

A Proposal for the City of St. Louis

by PERRY PRENTICE

I'm here today to talk to you about free enterprise and the profit motive and to ask why you don't let the profit motive help you reverse the decline of your city.

I am here speaking mostly for myself as a believer that you can accomplish a lot more by harnessing the profit motive to what you want instead of what you don't want. You can accomplish more through that way than through bigger subsidies. But perhaps I should add that my credentials to address the St. Louis Chamber of Commerce include my three-year service on the Task Force on Economic Growth and Opportunity of the United States Chamber of Commerce and my present service on the National Chamber's Urban and Regional Affairs Committee.

GLOWING REPORTS

Now I know that your county is booming. I've read your Chamber of Commerce reports on what the soaring sixties have done for the county. I've read that these soaring sixties "...saw one of the most progressive and productive surges in the 200-year plus history of this midwest metropolis." I've read that value added by manufacturing increased by 78%, employment by 30.5%, Metropolitan population by 14% and I've read that "...the simplest explanation of this phenomenal growth is that St. Louis has everything going for it."

HOW ABOUT THE CENTER CITY?

But what about your City of St. Louis? If St. Louis has everything going for it, why is your
(continued on page 19)

This talk was delivered to the Chamber of Commerce of Metropolitan St. Louis on July 22, 1971.

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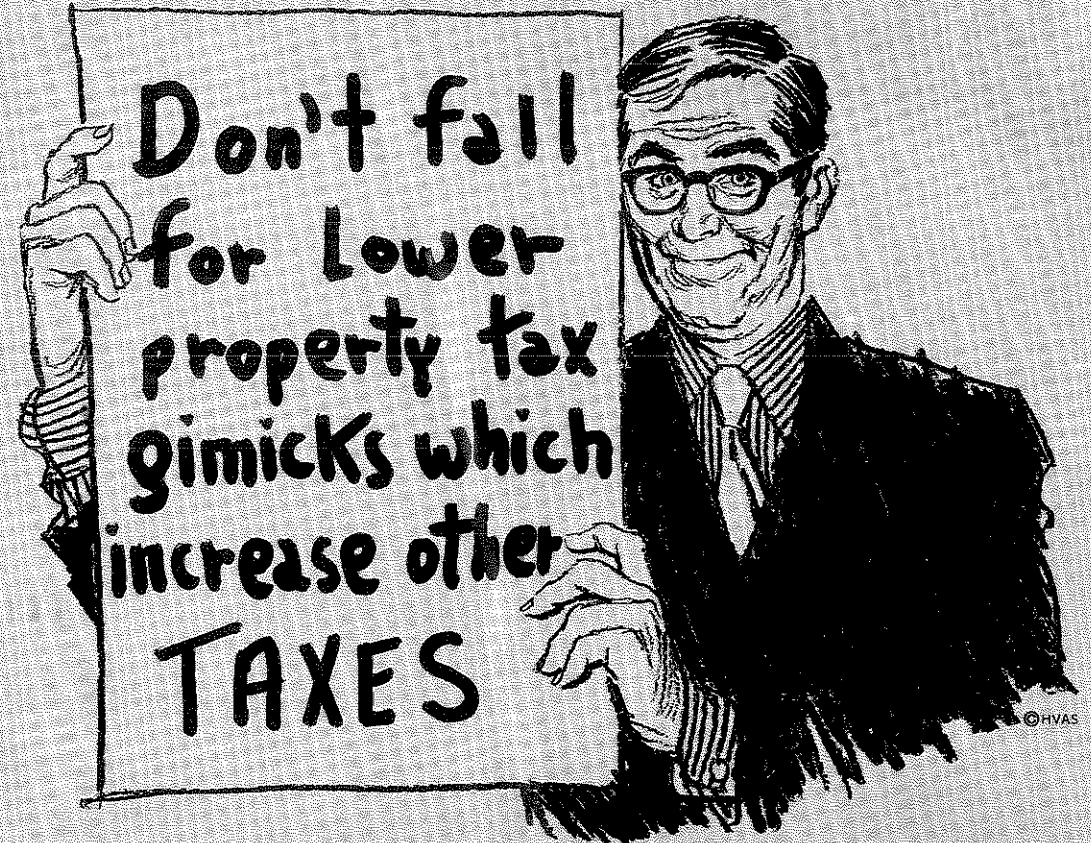
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It your City is having problems of Urban Decay, Read "A proposal for the City of St. Louis" starting on back cover.

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the enormously successful Nicolet Mall in the center of the city.

Step No. 10 - Relax and enjoy watching what this harnessing of the profit motive can do for your city.

And now, lest you think that what I have been trying to suggest is just some strange dream

of mine that no one shares, let me read to you the unanimous resolution that the Urban and Regional Affairs Committee of the United States Chamber of Commerce addressed to the Chamber's Board of Directors last February--a resolution that was followed a month later by a similar resolution adopted with only two dissenting votes by the Chamber's Construction Committee:

RESOLUTION ON PROPERTY TAX REFORM

adopted by

THE URBAN AND REGIONAL AFFAIRS COMMITTEE
CHAMBER OF COMMERCE OF THE UNITED STATES

February 17, 1971

The policy statement of the Chamber of Commerce of the United States says clearly and unequivocally that:

"Disincentives that inhibit private enterprise from helping to solve social and economic problems should be eliminated."

To implement this Chamber policy and give it specific application to encouraging private enterprise to take a more active part in urban development and so lessen the need and pressure for costly subsidies, the Urban and Regional Affairs Committee recommends that the Chamber should take this same strong and unequivocal stand for reforming the administration of the local property tax. Such reform should include shifting the principal weight of property taxation off the owner-created value of the improvement onto the community-created value of the location; i.e., to what land in that location would be worth if its past and present owners had never done or spent anything to improve it.

We believe it obvious that heavy taxes on improvements inhibit and often prevent private investment in improvement. Conversely we believe heavier taxation of location values could put effective pressure on the owners of underused or misused locations to put their property to better use or sell it to someone who will.

We believe that many businessmen have insufficient understanding of the harm today's widespread misadministration of the property tax may be doing in their communities.

Therefore, the Urban and Regional Affairs Committee urges that the National Chamber devote all feasible resources to developing and using information materials to inform its membership of the costs and the alternatives to ineffective property tax systems.

END

tuous of me as an outsider who, alas, knows a lot more about property taxation than I know about St. Louis, if I take it upon myself now to suggest the first ten steps needed to harness the profit motive to a better future for your city.

Step No. 1 - Pressure the State Legislature to recognize that the property tax is not just one tax. On the contrary, it combines and confuses two taxes whose consequences could not be more different--the tax on the improvement value created by the property owner's own investment and the tax on the location value on which the owner is getting an almost free ride on other people's investment.

Step No. 2 - Pressure the Legislature to let St. Louis be the first city in America whose tax rate on the location values created by the community is not tied in any way to the tax rate on the improvement values created by the owner's investment.

Step No. 3 - Activate Assessor Sansone's plan for limited tax abatement on all future improvements, but go a long step further. Make the tax exemption for improvements complete and permanent in order to give potential improvers the maximum profit-motive incentive to put money into improvements in your city.

