

On a lazy Sunday morning I managed to get my son Miran (9) and his friend Tinus (10), who lives next door to us, to play a game of *Monopoly*. They were not very enthusiastic at first; they find the game boring and predictable. The player who can build houses first quickly gets ahead in the game. Especially if he reinvests the money he earns in new houses. For the others, it's hard to catch up. The winner accumulates piles of money, the other players are broke and frustrated. There's hardly any strategy involved. It's just a matter of being lucky or unlucky.

The current housing market in the Netherlands looks a lot like a Monopoly game. If you bought a house at the right time, your wealth is growing. If you don't own a house yet, it is almost impossible to get in on this wealth growth.

This resemblance is no coincidence: the game was invented in 1903 to demonstrate exactly this economic law. The original version however, called *The Landlord's Game*, also offered a way out. During the game you could at any time decide to change the rules, if the majority agreed upon it. Then all the land would become common property and all players would benefit from the profits on it. With this set of rules you could turn Monopoly into a cooperative game, without winners and losers. In short, prosperity for all instead of profit for only one player.

What would happen if we applied those alternative rules to the housing market?

This is what my grandfather has advocated all his life. He was still young, about thirty years old, when he became acquainted with the work of the American economist and journalist Henry George (1839-1897). And just like the creator of *The Landlord's Game*, my grandpa was captivated by George's ideas.

Land Ownership As The Main Cause Of Inequality

The seeds of Henry George's thinking were sown in 1868 when he visited New York for the first time. He was astonished that in the economic center of the United States, where millions of immigrants from all over the world arrived in search of a better future, so many people lived in poverty. 'The shocking contrast between monstrous wealth and debasing want' struck him deeply.

How could all the progress during the industrial revolution have not led to the eradication of poverty, George wondered. In his book *Progress and Poverty* (1879) he pointed to land ownership as the main cause of inequality. Because it is through land ownership that the rich are becoming

increasingly richer and the poor poorer. And this, according to George, makes the possibility of private land ownership a big mistake.

George argued that the earth belongs to everyone. Everyone has the right to use of a piece of land to live on and to provide for one's livelihood. In other words, land is a basic provision just like water and air. With this idea, George won over many followers.

I inherited George's book from my grandfather along with a box full of letters, magazines and newspaper clippings about 'the land issue.' For my grandfather, Wim Costerus, it was a matter of principal. In his eyes, land ownership was as wrong as slavery. 'That fortunately has come to an end now. In the same way we will also have to get rid of ground slavery,' he said in an interview with *Elsevier's Weekly*. For my grandfather, it was worth a complete revolution to achieve this. It was just a matter of setting the right priorities.

After his retirement as a jurist, he founded an organization in 1971 to realize these ideals. As chairman of Grondvest, he intended to devote himself to "big, important and difficult tasks that will take years," he wrote in the first issue of the *Grondvest Bulletin*. Together with co-directors Wim Born and Daan Reiche, he wanted to put an end to "the enrichment of private landowners" and abolish the "insanely unjust tax system."

What If We Change The Rules?

1. How I wish I could have talked to my grandfather about this. But I was only eighteen when he died in 1995. I was at the time a first-year political science student in Amsterdam, and protested against housing shortage and inequality. For me, this seemed a lot more exciting than the theoretical expositions of my grandfather on fundamental rights and land property. But somehow I've always felt that our struggle was the same. I must have inherited this from him, this striving for an equal and just society, right? To find out what his struggle was exactly about, I now have to make do with his letters, articles and interviews. And that, alas, turns out to be tough task.

Fortunately, the rules of *The Landlord's Game* are easier to understand. While playing *Monopoly* with my son and the neighbor kid, I happen to throw an eight which lands me on the Kalverstraat. This is the point where our game would normally end. Miran already owns four houses on it, and I can't possibly afford to pay the rent.

