

CRISIS IN THE CITIES

Throughout the nation, urban decay has focused attention on the question of "How can the problems of the slums be corrected?" I will state at the beginning of this article that the massive problems that exist are not the results of discrimination and white racism, but rather that the blame lies squarely at the feet of those humanitarian, altruistic and well meaning idealists who have tried to attain equality by destroying and attacking the only hope and answer to the problem of slums: the free market.

I will further state that unless we progress to free market capitalism and realize its economic and moral potential, we will continue to see the slums fester, decay and continue to erupt in violence.

Collectivist "cures" to slum problems will continue to fail as they have in the past, and continued tax exploitation of the middle and upper classes will lead nowhere but to further decay.

Slums and Government Interference

Since the New Deal, government intervention into the free market has been expanded to include aid to workers and unions, suburbanites, farmers and welfare recipients. But at what price?

The price has been the growth of slums. True, slums existed before the New Deal, but they were then stepping stones to acculturation. Now they have become a way of life for millions.

I have stated that slum dwellers are people who have been excluded from the market as a result of government intervention. I will now expand upon this statement in relation to the specific problems of the slums.

To begin with, all of the problems of family structure, housing, education, health, initiative, illegitimacy, etc. are basically economic. Certainly not all of these problems would disappear if the slum dweller becomes richer overnight, but the elimination of these problems requires an economic cure.

The slum dweller is an individual or family member who has been forced out of the job market by federal and state minimum wage laws and by union monopoly powers, as well as by certain present government economic policies. Slums themselves are created by decline of jobs in cities, poor housing due to government interference in the market, and by harmful tax policies. In addition, *general* social-cultural problems resulting from policies of the welfare state and economic recession lead to the creation of slums.

Unemployment and Minimum Wage

Professor Milton Friedman, former University of Chicago economist and Nobel Prize winner, has stated: "Of all the laws on the statute books of this country, I believe the minimum wage laws probably do the Negro most harm. It is not intended to be an anti-Negro law but in fact it is."

Why? . . . because the minimum wage prices unskilled, untrained people out of the wage market, particularly in the big cities. This elimination of jobs perpetuates the cycle of poor education, poor environment, and guarantees the existence of slum conditions. Every increase in the minimum wage prices more and more unskilled and young workers out of the market because their productivity is lower than the minimum wage.

Further, the economics of the Keynesian Era has guaranteed a base unemployment rate of 3-5% in our economy due to what is called "structural unemployment". In layman's terms, the interference in the market has raised the wages of most workers above the free market level at the price of fixing unemployment at a marginal rate.

It takes little investigation to see who is priced out of jobs: Not the affluent middle class, but the poor, the young, the black and the uneducated—precisely the group which can least afford such hardship.

While humanitarian and unselfish motives were (perhaps) the reason for instituting the minimum wage, the result has been the precise opposite: no jobs for the unskilled, skyrocketing welfare costs, the perpetuation of slums, hopelessness and despair.

In addition, the minimum wage drives industry and useful jobs in general out of the city because they make it impossible to find workers at an employable price even while contributing to rising business costs by fostering crime among the now unemployable.

It is all well and good to declare that "everyone should be paid" at least the minimum wage, but the reality is that no one can afford to pay more than the market value of a person's labor and stay in business. The major effect of minimum wage is thus not higher paying jobs, but simply fewer jobs.

Unions, Housing

Union power is another cause of slum unemployment. The ability of powerful unions to exclude certain members of society from membership has

resulted in the loss of opportunity for thousands of workers. And what do liberals and even radical leftists offer as a solution to this problem? Economic freedom?—No, their only answer is more government regulations—which is what caused the problem in the first place.

The power of unions to exclude certain people from the labor market can only be ended by the abolition of laws which give unions the legal power to monopolize employment in certain businesses (such as many construction firms). The evidence from states with "right to work" laws supports the contention that there is less unemployment when union power is curbed. But the best argument ending such power is simply that it is unjust to allow unions to compel businesses only to hire their members.

