

One Reason We Have Slums

The Tax Structure Penalizes Upkeep of Property

By Raymond Moley

While the doctrines of Henry George and other tax reformers seem to have faded into the past and are largely forgotten in the calculations and teaching of economics, the new policies of urban renewal bring those ideas into sharp focus again. Henry George lived in a predominantly rural civilization, but his ideas have a permanent value and their reconsideration was never more necessary than today.

Embodied in that philosophy was the concept that since land on Fifth Avenue is physically no better than land fifty miles away in the wooded Hudson Valley, its greater sales worth must be due to the fact that many people are living in the city. Therefore, there attaches to prices a "social" value created by the community. And that value should be taxed to help support the public needs of the city.

Those who hold city real estate with little interest in its improvement are thus speculators who contribute little to the interests of the community. And if, as is necessary, there is to be urban renewal or redevelopment, the unearned increase in values should be squeezed from speculative profits. Thus it would be less necessary to tax not only those who have built improvements but the generality of taxpayers.

In a study just completed in New York City by a special committee on tax policies organized by the Citizens' Housing and Planning Council, some very interesting facts are developed.

The committee started with the self-evident fact that New York, just like all modern American cities, needs more and better housing for its people and that such housing should supplant slum properties. There should be action to create that housing. But the committee found that since the assessments and hence the tax burden on unimproved slum property are far lower than on improved property, the speculative values of such unimproved property have risen. It is a curious fact, then, that those who make improvements are punished. Government thus puts pressure on landowners not to do what the government wants done.

But to provide better housing and to improve the face of the city, state and Federal governments break through the situation by pouring our vast sums of money, largely Federal, to induce or to create improvements. So the government buys the land

and sells it to the developer. The committee study found that the government paid \$103,475,040 for twelve projects, but then sold the property to the developer for \$22,721,303. The government pays 70 per cent above the values at which the same government has assessed the property. This low assessment on unimproved land means that to support the city, more must be raised on improved property. There is neither common sense nor justice in this.

For example, there are two pieces of real estate with a frontage of a block each on Fifth Avenue. They face each other and are of equal attractiveness. When, until recently, both had buildings dating back to the Nineteenth Century, the land under them was appraised at \$5,000,000 each. But a private builder bought up one and built a tremendous office building. Nothing happened to the other. In the present appraisal, the man who built the office building has had his land assessed at \$15,000,000, while the other side still pays on \$5,000,000. Thus the man who built the big office building is penalized for doing something to improve the city, while the do-nothing owners pay the same as before.

A major remedy recommended by the committee is an overhauling of assessment policies. Also, to induce owners of undeveloped property to make improvements, it is suggested that such improvements should be exempt from taxation for a specified number of years.

A rational move of this kind would certainly lighten the immense burden on the Federal budget as well as promote the rebuilding of our cities.

The Public Revenue Education Council offers Citizens a more concise and accurate understanding of the problem of Public Revenue than most tax-information organizations. Some of its most basic facts are:

1. TAXES are not SOURCES of Public Revenue;
2. Regardless of the number of kinds of taxes all draw from one, or the other (or from both) of two basic SOURCES; and,
3. That the use of one SOURCE helps, while the use of the other harms, the people, the economy and the nation; that the use of one assures, while the use of the other, prevents, more successful anti-Communist efforts.

We reprint the accompanying articles because they give information and facts important to encouraging the use of Correct rather than Wrong-Source Public Revenue. Free information and literature will be sent on request. (See inside, third page)

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