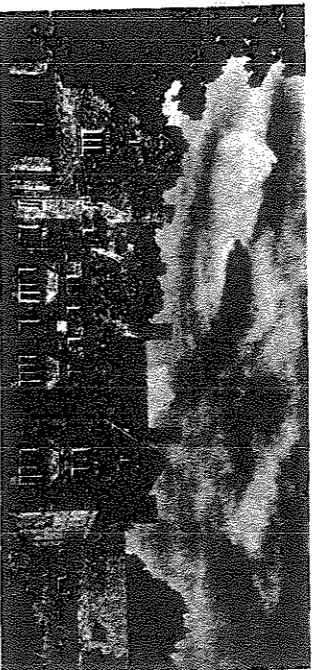


ECONOMIC NEWS

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Published by American Institute for Economic Research, Great Barrington, Massachusetts

VOL. VI No. 4

APRIL - MAY 1963

\$1 A YEAR

HOW TO MAKE SLUMS

That slums, or deteriorating areas in the Nation's cities, are breeding places for vice and crime seems to be generally acknowledged. That the spreading slums of America's expanding metropolitan areas may also be the breeding grounds for the vandals that in time will destroy our civilization is a disquieting thought, an idea by no means so fantastic that one is justified in dismissing it lightly.

Many well-intentioned people, within and without government, are determined that slums must be eradicated from the American scene. However, their way of solving the problem is similar to the method one might apply to cope with a natural disaster such as a hurricane or an earthquake. They rush to do something, the obvious thing of destroying slum structures and building others, as though that procedure must certainly solve the problem. Apparently, the thought that slums are being created faster than they can be destroyed never occurs to such good-hearted but ill-informed citizens. They never stop to ask in a particular instance, How does it happen that this slum exists?

We are convinced that slums are not natural disasters, slums are not like hurricanes or earthquakes except that longer time is required for the results to be seen. Slums are man-made; therefore, they present a problem that must be solved in an altogether different way from that used in coping with the effects of a natural disaster.

When a hurricane or earthquake destroys part of a city, the urgent desirability of immediately clearing the wreckage and rebuilding is obvious. But when a slowly spreading slum has become a blighted area of major proportions, the first step should be to seek the answer to this question: How does it happen that this festering sore of a blighted community exists; or, How are slums created? When this question has been answered, not only can the particular

slum probably be removed at minimum cost, but also the development of other slums can be prevented.

How Do We Create Slums?

In order to clarify what might otherwise be obscure, we invite readers to assume that they have become the elected managers of their respective cities. You are the city manager of Yourtown and have almost dictatorial power during your term of office.

First, reminding you that this is fantasy, we shall assume that you have the most evil intentions and that among your boon companions is a friendly devil who is amazingly astute, as devils presumably are. Below are some discussions between you and your devil friend held during the nightly excursions you and he have made around your city in search of more and better ways of achieving evil results.

"My friend," you said, "this is indeed a beautiful, in fact far too lovely a city. Since it was rebuilt after the great fire you kindled so successfully a few years ago, it has been reconstructed with more and better buildings than we had before. Can you not think of a more permanent way of creating a little hell on earth than merely burning a city? True, the effects of that conflagration were striking, but you will have to admit that they haven't lasted very long."

"Indeed," replied the devil, "I have been giving the matter serious consideration: I

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have a plan that will bring a more lasting hell to the midst of our city. The effects will not be apparent all at once, but they will be far more devastating than any fire.

Moreover, whereas a disaster such as fire or flood tends to cultivate the bonds of human sympathy among men, make them considerate and helpful to their fellows, my scheme will divide our fellow citizens in such a manner that those in the hell we shall devise will, in the course of time, become virtual savages prepared to tear down all that our better citizens can build. In short, we can even breed the new vandals that perhaps will in the end destroy present civilization if we follow my plan."

"You make it all seem so easy. What is this plan?" you asked eagerly.

"Here it is," said the devil, "I shall describe it one step at a time so that you can reflect on its simplicity and effectiveness; all truly great ideas are essentially simple, you know."

"We now are in one of the residential parts of the city, but it is an older section that was not burned a few years ago. The houses are somewhat crowded, but they once were occupied by some of the leading citizens. Do you notice that an occasional building could stand repainting?"

"Yes, of course, but what of that?" you replied.