But what if we can reverse the rules? For Tinus and Miran it's an exciting idea: finally something unexpected will happen in this game! From now on we will play with the prosperity rules of *The Landlord's Game*:

-

- **Rule 1:** General taxes no longer have to be paid.
- **Rule 2:** If you land on a street, you don't pay the rent for vacant land to its owner but to the community treasury. If there are houses, you pay double: the rent for the houses goes to the owner, the rent for the land to the community treasury.

Those two rules beautifully summarize the central idea in Henry George's work. What he proposed, was a tax on the possession of ground. A kind of rent actually, which the owner pays every year to the government for the right to use the land.

The Tax That Makes Other Taxes Superfluous

The tax George proposed is a bit like the real estate property tax (OZB) that homeowners pay in the Netherlands. But there is an important difference: the property tax is not only levied on the value of the land, but also on the buildings on it. More on why this matters later.

And where the property tax is on average a few hundred euros per year, the land value tax should be, according to George, high enough that from owning land no one would have any financial benefit. It is only by putting the land to use—to live or work on it, or to rent it out, that someone could benefit from it.

The land value tax could collect the government so much revenue that, according to George, all other taxes would become redundant. There would even be enough money left for a kind of basic income for every citizen. This is how the inequality arising from private ownership of land could be countered.

Since the nineteenth century, the land value tax has been implemented in (parts of) different countries like Denmark, Canada, Australia, Estonia and Kenya, although nowhere for such a high rate as George had suggested. And to my surprise, there still turns out to be an active worldwide movement of so-called Georgists who argue in favor of the land value tax. The most recent success occurred in Germany, where in the federal state of Baden-Württemberg the Bodenwertsteuer (the German term for land value tax) was passed in 2020.

I'm curious: could we find in George's book, which has been gathering dust on my bookshelves for so long, an answer for some urgent problems of our time, such as the housing crisis and the increasing economic inequality?

Back To The Beginning

To be able to answer this question, Bas Jacobs, professor in economics and public finance at Vrije Universiteit Amsterdam, sends me back to the beginning. We should be talking about taxes much more often, Jacobs said. “On Budget Day, the newspapers are full of what the government plans to spend money on. But nobody talks about how they want to raise that money. And that choice is just as political.”

Meanwhile, we pay taxes all the time. We pay an income tax on our salary, VAT on the food we buy in the supermarket, on movie tickets and on new clothes. With all this tax money, the government pays for public services, such as roads, schools, social security, and health care.

Some taxes are meant to influence our behavior: like extra taxes on tobacco and alcohol to make people consume less of it. The government can also lower tax rates to encourage desirable behavior, such as a lower VAT on vegetables and fruits.

But taxes can also have unintended or unwanted effects, Jacobs explains. Because of the harmful effects on the economy, he calls taxation a necessary evil. “Take for instance the income tax. It makes it less profitable for people to work, invest and do business. So the more tax you have to pay, the lesser you are inclined to develop meaningful economic activities.” And this fact is a thorn in the side of economists.

Economists' Favorite Tax

A land value tax does not have this disadvantage because of the unique character of land: the amount is fixed, you can't make more off it. This means that if demand increases, supply will not follow. For the same reason, the levying of a tax has no effect whatsoever on the supply: you cannot produce less land to be taxed less. Neither can you move your land to a tax haven.

That is why even Milton Friedman, champion of free market capitalism and not exactly a fan of taxes, called the land value tax “the least bad tax.”

A tax on land is much more efficient than the real estate property tax (OZB), which also taxes the value of the house. The reason is that, unlike with land, you can build more or less houses. Now, if you have your house renovated or you build a new house on an undeveloped piece of land, you are going to pay higher taxes. That's a perverse incentive, because the government wants more houses to be built. So why would they tax this?

And there is more to be said in favor of a land value tax. “As an economist you learn that you always have to make a choice between either efficient or fair,” says Professor of Economics at the Rijksuniversiteit Groningen, Maarten Allers. “A tax on land is the only exception to this: it is both. And that's why it's very popular with economists.”