Step No. 4 - Proceed with what the Supreme Court calls all deliberate speed to untax your existing improvements, for you can't permanently justify a tax differential that imposes a property tax on pre-1971 improvements and no property tax at all on post-1971 improvements. As a first step in that direction, activate Comptroller Poelker's proposal that all improvement values in your city should be taxed only half as heavily as their location values.

Step No. 5 - Proceed with all deliberate speed towards the goal of no tax on any improvement. This would combine the carrot of tax exemption on improvements with the stick of a fairly heavy tax on the land.

Step No. 6 - Hire Roy Wenzlick or some other competent firm to make a complete reassessment of every property in St. Louis reflecting the enormous change in property values that the impending tax shift would entail. This suggestion that you employ a top flight outside assessor is no reflection on Assessor Sansone. It is just a recognition that no assessor's office can be expected to handle overnight the enormous reassessment job the tax shift would require.

Step No. 7 - Give specific instructions to reassess your location values as if the location was being put to good use whether it is or not.

Step No. 8 - Increase Assessor Sansone's budget. The assessor's job can't be done right on the present budget.

Step No. 9 - Adopt the Minneapolis plan of neighborhood assessments for neighborhood public improvements, so you won't have to ask taxpayers in one part of your city to pay for neighborhood improvements that will increase land values in some other part of the city; they will pay only for neighborhood improvements that will increase the value of their own property.

This neighborhood assessment plan has given Minneapolis the finest neighborhood park system in the world, with each neighborhood park paid for by the taxpayers whose neighborhood values the park increased. Now it is being used to finance the most ambitious and most successful downtown improvement program, beginning with

Financing California's Future

These are remarks of State Controller Houston I. Flournoy at the Calif. Municipal Securities Meeting on March 25, 1971, in Burlingame, California.



Houston I. Flournoy, Controller

There is perhaps no subject which is at the same time more important and yet, less interesting to most people, than the problems of bond financing. As investment bankers, you are all well aware that behind the sometimes dry statistics of public finance is the story of vital programs for the development of California. It is the story of people and of vast construction projects for our public schools, a great system of higher education, housing for our veterans, water and flood control projects, beaches and parks, and most recently, water pollution control.

RECOGNIZE PUBLIC NEEDS

The hallmark of state bond finance in California has been the courage and foresight to recognize public needs and to build the facilities to meet these needs.

This sense of manifest destiny, if you will, was shared not only by a few in state leadership



If the voters vote down the bond issue, so what, we'll lease the facility. So... what if it does cost more, it's still their money.

but by the people as well, whose affirmative vote is required to enable the issuance of state general obligation bonds. This faith was mirrored on the local level by a multitude of ambitious undertakings, such as the \$220 million Colorado River Aqueduct Project of the Metropolitan Water District, voted during the depths of the Depression.

This combined willingness, on both the state and local levels, to plan and borrow confidently to meet tomorrow's needs as well as today's, contributed in no small part to the state's ability to flex with the strain of bursting social, economic, governmental and educational pressures that followed World War II, and to emerge from the decade of the 50's as the wealthiest and most populous state in the Union.

During the 60's, bonds of the state and its political subdivisions set a phenomenal pace, regularly accounting for between 10 and 15 percent of national bond sales with California itself averaging nearly \$400 million annually. Yet, in the year of 1969, when the state's 5 percent interest rate ceiling on most issues permitted the sale of only \$50 million in bonds, there was such great residual financial strength that programs and projects suffered only temporary displacement. Typically, the voters offered magnificent support and in June 1970, lifted the maximum interest rate ceiling to 7 percent--restoring and enhancing the state's ability to achieve the best possible market compatible with the most efficient use of its bond finance programs.

STATE IN STRONG DEBT POSITION

The state has entered 1971 capable of funding its existing programs and still maintaining a fairly conservative debt position relative to its resources. The 1970-71 assessed valuation in the State of California is \$55.6 billion at 23.2 percent of actual value. Total general obligation bonds outstanding amount to \$5.1 billion, consisting of \$1.2 billion veterans bonds, \$1.2 billion school building aid, \$1.1 billion water development, \$847 million state construction, \$218

million higher education, and the balance for harbor, beach and park, clean water, and other authorized purposes.

After deducting those bonds issued for self-supporting programs and projects, net debt outstanding totals just over \$2 billion. This sum is equal to 3.6 percent of assessed value, or 0.83 of 1 percent of estimated full value and about \$100 per capita, based on the state's 1970 census population of 20,098,863. Given the rapid growth of California over the last decade, it is most gratifying to observe that the state's net debt position as a percentage of actual value--presently 0.83 of 1 percent--compares with 0.76 of 1 percent in 1960. The median average for all States is now 1.4 percent against 1.2 percent for 1960. While the national statistics show a 0.2 of 1 percent increase along with a 13 percent gain in population, during this period, the same measurement criteria for California reveal only a miniscule rise in the debt ratio against a substantial 28% increase in population.

CALIFORNIA BONDS RATED HIGH

This strong position--attested by California bonds rating triple-A with Standard and Poor's, and Aa with Moody's--is open testimony to the economic and human resources of this great state and to the dedication and integrity of our executive and legislative leadership in protecting those resources from exploitation through fiscal gimmickry. Readily recalled is the state's vigorous participation in the fight against changing the concept of tax exemption for municipal bonds--changes that would wreak havoc in public finance. Another example is the steadfast resistance to the use of industrial development bonds in the state. And there have been many more.

Unfortunately, California cannot be secure in this great record of achievement and conservation. There is no opportunity for resting on the oars. The very vision and responsiveness that enabled the state to cope with the pitfalls of rapid growth have also revealed and brought it to grips with a whole host of new needs. The pres-

use. You have, in effect, been subsidizing blight, decay, slum formation, and land waste by undertaxation. You have made it possible to hold a hundred thousand dollars worth of underused or blighted land off the market for a year for a net tax cost of never more than \$1000--and your newspapers have just published one shocking example where the owners got paid more than \$500,000 for a blighted block they had been leaving blighted at a gross yearly tax cost of only \$350!

When you give such owners an annual undertaxation subsidy like that, is it any wonder they have decided they might as well leave it that way hoping that if they hold it long enough they, too, can get a similarly fancy price for it? The undertaxation subsidy gets capitalized into a higher price per square foot. That is the number one reason why so much land here has been left and kept unused or blighted; that is why way back eighteen years ago the chairman of your development committee could blame "the unavailability of land at a reasonable cost" for the crisis he said was then confronting your city; and that is why still today Mr. Schoon has to report that "...the major problem in the City of St. Louis is that land is not available for expansion."

WHAT IS GOOD FOR THE LANDOWNER IS BAD FOR EVERYBODY ELSE

The last time I spoke in St. Louis back in 1962 I took as my text the words of the great classical economist David Ricardo, who laid it on the line 170 years ago, that "The interest of the landowner is directly opposed to the interest of every other element in the economy," or to put the same thought in simpler words, "What is good for the landowner is bad for everybody else." And after listening how Fred Kemp had told me he was having to pay 240% more for building sites than in 1952 and John Fischer had told me he was having to pay 120% more to get land in a less desirable location, I took more time than I have left today to go down the line spelling out how undertaxation of land was making landowners hereabouts rich in their sleep, which is bad for land developers, bad for homebuilders, bad for

mortgage lenders, bad for building product suppliers, bad for home buyers, and bad for the community.