"Simply this. You arrange with the tax assessors to raise the assessment and therefore the taxes on any building in the city that is repainted, or remodeled, or improved in any way. Moreover, caution them to assess at full value, or more nearly full value, any new building that is constructed. You know that the power to tax is the power to destroy, or in this instance to inhibit. If this procedure is followed assiduously, and your tax rate is high enough, you soon will observe the following results:

a. Throughout the older sections of the city, buildings will at first not be painted

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HOW TO MAKE SLUMS

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and maintained; then some will become dilapidated; and virtually none will be improved or replaced.

b. Into this area will move the poorer families of the city. They will gravitate to this locality, not because most of them prefer to live in a slum, not because their taste has become so depraved that they could not enjoy life elsewhere, at least not at first; they will come to live in this area because our clever taxing method will prevent or at least limit the remodeling or new construction of housing that these families can afford.

c. Then, given another decade or two, as children are brought up in these depressing surroundings, our city will first have increasing problems of juvenile delinquency; then the former juvenile delinquents will become competent criminals and racketeers; and everyone can see that we need only enough of these individuals to overturn civilization itself."

But you were not convinced that the friendly devil's plan was as excellent as he supposed. You asked, "Is that all there is to your masterpiece of evil calculation? I confess it has some interesting and perhaps effective features, but is that all?"

"By no means," friend devil replied. "In addition to taxing all improvements heavily, you must reduce the taxes on land values, especially on land values in the slum areas. As the original buildings deteriorate and the neighborhood becomes a slum, encourage the landlords to apply for reductions in their taxes. Instruct the city assessor to disregard actual selling prices of land in the slum area and assume that the assessed value of the land should decrease as the buildings on it deteriorate. Thus you will encourage the slumlords to hold their properties for speculation on the future growth of the city. You will combine the maximum of discouragement to improvement with the minimum of discouragement to land speculation. Even when buildings are condemned and closed as firetraps or are in danger of collapsing, they will not be replaced. The tax remaining will be so small that the owner will not be forced to sell to someone who might build. The owner, unless he is pressed for funds (and professional slumlords usually are not), will simply wait until the further growth of the city makes it practicable for someone to pay a price that will yield a tremendous profit. How large such gains may be can be seen by reference to the prices being paid today for land held by slumlords in areas to be redeveloped."

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scientifically warranted information and disseminate it broadly as well as train graduate students in the application of scientific methods to economic problems. (Economic News: Subscription price \$1.00 a year for 9 issues)

To Expedite Slum-Making

"I am nearly convinced that you have a useful scheme that will serve our evil purposes well," you said. "However, if you really put your mind to it, could you think of some improvements in it; perhaps ways of extending slum areas more widely or bringing the anticipated results more quickly?"

"Well," replied the devil, "I do know of a subtle modification of this scheme that has produced gratifying results. In parts of England, the principles I have mentioned have been carried to their logical extension. When a property becomes so dilapidated that it is no longer used, or even when the slumlord simply chooses not to rent it, taxes are canceled altogether.

Thus there is nothing to prevent the speculator from holding property off the market indefinitely. It is most encouraging to slumlords not to have that nagging annual payment, however small it might be. My friends abroad tell me that England has some of the most impressive slums anywhere to be found. Vast areas of London and the industrial midlands are such hells on earth that they put the subterranean master of our profession to shame. Think of it, he is the monarch of all that perpetuate fire and brimstone, yet he contrives only a brief sizzle as another soul enters his dominion, whereas the tax system and slumlords in England have developed a hell that lasts for a man's whole lifetime. It corrupts his children, and damns his earthly hopes. There is an achievement worthy of emulation by all who would foster evil wholesale instead of piddling around in the retail business of tempting individual souls to their destruction."

"Then why not try the same scheme here?" you asked.

Friend devil replied with some dignity, "I think you know me well enough to realize that neither lack of boldness nor any fondness for humankind have impelled me to suggest no more than I have. We must remember that you will be coming up for reelection in a few years. Anything that the public is accustomed to is accepted as right and just. Already your city is applying my scheme in substantial part; you need only tighten up a bit here and there, urge the assessors to seek more vigilantly for all improvements such as modern bathrooms in existing tenements, etc. If you introduced a completely new idea such as that applied in England, you might encounter resistance, because all new ideas are suspect as you know."