Landowners Get Rich While Sleeping

What makes a land value tax fair? It prevents landowners from getting rich while they sleep, explains Allers. Whoever owns a house knows how quickly its value can rise. Or actually, the value of the land on which the house stands, because this provides for most of the increase. This is partly due to scarcity. As I already explained, extra land cannot be produced; so as long as the population grows, scarcity increases.

But what mainly determines the value of the land on which a house stands is its location. The more facilities and economic possibilities in the area, the more expensive the land. This is demonstrated in the big price difference between a comparable homes in Appingedam or Amsterdam. The key question is: who creates this value? Not the landowner, but the society. In Maastricht, for example, part of the highway got tunneled, which cost the government about 725 million euros. The tunneling improved the quality of life in the immediate area, as a result of which house prices have risen by about 220 million euros in total, according to a conservative estimate by *Statistics Netherlands*. This profit did not go back to the government which had made the investment. It went straight to the homeowners. A nice present, paid for with our tax money.

Economists call this unearned income or economic rent. The British Conservative politician Winston Churchill already pointed out the injustice of it in 1909. While streets and railways are being constructed, the landlord sits still, he said to the House of Commons. "To not one of those improvements does the land monopolist, as a land monopolist, contribute, and yet by every one of them the value of his land is sensibly enhanced."

According to professor Bas Jacobs, an increasing proportion of all income is unearned. As a result, inequality is increasing. He himself has "earned" more over the past ten years with the increase in the value of his house than with his work as a professor. And for this, he didn't have to do any work or put in any effort. And the craziest thing is: unlike with his university salary, he also does not have to pay any taxes on it. "This would be the least harmful tax: on income that you did not have to work for."

Land Tax Can Benefit Everyone

With a land tax, not only can the government (partly) recoup investment, such in the case of the tunneling in Maastricht shows, but it can also invest the proceeds in new facilities. For example, it could make public transport profitable, instead of having to subsidize it annually from the state coffers, says British researcher Andrew Purves. Purves analyzed the economic success of Hong Kong and Singapore, and concluded that it can largely be explained by the fact that both derive a substantial amount of income from the value of land. In Hong Kong it amounts to nearly 30 percent of total government revenue, thus keeping other taxes low.

“In other countries, private landowners have been able to make a lot of profit when the railroads were built, because adjacent land suddenly became much more valuable. But because in Hong Kong the land is owned by the state, they are able to use that increased value to finance the railways.’ The operation of the railways today is still, almost fifty years after its construction, profitable for the government, says Purves. And as Henry George already knew in the nineteenth century, you don’t need to expropriate all land to achieve the same effect,” explains Purves. “You can also achieve this with a land value tax.”

It’s rule number 6 of The Landlord’s Game:

-
- As soon as there is enough money in the community treasury, the water and electricity companies and the rail stations are bought up. Henceforth, they are free to land on. Just like the university, which replaces the “Go To Jail” square. The prison is abolished.

Which Rules Lead To Real Equality?

Still, during our game of *Monopoly*, according to the alternative rules, Miran and Tinus remain extremely rich, while I can barely keep my head above water. It turns out I overlooked a rule: that you can never go bankrupt. If your throw takes you to a property you can’t afford, you just go back to the nearest corner square. For your next turn, you roll the dice until you land on a square that you can afford.

With this rule the very last bit of excitement has disappeared from the game. *The Landlord’s Game* might be more equal, but turns out to be even more boring than *Monopoly*.

Still, I think it’s an interesting question: which game rules lead to equality? Not only in *Monopoly*, but also in the “real world.” Because that is in fact what taxes are: the rules of the game that we agree upon with each other.

The chance that we will change the rules of the game in the Netherlands is not that big, professor Maarten Allers thinks. He’s been arguing for a long time for the introduction of a land value tax, but has no illusions. “It will cause a lot of resistance. Politicians don’t dare to burn their fingers on this idea.”

Why Is The Land Value Tax Not Yet A Reality?

