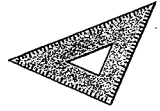


*Fair divisions of the tax dollar and fair land policies could combat slums, reduce need for federal subsidies.*

## Taxation—a Tool



**O**NE-FIFTH, or nearly \$100 billion of the estimated \$504 billion gross national product of the United States last year represented government purchases of goods and services. The federal government spent \$53 billion of this \$100 billion, the major part for national defense; the 50 state and 115,000 local government units, including mosquito abatement and school districts, spent the remaining \$47 billion.

In 1913 only 27% of the combined federal, state and local government purchases of goods and services were by the federal government. Today the relative federal share has doubled. Last year \$6 billion that went back to state and local governments came from federal grants-in-aid.

There is an unfair division of the tax dollar among levels of federal, state and local government. What are even more unfair and unwise, in my opinion, are our tax policies in relation to land and improvements.

Today cities subsidize slums by undertaxation and penalize improvements by overtaxation. Local

**KARL L. FALK, president  
National Association of Housing and  
Redevelopment Officials**

governments subsidize land speculation by underassessing and undertaxing underused land, while the federal government benefits speculators and slum landlords by giving them income tax breaks.

Allowing local option on differential taxing of land and improvements would be one way of penalizing slum ownership and rewarding home improvement without the use of extensive federal government subsidies and programs.

Code enforcement is another step, but it never will be effective until the profit is taken out of slums by taxation.

Fairer local tax policies, still yielding the same total revenues, would be at least one reasonable tool. High land costs, which are the biggest bottleneck to low- and middle-income housing, could be brought down and a considerable part, if not all, of the slums could be eliminated by more courageous use of tax policy at the local level without the need for federal aid.

Excerpted from an address before the 6th Working Conference on Urban Renewal.