

Housing and Slum Clearance

At No Cost

There is a better way
to clean up these evils
than by spending
Tax-Payers money

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HOUSING AND SLUM CLEARANCE AT NO COST

For housing and slum clearance we are spending literally billions but, necessary as these undertakings are, it is inexcusable to meet their costs by political appropriations. *There is no necessity whatever for exacting funds for such purposes from the already overburdened taxpayers*, and abandoning political appropriations would bring the added advantage of not cluttering up the works with the waste, inefficiency and corruption which inevitably accompany political action. If we would use our heads these problems would be readily met by private enterprise and investment with profit rather than by unnecessary spending.

Housing and slum clearance are the responsibilities of the state and local governments, and for the national government to meddle with them is as unnecessary as it is unconstitutional. "Depressed areas," an accompaniment of bad housing and slums, are also a local problem beyond the constitutional limit of federal powers. It has been said by one high in public life that he opposes the extension of the powers of the federal government but that, if something ought to be done, and state and local governments fail to do it, then it becomes an obligation of the federal government. This we flatly deny for decisions of the necessity of action lie with the states. By our Constitution the powers of the federal government are rigidly defined and limited and it is especially stated that all powers not given to the federal government are denied to it. It is far better to let a job go undone than to permit any undermining of a most vital part of the Constitution. This limitation is a tremendous defense against tyranny and the loss of freedom. Woodrow Wilson well said: "The history of man's struggle for liberty is a history of the limitations of governmental power, not the increase of it . . . concentration of power is what always precedes the destruction of human liberty."

It is of the utmost importance to respect this demarcation between the functions of the national government and of the states. The greatest con-

tribution which we have made to political thinking is the sharp limitation on the powers of government and the recognition that government derives its power from the people and not, as is generally assumed in Europe, a reverse process of the national government granting rights and privileges to subsidiary divisions or to the people. This is a most essential feature of our Constitution, which was described by Gladstone as "the most wonderful work ever struck off at a given time by the brain and purpose of man." No national usurpation of functions constitutionally lodged with the state or with individuals should be tolerated nor can we justify such usurpations under the plea of "general welfare," for the benefit of any particular locality or class, racial or economic group is not "general welfare" but specific and exclusive. Housing and slum eradication are state and local questions and there is no possible excuse for national meddling, especially as the natural remedy already lies in local and state hands.

All that is required is a slight change in real estate taxation—a purely local matter—and it does not necessitate either cutting or increasing the tax levy. It is necessary only to impose our present taxes on real estate in a rational way which will encourage and promote that which we want and discourage and hold in check objectionable operations which block progress. Put an end once and for all to the taxation on buildings and comparable improvements and impose the entire tax on site values.

Such a change would automatically make it profitable to build, to improve real estate, and to replace slum buildings and plague spots with modern construction. As it is today, we penalize all improvements in our city by a tax so heavy that often it does not pay to build. In fact, our tax policy often makes it profitable to tear down good and serviceable buildings, which are being razed all over the country for no other reason than to cut the tax bill.

The program proposed, although it should go all the way, need not be put into full effect at once. To allow time for adjustment and new building the change might be made in five or ten years, reducing the levy on improvement values by ten or twenty percent and increasing the tax on land values proportionately.

The philosophy underlying this tax change is clear. Tax the things we don't want and untax the things which we must have. Make it to the interest and advantage of the property owner to use his land and to erect needed buildings upon it. Frame our tax system so that it will pay to build decently and generously and make it unprofitable to preserve old ratteries and rookeries breeding disease, delinquency, fire and crime. Do not scold or punish landlords for their shortcomings, but get off their backs and cease compelling them to perpetuate hazards and nuisances.

Private enterprise is at great disadvantage today. Not only is there almost prohibitive taxation but it is also discriminatory, for public housing is generally granted exemption while competing private enterprise must meet this burden, and public developments often have the advantage of eminent domain.

Incidentally the program brings another real benefit for it would hold down rents while at the same time it would benefit landlords. It is generally agreed by economists that a tax on buildings is passed on to the tenants, for if it is not, there will be little or no building until the rent can be raised. A tax on site cannot, however, be passed on to be re-collected in this fashion and must come finally and positively out of the landlord's pocket. Nevertheless he gains for the opportunity to improve his holdings, and put his land to profitable use, without incurring any additional tax, more than compensates for the relatively small increase in the tax on sites.