In the area of urban housing, we see further evidence that government intervention lies at the root of the problem. Decent housing is an economic problem which in part stems from slum dweller's low income. But even greater is the need for a free market in housing. What is needed in the long run are *more* slumlords and thus more housing, more competition and thus improvement of housing conditions.

Government interference in the economy through the housing market has destroyed the incentive for market expansion. Through rent control, the number of housing units has declined because new investment is deferred and uneconomic properties are simply abandoned. Through an outdated tax structure in most cities, improvements are discouraged; and finally, through the massive federalization of zoning, housing codes and regulations, new entrepreneurial efforts in housing are stifled.

Because of such interference, the building owners have to settle for fixed rent rates and are forced to cut costs by letting their properties decay. Recognize that slum owners do not want to let their properties decay, but they are forced to when government rent controls make that the only viable way to do business. Most slum owners would greatly prefer to fix up their properties to maintain or increase their market value with funds from increased rents, but the government makes that economically impossible.

Slums and Capitalism

I now turn to my major argument—that *laissez faire* capitalism is the only sensible, just and effective way to solve slum problems.

Notice that all of the attendant social, cultural

and moral problems of slums are derived from their economic problems: Crime is rampant because many residents cannot get jobs. Promiscuity is high because slum residents have much idle time on their hands and cannot afford to take economic responsibility for a family, and they can do better on welfare and aid to dependent children, which prohibits having a man in the house. Drug use is endemic because economic and other social conditions create an environment of despair from which many wish to escape.

The development of the slum community must begin with the establishment of an economic base—a foundation of individual and community self-support. In many ways, the slum faces problems like those of underdeveloped nations. The slums are outside of the general social cycle of production and consumption and investment. Capitalism must be allowed in the slums to produce jobs, investment and consumption and to restore the slum dweller to the mainstream of economic life. New industry must be encouraged in the slums to foster economic development.

The economic development of the slums requires not more government aid and programs, which only perpetuates dependency without developing positive skills. No. Rather what is needed is an end to the economic policies which have created slums in the first place.

Rent controls should be removed.

Minimum wage laws should be ended.

The coercive power of unions to create "closed shops" and thereby exclude social minorities should be eliminated.

Taxes on businessmen should be ended and government regulations on business should be eliminated.

Slum businesses should be made exempt from licensing and other business fees which often make it difficult or impossible for the poor and uneducated to start their own businesses.

Taxes on the poor should be immediately, and completely ended, increasing their disposable income.

Zoning laws should be liberalized or ended entirely to foster the development of business.

Taxes on investments in the slums should be ended to provide a tax incentive for investment in these areas.

If these programs are followed, the disposable income of slum dwellers will immediately be raised, housing will improve, it will become much easier to

start businesses in these areas, employment will increase, and investment will be stimulated.

The solution to the problems of the slums is not misguided government paternalism, which has largely contributed to the problem. The solution is rather to *get government out of the slums and keep it out.*

Laissez-faire!



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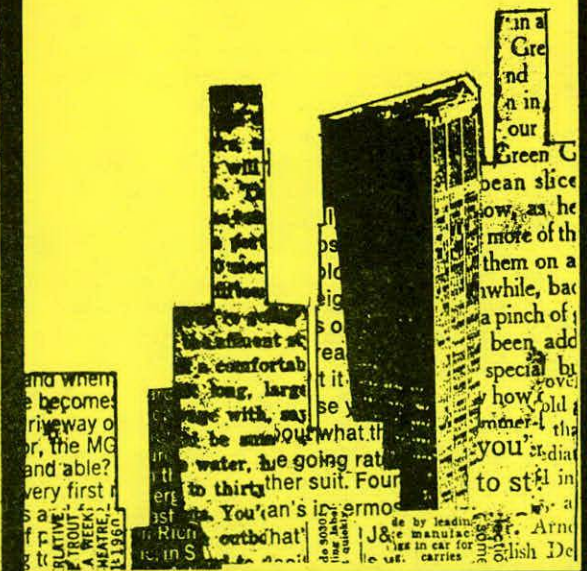
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