In Baden-Württemberg, Germany, Dirk Löhner (professor of Taxes at the Trier University of Applied Sciences) campaigned more than ten years for the recently introduced Bodenwertsteuer. Despite his many years of dedication, he realizes that the practical effects of the measure will be negligible. “The tax rate is far too low for that,” he says.

Yet its symbolic significance to him is enormous because it does ensure that at least a small part of the investment by the community comes back to the community, rather than ending up in the pockets of the landowner.

It wouldn't have been enough for my grandfather, I'm afraid. He was very principled and therefore also somewhat stubborn. When a reporter from the *Dagblad* for Noord-Limburg asked him in 1975

if he really believed that his theory could become a reality, my grandfather answered in the affirmative: "It took a while before slavery was abolished. To this end, the people had to be first educated to see slavery as an injustice. This should also happen now with our ideas." As far as he was concerned, there was no arguing about the correctness of his ideas. "I have never met anyone who could say anything against it," he said in another interview.

And it is indeed strange, says economics professor Dirk Bezemer, that the land value tax has not already been introduced all over the world. "A tax on land can make a significant contribution to solving the problem of the housing shortage and tackling wealth inequality.

This makes it as urgent as it was in the time of Henry George. Moreover, it is simple to realize."

Are there actually economists who think a land value tax is a bad idea, I ask him. "I do not know any. But if you find one do let me know."

The only question that remains is: how is it possible that no politician in The Netherlands is in favor of land tax?

PART II

I recently spoke to some old acquaintances at a wedding (let's call them Carla and Rogier here). As we sat in the evening sun with a glass of white wine, they talked about their plan to sell their house and move to Spain.

They had bought that house six years ago for about two hundred thousand euros. Now incredibly cheap for a spacious apartment in Amsterdam, but even then already inexpensive. By having a building developed under their own management with a group of people, they had managed to reduce costs.

My boyfriend and I were also interested in this project at the time. We had lived in the countryside for a while, but considered returning to Amsterdam. The bank almost laughed at us. As freelancers with an uncertain and fluctuating income, we had no chance of a mortgage.

We have now missed that boat forever. Since then, our income has only increased a little, while house prices have skyrocketed. And so, at 45 years old, we find ourselves on the wrong side of the housing market.

Now the financial situation of Carla and Rogier looks a lot rosier. After selling their house, they can live in Spain for ten years without having to work. They also feel a little uncomfortable about that. Yet you can hardly blame them for putting those four tons of surplus value in their pockets.

Electoral Suicide

But the American journalist and economist Henry George (1839-1897) thought very differently. Already in the nineteenth century, George saw landowners becoming wealthy thanks to, and at the expense of, the rest of the community.

It's actually quite simple: in places where the government invests in roads, schools, hospitals and other public facilities, the surrounding land and with the homes on it increase in value. The presence of cozy restaurants, nice shops and wealthy neighbors does the rest. Without having to do anything to improve or develop the land- as the home owner, you get receive the benefit of surplus value.

According to George, it would be fairer if this unearned income was returned to the community, which created this value. In his book *Progress and Poverty*, he came up with a solution that is as simple as it is effective: levy taxes on land. In this way, the government would earn back its investments and land prices would increase less rapidly.

During his lifetime George managed to get a lot of people to support his idea of a land value tax, but after his death the popularity of the movement he led quickly waned. Nevertheless, Georgist organizations are still active all over the world. In the Netherlands, my grandfather, Wim Costerus, made an attempt to realize the ideals of Henry George. In 1971 he founded the Grondvest organization for this purpose.

Economists are almost unanimously enthusiastic about the land value tax. In my previous article about this, I listed one many economics professors and even Nobel Prize winners, all of whom are of the opinion that a land value tax is efficient and fair.

But the land value tax has never gained ground in Dutch politics. Even now there is not a single politician who advocates this tax. Why not?

"That could be electoral suicide," says economics professor Bas Jacobs. At the minimum, he says, every time an economist brings up the idea now, there is a wave of angry reactions.

