Clipping of Note NUMBER 67

Subsidies for Ghosts

In the Far West are many "ghost" towns. Originally they sprang up around mines and for a time were populous and booming. Some of their residents became millionaires. Then the ore was exhausted, or Congress decreed a lower price for silver, and the people gradually moved away. Now the false fronts are tumbling down and coyotes bark in the streets.

When those towns began to get "ghostly," should the state or federal government have stepped in and provided funds to finance the people to go on living there?

Should Colorado have subsidized Cripple Creek so that it could have retained the 50,000 people who lived there at the beginning of the century, instead of shrinking to its present 2,500? What would have been the fate of such communities under the modern "share the wealth" idea of federal and state aid?

More and more we share the wealth through government taxation and distribution. The federal government distributes some of its tax revenue for roads, for hospitals, for welfare, for airports, for power dams, and for a dozen other purposes. Every state government taxes its citizens and distributes money to local communities for schools. In Indiana, for example, 40 per cent of the cost of the public schools is funneled through the state treasury.

This is done on the ground that the people of one locality are poorer than those of another and so are not able to maintain as high a standard of public services. Therefore, it is held, the people as a whole should be taxed according to ability to pay and the revenue distributed in proportion to need.

Without going into the ethics of this forced redistribution, what of its economics? Who benefits from these "grants in aid"? Does the total productivity of the people rise, or fall—or remain the same?

Whether the people of a community appear to be wealthy or poor depends upon their resourcefulness in developing and using those things available to them. A person's wealth is one measure of his capacity to use his resources. And the same holds for a community: Its wealth is the product of ingenuity and effort applied to resources.

It is a person's right, if he chooses, to measure his wealth by the size of his family. But that family may seem poor by usual economic standards. Likewise, a community may grow faster in population than in the development of other resources, thus being a poor community by some standards.

Whether the poor community is overpopulated by reason of a lack of natural resources or a lack of human resourcefulness is not the issue here. If the presumed objective is to overcome the relative overpopulation of a community, there must either be an exodus of people or a further development of their own resources.

If the people of an overpopulated community are subsidized with grants from the outside, regardless of the purpose for which the money might have been intended, they will not be encouraged to move to greener pastures or to develop the resources of their own area; for in either case, they stand to lose the subsidy. Thus they are subsidized in partial idleness in their old economic rut, and the nation is poorer for lack of the wealth which they might otherwise produce. The people of the subsidized community are partially dependent, with a vested interest in idleness and inefficiency.

The nation has areas of declining population. A mining community in Pennsylvania, for example, lost 14.6 per cent of its population in the decade of the 1940's. People are leaving some of these areas in search of better opportunities elsewhere. This is not to be deplored. If the nation were to pay these people to stay put, it would lose doubly, first, the cost of the subsidy, and second, the lack of the greater production which these people could produce elsewhere. Ghost towns are far less burdensome to society than are subsidized communities.

Oscar W. Cooley
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