FORWARD STEPS

I don't suppose anybody has ever before tried to spell out this very complicated relation between undertaxation and urban decay that I've been trying to make clear to you but, with or without understanding, I am happy to see that St. Louis has at least taken the first steps towards correcting what's wrong, specifically:

(1) Looking ahead, the two most constructive suggestions for harnessing the profit motive to a better city have come not from the business leadership, but from City Hall. Your very intelligent City Comptroller, John Poelker, who was on the Urban Finance panel with me at the Mayor's Convention in Atlanta last fall, has proposed asking the Legislature to let the city assess and tax the improvement values only half as heavily as the location values.

(2) And now your troubled and thoughtful City Assessor, Joe Sansone, has suggested giving complete or partial tax exemption to all future improvements whether the neighborhood is blighted or not.

These are all good moves as far as they go, and you should all be grateful to Mr. Poelker and Mr. Sansone for pointing St. Louis in the right direction, even though nothing has yet been done to put the halfway measures they suggested to work. And I don't believe anything much will be done about their suggestion until you of the business community get into the act.

And when you do get into the act--and I hope you will get into the act before it is too late--I hope you will want to go a lot further and push through a tax reform program that will really harness the profit motive to what you want for your city.

TEN PROFIT MOTIVE STEPS

And I hope you will not think it too presump-

with a figure only \$1,000 or so less for Los Angeles, so your added community costs per added residence in the St. Louis area must be somewhere in that same range. Are you prepared to face all these added costs out in the county instead of taking maximum advantage of the enormous community investment you have already made inside your city?

URBAN GHOST TOWN

And this brings me back to the question, Why are you letting what the Center for Community Change calls an urban ghost town preempt the very heart of what must be one of the two or three most accessible and therefore most desirable and potentially most valuable urban locations between the Alleghenies and the Rockies--our country's second busiest freight and trucking center and the busiest river port of all?

I've been asking that question ever since I agreed to come here to talk to you about harnessing the profit motive to what you want your city to be, and I've been given two half-answers that nobody I've spoken to here seems to have put together to make a whole.

The first half-answer was spelled out nineteen years ago in the Chamber of Commerce magazine by the then chairman of your Industrial-Commercial Redevelopment Committee: Said he, "Industry and commerce find themselves landlocked in the city without the means of acquiring land at a reasonable cost to permit expansion. Such," said he, "is the crisis confronting St. Louis." And last week the general manager of the Chamber repeated the same explanation to me in simpler terms: "The major problem in the City of St. Louis," he wrote me, "is that land is not available for expansion." Now, I don't question for a minute that what Mr. Schoon wrote me is true, but it is just plain preposterous that it should be true. Here is a city that has lost nearly a third of its population, a city that has lost hundreds of industrial plants, a city that is described as further down the road to total abandonment than any other city in the country--and still you tell me--and tell me truly, I am sure--that land is not available!

This is the paradox to end all paradoxes.

There is room in your city for nearly ten times your city's present population to live and work and shop and enjoy almost every indoor and outdoor recreation except hunting and par-4 golf. I would be the last to suggest that you should now replan and restructure your city for anything like that many people, but I can assure you without fear of informed contradiction that if you would take advantage of today's new tools and capacities to start planning forward for tomorrow instead of planning backward for yesterday, all the people who now live sprawled over 564 square miles of your county could find plenty of room to live pleasantly, economically, and spaciouly inside the city line and walk to work past plenty of greenery in less time than it takes them now to get to work by car or bus.

In brief, what you have here in your city is not a shortage of land, but a very costly and unnecessary waste of land.

And that brings me to the second half of the answer--the second half that explains why so much of the land in your city is wasted that you seem to have no land available to grow in.

LOW TAXES ON LAND

I found the second half of the answer in the Chamber of Commerce promotion booklet that spelled out proudly how low your real estate tax is, and I got that second half of the answer confirmed in detail in Roy Wenslick's research. Out of 91 cities covered by his study there are only fourteen cities--most of them very small--whose real estate tax is as low as yours!

You seem to think this low tax is good for your city. On the contrary, I am afraid that as now applied it has been very bad; for you have been taxing unused, underused, and misused land so lightly and properly developed land so heavily, that you have harnessed the profit motive to leaving it unused, underused, or misused instead of putting tax pressure on its owners to release it at a reasonable price to someone who would put it to fuller and better

uses seem to have intensified rather than lessened as California strives to maturity. Everything is urgent and the advocates of each need seem to come on with a common roar that has hardly any differentiation as to priority. We now face the awesome challenge of making the judgments that will determine priority.

In California, unlike many other states, there is neither a debt limit to impede the lawful issuance of general obligation bonds nor any constitutional impediment to their use except for the twin requirement of legislative and voter approval. Agency-finance proponents contend that state instrumentalities issuing nonvoted bonds are more flexible and efficient in responding to a greater variety of needs because they are not hampered by such requirements. But California has amply demonstrated that the requirement of both legislative and voter approval provides an invaluable safeguard against the open-end issuance of bonds for doubtful projects.

HIDDEN DEBT

However, even here within California in many of our local governmental entities we have seen the emergence in recent years of "hidden debt." That is, debt which has been created by circumventing the voter requirements as provided for in our state constitution as well as debt limitations which are contained in our statutes.

Much of the danger centers around the pattern of serious difficulties facing local government in meeting capital expenditures. Despite the inhibitions created by voter reluctance to approve bond issues and the inability to sell bonds in a tight money market, the local government debt in California has risen steadily the last few years--reaching \$8.5 billion in the 1967-68 fiscal year, including \$6.5 billion in general obligation bonds and \$2 billion in revenue bonds. Although all the figures are not yet in for the 1969-70 fiscal year, preliminary indications are that this local bonded indebtedness is approaching \$10 billion.

LEASE-PURCHASE AGREEMENTS

Caught between voter reluctance, poor marketing conditions, and continuing pressure for more facilities to provide more services to more people, local governments increasingly have been turning to the use of lease-purchase agreements and joint powers purchases to finance their capital improvements. And while these methods can be used without reliance on voter approval, they add to the public debt just as surely and probably more expensively than do the voted bond issues--even those bonds which have been marketed at the inflated interest prices of recent years.

Only in the last few years has the State Controller been required to report on the use of lease-purchase agreements and the capital improvement financing achieved by joint powers entities, but the limited information available indicates rapid growth in these activities. For example, between 1967-68 (the first year reported) and 1968-69, lease purchase agreements by cities and counties jumped from \$632,000,000 to \$840,313,000--an increase of almost 33 percent in a single year. During the same period, revenue bonds issued by joint powers entities went from \$138,198,000 to \$179,170,000--an increase of almost 30 percent.

For the same year, the general obligation bond debt of the cities and counties moved from \$1.23 billion to \$2.33 for a gain of about 8 percent, while the revenue bond debt of the cities and counties gained slightly over 14 percent from \$1.21 to \$1.38 billion.

