Book Review: Urban Incentive Tax Credits, By Edward M. Meyers and John J. Musial

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BOOK REVIEWS


Ever since Americans realized that there was an urban crisis there has been no shortage of ideas and programs calculated to solve it. Each analysis of our urban ills has forcefully demonstrated that many of our central cities are suffering a decline in industrial base, a loss of jobs, an outmigration of the upwardly mobile to the suburbs, massive inmigration of the rural poor, vehicular strangulation, and an inability of government at any level to provide the resources and leadership necessary to extricate us from this great morass. What is needed, we are continually told, is a comprehensive approach to rebuild and revitalize the cities. In Urban Incentive Tax Credits, Edward M. Meyers¹ and John J. Musial² offer us still another strategy to deal with the urban crisis: federal income tax credits for individuals and businesses located within the boundaries of central cities.

Decades and billions of dollars spent in treating urban problems have yielded one failure after another. The earliest programs consisted primarily of slum clearance and urban renewal. They were based on the assumption that razing the slums and replacing them with new housing or cultural and civic facilities would bring the middle class back to the city. Downtown businesses would prosper, the municipal tax base increase, and the city would undergo a renaissance. The actual consequence of massive urban renewal was to spread the slums, remove many properties from the tax rolls, leave vacant vast areas of the central cities, and increase racial tensions.

The Model Cities and War on Poverty programs were designed to defuse the urban-racial crisis by revitalizing communities through neighborhood planning involving the poor, improved delivery of

1. Mr. Meyers is presently Principal Planner with the University of California system and formerly a social planner with the City of Detroit’s City Plan Commission, Social Planning Division.
2. Mr. Musial is presently Head Social Planner for the City of Detroit’s City Plan Commission and Vice-President of Shiefman and Associates, Inc., a marketing research firm.
services, and massive federal aid to those individuals and areas most desperately in need. These programs floundered in competition with military expenditures and in the conflicts between neighborhoods and municipal governments. Most of the benefits were apparently received by the antipoverty professionals and bureaucrats. The poor continued in a state of dependency.\(^3\)

The most recent and widely heralded approach is the concept of the New Federalism, whereby the national government shares its moderately progressive and ever-growing tax base with state and local governments. In principle, this program enables local governments partially to escape their tax limitations and to provide improved services to residents and the business community. Supporters hoped these additional funds would allow cities the resources needed to cope with the multitude of problems confronting them. Because of the niggardly sums appropriated, revenue sharing has not met these expectations. Distribution formulas which favor suburban areas and a failure to provide for citizen participation in the allocation of these additional funds also hamper the program's effectiveness. As a result, it is possible that the cities will actually end up with less federal aid under revenue sharing than under previous funding arrangements.\(^4\)

Meyers and Musial fully recognize that each of these federal programs has failed to stem the tide of urban decay. As a starting point for their own analysis, they set out to discover the elements of those federal programs which they considered to be successful. These include the investment tax credit, farm subsidies, and tax deductions for home ownership and charitable contributions. The authors attribute the success of these programs to: (1) "a relatively small governmental expenditure . . . introduced into the market system to influence the actions of targeted individuals and groups toward socially desirable ends;"\(^5\) (2) avoidance of "excessive administrative overhead or 'red tape' found in programmatic attempts at solutions;"\(^6\) and (3) lack of any need for the implementation of

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4. Id. at 66-69.
5. Id. at 71.
6. Id.
"complex and sophisticated sociological theory." In other words, successful federal programs use the signals generated by the market mechanism to induce individuals and businesses to behave in a socially desirable manner.

The authors attempt to incorporate these lessons in their proposal which provides a tax credit to all individuals and businesses who reside within depressed central cities. Such a credit is designed to reverse the exodus of middle and upper income individuals from the central cities and induce businesses to undertake new investment within the city. This infusion of new people, economic activity, and tax refund money would itself generate a ripple effect on jobs and incomes. The tax burden of the overtaxed city resident would be substantially eased and the municipal tax base would be strengthened. Another consequence of an increase of middle and upper income residents will be to force local governments to tackle the severe problems of their inadequate educational systems and decaying infrastructure. The end result will be to push the cities into self renewal, help break the poverty circle, and begin the elimination of the disparities between cities and their suburbs.

