

German Land Speculation

by HEINRICH RICHARD

GERMANY, like most other countries, is trying to find a cure for the land problem. A "building land tax" instituted as an attempt to deal with high prices and land scarcity has proved ineffectual just as Georgists predicted it would. Land prices have continued to rise, and the hoped-for new building sites have not opened up. The Senate of the German Federal Republic is therefore now considering abolition of this law.

As long ago as 1958 land value taxation experts in Germany and France were pointing out that Adolf Wagner and Adolf Damaschke had proposed that the profit realized by selling a piece of land, after reimbursing the owner for labor and capital, must go to the community, and that this community-earned rent could best be levied by an annual tax on land values. This was based on the writings of Quesnay and Turgot (Physiocrats), also by Ricardo and Thunen, and by Henry George.

However, an "Imperial Increase Tax" was levied in 1911, and land speculation continued to flourish as before, while prices rose. High land values and land rents are looked upon as being dangerous to the community — whereas actually the value of the land reflects the good quality of the land itself, as well as the activity and density of the population. If the land rent thus resulting from population density went into the public treasury it would be a great blessing, as the Georgist experts have repeatedly pointed out.

The tax as now charged is still a tax on buildings, improvements, crops, etc., and therefore it demonstrates the old law that a tax is unable to lower the price of a thing that owes its birth to it. So the present "price increase

tax" is a double tax, with exactly the opposite effect that was expected of it by the proponents. It greatly hampers construction of new buildings and of course every purchaser adds the increased tax to his price, raising it to cover the cost of building as well as all the hidden taxes.

Everybody complains of the results of the present taxation, but no one knows how the situation could be improved. A certain group "in the know" manage to avoid paying the tax — the others are caught in its vise, and the community suffers. The chief error is that the soil is treated as a negligible factor in building, since its share in the total budget, after deduction of all other costs (plantings, improvements, etc.) is only one per cent.

Looking to the future, Georgist writers in Germany urge only a direct tax on the soil which can never be passed on. All are children of the soil, whether owners of land or not, and every tax reform which neglects this consideration, they point out, is doomed to fail. Meanwhile the Ministry of Finance, although competent, completely misses the connection between the general tax increase and the monetary devaluation, and doggedly overlooks proposals of tax reforms based on the scientific studies of such experts as Henry George and the earlier exponents.

Although speculation is rife, not everyone is out to get rich through land manipulation. Many would prefer to build or cultivate today, rather than tomorrow, if the high "land" tax did not make the price prohibitive. The actual taxation falls secretly on labor, capital, trade, industry and the consumer. Nevertheless, everybody is naive enough to express astonishment without making any effort to show a

responsible interest. Merely taxing all land according to its gross value is a clumsy system that must be overthrown in favor of the annual land value tax which would lower the selling price of the land even if its gross value con-

tinued to grow. "An evil cannot be fought by veiling it, only by abolition of its causes."

The above article by Heinrich Richard of Bonn was translated from the German by Pavlos Giannelias of Lyon, France, a veteran Georgist.

Up by JOSEPH S. THOMPSON

IF I ever run into a hard-shell from now on, I'm going to shut up!

Why?

I got into an argument with Bill Ingalls and got nowhere.

What was the argument?

Oh I was talking about Hutchins' article. You know Robert Hutchins — he was president of a university — Chicago University. He said we should stop taxing buildings and put the tax on the land only.

Gee, Did he? I must read that. But what about Bill Ingalls? How long ago did you talk with him?

Oh, ten days — two weeks, maybe.

He didn't agree, I suppose.

Didn't agree? Gosh, by the time he got through, Hutchins was a communist, I was a fool falling for every crazy notion, our tax system was perfect — then he came up with "ability to pay" and "across the board" and "make everybody tax conscious." Boy, I got nowhere. I give him up.

That's where you're wrong. Never give anybody up. He'll battle with you. He'll admit nothing — even when you make a point that teaches him something he'll never let you know...

Well, I don't see any use in working over somebody who's against you.

Let me finish. The reason I went on about Bill Ingalls was that I saw him and Sandy Burke...

Sandy Burke! There's a hard-shell if ever there was one! Why...

Let me finish. Sandy was saying they

ought to raise the sales tax and relieve the property owner, when out comes Bill Ingalls. Yeah, your friend Bill. And he says, "wait a minute now, Sandy. This feller Hutchins — he's a college president, mind you, says don't tax buildings but put the tax on the land. He claims that'll make business..."

Bill Ingalls said that?

He did indeed.

And Sandy says, "Bill, that feller Hutchins must be a communist and you're a fool falling for every crazy notion!"

Gosh, that's just what Bill said to me!

Sure, and that's why I say to you, never give anyone up. You never can tell what effect you're having because a man rarely admits that he was wrong. Don't expect it.

You mean I ought to go right on arguing? That's where I live!

Well, yes, in a way. But don't get them in the habit of saying, "here comes old Land Value Taxation again!"

Joseph S. Thompson of San Francisco is president of the Henry George School, New York, and honorary president of the school in San Francisco. The syndicated newspaper column mentioned above in which Dr. Robert Hutchins expressed his views in favor of land value taxation (see Feb. HGN p. 13) has now been reprinted in its entirety, and copies are available on request from The Henry George News, 50 E. 69 St., New York, N. Y. 10021.