These selected figures have no real meaning in themselves except as a method of illustrating the changing pattern in local government financing of capital improvements. However, they do lend validity to the assumption that the public debt (or obligation) is being increased via methods which cannot help being more costly in the long run than the more conventional bond issues.

Other--and still not completely evaluated--

factors bearing on the growth of local public debt are the recent legal rulings on the two-thirds majority requirement for approval of general obligation bond issues. The total impact of abolition of the two-thirds requirement is incalculable but it probably will mean a return to reliance on general obligation bond financing in preference to the more expensive alternatives offered through lease-purchase and joint powers entities. But while this is a relatively happy circumstance, it certainly is no panacea because the very presence of a flood of new issues on the market might provide the pressure to drive interest costs higher.

TREND TOWARD INCREASED DEBT

In any event, the significance of all of the foregoing is in its indication of the trend toward increased public debt with a greater percentage of dollars consumed in high cost of funding that debt.

It is the cost of funding the public debt that brings any discussion of bond financing hard up against the day-to-day business of setting budgets and raising revenues--The priorities that must be given to use of the actual dollars available during a given year. For example, debt service costs for the State of California during 1970-71 are expected to run \$165.9 million plus another \$187.3 million paid on principal. Obviously, such a sum is a major factor in any State budget, and given current conditions in state finances, it is a certainty that any proposals designed to enlarge that sum will be closely surveyed and weighed against all possible alternatives--including other means of financing.

Currently there are \$1.2 billion in California general obligation bonds which have been approved by the voters and which are awaiting sale--these include \$200 million of water bonds committed to sale by the issuance of that amount of bond anticipation notes to maintain project funding. Now before the legislature are proposals for new bond issues totaling almost \$900 million. If the Legislature and the voters approve these new bonds, the State will have over \$2 billion of

bonds available for market. The mere existence of such a large bloc of bonds is certain to affect bond market conditions. The timing of individual offerings obviously will continue to be geared to the most favorable market conditions whenever this is possible.

DEBT SUBTERFUGE DANGEROUS

Because of the interest-limit roadblock which restricted sales of California bonds during the past two years, the State's General Fund contribution to capital outlay programs is expected to hit \$77.5 million during the current fiscal year, and was \$64.5 million last year. However, the Governor's budget for 1971-72 proposes only \$9.9 million for capital outlay from the General Fund. This obviously thrusts more of the weight of capital improvement costs onto bond funds, and places bond funds more directly in the vortex of the continuous controversy over priorities for spending. Given these conditions and the necessity of maintaining the State's strong debt position and excellent credit rating, it will become more imperative than ever that all capital improvement programs be operated to achieve the funding most equitable to the long-range fiscal welfare of the State. *This means utilization of pay-as-you-go financing whenever most favorable to the long-range balance of overall State finances--a program aimed at getting best quality financing rather than the quickest or easiest.*

The obligation of this state's leadership is, in short, responsibly to ascertain the needs of its citizens and to define sound programs for their achievement. Associated with this definition is the establishment of priorities, because no government at any level can possibly accomplish everything at once without sowing the seeds of its own destruction. Our bond finance program has been successful to date in underwriting the state's growth without compromising its credit or having recourse to debt subterfuge. I am confident that our future can be similarly underwritten, based on a straightforward assessment of our needs and goals coupled with honest progress to their attainment. **END**

READ HOW THE CITY OF ST. LOUIS CAN USE THE PROFIT MOTIVE TO REVERSE THE PRESENT TREND WHICH DURING THE SIXTIES SAW:

- (1) It gain the unhappy distinction of losing population faster than any other central city in the United States.**
- (2) A net loss of 260 industrial plants from one census to the next.**
- (3) Virtually no new construction without federal, or some other, subsidy.**
- (4) Vacant buildings and empty lots creating an urban ghost town for blocks.**
- (5) Tax-eaters replacing tax-payers in the central city.**

(continued from back cover)

central city in so much trouble? Why did your soaring sixties give St. Louis the unhappy distinction of losing population faster than any other central city in the United States? Why are taxpayers moving out four times as fast as relief prospects are moving in? Why did the last census of manufacturers show a net loss of 260 industrial plants? Why have your booming employment growth centers moved miles away from the in-city unemployment centers where jobs are most needed? Why is there almost no new construction in your city without at least one big government subsidy and sometimes two--the double subsidy of 10-year tax exemptions by the city on top of the Federal subsidy to write the land cost down to a third of what the landowner actually got for his land? Was it just hyperbole for a seven-city study by the Center for Community Change to report that "...St. Louis is further down the road toward total abandonment of the central city than any other city in our sample and probably than any other city in the country."

Why, in the words of this same report, is your "...central district rapidly being surrounded by a ring of vacant buildings and empty lots creating an urban ghost town running for blocks"? And now for some \$64-million questions:

As I read your glowing promotion about how everything is coming up roses in the county, I can't help wondering how many of you are really as concerned as I think you should be over the

way your city is going backward?

How many of you have stopped to realize that a good central city to subside is the first and most essential requirement for a good suburb; and without a good City of St. Louis to subside, the suburbs, about whose growth you seem so happy, would just be a huddle of country towns.

How many of you are worried over the way your city's tax base and your city's job base are both being eroded by the exodus of business and the exodus of taxpayers to the county?

HOW MUCH DOES SPRAWL COST?

How many of you realize the enormous cost of sprawl? All urban and suburban costs are multiplied by distance. How many of you realize how big these costs are without making them still worse by sprawl? Around New York the Regional Plan Association found that it costs \$16,850 of 1966 purchasing power or, say, twenty thousand of today's dollars, just to pay the proportionate capital cost of the added community facilities--new roads, new streets, new water supplies, new sewer lines, new schools and colleges, new hospitals, new police and fire facilities, etc., etc., etc.--needed to make one added residence reachable, livable and salable. Across the country the Southern California Research Council came up

reporter in Cincinnati, and spoke German and French fluently. She said, "German was taught in the public schools because of the large German population." "In fact, until World War I, there were two German Dailies in Cincinnati," she recalls. She said her mother insisted she learn French by speaking it in the home.

A real crusader herself, she backed many successful and unsuccessful candidates for political office. She said just being a Democrat in Cincinnati was some fight in itself. Later, after settling in San Diego she became very active in the Democratic party.

ONE OF THE FIRST LADY DRIVERS

"If you think 'lady driver' means anything today, think what it meant 50 years ago," she laughs as she recalls that offers of rides to



An autographed picture of Pres. John F. Kennedy



Her mother, Sally, with her long red hair.

neighbors and friends were in vain.

Miss Mc Lean was born in Cincinnati, Ohio in the year 1881. Her father, Charles Mc Lean, was director of the Cincinnati Zoo for many years. Her mother, whose maiden name was Sally Hart, was a crusader for women's suffrage. Miss Mc Lean recalls her mother telling her that there were times, while attending U.C., when students avoided her because of her campaign for women's suffrage. She says her mother was very proud and thrilled when the crusade was won.

She proudly states that she is a ninth generation American on her mother's side, and that the Harts played an important role in the early history of our country.

The Louise Mc Lean Fund is a worthy cause named after a great and grand person with the hope that the accomplishments will do justice to the memory of this wonderful person. END

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2	670-170-22-00						
3	670-170						
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by John Nagy

With so much talk about tax reform and so many proposals as to how, one wonders just who would benefit and who would get hurt by tax reform. Usually, everybody pays more, which is merely a tax increase and not reform.

