

THERE IS NO URBAN CRISIS

by M. Stanton Evans

Mr. Evans, author of four books, nationally syndicated columnist, and editor of the *Indianapolis News*, delivered this paper before the students and faculty of Hillsdale College on the final day of the initial seminar of the Center for Constructive Alternatives, *Recycling the City: Alternatives to Decay*.

My view of the "problem of the cities" or "the urban crisis" is by no means that of an expert, academic or otherwise. It is the opinion of a citizen and taxpayer who lives in a fairly representative American community, pays taxes there, and partakes of its services. It is, in addition, the view of a journalist whose duties require him, from time to time, to observe and exhort the city fathers as they go about their appointed rounds. On the whole it is the assessment of an amateur, and should be considered in that light. This said, I state my impressions as follows:

The principal difficulty we face in discussing the "urban crisis" in America is the fact that so many people keep insisting there *is* an urban crisis — by which they mean a cluster of problems arising from the very nature of city life and institutions and requiring a series of subsidies and interventions to cure. On this analysis, the aggregation of people in the cities, the closeness of urban living, the convergence of business and official enterprise, creates a knot of spontaneous vexation which cries out for governmental remedy. If that be the definition of urban crisis. I would argue there is in fact no crisis at all.

The particulars which sustain this image of urban disaster are of course well known. We are told our cities are not only crowded and congested, but rapidly being deprived of the economic resources needed to deal with their problems. They are supposedly caught between the millstones of insistent public demand for benefits and a shrinking tax base. The cities therefore need a major influx of revenues from higher levels of government so that they may deal with matters of employment, education, housing, flight from the central cities, problems of mass transit, etc.

Now, all of these things, and several others that might be named, are indeed problems in one degree or another, and as such require analysis and, where possible, correction. But these are not, in my opinion, problems which spring up through biogenesis from the city pavements. While some degree of hardship and toil are inherent in the human condition, the items usually cited in the "urban crisis" litany are the products of identifiable policy errors and not of some obscure municipal determinism. These errors affect *people* and therefore make their appearance most dramatically in the cities because that is where the people are congregated.

I am of the opinion that such mistaken policies are traceable to metaphysical roots, involving among other things a breakdown of communal bonds of sentiment and a loss of ethical purpose. These failings show up most clearly in matters of social disorder and law enforcement, but have their impact in the economic life of the cities as well. To examine such metaphysical questions and/or their legal manifestations would take me afield from my subject, so I shall focus my comments on the economic question, which is enormous enough in itself.

The source of the economic problems which confront the cities is, on my observation, the reverse of what is usually argued. Rather than arising spontaneously and demanding coercive action by way of remedy, these problems arise through the use of coercion and can best be corrected by policies which favor spontaneous action. Indeed, if there is any single impulse which is at the bottom of the so-called "urban crisis," it is the intense desire of some people to control and manipulate the activities of others. And since the "crisis mentality" exhibits all the symptoms of this impulse, it is hardly surprising the cures projected by it almost always succeed in making the situation worse instead of better. Where no authentic problem exists, this mentality will invent one; and having concocted an imaginary problem, it generates "solutions" which are problems in their own right.

Consider, for example, what seems to be a major complaint in most of our larger communities: that people are constantly moving away from the central city and into the urban and ex-urban fringes. This is commonly viewed as a harmful trend which it is the sworn duty of city governments to combat with every power at their command. The cities, we are told, must be "saved" from this continual exodus, and people must be cajoled (or in some cases coerced) into staying buckled up to them.

But, why should they? Why should we insist that people who want to move out of the cities, shop elsewhere, live elsewhere, go to school elsewhere — why should we insist that they be indentured to the central cities? By whose authority is it determined that the free decision of Americans to change their place of residence and employment is a "crisis" demanding the most drastic measures?

It is interesting to note in this connection that most

im•pri•mis (im-pri' mīs) adv. In the first place. Middle English, from Latin *in primis*, among the first (things) . . .

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complaining about the flight from the cities issues from the sector that also protests "congestion" — both phenomena being treated, somewhat indifferently, as manifestations of the self-same "crisis." But, quite clearly, for the people who move their homes and businesses to the suburbs, this centrifugal movement is the *answer* to "congestion," and a very good answer it is. By pursuing this course, they obtain more space for living, bigger and better stores, more pleasant working conditions, room for plant expansion, and what-not. And, there is nothing wrong, so far as I can see, with such an impulse or the ability to realize it through free decision.

On the economic plane, a proper functioning of our society demands mobility. The number of variables in our sophisticated and inter-related economy requires continual attunement to meet changing conditions, supply innumerable components, satisfy new wrinkles in demand. Such mobility is achieved by permitting people to move about freely, to reach private decisions according to their own information, to alter arrangements by voluntary decision — to engage, in sum, in a system of voluntary endeavor and voluntary exchange. Where such volitional activity is impeded, the system malfunctions and "problems" silt up.