The explanation of taxes on buildings being re-collected while taxes on sites cannot be lies in the fact that rent paid for the occupancy of a building must cover all its costs including taxes. The rent of a building is automatically adjusted by the law of supply and demand and there must be an active demand at a figure which will compensate the landlord or building will cease and the supply of housing will be reduced.

In the case of land it is entirely different. The supply of land is absolutely fixed and the price which it commands is determined by demand alone for that is the only variable. Regardless of the tax on land the rent will be fixed at all the traffic will bear with no regard whatever to costs and, if the landlord cannot collect this return, his only recourse is to put the land

to some other use, to sell to another who can use it more efficiently or to throw it back on the city for non-payment of taxes.

This point may not be at first apparent but possibly it may be illustrated by a simple example. In the case of a parking lot, what the owner can collect depends not on his costs but simply on the demand. It is fixed by the number of cars on the streets, the congestion, the availability of other places to park, parking regulations and a lot of similar factors but not on costs. The lot owner will charge all he can get regardless of what expense he may be put to and if he cannot collect on this basis his only recourse is to use his lot for some other purpose or to sell it. Therefore the change would better conditions both for the landowner and for tenant and we could put an end to "rent fixing" which is always objectionable and often disastrous.

When any change is proposed, especially in so touchy a matter as taxation, there are always a few standpatters who raise objections so let's consider them. There are some questions often asked: always we get the "poor widow" argument, that it is a hardship on her to be compelled to part with, or pay a heavy tax on, the old home with its precious memories. Should her humble little homestead be taxed as much as the adjoining property occupied by a twenty-story building?

No matter what we do somebody will probably be unhappy about it, but is there any reason why a really valuable lot in the heart of a great city should be monopolized and inadequately used for the benefit of just one person? And consider the hundreds of owners who are today kept from improving their property, by taxes. How often does the poor widow suffer? Generally she gets along pretty well and unloads her beloved homestead at a big price on the builders of a great bank, a new hotel, or an apartment house and this will generally console her for any jolt to her sentiments.

It is said that this change will be hard on the owners of vacant city lots or lots occupied by obsolete buildings, tin cans, ragweed, dead cats or billboards. Is there any reason why we should favor such hazards and nuisances, especially as the owners of such properties will be better off when their holdings can

be improved, and new buildings erected, with profit? Properties now earning little or nothing will then yield a good income. True, it will be unprofitable to hold land idle, ill-used or encumbered with an objectionable building, in the speculative hope of garnering the unearned increment which results from the growth of the city and from what others do, but should we subsidize unproductive speculation and gambling in land?

Some say that the proposal will kill land values if we put all the burden on sites. It will do nothing of the kind. It may injure the dog-in-the-manger speculator, who neither uses his land nor sells to someone who will, but land, put to wise use, will be far more profitable. Experience in Australia shows that it tends to increase the *value* of land, even when the site carries the entire tax for, if improvements are tax free, land now yielding no income can be put on a profitable footing. The untaxing of improvements will leave a far better net income to the wise owner-user and make tenure far more valuable.

The question is sometimes raised of how property is to be assessed. This of course is nothing new for assessment is always a problem but it will be vastly simplified and bettered. There are almost scientifically exact methods for assessing the value of bare urban land and it can be far more satisfactorily estimated than can the value of a house that stands upon it. If two neighbors own lots of equal size, side by side on the same street, it will be hard to assess and tax them differently, even if one owner is a Republican and the other a Democrat! Houses are a different matter for it is often difficult, even with the best of intentions, to put a fair valuation on buildings. We think of a bank building on a valuable site in a big city. It was five stories high, fully let at good rentals and yielding a fair return, but the owners came to the conclusion that it would be far more profitable to tear down the old building and erect a new one three or four times as high. This they did, and it brings a far higher profit, but could the old building be said to be utterly valueless when it was bringing in a fair return on its cost? And yet, with changing conditions, it could not be sold for enough to pay the cost of tearing it down.

