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Perspective

Tokenism II

by Raymond Moley

"TOKENISM," as I explained last week, is the term suitable to the practice of the three postwar Administrations in meeting the dilemma created by a rising tide of public expectations for Federal benefits on the one hand and a relatively inflexible Federal revenue on the other. Nothing much can be done by raising tax rates. They have already reached the point of diminishing returns. The Federal government is mortgaged to the hilt with continuing programs. The chance of a big rate increase in the gross national product is remote. Deficit financing would only create new expenses through inflation. That would be disastrous.

But people generally and pressure groups in particular, excited by reckless campaign promises, are pounding at the doors of government like unpaid rooming-house landladies.

There is no better example than in public housing.

President Kennedy's housing message to Congress portrayed a colossal need for new home construction. But the amount of Federal money he recommended as aid is a paltry payment on account.

REFORMS NECESSARY

A powerful portrayal of the facts was published in the April issue of House & Home, the major publication in the largest industry in the nation, housing construction. It states that the President's plan to subsidize 100,000 units would cover two-thirds of 1 per cent of the alleged need. Also, that another $500 million for Federal National Mortgage Association loans would meet one-third of 1 per cent. The amount recommended for elderly couples would meet one-half of 1 per cent of the stated need. And if, as the President says, "one-fifth of the occupied houses" in rural areas are hopelessly dilapidated, the amount recommended for their replacement and improvement would cover only 2 per cent of the stated need.

To encourage low-priced building and to provide Federal funds to buy reserve lands for future development, House & Home says, would do more harm than good.

Neither House & Home nor I suggest that the amounts recommended should be increased. That would be fiscal madness.

The real means of stimulating home-building should be four changes in existing laws and practices that would save billions in Federal expenditures and home builders' costs:

▶The FHA should prepare, service, and promote the adoption of a standard building code.

▶Eliminate the archaic system of title searching and other closing costs.

▶Stabilize the flow of mortgage money. Eliminate rate fluctuations.

TAX IDLE LAND

Most of all, vigorous effort is needed to cut down the inflated prices of urban and suburban land. Much of this inflation is due to the subsidies given by the Federal government to urban developments and to uneconomic farming. Squatters and speculators reap rich, unearned profits. The builder is penalized. Hundreds of millions of such unearned profits have been made in New York City alone. The President should give his moral support to and impose his influence on governors, legislatures, and mayors to make assessments equitable and to tax slums out of existence. At the present time the man who improves his land is penalized.

In the suburbs where land is available for new housing projects, the price of land has risen 300 per cent. This results in what is called "suburban sprawl," an ugly and uneconomical way to build an urban community.

It is suggested that if local governments refuse to reform assessments and fix taxes at a level which will drive out speculation, the Federal government might well impose a stiff ad valorem tax on the present inflated market price of land, such as was imposed during the first 100 years of the republic. This would almost certainly be constitutional if its proceeds were prorated back to the communities and states. Thus prices of vacant land would be deflated, and money would be made available to the communities and states. Federal outlays would be reduced, and there would be more housing. What the Federal government sadly lacks is ingenuity. It takes no imagination to spend money and make unredeemable promises.

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