But you still were not completely satisfied; consequently, you questioned further: "Good friend devil, or rather friend devil (I do not mean to insult you), I see that you are right and I begin to understand how it happens that nearly all cities in the United States have their steadily growing slums. The scheme as you outline it is indeed convincing; but, I wonder, do you have any further proof of its soundness than the

obvious results of experience with it to date?"

"Yes," the devil replied, "I can offer the most convincing proof. In many cities of the world the opposite of my scheme has been applied. All improvements in those cities are exempt from taxation, and only the land values are taxed for all community expenditures. The results have been as follows:

1. Such cities have no slums worthy of the name.
2. Even the poorer citizens have no difficulty in renting adequate housing.
3. New construction is greatly encouraged; in fact, those cities, in Australia for example, seem to enjoy a never-ending progression of building and remodeling.
4. Industries come to those cities, because companies are taxed only on the value of the land they occupy (this value of course largely reflects the services provided by a city) rather than on their plants, equipment, and subsequent increase of those facilities.

5. Surprisingly enough, in many such cities where the landlords were the only citizens entitled to vote on land-value taxes, they voted for it. Although their taxes as owners of land were increased, the great benefit to the community of this method of taxation so increased the demand for land in the community that land values also rose."

"There is the proof that my scheme is sound," the devil insisted. "Apply it, and we get the slum hells we want; reverse it, and the slums are eliminated in a few short years at no cost to the community. What more proof do you need? Just keep the system we now have and accentuate its most effective features as I have suggested. Then you can rest assured that slum hells will keep spreading more rapidly than redevelopment programs can remove them."

* * * * *

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2. Shows there are only TWO BASIC SOURCES;
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Noah D. Alper, President,
Public Revenue Education Council,
Room 308 - 705 Olive Street,
St. Louis 1, Mo. CH. 1-4350

Can bigger US subsidies substitute for sound solutions of city snafus?

From an editorial in HOUSE & HOME, February, 1961, pp. 85-86

The whole case for federal subsidies rests on the assumption that the cities and towns have no adequate tax base to raise the money themselves. Said the Kennedy conference on urban affairs last October: "The basic cause (of urban snafus) is the inability of the American City, with its limited taxing power, to finance unaided the programs and services required to prevent decay." Said the Kennedy housing task force: "The federal government has largely preempted the sources of tax revenues."

This assumption is highly questionable. Fact is that under our form of government the biggest tax source of all, historically speaking, is reserved to the cities and towns — a \$250-billion-plus tax source that could easily afford to provide more added revenue than all the federal subsidies recommended by the task force will supply. The local governments present unwillingness or inability to tap this underused tax source for a big enough flow of money does not necessarily justify saddling the resulting tax deficit on the already-overburdened federal income taxpayers.

This biggest tax source, historically speaking, is land. As late as 1914 land carried nearly half the total tax load — local, state and national. Today the land values in our cities and suburbs add up to something like over a quarter of our total national wealth, but land is so undervalued and under-taxed that it pays less than one-twentieth of the total tax bill, and more than half that twentieth is deductible from the landowners' state and federal income taxes.

Under-taxation of land is the No. 1 reason most cities are in financial trouble. It is the No. 1 reason slums are still spreading despite the billions of federal subsidies spent to clean them out. It is the No. 1 reason city land prices are so high that private enterprise cannot meet the need for good low-income and middle-income housing in big cities without a big subsidy from someone. And the under-taxation of land leads to the over-taxation of improvements, so the under-taxation of land works two ways to perpetuate and retard urban renewal.

Under-taxation of land is also the No. 1 cause of suburban sprawl, the No. 1 reason cities are disintegrating instead of expanding in a planable way, the No. 1 reason most cities consume four times as much land as they use, the No. 1 reason billions of dollars must be wasted extending highways and streets and sewers and utilities past miles of underused land, the No. 1 reason suburban land and land development costs too much and therefore the No. 1 reason many good new homes may be priced out of the market.

Until cities and towns start setting their own tax house in order, pouring bigger federal subsidies into the city coffers will be pouring money down a rat hole.

The Eisenhower housing authorities learned in time the all-important truth that federal subsidies can do more harm than good if local politicians can use these subsidies as substitutes for local action; their real usefulness is to spur local politicians to develop a "workable program" for local action to earn the federal aid . . .