Most of the so-called reforms are cruel hoaxes. The best example of such a cruel hoax is the tax reform package three years ago which gave homeowners a \$750 exemption on their homes, and businessmen a 15% exemption on business inventories.

The hoax was that it was a property tax relief package, suggesting that a homeowner's taxes were too burdensome and the state should give relief to the homeowner via the exemption and paying the local agencies whatever amount of revenue was lost due to the homeowner's and business inventory exemptions, as if the State had sources of money which homeowners and businessmen did not pay.

Of course, in order to pay for that relief, the sales tax and income tax were boosted, and three years later homeowners are learning that they are paying more property taxes with the

exemption than they used to pay without the exemption. The net result was that sales taxes, income taxes and property taxes all were increased.

REAL PROPERTY TAX REFORM

A real property tax reform was presented to the legislature during the present session by Assemblyman Wadie Deddeh (D) Chula Vista, in the form of ACA-49. While the bill didn't get anywhere in committee, it was referred to interim study, which means it will get another hearing at a time when the pressures of the state's business will be more relaxed.

HOMEOWNER

The bill abolishes all property taxes on improvements and personal property. That means a homeowner wouldn't pay any taxes on his house, fence, patio, swimming pool or any other improvement to his lot.

BUSINESSMEN

A businessman wouldn't pay any taxes on his

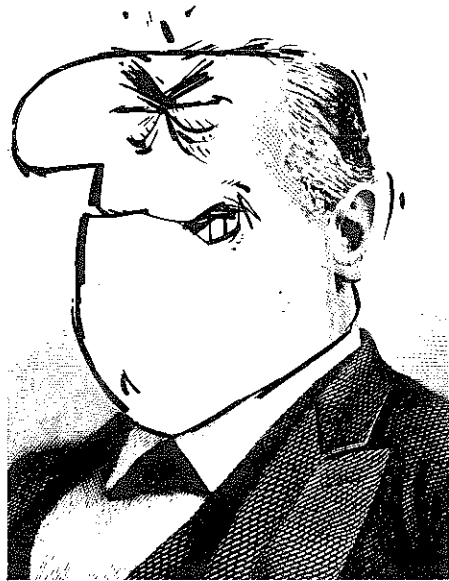
inventory, fixtures, equipment or any other item except the land his business is located upon. If he is not the landowner he would pay no taxes at all. Even his landlord would pay less taxes than he now pays if he has a substantial building on the land because there would be no taxes on buildings of any kind.

FARMER

A farmer would pay no taxes on his house, barn, fence, tractor, feed, seed, cows, chickens, irrigation system, trees, vines or any other item other than his land.

APARTMENT OWNERS AND RENTERS

It should be pointed out that renters pay property taxes, and if apartment owners pay higher taxes, renters pay higher rents. Under today's tax structure apartments pay very high taxes because of the high value of improvements in the modern apartment complex. Under ACA-49 these apartments would pay much less



I hope the Legislature doesn't come up with another property tax relief measure which will increase sales and income taxes. Not only did sales and income taxes go up, but I now am paying more property taxes with the exemption, than I was paying before, without it.



Twenty-five percent less taxes on my house sure sounds good to me.

taxes, therefore renters would pay less rent.

SLUMS

Slums on the other hand would pay more taxes because they pay low taxes under the present structure which taxes buildings. Slum buildings are of low value, thus--low taxes.

\$1200 EXEMPTION ON HOMES

Besides exempting all the taxes on houses and buildings, every homeowner and veteran would receive a \$1200 exemption on the full value of his land, which means that a homeowner or veteran would pay less taxes on his lot than a vacant lot of equal value.

WELFARE INSTITUTIONS, ETC.

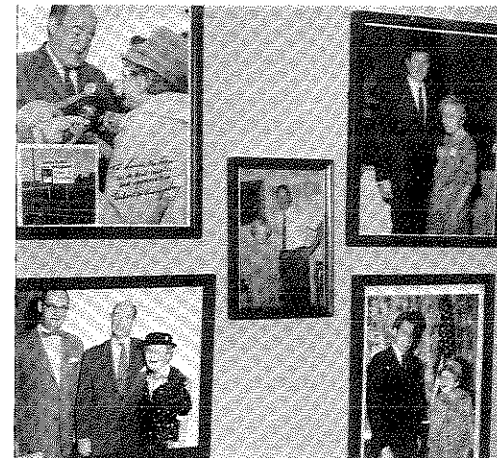
The bill would abolish all exemptions except that for homeowners and veterans. While no

problem, \$80. per month rentals need to be built.

Likewise, more freeways in and out of the city do not solve the problem of a short supply of needed housing in the city's center.

URBAN DECAY

And, how are we to solve the problem of urban decay, when such holdings are the safest and most lucrative investment around. Research should find a way to change such holdings from a good investment to a bad investment if



Here is a small display of autographed pictures. Top left, with Sen. H. Humphrey; Top right, with Sen. Edward Kennedy; Center, with Congressman Lionel Van Deerlin; Lower left, with Gov. Adlai Stevenson; Lower right, with Sen. John Tunney.

free enterprise can ever play its role in solving that problem. Good buildings and good housing should be the most profitable investments.

FARMERS

Today farmers are forced off their land by high taxes, which are caused by high prices paid for farmland, not by other farmers, but by land speculators. Studying why farmers are facing such a dilemma may come up with an answer. If farmers are needed today, more farmers, not less, will be needed when our population dou-



Miss McLean with E. J. Seeley, Chairman of the Louise Mc Lean Fund.

bles.

A solution must be found. It is the goal of the Louise Mc Lean Fund to support research to solve these and many other social and economic problems.

WHY THE LOUISE MC LEAN FUND?

Who is Louise Mc Lean and why honor her by naming the fund after her?

To those who know her, the reason is obvious. She has always had great faith in the free enterprise system and expressed in many ways her compassion for the poor, disadvantaged and those in need.

She considers herself a dedicated believer in the teachings of Henry George, and credits his books for her successful investments throughout the many years she has had to go it alone. She relates that her mother knew George from her days at the University of California in Berkeley, and says that her father insisted that he became a Georgist after reading George's first book, "Progress and Poverty" not because of her mother's acquaintance with him.

Miss Mc Lean, as a young adult, worked as a

Louise Mc Lean Fund

From time to time one hears of funds and foundations which pay for research of things from the sex life of insects to the causes of air pollution.

Some of the funds are well known and spend millions of dollars to support good work and research for the benefit of mankind, or a certain group or a certain thing, most of which are worthwhile and beneficial.

Some funds are small and are known to only a few. They too are set up for the benefit of society. One such fund is the recently created Louise Mc Lean Fund. The fund is prima-

rily set up to research and study taxation and social problems. Those who set up the fund have strong beliefs in free enterprise and the profit motive system. They have hopes that through the study and research of social problems and taxation, new light can be shed upon solving some of the problems which seem to linger in our society, and like a cancer, is eating away to the point of no return.

It is hoped by the founders of the fund that the many people throughout the world who believe there is an answer to the present dilemma will support the fund so meaningful study and research can take place.