After the publication of my previous piece on land value tax, the negative reactions were not that bad. However, many readers wanted to know: what does this land value tax mean for my own wallet? 'According to my article, someone with 800 m² of land in the rural area Twente wondered 'would I then have to pay more tax than Prince Bernhard on a small house in the heart of Amsterdam?

This directly touches on another frequently asked question: who is getting richer from a land value tax and who poorer? According to Henry George, land taxes could make all other taxes obsolete, but will big corporations and the superrich then pay more or less taxes? In other words: how fair is this tax really?

Victim Of Its Own Success

Let's see how a land tax works in practice. Although this tax was never introduced in the Netherlands, experiments have been done in other countries.

For example in Canada. It was there that supporters of Henry George in the province of British Columbia recorded their first victory in 1890. Taxes on homes and buildings went down and taxes on land went up. In 1910, Vancouver was the first city in the province to completely abolish taxes on buildings and raise only tax on the land.

The measure was popular among the population. The idea that profits on land should not benefit individuals was widely shared at the time. Just like the belief that the land tax enhanced economic prosperity, which benefited everyone. However, there was one group that was less happy with it: landowners.

Landowners didn't like the fact that leaving land fallow became unaffordable because the land yielded nothing, but it did cost money, thus forcing them to use or sell it. Hence the land value tax led to the construction of too many new houses, they complained, causing rents to fall and houses even to remain empty.

The biggest problem landowners had with the land value tax was that it did what it promised to do: make housing affordable. "The most compelling arguments in favor of the land value tax came from its opponents," concludes historian Christopher England, who conducts research on Henry George and the Georgian movement at Stanford University in California.

At the time, homeowners in Vancouver were a small but powerful group. Partly thanks to the land value tax, this group gradually grew larger. "Lower house prices and the more supply have enabled more people to buy their own house," says England. Then, of course, they preferred to

see the value of that house increase. But the land value tax got in the way there, because it kept prices low.

Because land was decreasing in value, the rate of the land tax had to rise further and further in order to generate enough government revenue. Landowners did not accept that. Therefore, after a few years, the tax on buildings and improvements was reintroduced in Vancouver, and then increased little by little. The experiment with the land tax finally came to an end in 1984: from that year on, buildings were once again taxed as high as the land.

“When a policy is successful, we often forget why it was ever introduced,” says England. The land value tax thus perished due to its own success.

Tax Gifts

In the Netherlands, too, the percentage of the population who owns a home has increased significantly over the past century. After the Second World War, less than 30 percent of the population owned their own house, now that number is 58 percent.

But unlike in Canada, where the land value tax provided government revenue, stimulating home ownership has cost the Dutch government a lot of money. And where the land value tax caused land prices to fall in Canada, they shot up in the Netherlands.

To make buying a house financially attractive, Dutch homeowners are pampered with all kinds of tax measures. With the mortgage interest deduction, but also by taxing home ownership with low rates only – in contrast to the assets of tenants who also want to save money for later.

In recent years this was no longer enough. Due to the high house prices, the housing market became less and less accessible to first-time buyers, which meant that home ownership no longer increased. So the government came to the rescue with even more fiscal gifts. Such as the ‘jubelton’, which allows parents to give their children hundred thousand euro tax-free, a reduction in the transfer tax and an exemption from the transfer tax for young starters on the housing market.

Due to all these tax benefits, the government loses billions of euros in tax revenue every year, city geographer Cody Hochstenbach calculates in his book *Uitgewoond*. The mortgage interest deduction alone costs the government 9 billion euros annually.

Contrary to what you might think, these billions in subsidies do not make living more affordable at all. On the contrary: they cause house prices to rise even further.

Falling House Prices

The more money you pump into the housing market, the more expensive the houses become. That makes sense, explains journalist Hans de Geus in his book *Why I became a slum landlord*: whoever receives a ton from his parents can offer a ton more for the same house. The same applies to the lower transfer tax: the amount that you save as a buyer can be added directly to the purchase price. “Only now the money no longer goes to the government, but to the seller. And he can use it to bid more on his next home. This is how house prices are being pushed up further.”