The constant effort to "do something" about the departure of people from the central cities is a paradigm of this overriding mistake, which may be perceived in nearly every aspect of the so-called "urban crisis." We might make the identical point by examining the flip side of cities' loss of population. It is just as mistaken to attempt to *compel* such a dispersal as to prevent it, since both these policies violate the rule of unimpeded peaceful action. Unfortunately, we have seen examples of this latter tendency, too — in urban renewal bulldozing of downtown neighborhoods, tax-supported super-highways, interference with normal commercial transactions in the central cities, and so on. The net result of all this activity is that we are continually called upon to adopt one kind of governmental program as a remedy for another.

We need only consider in this connection the matter of employment, which is the principal historic reason for the growth of America's cities and the principal reason that people today move into urban areas, broadly defined, and from one urban area to another. On this subject I need hardly say anything since you have had with you on this program two of the nation's leading authorities on this subject, Professor Edward Banfield and Professor Ben Rogge. As these and other scholars have shown at length, clusters of exceptionally high unemployment in the cities today are the result of governmental interference in the wage market.

Constantly rising wage minimums price marginal workers out of the market, producing jobless levels among adolescent blacks which have risen to forty percent or so in recent years, in steady tempo with the escalation of the minimum wage. Other interconnected factors contribute to the difficulty — including compulsory unionism and occupational licensure — but the data are persuasive on theoretical and empirical grounds alike that the minimum wage is the most decisive. In the face of these data, Congress continues to legislate increases in the minimum wage.

Or consider the matter of housing, which is especially interesting when viewed against the backdrop of alarm about the suburban flow of population. By and large, this outward flow is the best single answer to the housing problem — since construction of high and middle income housing in the suburbs is an excellent method of providing improvement of housing for those in lower income brackets. As high and middle income families purchase houses in the outer suburban ring, they vacate livable housing for others, who in turn are succeeded by people in the next interior ring, and so on. It is by this procedure that the private housing industry achieves a continual upgrading of housing for everyone in our society, permitting gradual demolition of substandard housing at the end of the line. (Standard housing in the United States

was upgraded from 51 per cent in the census of 1940 to over 90 per cent in the census of 1970.)

What, therefore, accounts for the "housing problem"? To the extent that it is not simply an invention of those who demand perfection now and find substantial improvement unsatisfactory when measured against utopian abstraction, the answer is that housing crises exist in America for a variety of interrelated and largely governmental causes: urban renewal program which bulldoze livable dwellings in the central cities before the market process has opened up superior substitutes, zoning regulations which prevent improvements, public housing units that turn into instant slums, rent controls, *etc.*

Professor Richard Cloward of Columbia University has estimated that the result of government involvement in the field of housing since the 1930s has been a net loss of 250,000 low-income housing units. Professor Yale Brozen informs us that property sufficient to supply another 250,000 units has been left standing idle in New York City as a result of various governmental restrictions there. Professor George Sternlieb of Rutgers notes that, thanks to these restrictions, private housing construction in Manhattan has ground to a virtual halt. The net of it is that government has been engaged in creating the housing problem, and private industry has been engaged in curing it.

What about mass transportation? Here we have an almost classic case of private patterns of decision distorted by the political process. On the one hand we have such phenomena as the construction of expensive tax-supported road systems to facilitate access to suburbia, and more recently the construction of a system of interstate superhighways at the cost of \$1 million a mile. We have compounded this with a system of licensure protecting existing common carriers against competitive entry, plus irrational and punitive regulation of some carriers at the expense of others. Given all this, it is almost impossible to say what the situation would be had something more closely approximating market patterns had been allowed to develop — although we can see quite clearly, in the case of the railroads, the obvious destruction of an ideal mass transit system as a result of government regulation. Professor Clarence Carson of Hillsdale has published a most informative book on this subject.

In the matter of schools, it would perhaps be redundant to note the widely-acknowledged failure of the prevailing governmental formula. We have seen the state deploy what amounts to monopoly power in this area, and we have seen a history of egregious failure. We have been told that by spending more dollars on these schools we can improve the quality of education, and yet we have in many communities seen an inverse ratio between expenditure and the learning skills of the students. Of late we have witnessed a massive sociological experiment, particularly extensive in this state, in the matter of busing, and recent researches suggest this, too, is an educational failure. On the findings of scholars as diverse as Professor Coleman, Dr. Freeman, Professor Armor, and Professor Jencks we have found this system of governmental monopoly schools indicted as a failure.