In residential properties there are similar difficulties.

Two houses stand side by side: one is newer but the other is larger. One has a slate roof, the other a shingle roof, but the shingle-roof house has much the better heating system. One house has three bathrooms, the other has but a single bath but that house is better built and is more attractive. It is hard to agree, even with the best of intentions, on the relative values of such properties and their assessment opens the door to all sorts of crooked work, graft, and political favoritism as well as to honest difference of opinion. In one city, houses are assessed mainly according to the political enrollment of the owners! Land has the advantage of being plainly visible. It can be measured and surveyed and even the veriest tyro will come closer to a fair valuation than his guess of what is in your safe-deposit box or the level of your income.

As for making it hard on some owners, remember that there is no necessity for making the change all at once; spread it over some years but not too long for conditions are acute. Five years should be long enough, but, if necessary, make it ten. Increase the levy on site values sufficiently to balance the loss of revenue on improvement values. Compute the value of all the improvements of the city and of all land values for the entire city and the ratio will show definitely how much the levy on sites will have to be increased if we reduce the tax on improvements, say twenty percent a year or, if that is too drastic, ten percent annually. If there are changes in the city budget, raise site assessments for an increase and cut improvements for a reduction. It would be wise to stipulate that assessments on buildings will not be raised because of new construction or reconstruction.

It is sometimes said that it would make it hard for those who are developing suburban tracts and own a lot of vacant land. Actually it will make sub-dividing operations easier and more profitable for sites will be far more readily sold if building is no longer penalized.

Some say it is unjust to tax two properties the same if one lot is occupied by a hundred thousand dollar house and the other by a billboard. Why is it unjust? Each owner holds the same amount of equally valuable land for personal gain and why shouldn't they pay the same amount in taxes? Sometimes critics offer

the argument that taxation should take "from each according to his ability" but the writer is not a good enough communist (if communists are any good!) to subscribe to that dictum of Marx. Taxation should be as far as possible *payment for value and services* received and a land value tax is actually what the economist calls ground rent and is a payment for that share of the common heritage from the Almighty which the individual holds for private advantage.

Ask yourself where the land came from. It is the first essential of life. The Creator did not put it here for the benefit of a few or for any particular class and we should all have a stake in land values, for land value—the fact that land will bring a price—is the result of what we all do. Ground rents rise as population increases, as new industries are started, as the city provides more and better services, with streets, water supply, street lights, schools, fire and health protection, and in a hundred ways. It is only fair that landowners should make a just return to the city. These operations always bring an increase in land rents but not in building values for building values never rise above replacement cost. If building values appear to rise it is because of the favored site and it is the site and not the building which goes up in value.

It is sometimes argued that vacant land does not benefit by such operations of the city. It won't burn up and doesn't need a fire department and it can't be carried off by burglars, so why pay for a police department. It can't go to school or drive a car over the new pavements, it doesn't take baths and use water, it doesn't read books in the public library. This is all true but the fact remains nevertheless that these services increase greatly the value of land. If you question this try to buy a lot in a great, progressive, growing city and compare prices with what that land would have brought a hundred years ago, before the streets were paved, before they had schools, street lights or water supply, or any of the conveniences of civilized life. Note too that real estate operators in their advertising always stress conditions in the city and what it offers in the way of schools, parks and advantages.

Not only does growth of population increase land values by mere pressure of numbers but even general

social progress and improved ways of living have the same effect. Without railroads or automobiles could we feed, and supply such perishables as fresh meats, fruit and milk, to a great city? Without electricity, elevators or telephones could we erect modern skyscrapers? Illustrations could be multiplied without limit but the point is that the value of land, the fact that it commands a price, is always a *social value produced by all the people and not the result of individual enterprise or labor of the owner*. It is therefore just that taxes should be levied upon land values, or what more correctly describes it, that the individual holding a portion of our common heritage for personal advantage should pay into the public treasury each year—call it a tax or call it ground rent as you please—a fair amount for the privileges which he enjoys.

From this argument some jump to the conclusion that we would make land common property. We would do nothing of the kind. Land titles and land tenure must be respected, for otherwise we would have no stability of living conditions and those who build houses, dig wells, clear, grade and drain land—and all these things are improvements which should not be taxed—would not be protected in the enjoyment of the products of individual toil which morally belong to the man who makes them or buys them in a fair market.