RESEARCH NEEDED

It seems ironical that inflation continues to rise while more and more people are depending on welfare or becoming unemployed. It is difficult to understand why land prices continue to rise when the economy is heading downward. Or, why city centers are decaying, yet land values are rising so fast that private developers cannot afford to buy the land for developing.

MORE REVENUE NEEDED

At a time when all levels of government are at a loss about financing local, state and federal costs, there is certainly a need for a fund to support the study and research of some of the problems facing this nation.

Most of the present approaches to solving problems are in the form of a "band aid" to cover the wound instead of curing the disease.

For example, a rent subsidy does not solve the housing problem of one who cannot pay more than \$80. per month rent. To solve his

taxes would be paid on any improvements or personal property, everybody would pay taxes on their land. That is all but the publicly owned land.

So, churches, private schools, welfare institutions and any others presently getting exemptions would pay taxes on their land values.

POSSESSORY INTERESTS

ACA-49 also provides that all possessory interests in land be taxed as land. These items would mostly be private lease hold interests in publicly owned land. Also, mineral rights would fall into that category.

A SAN DIEGO STATE COLLEGE FOUNDATION SURVEY

In order to determine what effect ACA - 49



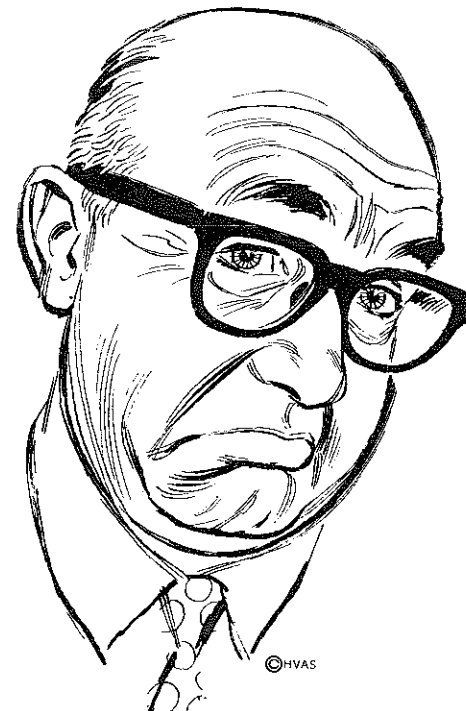
Wait till my brother-in-law finds out that the taxes on those slums he owns are going way up. He said the reason he bought-em was because the land value was going up and up, but the taxes were so low.

would have relative to business, homeowners, farmers, utilities, apartment owners and everybody else, a survey was made of San Diego County.

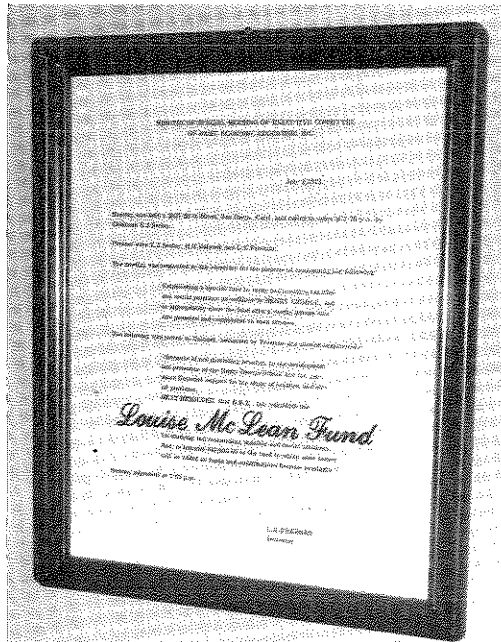
The survey team was headed by Dr. Fred Sebold and Dr. Dean Poop of San Diego State's economics department. The funding was handled by the San Diego State College Foundation, and paid for by Basic Economic Education, Inc. partly from their recently created Louise Mc Lean Fund.

SCOPE OF THE SURVEY

The survey recalculated every tax bill on the secured roll that was mailed out on November 1, 1970, 403,896 of them. It lists the parcel number, name, address, document number and date of the last recording, land assessment,



You say Bill Smith will pay 160% more on his vacant lot? Well, he said he was going to build on it 10 years ago, maybe now he will, if the taxes will be the same.



Minutes of the meeting creating the LOUISE Mc LEAN FUND

08 CITY OF LA MESA		
CURR TAX	LAND TAX	%DIF
517.36	304.27	-41.2
440.66	298.79	-32.2
600.54	298.79	-50.2
730.54	298.79	-59.1
465.36	298.79	-35.8
451.06	372.80	-17.4
415.96	290.57	-30.1
410.76	285.08	-30.6
384.76	285.08	-25.9
452.36	285.08	-37.0
475.76	298.79	-37.2
531.64	298.79	-43.8
510.36	285.08	-44.2
452.36	285.08	-37.0
327.56	285.08	-13.0
452.36	285.08	-37.0
452.36	285.08	-37.0
471.86	372.80	-21.0
444.56	298.79	-32.8
343.16	304.27	-11.3
670.74	320.72	-52.2
10002.58	6337.60	-36.6
443.26	304.27	-31.4
500.46	367.32	-26.6
336.66	285.08	-15.3
335.36	298.79	-10.9
465.36	298.79	-35.8
354.96	298.79	-15.8
631.74	320.72	-49.2
440.66	298.79	-32.2
384.76	290.57	-24.5
361.36	298.79	-17.3
399.06	304.27	-23.8
614.84	304.27	-50.5
5268.38	3670.45	-30.3

Here is a sample from the print-out of the City of La Mesa, showing the current tax and the land tax, with the percentage more or less for the land tax.

improvement and personal property assessment, exemption, current tax, the amount of tax if only the land were taxed and the percent more or less than the present tax.

CITIES AND ECONOMIC AREAS

One computer print-out is by 34 economic areas and one section for state assessed utilities. Another print-out will be by the thirteen incorporated cities of the county and 38 unincorporated areas of the county, by elementary school districts outside of incorporated cities.

HOMEOWNERS AND VETERANS BENEFIT

The secured roll under the land tax would have collected \$299,073,320.06 compared to \$274,024,137.76 under the present system. The increase of \$25,049,182.30 is to offset the present collection by the unsecured roll, which in the most part would not be taxed.

Even with the increase, 65% of the homeowners and veterans would pay \$5,461,151.94 less than they pay now. The present sum from homeowners and veterans is \$86,719,831.50 which would be reduced to \$81,258,679.56 if the taxes were on land only. That's tax reform!

BUSINESSES

All businesses would pay less taxes, while many would not pay any taxes at all.

SLUMS WOULD PAY MORE

While the total tax collections would be exactly the same as under the present system, and homeowners and business would pay less than they pay now, slums and vacant lots would pay much more.

DETAILED SUMMARY

The next issue of California Homeowner will have a detailed summary of the survey.

