

Think Big About New Priorities

DURING recent years as he probed deeper and deeper into the problems of cities, Perry Prentice has used an original phrase which has been quoted widely by newspaper writers, builders and planning specialists. Speaking of the profit motive he has repeatedly said that it should be harnessed forward instead of backwards, with special reference to the taxing of property.

In a talk before representatives of the National Association of Housing and Redevelopment Officials in San Francisco on October 30th, the former vice president of Time magazine touched on this again as he explored "new priorities for better cities and better homes," and urged them on with their announced two-fold task of revitalizing cities and ending the tragic shortage of dwellings. He said it was time for everybody to stop thinking small about urban problems. He himself is doing everything he can to help the country meet its need for better housing and better cities.

In a forthright attack on federal subsidies he recalled round table discussions three and four years ago at which he presided when the overriding solution in every city official's mind was a promise of more and bigger federal handouts. These however have turned out to be either not forthcoming or not adequate. "There isn't a chance in the world that the federal government will be able to put up enough added subsidy dollars to meet your needs," he said. Furthermore, too many subsidy dollars get lost in unrealistic wages and subsidy-inflated prices for land.

And why are subsidies needed? When private enterprise and the profit motive have given us an abundance of everything else why have they failed to provide decent housing?

If the system doesn't work anymore it must be because too often we harness the profit motive to traffic congestion instead of to traffic relief by making it cheaper to park cars on the street than off the street where they belong. Industries are allowed to pollute the water by pumping waste into sewers and rivers free instead of being forced to include the clean-up cost in their prices.

We let motorists cause most of our air pollution free instead of insisting that they spend an average of perhaps \$50 a year per car to amortize the added cost of a less pollutive engine and the added cost of less pollutive gasoline. The federal government harnesses the profit motive to obsolescence and urban decay by letting the owners of aging buildings depreciate the same building over and over for tax purposes. This gives urban decay a subsidy that is bigger and costlier than all the federal subsidies for housing and urban renewal.

"But the biggest and worst and costliest example of harnessing the profit motive backwards is today's crazy misapplication of the property tax," Mr. Prentice said. Wisely applied he thought the property tax could be one of the best, but as now applied it is the worst—"an incentive for what we don't want, and a penalty tax against what we do want." Cities keep on subsidizing land price inflation by grossly undertaxing underused and misused land. "You can't correct what is so wrong with the property tax without first correcting what is so shockingly wrong with property assessments," he said. We assess and tax the location values of urban and suburban land (values created not by the owner but by the community) so lightly that many owners of unused land find they can hold

it off the market for a yearly tax cost of well under one-half of 1 percent.

Conversely, the speaker said, we place on the owner, for improvements which he bought with his own money, a 3 percent of true-value-tax which, when compared to the income tax rate, runs to 77 percent. Note that a 3 percent of true-value-tax on improvements is apt to tax away nearly two-thirds of the income a new building would otherwise earn. On a yearly basis it is the installment-plan equivalent of a 52 percent sales tax, that is, it will cost the improver as much as a 52 percent single payment sales tax would cost him if he could finance it at 5 percent interest over the 60-year life of the improvement.

Quoting tax expert Dick Netzer of New York University, he observed that a 3 percent of true-value-tax on improvements will cost the consumer almost as much as a 25 percent consumptive tax, which means it will add more than 25 percent to the rent a tenant must pay, or almost that much to the carrying costs an owner must meet. This incongruity is admitted in the Douglas Report which states, "it is inconceivable that society would consciously place such a tax on such a basic commodity as shelter, but it has."

At the close of this forceful address by Perry Prentice, several public officials in San Francisco asked for copies to be given to their assistants in charge of housing priorities.



LAND PRICE BOOM SWEEPS COUNTY

Bedford County, Pennsylvania is 127 miles from Washington, D.C. and Interstate Highway 70 has cut driving time from four hours to less than two. Dairy farmers in the county sold their herds after bulk pickup of milk started ten years ago, and now 60 percent of the land is being sold, mostly to people from out of state. Farms assessed at \$7,000 now sell for at least \$20,000. Houses and other buildings have fallen into disrepair, but it's the land they want. As one buyer said, "Everyone knows the Good Lord isn't making any more of it. It doesn't go down in value; it's got nowhere to go but up."

A government official who shopped for land in Maryland and Virginia and found it too high at \$1400-\$15,000, bought a 365 acre farm at \$115 an acre. The going rate has now risen to \$200 an acre.

GREEN REVOLUTION YIELDS BITTER FRUIT

Hybrid cereal seeds developed in the U.S. increased rice and wheat crop yields dramatically in India and Asia, according to a report in Business Week (Nov. 21), and raised hopes among the poor. Students of land economics would see at a glance that land holders could ask and get most of the increase in rent, so it is not surprising that there was bitter disappointment when people could not get the hoped-for benefit sharing in their crops. A revolution in land ownership, industry and distribution may be the result.