Before giving too much weight to objections consider a few examples of what goes on today.

In one northern town during the First World War, when there was every reason to conserve fuel, the assessors obtained a list of the householders who had insulated their homes in the interest of economy, and raised the tax assessments, discouraging future operations which would have saved fuel, made for health and comfort and given employment. Does this make sense?

In another town a son was suffering from tuberculosis, and a sleeping porch was added at the physician's suggestion. Immediately up went the assessment and tax bill. Was this fair or good policy?

A retired farmer in another section of the same state, well-known in public life, lived at the corner of two main highways in the heart of a little town. His old house had been neglected and was pretty

shabby. He rebuilt the porch, but on a new roof, did some really good planting and made the place a beauty spot instead of an eyesore. When he got his next tax bill he expressed his opinion of the tax policy in that town in very vivid language and said very graphically what would happen before he would spend another cent to brace up the so-and-so little town. Is there any reason for penalizing employment and town betterment?

That the proposed change in taxation works, and accomplishes its purpose, is abundantly proven by experience in more progressive lands. By essentially the same plan which we recommend, Denmark, once a country of miserable tenantry, is today a flourishing nation of homeowners. Copenhagen, once notorious for slums and housing conditions, is an example of what a city can be. In Australia the program, tried first in one or two cities, was so eminently successful that one by one every city in Australia has adopted it and not one has reverted to the old scheme of taxation, which we still blindly follow. Their neighbors too, New Zealand and Tasmania, are following Australia's example and adopting the same plan.

In the United States we have been slow but a start has been made in a timidly cautious way. Years ago in a time of extreme housing difficulties and tenement house scandals in New York City, new improvements were exempted from taxation for a term of years. The stimulus to building was immediate and very significant and no one questioned the wisdom of the change and yet it did not stick, possibly because it was not retroactive and put at a disadvantage those who had previously improved their properties. In Pittsburgh they have made a timid, partial move, taxing improvements at half the rate of the sites. It has been so conspicuously successful that when a bill was introduced making the tax change permissive in all cities it was passed practically without discussion on the strength of the Pittsburgh experience, unanimously in one House and with only one dissenting vote in the other. Now, although the cities of Pennsylvania are free to put into effect the reform, they are slow to realize the opportunity open to them. This is partly due to legal complexities in that state where there are different classifications and regulations governing cities, counties and school districts.

The taxing authorities overlapping and working on different plans complicate the practical enactment of wise city ordinances. In that state, however, there seems to be a general sentiment in favor of the change and, *if the people would get out of their rut and overcome their inertia*, the decline in population, which many Pennsylvania towns show, can be checked and the grand old state will pick up.

These problems concern primarily the state and local governments for it is their job and not the job of Congress. Congress, however, would also do well to act, not to usurp local powers violating the Constitution or by attempting to dictate policies, but simply by killing all legislation calling for federal grants and subsidies. Our people should be educated to see also that whatever they get from Washington comes from the pockets of the taxpayers and is just as truly tax money as are the funds gathered by county and local governments.

The Constitutional limitation which takes these matters out of the hands of the federal government should also debar the federal government from investigating or sponsoring research on these questions. It may be asked what harm could there be in the federal government studying matters of this sort and what possible injury can it do if Washington made a survey of these problems, perhaps only to guide the states and to direct attention to the gravity of the problems.

The simple fact is that the government has no right to meddle in matters which are none of its business and, before assenting to what may look like an innocuous and perhaps desirable study, consider the wily ways of politicians and constituents seeking funds and plotting schemes. There is an almost invariable program which marks operations of those seeking such legislation and the first step is to get the nose of the camel into the tent.

The common scheme, and we see it today, is to seek a petty appropriation, often so trivial that it is easily slid through, to pay for a study, survey, an investigation or a conference, call it what you will, to analyze the problem and to secure data. In the case of education it was a "White House Conference" with a loaded invitation list made up mostly of those who, by reason of self-interest, could be counted on

to back an unsavory and unconstitutional scheme. This is one way of starting a campaign of this sort but more often it begins with a study or a "survey."