A tax on land can break this pattern.

It has exactly the opposite effect. That calculation is just as simple: the tax that you as a land owner have to pay annually, is deducted from the amount you can pay for a house. As a result, house prices fall.

As economics professor Bas Jacobs sums it up: “In a market in which supply does not respond to rising or falling prices – as is largely the case in the Dutch housing market – every subsidy translates one-to-one into higher house prices, every tax into lower prices.”

That sounds like good news for anyone looking to buy a home. But it’s bad news for those who already have a home.

“The moment you introduce the land value tax, the value of land decreases,” says Maarten Allers, professor of economics, and advocate of the introduction of a land value tax in the Netherlands. “So everyone who owns land loses a lot of money at once.”

That makes implementation difficult, he admits. Although you can of course ease the pain through compensation measures for affected owners, or a gradual introduction of the land value tax.

Homeowners Vote More Conservative

Politicians are hesitant to introduce a measure that seems to go against the interests of homeowners. It is not without reason that in Canada it was mainly scientists and policymakers who mentioned the benefits of land value tax. Interest group representatives and elected politicians were much less enthusiastic.

In 1974, for example, the director of an association of livestock farmers thought it was crazy that farmers had to contribute to public education and public swimming pools through the land value tax. After all, the chance that they would use these public services themselves was quite small, he judged. The mayor of Victoria said it even more firmly. Make homeowners

pay more taxes to cover the cost of public education? “Well, that’s like asking me if I’m in favor of a genocide.”

In Vancouver, too, the private interests of homeowners eventually trumped the public interest. And that’s how it usually goes, according to Christopher England. “Homeowners are better organized than tenants and have greater financial interests.”

By subsidizing home ownership, right-wing parties have created their own electorate, says Cody Hochstenbach. He refers to scientific research from different countries that shows that homeowners vote more right-wing and more conservative than tenants. They don’t feel like paying for public services, because they are less dependent on them. “Particularly among buyers who see their homes increase in value, support for redistribution and social policy is eroding.”

As long as homeowners are in the majority, a land value tax therefore seems unlikely to be implemented.

But in the end everyone benefits from an affordable and accessible housing market, the main effect of the land value tax. Even if you are living comfortably in your own house, if your children’s teacher, the nurse of your elderly parents and the garbage man who keeps your street clean can no longer afford a house, it affects you too, warns Hochstenbach.

A last remark about the wealth inequality, which readers were concerned about after reading my previous piece. When we talk about that, we usually focus on the richest 1 percent: the big corporations and the super-rich. But we often forget the wealth gap that cuts across our own circle of friends, colleagues and family: the one between renters and homeowners.

And that gap will only widen if policy remains unchanged.

Collective Assets

Can we imagine a society in which the increase in the value of land and homes no longer ends up with homeowners, but flows back to society? In which we no longer have to see our home as an investment and part of our pension? But just, like a roof over our heads?

I myself have been living in a housing association for fourteen years that has this as its starting point.

My boyfriend and I live on the countryside, together with seventeen other households, on an old estate of more than 7 hectares of land. Ownership

of the land and buildings is placed in a foundation, which we manage together as residents.

You will therefore not see the value of the estate on our personal bank account. And yet, when I look around me, at our vegetable gardens and fruit orchard, the sauna and canoes on the bank of the river, the large park, the football field and the playground, I can hardly feel myself poor.

We would never have been able to pay for all this collective property by ourselves. It is the accumulated wealth that everyone who has lived here for the past thirty years has contributed to. And if we ever leave, we won't be given a bag of money, like Carla and Rogier, who leave their Amsterdam housing project. Instead, the next inhabitants will enjoy this joint prosperity. As an example, our housing association shows on a small scale how a land tax at municipal or national level could work.

And believe it or not, Carla and Rogier are now in Spain looking for just such a way of living together. Perhaps the money they bring with them will still be put to good use.

Leave a Reply