The authors suggest several possible alternative formulas for determining the amount of tax credit for each city. They favor one based on the socio-economic differences between the central city and the remainder of its metropolitan area. Adjustments might be allowed for local tax effort, crime rates, amount of tax exempt property, and so on. They estimate that their optimal proposal would yield an average sixteen percent credit on personal income taxes and eight percent on corporate profits taxes with a total cost of approximately $6.22 billion per year. Unlike most federal programs, however, this expenditure would phase itself out as incomes and socio-economic scores of city and suburb gradually equalize. Possible constitutional objections to the differential tax credit proposal are also discussed.

While there are various technical errors and gaps in analysis, the

7. Id. at 72.
8. These socio-economic differences, measured in terms of socio-economic scores, refers to an index based on such variables as median income, occupational, and educational levels.
9. Id.
most serious problem is with the general principles underlying their approach. The essence of the authors' program rests on the assumption of the existence of an effective trickle-down mechanism: if we aid business and affluent individuals, all of society will be the ultimate beneficiary. Specifically, they assume that the multiplier effect on the city tax base will somehow filter down and release the poor from their relative and absolute deprivation. At the very least, the authors assert that this use of tax incentives will foster socially and racially integrated cities.

The problem with this assumption is the lack of evidence that the expected results will actually occur. Can we rely solely on "economic self-interest" for a few hundred dollars tax credit to distract people from their fears of crime and social unrest and their aversion to noise, pollution, and congestion? What reason have we to believe that such tax credits, even if they were high enough to serve as a "holding action," will create socially and racially integrated communities? Is there any basis to believe that municipal governments have the power, expertise, and political determination to utilize additional resources effectively in the solution of complex social problems? Experience with previous urban programs does not generate optimism on any of these questions.

It is evident that the major consequence of the tax credit program would be to increase the tax base of our depressed central cities—a necessary and perhaps critical need. Yet the authors do not convincingly demonstrate that the cities are capable of grappling with the social and economic realities of a society which clings to economic and racial separation. Neither do they dwell on the relative advantages of programs which might provide greater opportunities and effective choices to the poor through a guaranteed annual income and the opening up of the suburbs to all income, racial, and ethnic groups. Admittedly the political climate for any or all of these proposals is inhospitable, but the urban incentive tax credit does not appear to be a promising alternative.

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Though often misunderstood and misrepresented, the British experience with heroin maintenance¹ is cited as support by both proponents and opponents of heroin maintenance in the United States. For those who favor heroin maintenance, the British system is clear proof that heroin can be distributed to addicts without causing an epidemic. For those who oppose heroin maintenance, the British system is equally persuasive that legal heroin distribution does not stem the rise of addiction. Amidst all this debate, Horace Judson’s book, Heroin Addiction in Britain,² comes as a welcome addition to the literature. In clear, readable prose, the author takes us step by step through the history of British heroin maintenance—trying to separate myth from reality, misconception from truth. Any history of British drug policy must emphasize the importance of the famous Rolleston Committee Report of 1924. After extensive investigation, the Committee concluded that doctors must be permitted to prescribe and administer heroin or morphine to confirmed addicts under certain circumstances. From that base point, Judson carefully follows the events of the next forty years, culminating in the 1964 report of the Second Brain Committee—a report which modified the initial Rolleston approach in some significant measure. Now only doctors at designated drug clinics would be permitted to administer drugs to addicts.

Has this British “clinic” system of dispensing heroin to proven addicts led to decreased levels of addiction? Mr. Judson’s book does not fully answer the question but it does demonstrate one point—and that forcefully: heroin maintenance in Britain has not

¹. Great Britain has clinics where addicts can legally obtain heroin or morphine. “Underlying the British approach is the belief that narcotic dependence is a medical problem to be treated by medical professionals rather than a criminal problem to be handled by law enforcement agents.” NATIONAL CLEARINGHOUSE FOR DRUG ABUSE INFORMATION, REP. SERIES 13, No. 1, at 1 (Apr. 1973).

led to a heroin epidemic. On the contrary, the figures for known British heroin addicts are astoundingly low both in terms of absolute numbers and in terms of per cent of the population. What is even more surprising—unbelievable some might say—is that the number of heroin addicts has remained fairly constant over the past several years.