The next step, after the gullible, and perhaps self-seeking, make a report, is often a guided and perhaps prearranged effort to seek a small appropriation, often too petty to arouse opposition, for a more thorough investigation and perhaps an experimental trial—and then the game is on!

First, moderate appropriations to implement and experiment, or for a demonstration, followed by a definite program of action. Further appropriations are sought and they increase by leaps and bounds. *This always happens*, as for instance in the case of the national highway scheme, where it costs many, many times what was estimated in the beginning. It is the same with social security, pensions, bonuses, grants and innumerable other cases of jobs, hand-outs and graft. Appropriations have multiplied ten-fold, more often a hundred-fold and in some cases a thousand-fold and the whole thing is often made plausible by seeking to match state appropriations, giving an impression that the states are assuming responsibility and taking the initiative. All such schemes are mere tricks for the money comes from the pockets of the householder anyway and, as a matter of fact, appropriations are generally more carefully watched and more easily held down in local and state taxation than in Washington.

By urging ever-increasing grants of subsidies to states, our Congressional representatives are bribed to forget their oath of office and loyalty to the Constitution. By yielding, and selling their influence, representatives often prostitute their pledges and obligations, to buy the votes of their constituents and insure political support. Often those who sell themselves and their honor are the loudest in their clamor for economy while they themselves grab everything they can get and, by a process of "log-rolling" the evil is greatly increased. You support my measure and I'll support yours, so we both get through our schemes to milk the federal government, in a way which will strengthen us with our constituents and buy votes for us. That this is a general process and an understood thing is evidenced by the frank admission of both of the political parties that a great

deal of legislation, often wise and badly needed, "is impossible in an election year!" Is not this a frank admission that those who are voting in the halls of Congress are voting with no reference to the oath which they have taken and to their obligations to serve their country honorably but that they are using their high office to buy support and to make sure of re-election for another term? When any proposal along these lines is made, members of both Houses of Congress should steadfastly refuse to meddle and, when pressure is brought about to appropriate funds for any such purposes, they should tell their constituents that the problem is theirs and that it belongs to the state and local government units.

We do not attempt to say here just what should be done for the laws of the states vary widely. A permissive bill through the state legislature will generally be necessary and then local action in the cities to change their method of taxation, but this preliminary paving of the way calls for no appropriation and no expense and certainly nothing from Washington. Our Washington representatives can best serve us by calling attention to how easily these serious problems of housing and slum clearance can be solved *without the expenditure of a single penny of tax money*. We need only to give encouragement to those who are only too ready to improve their holdings if they can do it profitably, and who stand ready to better the towns in which they live and own property, while those at Washington should resolutely observe their Constitutional oaths and refuse unpromisingly to appropriate a single penny for unconstitutional and utterly needless purposes.

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As this goes to print there are reports of an effort to be made at the coming session of Congress to enact legislation establishing a department of urban affairs, headed by one of full cabinet rank. Such a proposal is vicious in the extreme.

There is no constitutional authority for regarding the affairs of cities as within the province of the federal government. No meddling by Washington should be tolerated and even conferences, studies and surveys should be beyond the scope of the national

government. Such schemes may appear harmless but they are a dangerous first step in the usurpation of rights reserved to the states and should be stopped at the very start.

Such devices as these always lead to further over-riding of home rule, on which freedom depends. The next move will be further "investigation," research or experiment, all a start at building up a bureaucracy with political patronage and power, to fight for ever-increasing appropriations and usurpations, aided by schemes of "matching" funds and further control of expenditure of appropriations, both national and state, and an ever-increasing centralization of powers with all local independence subordinated to a national authority. Don't let this happen! Resist the very first step and preserve our states rights and liberties.

*Do you want to know more
about this proposal?*

If so write to—

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to ask for free literature—or better

Send \$1.00 for 2 little books—"The Self-Supporting City" by Gilbert M. Tucker and "The Effects of a Shift to Land Value Taxation"—a study by the Institute of Research of Lehigh University.

or send \$2.00 for 2 copies of the above books—one to give away and a free copy of the 181 page book "People, Land and Taxes" by George H. Duncan.