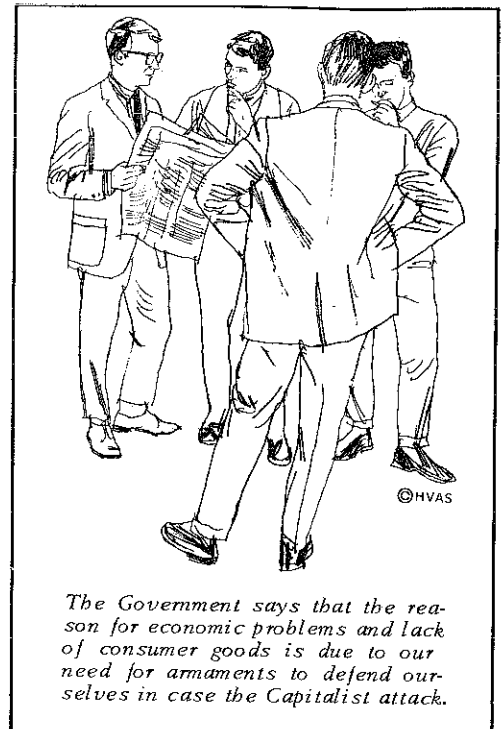
The full report with pictures and tables will be available in booklet form for \$1.50 in a couple of months. Orders should be sent to Statewide Homeowners. **END**

summer tomatoes were sold on the blackmarket for unbelievable prices. However, if a farmer is caught by the police the penalty for such a crime is forced labor in a concentration camp...

The new Soviet regime has evolved techniques for squeezing the peasant far more thoroughly than those of the old-time landlords. Save in certain pampered areas, like the Georgian citrus groves or the rich wheatlands of the Kuban Cossack country, or the model collective farms which are showplaces for foreign visitors and tourists, the peasant has yet to reap the benefits of "Socialist Plenty."

While domestic production of consumer goods is expanding steadily, much of the present variety is provided by imported goods - Cuba, Germany, Italy, France, etc. A woman's print dress sells for about \$70. Cotton blouses produced locally, cost from \$11.30 and up. Rayon stockings range from \$6.80 to \$13.60 a pair. Nylons are on sale only in special stores reserved for high ranking officials. Most women in Russia wear no stockings and usually live in slacks. Ready-made suits for men start at about \$377. Men's shirts begin at \$75.40, except for the typical workman's shirts. Leather shoes retail for from \$85.00, but canvas slippers may be had for \$9.40 a pair. Besides the cheaper clothing available to the average citizen, the best is now to be had in Russia - at a price. For those who can afford it and who can shop at special stores for Communist Party officials the finest worsteds, suitings, and gabardines from England and France are available.

Top prices are paid cheerfully by the higher-income groups, for Communists prize quality. Moreover, whatever the Russian earns he usually spends. In a country where there are no invested fortunes and where everything belongs to the state, money no longer is regarded as more than a medium of exchange. No Soviet government trade organization can go bankrupt, no matter how mismanaged - unless the government as a whole goes bankrupt. By eliminating the profit motive from trade, the Communist trade system deprives management and sales personnel of the main incentive toward effort and efficiency. The people in Commu-



The Government says that the reason for economic problems and lack of consumer goods is due to our need for armaments to defend ourselves in case the Capitalist attack.

nist countries are told all the time that the reason for economic problems and a lack of consumer goods is due to the fact that the Capitalistic countries, such as the United States, plan to make war on Soviet Russia and that the state has to spend most of its resources on building up armaments. The people are told that in America the workers and farmers are much worse off - and they believe themselves to be fortunate indeed - by comparison.

There are instances of "underground capitalism" but all private enterprise is of an underground nature and if discovered is punished severely.

Despite the risk involved, most Russians and most Communist workers prefer to work on the side - "on the left" - whenever they can. If you want your stove fixed, your watch repaired, your roof mended, etc., you deal with the workmen directly and you pay them a little extra to get the job done properly. *(to be continued)*

marveled that, despite the inefficiency and slowness, our house and thousands of other houses, factories, dams, etc., were being built in the Soviet Union. The workers would fuss around for hours, smoke cigarettes, admire the apartment, flirt with me, go away, get paid, and everything would remain as before. For two weeks two workers repaired the sink. Finally, they found that there was nothing they could do and went away leaving all the sink fixtures disconnected. At 4 A.M. the downstairs apartment was flooded. Once a man came to attach the toilet seat and put it on backwards. Another worked for two days to set it right. One worker reached for something in the kitchen by stepping on the new gas stove with his heavy boots. It broke. Another man came after a week to install a new stove.

Occasionally foreign visitors who came to visit my husband pointed out huge rusty nails in window frames, cracks in the walls and ceiling, defects in the floors, and so on. My husband always told them that the new Five Year Plan would bring tremendous improvements and that the Soviet Union had to concentrate all its efforts on building factories and working on an adequate defense system to protect Soviet Russia from foreign invasion and from the dangers of the Imperialistic Governments. An American Communist once came to our house and criticized the way our new modern apartment was constructed. He was dressed in a worn-out shirt and an old turtle neck sweater. A Russian neighbor asked me: "How could he afford the expensive trip from America if he is so poor as not to be able to buy decent clothes?" My husband explained that according to the Party line American communists had to demonstrate their allegiance to the proletariat and their contempt for the bourgeois world by their poor and drab appearance.

Two years after we had occupied our modern apartment, the whole house underwent complete repair. The walls began to show cracks almost immediately after we moved in. The cracks soon developed into holes. Fortunately, I had taken up photography as a hobby, and, by enlarging pictures to fit the shape of a new crack, I covered every one of them. Only



The walls began to show cracks almost immediately after we moved in.

intimate friends knew the secret of the numerous pictures on my walls and of the unusual forms of my prints. When the holes began to threaten the safety of the building, the management took a few measures and the plaster of ceilings and walls was torn down. For weeks we lived in ruins. Electric wires were cut, gas and plumbing was stopped. Our belongings were piled on the balcony where they were mistreated by rain. There was a shortage of labor, the few available workers were shifted constantly from one job to another. This agony lasted for more than six months! We were freezing all the time because the windows could not be closed and I developed one cold after another. My husband complained to the authorities and because of his influence with the Party the work was finally finished."

From time to time the peasantry collects additional money from high food prices in the cities and from dealing on the black market. Last

A VIEW OF THE "SOCIALIST PLENTY"

Ann Watson has given talks to hundreds of organizations in her personal anti-communist campaign.

She is a native of Vienna, Austria and is now an American Citizen. She graduated from the University of Vienna and the International School for Interpreters.

At the present time she is a language instructor for the San Diego Community Colleges, (Department of Adult Education).

from a talk by Ann Watson

There are many things wrong with the American system of free enterprise and representative form of government, but, it is still the best and provides more for the most than any other system in the world.

There is much talk about high taxes, unemployment, high interest rates, inflation and the lack of housing.