The following comments on the housing situation and "federal subsidies" in the United States are by Harry Gunnison Brown, Professor Emeritus in Economics, University of Missouri

SABOTAGING THE PRIVATE ENTERPRISE SYSTEM

It is indeed true that federal subsidies to housing "can do more harm than good." For the purchase of slum land and other land with federal funds — and the consequent anticipation that such purchasing will continue — must certainly help to RAISE THE PRICE OF LAND and to KEEP IT HIGH, thereby to MAKE NON-SUBSIDIZED RENTAL HOUSING MORE EXPENSIVE THAN BEFORE and to MAKE HOME OWNERSHIP INCREASINGLY DIFFICULT TO ACHIEVE.

Why did the Kennedy conference on urban affairs, and likewise the Kennedy housing task force, seemingly OVERLOOK ALL THESE POINTS? IS IT because they are OVERLOOKED, ALSO, in the ECONOMICS COURSES of MOST COLLEGES? For is this not the reason that EVEN COLLEGE GRADUATES WHO HAVE SPECIALIZED IN ECONOMICS are usually ALTOGETHER UNAWARE of the factual and logical basis of the importance of the conceptions made in the above HOUSE & HOME editorial?

The "New Frontier" in housing, IF CERTAIN ESSENTIAL CONDITIONS WERE EFFECTIVELY INSISTED ON, could save the Federal Government BILLIONS of dollars of needed — AND THEY MIGHT BE DESPERATELY NEEDED — funds and yet be the most notable step towards good and low-cost housing in our history. WITHOUT SUCH INSISTENCE on these essential conditions, the "New Frontier" in housing bids fair to

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Taxing Land

*Reproduced from
The Christian Science Monitor
April 25, 1961*

An Intimate Message

By Harlan Trott

SAN FRANCISCO

Many housing authorities, private and public, seem to feel that the enormous federal funds being earmarked for the cities to stimulate slum clearance, low-income housing, and urban renewal are only a drop in the bucket.

This outlook is being aired in California where the "population explosion" is exerting strains on housing beyond the ability or incentive of private enterprise to cope with. That word "incentive" is looming up here conspicuously, too, in a measure before the California Legislature designed to spark private initiative in this field. Right now it is holding hearings on a measure which, if eventually approved by the people and local governing bodies, can result in removing local property taxes from houses, building improvements and personal property. At this stage the proposal is Assembly Constitutional Amendment 43.

The measure is entirely permissive. It is enabling legislation. Under California law, local governments must tax land, improvements and personal property at the same rate. If the proposed amendment is adopted, localities will be allowed to reduce or remove the tax on buildings, and apply a higher tax rate to land value. This power is now available to cities in Pennsylvania, having passed in the Senate there unanimously and in the House with only three dissenting votes.

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Proponents of ACA 43 say the measure has three strong appeals: They claim if the idea is applied properly it will provide incentives to build and thus benefit the state's economy by spurring the building industry.

Second, the statement is made that it will bring tax relief to hard-pressed owners of improved property, mainly homeowners, but also including business and industry. Much talk has been heard in California of a property owners' "tax revolt."

Third, proponents say it adheres to California traditions of: (a) home rule; and (b) policies against the holding of unimproved land which is mentioned in the state Constitution in so many words.

The California Labor Federation has designated ACA 43 a "good" measure, and the proposal also has the support of some county assessors, city and state officials, and home builders.

A two-thirds vote is required in the Legislature to pass ACA 43 and make it a ballot proposition for the 1962 general election.

Something almost in the nature of a "crusade" is evident, too, in the nationwide attention which Pierrepont I. Prentice, Editor and Publisher of House & Home, leading magazine in the building field, is giving to the slowdown in the building industry.

A frequent visitor to San Francisco, the vice-president of Time, Inc., believes the high cost of land in the cities and suburbs is a major factor in the housing lag all over the country. For that reason he is keenly interested in legislation designed to take taxes off buildings and improve-

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SLUMS TO MAKE HOMES

PUBLIC REVENUE EDUCATION COUNCIL
Room 308 — 705 Olive Street
Saint Louis 1, Missouri

become the WORST FIASCO since federal housing began. For then it will amount to INCREASING THE BRIBE currently offered by the Federal Government to our local governments for continuing to maintain slum-producing policies and barriers to low-cost private enterprise housing. And this will mean that we are, at least in some degree, SABOTAGING the PRIVATE ENTERPRISE SYSTEM in which we pretend to believe, and thereby DIMINISHING both our ECONOMIC EFFICIENCY and our MILITARY POTENTIAL.