It would be possible to recite numerous other examples of counter-productive manipulation on the part of government—pollution control, consumer protection, welfare outlays, the poverty program, and so on. But your other speakers can expound these subjects much better than I, and I believe I have said enough to make the essential point, which is that the "problem of the cities" can best be assuaged not by imposing governmental regulations but by removing them. In matters of employment, housing, transportation, and schools—and each of these problems touched upon, by common consent, is of crucial importance to the well-being of the cities—the need of the hour is to *free up* the cities, rather than burden them with further constrictions and rigidities.

In the matter of jobs, the best thing would be to abolish the minimum wage, which is, however, politically unfeasible. Failing this, we can work to achieve a youth wage which will

permit younger marginal workers to obtain jobs, acquire training in necessary skills, and get a foot on the ladder of productive activity. In the matter of housing, the best advice I can think of is to halt the urban renewal program forthwith, abolish rent controls where they exist, and revise the punitive property tax laws which penalize improvements. It is no doubt romantic to suppose that zoning can be done away with, although the record shows that variances can be quite easily obtained by those who have political clout and that land-use could be determined much more rationally through the device of private restrictive covenants.

Concerning mass transit, we can begin by abolishing the Interstate Commerce Commission with its irrational regulation of the railroads, which just might enable these carriers to use the thousands of miles of rail lines converging upon our cities to provide us with necessary modes of mass transportation. In addition we should urge in our states and municipalities that the countless regulations preventing competitive entry by motor carriers—taxis, trucks, and buses—be changed according to market principles. To prevent the continual skewing of transportation toward the private automobile, construction of new major arteries should be governed by demand and usage; where possible, the toll road principle should be invoked.

Otherwise, we must at a minimum insist that financing of roads be governed by the user-tax principle—that streets and highways not be paid for from general purpose revenues and that gas-tax receipts not be diverted to subsidize other forms of transportation. Our effort should be to approximate market arrangements.



The same principle applies in the case of schools. Here, of course, there is an enormous and monolithic vested interest opposed to movement in the direction of market principles, and corrective action is therefore difficult. Nonetheless, the awareness of failure has become so acute and so general that it is perhaps more feasible to discuss alternatives today than it would have been a few years in the past. The major effort should be to introduce into the presently monopolistic and rigid system as great a degree of diversity and competition as we are able. One approach which has been tried in my state, with tentatively encouraging results, is the idea of contract education—hiring entrepreneurs who attempt to devise new methods of education according to business principles.

This approach could be further encouraged by recircuiting existing public school expenditures through a system of vouchers, which I imagine has been discussed by other speakers. For private schools, I would favor a system of tax credits over vouchers, and although it is at this point unlikely that we shall get either, perhaps the ideal approach would be a combination arrangement in which vouchers and credits would be packaged together. In any event, our recent experience with rising costs, the chaos of busing, and falling achievement levels, clearly suggests that if we want to solve the problem of the schools the urgent need is to move in the direction of market arrangements.

Now behind all this lies the question of finance—in particular, as I have noted in a slightly different context, the question of the property tax. In most local communities this is the principal source of revenue for the support of the schools and for many civil city functions as well. In addition to certain punitive aspects of this tax, there is a general and justified complaint that property taxes are too high, although it should be noted they have not risen in anything like the

ratio of other taxes. (In this century, property taxes have remained fairly constant as a percentage of the GNP—about 3.3 per cent. Other taxes have risen from almost nothing to over 31 percent.)

Dependence of the cities and the schools on property taxes has generated a host of economic and legal complaints apart from the question of rates. It is this dependence on the property tax which renders the departure of homeowners and businesses to the suburbs a problem for city governments; as the property taxpayers move out to the fringes, assessed valuations in the downtown area decline. There is less tax base to provide “the services” which the city feels called upon to supply. In addition, there is now the legal problem presented by the argument that unequal valuations deprive school children of equal education.

The proposed answer to this knot of controversy over property taxes is by now familiar at the state and national levels. What is needed, we are told, is to transfer the tax burden for schools and many other functions from the locally imposed property tax to more broadly based sales and income taxes at the state and national level. Through return of monies by the state and “revenue-sharing” by the federal government, we can solve the “fiscal crisis” of the cities and provide them with the revenues they so desperately need. Again, it seems to me, these proposals are exactly the opposite of what we in fact require.

First of all, the “revenue crisis” of the cities appears to be a figment of the official imagination. It should be understood in this context that there is *no* level of revenue which is considered by most city governments to be sufficient; however high it goes, the governmental spenders want more. Every influx of new money from the state or national level, on my untutored observation, becomes a pretext for augmented spending, addition of new staff, invention of new projects—most of which are of the counter-productive nature we have previously discussed—and would be better not launched at all.

