land being sold to private developers. At least two-thirds of the cost—generally much more—is borne by the federal taxpayers. Obviously, new buildings are built and old ones torn down. That's a boon. But the boondoggle aspects can boggle the mind. For instance—

Subsidy to the Rich—Ordinarily, real estate developers have been clearing the land and improving it without government subsidy, and have found it profitable to do so. But developers in urban renewal areas get huge purchase and demolition subsidies—another example of the government subsidizing the rich.

Housing Destroyed—We are suffering from a shortage of housing in this country, yet the urban renewal program has exacerbated this shortage: for every new residential unit built, two residential units have been destroyed (and not all of them were substandard).

The Poor Suffer—By far most of the housing destroyed was low-cost housing (the residential housing replacing it rented at an average of \$195/month in 1962). The displaced millions tended to crowd into already overcrowded slums elsewhere. At a cost of billions, writes one observer, "the Urban Renewal Agency has succeeded in materially reducing the supply of low-cost housing in American cities."

Negroes and Puerto Ricans have been especially hard hit. They have

This is a condensed version of an address by Professor Steven Cord at the recent HGS conference.

numbered two-thirds of the evacuees, thus validating the cry that "urban renewal is Negro removal."

Relocation Injustices—Numerous studies show that the dispossessed move into equally bad housing or worse, at the same time paying higher rentals. Urban renewal officials have been making earnest efforts to rectify this: their record has somewhat improved lately and there are many individual cases where relocatees have not suffered. But if relocation is as beneficial as urban renewal advocates say it is, then why are slum-dwellers so opposed to urban renewal? And, asks Martin Anderson, if good quality, conveniently located, low-rent housing is available for relocation, "why then is it necessary to force these people out of their homes with a bulldozer? Would it not be far simpler, more just, and much cheaper just to tell them about the better homes available elsewhere?"

Forced relocation has its psychological hazards. Familiar neighborhoods are broken up, friends are scattered throughout the city, old people are forced to rebuild their lives among strangers.

Relocated businessmen suffer. They lose their customers and pay higher rents elsewhere. Thirty percent of the uprooted firms never reopen. Is this what we pay tax money for?

Private Enterprise Isn't Doing so Badly—Urban renewal advocates admit that the amount of substandard housing in the country did not increase from 1950 to 1960 (latest census figures available), although it is likely that there was an absolute decrease. But during the same time, millions of new housing units were constructed,

so that by anyone's reckoning, the *proportion* of substandard housing actually declined!

Have Our CBD's Really Benefited?

—Our central business districts are no better off if the new commercial construction in urban renewal projects would have occurred anyway, as recent studies somewhat indicate. If urban renewal construction increases vacancies elsewhere in the CBD, causing blight there, what's the good of that? Why pour water from one jar into another, and pay higher taxes to do so?

If our CBDs' are suffering because consumers prefer to shop in outlying shopping centers, then urban renewal projects are hardly likely to stem the huge tide. The consumer will be served, and why not?

The urban renewal program can hardly hope to reverse the trend: despite the billions spent on it, private enterprise has spent about 120 times more on new construction. We can't control an elephant with a toothpick in order to inconvenience the consumer.

There Is A Better Way—Apathy, however, is never called for. There is always room for improvement. Many urban experts are urging that the property tax be reformed so as to encourage private enterprise to *continuously*

renew our cities.

They urge that the tax rate on land be gradually increased while the tax rate on buildings be gradually decreased until perhaps there is no tax on improvements at all. This is called the Graded Tax. The city would get the same total revenue from this tax shift, but urban renewal would *continuously* take place.

How? By taxing land more heavily, we penalize underuse or wasteful use of land sites, a scarce commodity. If land were taxes, who could keep land out of use (or only in partial use), since there would be no income (or little income) to pay the tax? And by un-taxing buildings, we encourage construction and reduce operating costs.

On the one hand we force improvements to be made, while on the other, we make it more profitable to do so. The carrot-and-stick approach!

This is why the Graded Tax would lead to *continuous* urban renewal by private enterprise. If private enterprise has not yet provided enough new buildings to solve the housing shortage, maybe it is because buildings are among the most heavily taxed commodities in our economy.

Shouldn't our cities seriously consider the Graded Tax approach to urban renewal?



NEW RADIO SERIES IN LONG ISLAND

Another series of radio talks, "Conversations with Georgists," begins September 5th and will continue on Fridays at 8:30 p.m. on WVHC 88.7 FM. Subjects include inflation, government spending for housing and welfare, property taxes, unemployment, economic liberty and privileges. The issues are presented from a Georgist point of view—examples used are contemporary and timely. Stan Rubenstein, HGS director in Long Island, acts as moderator with two or three Georgists in unrehearsed conversations. Faculty members from Long Island will be included in the taped programs, also Arnold A. Weinstein and Lancaster M. Greene of New York.

Results from the previous series were gratifying, and these programs will also be submitted for syndication through the National Educational Radio Network.