If the book is incisive in its treatment of the British approach to heroin control, it is equally trenchant in its reporting of the British reaction to American drug control policy. Several aspects of this reaction are quite interesting. First, the British are struck by the sense of fear that pervades America's reaction to narcotics in general and to heroin in particular. Fear obviously is not conducive to balanced policy decisions. Although indefensible, the American reaction to drugs is understandable when viewed in its historical context. For example, for over one hundred years the popular American mythology about drugs has tended to be overlaid with racial and other xenophobic feelings. It was the unpopular Chinese coolies who first experimented with opium in the West. Since the Chinese coolie was alien to the majority of Americans, since he ultimately became an economic threat because he would work for less wages, any aspect of his life became suspect. As a consequence, opium use became associated with the general unpopularity of Chinese immigrant labor. In later years "sporting characters"—gamblers and the like—began to experiment with opium. Drug use now became associated with these aberrant life styles. At the turn of the century, the sudden cocaine paranoia in America may have stemmed in part from reports of heavy Negro cocaine use in the South. There were rumors that the drug could make one violent—fears of crime and race became intertwined with drug use for a second time. The same current of public opinion continued up to the 1960s as the "hippie movement," an unpopular life style at that time, became associated in the public mind with drug use. Once there is public disapproval of a group of people, how they look, what they stand for, and what they distinctively eat or smoke tend to be clothed with the same

3. The most recent survey, in 1972, "counted 1,619 narcotics addicts in Britain. In Washington, the Bureau of Narcotics and Dangerous Drugs estimated in January 1973 that there were 626,000 heroin addicts in the United States . . . ." Id. at 11.

4. Id. at 159.
disapproval. In this same sense drugs have not become associated with unpopular groups or life styles in Britain—at least to the extent they have here. Consequently, a wider range of policy alternatives are more politically feasible in Britain. Unreasonable fears about drugs and subconscious associations of drugs with unpopular groups all tend to restrict the range of policy alternatives in the United States.

In addition to being surprised by America’s fear of drugs, British drug experts are also astounded by the amounts of money spent every year attempting to solve the problem. Billions of dollars of public and private funds are being spent to cure drug addiction. One British doctor is quoted as saying: “One of the statistics we were told [at a certain conference] was that, currently, for every American addict in any kind of treatment, there are two staff receiving salary.” Unfortunately this may be all too true a statement. Apart from government moneys being spent on drug law enforcement, apart from the countless government research grants given academics every year, entire industries have begun to grow up around the drug cure business—methadone clinics staffed by private physicians have become a booming business, drug analysis and urinalysis centers have sprung up to serve their needs, and private drug research firms have been created. Like the fabled “military-industrial” complex of the Eisenhower years, a “drug abuse-industrial complex” has been created. Once created, it is hard to dismantle. To put it another way, with so much money at stake, there is an incentive not to let the problem die or at least there is an incentive to push for one’s own special treatment modality. The law enforcers want to keep their funds, so they push for new law enforcement programs to end the heroin traffic; the methadone maintenance advocates push for more money for more centers; sociologists and psychologists request further grants to test this or that theory of addiction. Quite often some of these diverse elements of the “drug abuse-industrial complex” lobby against new alternatives simply to prevent money from being siphoned off to fund new programs or approaches. Fiscal preservation is an age-old vice of man.

If Mr. Judson’s book has any fault, it is the brief treatment given to the moral issues surrounding drug maintenance. For example, is

5. *Id.* at 125.
it a right and humane thing for society to stabilize juveniles on drugs or should society instead concentrate on drug-free cures? Why does society reject state-supported maintenance for alcoholics but accept state-supported maintenance for drug addicts? These are some of the basic questions—questions which are not adequately analyzed in this otherwise excellent reportorial analysis of the British heroin system. Perhaps Mr. Judson or someone else will address such problems in the future.

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