

land-value tax is not built upon "occasions." Neither Mr. Cohen nor any other taxpayer can alter the value of the land itself.

Still more: under Land Value Taxation, Mr. Cohen's plot would not rise in *selling value* from £250 to £31,000 within 28 years. It is quite possible that he may become a contractor, but then only to earn an honest penny by building, and not in order to make a quick buck by enjoying the enhancement of his land's value.



## WEST GERMAN HOUSING POLICIES

**E**VERY EUROPEAN COUNTRY has a housing problem and in each country the size of the problem and the method of dealing with it is different. The contrast between West German and British housing policy since the war for example is to be found in the fundamentally different approaches of the two countries. In Germany, there are no publicly owned houses; in England nearly a third of the total stock of houses is vested in the public sector. Both countries still have considerable difficulties to face in meeting housing needs and it is therefore not surprising to find that both are confronted with a common land problem.

According to Miss Della Nevitt\* (Lecturer in Social Administration, L.S.E.) who has recently visited the Federal Republic, building costs in Hamburg rose by a multiple of four during the period 1950-1960 while land prices rose by a multiple of 10. High house prices in Germany as far as Miss Nevitt could determine are due to the high price paid for land. The German taxation and subsidy systems are geared completely to the encouragement of private house building; the net effect is that most of the tax concessions have tended to be capitalised by the owners of building sites. Cash grants to lower income savers, income tax relief for building society investors, tax relief for companies providing homes for their employees all add up to higher land values. On the credit side, however, the Germans have two measures which positively encourage housing development; a local land tax on vacant sites and relief from local taxes on the building value assessments. In this way pure land speculation is discouraged and improvements are not penalised. Nevertheless, the land tax rate is relatively low and its positive effects to date have not been great enough to keep pace with general inflation and rapidly rising land prices.

It is perhaps comforting to know that the German subsidy system tends to produce anomalous conditions in a predominantly private market which are not

dissimilar from those in the English municipal sector. According to one observer 70 per cent. of those who because of need should be living in subsidised accommodation are not able to do so because of shortage. Miss Nevitt considered that probably 75 per cent. of those who do enjoy subsidised housing have no need to obtain as much financial help as they get. Many such families are easy to find in the older cost-rent housing association homes. In this kind of accommodation where associations are assisted by loans and grants and profit is limited to four per cent. on capital, rents are fixed for a period of fifty years. This has given rise to people paying vastly different rents for comparable types of homes. A monthly rental of a flat built in 1950 is 60 D.M., one built in 1960 is 130 D.M. and one built in 1966 is 250 D.M. While in Germany the long term policy of introducing market rents is seen as an integral part of social policy, cash subsidies to needy families and other forms of relief to the not-so-needy ones are given to meet the rising costs while endeavours are made to build up the total stock of houses. With rising land prices the Germans are on an escalator as perilous as their English counterparts.

Miss Nevitt clearly sees the German problem thus: "But despite prodigious efforts to build more houses, the capital market has expanded more rapidly than houses have been built. This has had the inevitable consequence of raising the price of land, and the rather wasteful use of land by the construction of small dwellings has accentuated the shortage of land around all big cities."

While our own housing policies have to date had little more success, if any, than those of Germany, we should certainly heed Miss Nevitt's warning:

"We have different problems and different possibilities; and it would be a pity if at this stage in our housing history we were to be panicked into introducing a subsidy system which seems generous, but in fact only results in pushing up house and land prices."

One thing is certain: the Germans could improve upon their situation if they were prepared to place more emphasis on their land tax structure and steeply increase the tax rates. In Britain we still need to convince the politicians of the benefits that can be derived from even a levy on vacant land.

### FROM *The Times* 1866

**T**HE FIRST duty of an Indian financier at present is not so much to devise ways of expending money, as juster ways of obtaining it. The bulk of the Revenue is derived from the Land Tax, Opium, the Customs, Excise, and the Salt Duties. The Land Tax, being in fact the rent of Land, presses unequally upon no class, but all the other branches of Revenue are fed by contributions taken from the poorest ryot, out of all proportion to his means, and the richer classes in India almost escape their share of the common burden. It is impossible not to see the impropriety of maintaining a fiscal system so unequal in its incidence.

\* "Housing in West Germany." A series of three articles in the *Local Government Chronicle*.