In my own city of Indianapolis, for example, combined spending for the city and county has increased by 65 percent in the past four years—or roughly 16 times as fast as population growth. What has been the controlling factor? Demand for services? Need? Improvement of streets and roads? Not so far as I can determine. The controlling factor instead has been, quite simply, the amount of money available. And now that the available money from high property taxes, state money, and federal aid has been disbursed, we are being told of our desperate need for still more funds. It is an endless process as common in city government as in the state and federal.

The short answer to “property tax relief,” therefore, is to curtail the enormous amount of spending that is done by city governments and by schools. In part this could be accomplished by getting rid of the many interventions I have discussed, which would simultaneously reduce the number of tasks that government has to perform, produce services at more economical cost, and by improving commercial enterprise, increase the level of legitimately taxable activities in the central city. And one of the ways to insure that spending is brought under control is not to project a total abandonment of the property tax, and above all *not* to replace the property tax with a general statewide or federal tax.

This is so because the property tax is a rather formidable barrier to the spending interests. It is, first of all, a generally visible tax, of which people are acutely conscious. It is a painful tax, quite often paid in annual or semiannual doses by sitting down and writing a check. And it is a locally imposed tax, which offers two important advantages: It is voted by officials who are relatively accessible to the taxpayers, and it unites the spending and taxing functions in a way which makes it plain that disbursement is to be financed by imposition of levy.

The effort to transfer the burden borne by property

taxes to state and Federal levies is in considerable measure aimed at doing away with these restraints. The broader-based taxes, like sales and income, raised through withholding or a few pennies on every purchase, are relatively "painless" at the point of collection until one day the anesthetized taxpayer wakes up and discovers they have ballooned to enormous proportions. They are less visible than the property tax because the taxpayer does not, generally, sit down and pay them in a lump sum. And they are imposed by levels of government relatively distant from the taxpayer, and bear no discernible connection to the services being handed out by the spenders. It is precisely for these reasons that property taxes, over the years, have risen so much less than other taxes.

In sum, the movement to transfer the burden of civil city and school functions from property taxes to state or federal taxes is a kind of Magna Carta for the spending interests—which, on previous experience, would result in considerable increases in the total tax burden, do little or nothing to relieve the burden on the property tax, and would not improve the quality of education. Having observed a legislature operating on this premise over the past thirteen years, I am convinced that the idea of achieving "property tax relief" through increased return of state or Federal monies is the greatest single delusion in state and local politics.

This is not to say, however, that "property tax relief" cannot and should not be attained. Quite the contrary, as a property owner in an area where such taxes are fairly high, I can testify from personal experience as to the desirability of reducing them. The first and most obvious way of achieving this is, quite simply, to cut back on local spending. I have seen my property tax increase in recent years to pay for augmented spending on schools and civil government, and can honestly say that I have seen little improvement, if any, in our services which I, as a taxpayer, receive. The spending, quite simply, must be brought under control.

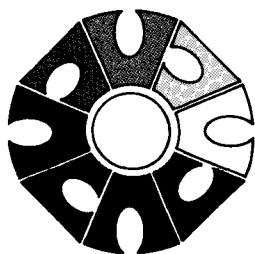
On the matter of central cities losing tax base through the exodus of homeowners and industrial plants, an obvious answer is indeed to go to broader-based taxes, particularly

sales, which are collected at the point of business transactions rather than in the place of residence. On the grounds already stated, however, such taxes should *not* be imposed at the state or federal level, but at the local level.

There is a further aspect of the question of finance which cannot be adequately discussed in the limited time available to us—namely, that the continual transfer of fiscal burdens to higher levels of government destroys local autonomy and makes nonsense of our federal system. By the distribution of tax dollars, the federal government is rapidly converting the states and local communities into administrative subdivisions of Washington. In exchange for allegedly "free" federal dollars, local governments are rapidly losing all freedom of action—in the meantime discovering that the programs which are supposed to "save" them money actually cost them millions, not only in federal taxes but in state and local taxes as well.

I cite, in evidence of both these tendencies, the experience of my own state with Medicaid. Three years ago we were told by the federal government that unless we instituted a Medicaid program we would lose some eight million dollars in federal welfare funds. In order to save this eight million in "free" money, our Legislature enacted a minimal program that would supposedly cost only \$300,000 or so a year. But once Medicaid was on the books, the federal government came back with still more demands, guidelines, and standards that we had to adopt. This year the program that was going to save us eight million dollars is costing \$45 million in state money alone, and in the next biennium, as currently projected, is supposed to go to \$107 million a year. We have lost both our autonomy and our money.

The things that the federal government now wants to do with the enormous power it can wield over the states and our individual lives is another and even more lugubrious story. Suffice it to say that the loss of liberties implied by so much concentrated power and so many coercive programs is the real "crisis" in our society, far surpassing the imagined crisis of the cities.



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