OUR UNPREPAREDNESS TO CHALLENGE COMMUNIST PROPAGANDA

If this is the limit of our understanding, how can we expect that America will be effective in saving the so-called uncommitted countries from communism?

In NEWSWEEK for May 22, 1961 appears the following comment on Iran:

The "first big need," as the Shah himself put it in his new book, "Mission for My Country," is land reform." The Shah himself has parceled out much of his family's once vast holdings to peasants but few of the country's feudal landlords - who own more than half Iran's arable land - have followed his example. "As a class," wrote the Shah, "the big private landlords are parasites."

Walter Lippmann in his newspaper column of the same date said:

In Iran, the revolution is a desperate attempt at the top, with the blessing of the Shah, to reform the regime before it is overthrown from below. The present revolution is not anti-Western, anti-American, or pro-Communist. But it may well be all of these things in the end if the reforms which it has begun do not go deep enough. The hour is late in Iran . . .

Our moral and intellectual unpreparedness for the reality of things is causing widespread demoralization among us . . .

And Iran is ONLY ONE of the countries which may go to the communists because of "our moral and intellectual unpreparedness for the reality of things."

According to the U.S. Census of Governments, in its Advance Release No. 3 for 1957, there are in our cities nearly thirteen million vacant lots (not including parking lots), enough to provide housing space for MORE THAN A THIRD of our entire population. INEVITABLY such speculative holding makes land MORE EXPENSIVE. How could the result be anything else? For this reason as well as because of our heavy taxation of buildings and other man-made capital, rental housing certainly costs more, the acquisition of home ownership cost more, well located land costs more for the would-be young farmer and likewise for any other business, saving and investment in the construction of capital are penalized, labor is less well provided with both land and capital and so is not able to produce so much and earn so much, and slums continue to proliferate.

How, therefore, can WE self-righteously tell the people of OTHER countries to reform THEIR land and tax policies so as to stave off communism? WHERE did WE get the idea that it is only the "benighted" peoples of OTHER countries that suffer from an exploitative land (and tax) policy or system and that WE do NOT?

If exploitative land systems do indeed breed communism - and they do - then are not we also, by our own policy and our example to others, making it EASIER for the communists to take over more and more of the earth? And have we not, in fact, a much poorer chance of winning the contemporary ideological conflict between capitalism and communism, if we continue to insist that our boasted private enterprise system shall be a miserable caricature of what it could be at its possible best? Might it not turn out that even for us, the hour is somewhat later than we had thought?

Warning that slums are spreading faster than new homes can be built to replace them, Mr. Prentice thinks we ought to find out "why the profit motive is harnesses backward, and why cities subsidize slums by undertaxation and penalize improvements by overtaxation." He says the No. 1 reason city land costs too much is because city land is "so underassessed and undertaxed."

Mr. Prentice points to the 1960 report of the mayor's special adviser on housing in New York. "The \$2-billion public housing program here has made no appreciable dent in the number of slum dwellings. No amount of code enforcement will be able to keep pace with slum formation until and unless the profit is taken out of slums by taxation."

Mr. Prentice insists that "if local governments are powerless to meet the problem, it is high time the federal government took a hand. A stiff federal ad valorem tax on today's market price of land (like the land tax levied five times in the first 100 years of the Republic) would offer the two-fold advantage of (1) deflating land prices . . . and (2) providing more than enough money to minimize the need and pressure for further financial assistance to state and local governments."

This former business manager of Fortune magazine adds that "a land tax is almost the only practical tax that can be counted on to lower prices and stimulate consumption instead of raising prices and inhibiting production."

Note: The article, "How To Make Slums," was originally published in the March 1961 issue of Economic News under the title of "Why Create Slums?" Thousands of reprints were ordered for distribution by readers of this publication. Under the title "How To Make Slums," this article was printed by the Public Revenue Education Council in the May 24-25 Saturday-Sunday edition of the St. Louis Globe-Democrat with a circulation of 350,000 copies. Reprints in small quantities can be had free on request.

Public Revenue Education Council
Room 308 — 705 Olive Street
St. Louis 1, Missouri