Let me describe a typical Moscow apartment and the way the "ordinary" citizen lives:

"We lived one flight up. On our floor there were ten rooms housing seven families numbering twenty-three persons. All seven families used one little sooty dark kitchen with a low ceiling and a tiny window which had gotten stuck long ago and was never opened. Seven small tables with a kerosene burner to each table represented the seven families. There was no electricity. The kitchen had no gas, no hot water, no ice box, no shelves. The latter would have been of little use since nothing could have been kept in the kitchen anyway. Even the kerosene burners had to be taken into rooms overnight for fear of their being stolen. We possessed no cupboard or china closet for household articles. My husband and I slept in the smaller of our two rooms, which was also his workroom. In the larger room we ate and our two children lived and slept. A corner of that room, fenced off

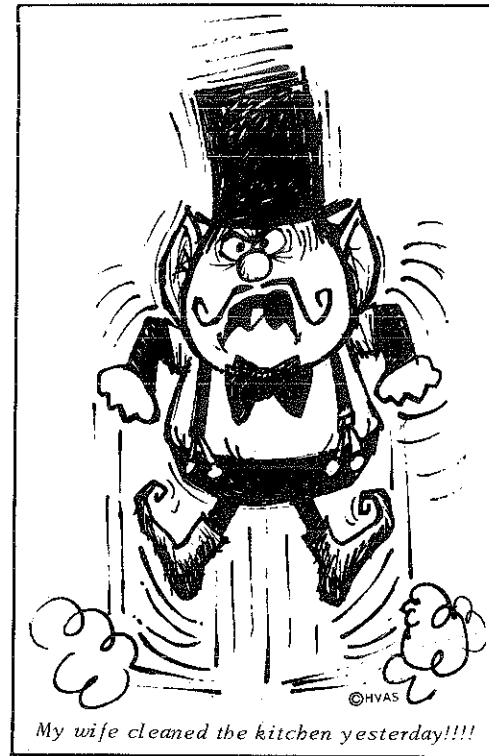
with our big clothes closet and a few gypsy shawls, became my mother's room. There was one small bathroom and a separate toilet for the twenty-three inhabitants of the apartment. The house faced a picturesque pond surrounded with very old trees. In the summer the pond was the playground of the children and in the winter the glittering ice attracted skaters. If foreign visitors came to visit us I used to take them quickly to the only window, and to counteract the bad impression of the house, I showed them the trees and the pond. I once caught on the face of an old American visitor and friend an expression of disgust when his hand touched the window sill. I knew that the sill was perfectly clean but it looked dilapidated and dirty. I wanted to point out its cleanliness to him but then I should have had to tell him that it was impossible to find a single can of paint or varnish in Moscow. I preferred to have this American visitor go back to America with the impression that I was a sloppy housekeeper rather than admit how poor the Soviet Union was and how little the government cared for people and the way they have to live."

A PROMOTION

"Eventually I was elected alderman for the floor. All Moscow apartments occupied by more than one family have an alderman whose duty it is to pay bills, to care for proper sanitary conditions, to sell government bonds, to

arbitrate fights and the continuous disputes that were going on, etc. The former alderman, a factory worker, enjoyed many privileges, like the right to use the bathtub at the most cherished time — the eve of the free day — and having his kitchen table nearest the window, the only place where no artificial light was needed during the day. The bathtub was used for washing laundry, galoshes, and kerosene cans, and for dyeing clothes. When it was possible we used to take our baths in our foreign friends' hotel rooms. The average visitor in Moscow had no idea about the way we had to live and we had to be very careful about explaining that we wanted to use their bathtub. We usually told them we had something wrong with the plumbing system. There was much sickness due to overcrowdedness and malnutrition. We helped each other as much as we could. Neighbors took children when their parents went to work and took children for a walk when adults were too sick to care for them. They lent one another wearing apparel, food, chairs, kitchen utensils, and money. We would phone a friend, for instance, at the Hotel Metropole and ask whether we could come at noon, say. Our friend was always kindness itself, would tell us to come, and would provide towels and a piece of soap (a most valuable item that we could not obtain.) Or he would say: "No, at noon X or Z is coming for a bath. Why don't you come at five? Y will be here and we will have tea afterwards."

The wife of this foreign correspondent goes on to say: "A source of frequent quarreling in ours as well as in other apartments was the turns in cleaning the kitchen, hall, bathroom, toilet, and stairway. Many people, otherwise kind and intelligent, were nervous from lack of privacy and sleep in the noisy apartment, and from too little food and too much work. They found an outlet in trivial scandals and bickering. They could not complain about life in the Soviet Union and they were afraid to say anything about our living conditions and so they would fight each other. Our neighbors were often petty in their squabbles. They could fight over a pencil or a piece of string. The harder one worked, the Communist Party officials said, the quicker the promise of a



bright Soviet future was going to be fulfilled. And so we hoped and waited for things to get better."

MOVE TO NEW APARTMENT

"Conditions in our house in Moscow became worse every day. Since the house was to be torn down, the house committee was given no funds for repairs. Defective plumbing, burst pipes, broken floor boards, and windows and doors which refused to open or close made life most uncomfortable. The health of my children was alarmingly undermined. When my privileged position as a Foreign correspondent's wife and Communist Party member permitted me to do something other Russians could not do, I was happy to take advantage of it. We were given permission to move to a new, modern apartmenthouse. A tall, long-bearded official took us around and showed us several available apartments in Moscow. We liked best a still unfinished eight-story



modern apartment house in a famous old residential section where the old intellectual aristocracy of Moscow used to live and which was often described in Tolstoy's novels. Tenants (all of them members of the Party and officials of high standing) began to move into the new house though it was far from finished. Instead of staircases there were rough, loose boards. There was no water yet, nor the double windows which make a Moscow apartment inhabitable during the winter. But the families who moved in under these circumstances had lived in such misery before that the new incomplete house seemed like a paradise.

In the middle of January there were stairs and water in the house, but I waited an additional week for window glass, which could not be gotten anywhere in Moscow despite the help which the Foreign Office and the Moscow Soviet gave me in searching for it. Finally the glass was procured. Nothing stood in the way of my moving into the new house. Forty-eight hours before moving day, the Housing Depart-

ment of the Moscow Soviet telephoned and asked my cooperation in a delicate matter. The Soviet had assigned our old apartment to a Sobolev family which was to be reunited after several years of living in separate rooms in different parts of the city. But the Aviation Trust, which had permission to tear our house down and build a new one in its place, objected to the Sobolevs moving in, because that would mean that the Trust would have to provide the Sobolevs with new living quarters when the house was torn down. The Aviation Trust intended, therefore, to quarter one of their men in our rooms the moment I left them. Once he was in occupation, it would be impossible to evict him because he was a high ranking Party member. Meanwhile, the Sobolev family's former rooms had already been given to other people, so if they didn't get my apartment they would be left homeless. My sympathies were on the side of the Sobolevs and I agreed to permit the Party official to occupy one of our rooms in the new apartment. In the afternoon of our last day at the old apartment, the Sobolev family slipped into our rooms with a few suitcases. They were father, mother, son and daughter. They behaved like children at the prospect of living together again. They did not care about the dark kitchen, overflowing toilet, quarreling neighbors, or anything else. When I crossed the threshold of our new apartment I felt so happy that I was unable to control my feelings. I cried. When I went to bed, I kept thinking about my broken illusions.

I had always dreamed of a new life for the Russian people under Communism. I liked the idea of life on communal lines, in a communal apartment with a communal kitchen and bathroom and people working and living together.

And here I was, many years later, undescribably happy because there was a door between me and other people. I once woke up at night in terror that it was all a dream, that I still lived in the darkness and meanness of the old place.

During the first few weeks in the apartment there were always workers in it fixing one thing or another. Nothing seemed to work. I