

Hungary

by ROBERT MAJOR

UP TO THE END OF WORLD WAR II, IN 1945, HUNGARY was a land of large estates, which accounted for about 30 per cent of the entire country. Dominant among the owners of these were the descendants of aristocratic families whose properties had come down to them in entail from the Hapsburg monarchs. The need for a sweeping land reform had long been urgent, but, unfortunately for the nation, it had been neglected.

Only in some of the cities was a step taken toward constructive land reform, beginning in 1917, when a by-law for the taxation of land values was adopted by the City Council of Budapest, the capital. This by-law was the work of Dr. Julius J. Pikler, who, after its passage, became head of the newly created Bureau of Assessment.

According to the Budapest decree, an annual tax of one half of 1 per cent was levied on land values, whether the land was used or not, and there were no exemptions allowed except, of course, publicly owned sites. At the same time the "rent penny"—a 3 per cent tax on rents collected for the use of buildings—was reduced to 1.5

per cent.¹ Valuations were to be made every three years with the greatest possible publicity, each citizen having the right to petition and each owner to appeal.

To be sure, the rate on land values set by this decree was small. But considering that this was the first time that an ad valorem tax ever had been placed upon land in Hungary,² and taking into account the resistance of the real estate interests to such a tax, the step was significant. Also, it was hoped that it would be the beginning of a program for the fuller collection of land values, and it served notice on speculators that thenceforth they would be required to contribute to the upkeep of the community from which they benefited.

Unhappily, such good results as might have stemmed from the change were to a large extent nullified by the fact that in 1919, when the collection of the tax began, inflation had already depreciated the Hungarian crown considerably. Nevertheless, the principle upon which the tax was based had been established, and the example set by Budapest was soon followed by the cities of Arad, Szeged, Debrecen, Ujpest and Marosvásárhely.

But the new system found hard going in the upheaval and chaos of the postwar years. Two of the cities mentioned were annexed to Rumania, and in 1921 the conservative majority of the city of Budapest suspended the

¹The "rent penny" produced only a part of the total taxes levied on rents, and lowering it by half does not mean that the total tax on rents was cut by that proportion. Actually, the reduction represented roughly what would have been raised by the new site- or land-value tax; that is, about a tenth of the total revenue of the city.

²Under the old cadastre system which had operated and still would operate elsewhere in the country, agricultural land was taxed according to its alleged fertility, and there was little or no tax on non-agricultural land in the cities.

collection of the tax (the government would not consent to its legal abolition) and it was never reinstated. In the others, land-value taxation was either suspended or abolished. Since then most of the efforts toward land reform have been in the direction of expropriation and redistribution.

Under the law of 1920 about 1,000,000 acres were distributed to landless peasants and 400,000 acres more were given in tenure and lease. Unfortunately, the holdings were mostly too small for cultivation by modern methods and the situation was worsened by a lack of liquid capital. So the beneficiaries under the 1920 law were often unable to pay for their land and meet the interest payments on their debts. This was especially true during the agrarian crisis of the thirties.

In the years that followed, the search for an answer to the land problem never ceased, remaining the country's central question. As the progressive forces were denied political expression in the rural districts, there was an upspringing of sectarian and of extreme-rightist and Nazi political groups. Yet nowhere was any large-scale move made for a revival of the land-value-taxation system. The idea might, indeed, have died but for a small group headed by Dr. Pikler, through whose efforts the re-establishment of land-value taxation in the cities and the introduction of a general land-value tax were several times proposed in Parliament. In these brave but unsuccessful attempts, the Social Democrats supported the Pikler group, demanding the reform as a means of improving the poor housing conditions existing in the urban centers.

After World War II, Communist pressure started a wave of confiscation which swept all Hungary. Under a Soviet-inspired decree, adopted in 1945 by a provisionally convoked national assembly, and later sanctioned by Parliament, about 4,000,000 acres of land were confiscated and distributed among the agrarian proletariat and the "dwarfholders" and some Communist Party members, while approximately 3,000,000 acres of forests, fisheries and big estates were taken by the State.

The goals were apparently the same as they were in Russia in 1917—to destroy the might of the large landholder, to "win over" the "poor peasant" and to create farms too small for survival outside of the communistic agrarian co-operatives (kolkhoz). Nevertheless, while the majority of Hungarian peasants have stood firm against the kolkhoz despite the heavy pressure which has been exerted on them, by the end of 1952, 25 per cent of the arable land had been forced into the co-operatives and the State had become the owner of another 12.7 per cent.

In the cities the construction of badly needed residential buildings has been impeded from the beginning by the handicaps placed in the path of all private undertakings: rents were frozen at about 35 per cent of their prewar levels, and of that amount, 80 per cent was paid out in taxes, so there was practically nothing left at the disposal of the owner to keep his improvements from falling to pieces. Then, somewhat later, tenement houses were confiscated; the rents remain, but are paid to the State. Consequently, real estate, except for small family houses, has very little market value, whether

built upon or not. The only builder is the State, which is interested exclusively in furnishing homes for the workers in heavy industries and for the miners. There is, of course, no market value for agricultural lands, as private transactions in farm lands are forbidden.

In all of this, Hungary, like the other East European states, has been forced to follow the Soviet pattern.