

## The Future of Georgeism in France and Belgium

By A. Daudé-Bancel and Marcel Cortvriend

In the *Grande Revue*, September, 1936, we published, in collaboration with the lamented Sam Meyer, a study of land-taxation reform in France and Belgium. Despite the war and the occupation, the general state of opinion has not changed. The propertied or land-owning class remain consuming rather than producing elements. The Communists and Socialists who should be leading and showing the way in taxation and financial reform, remain and become more and more politicians obsessed before everything with gaining political power as a means of realising the happiness of each and all. In fact, the Communists are principally occupied with sabotaging the Marshall Plan and destroying the public economy, in order to create discontent and thus gain the chance to capture political power and rule the country on Russian lines. Most of the Socialists are in agreement with them in the matter of nationalising large private undertakings, to the undoing of public finance and the workers whom they mistakenly believe they are benefiting.

The Belgians cannot be blamed in quite the same way. After investigating results in France, they have abandoned the idea of nationalising the coal mines. The French Liberals, or Radical-Socialists, are in alliance with the Conservatives, and, as such, are timid. Thus supporting neither a capital levy nor a tax on land values, they are reduced to advocating income tax as the source of revenue. But as the rural land owners object to high income tax they are thrown back on indirect taxes which have far greater repercussions and are the worst of all taxes. Under pressure from the agricultural interests the government has recently reduced taxes on agricultural income from 18 to 2.5 per cent.

The Socialists in their National Congress of 1925, at the instigation of the lamented Henri Sellier actually voted by a show of hands for a tax of one per cent. on the unimproved value of land. But this was merely paying lip service to Georgeist ideas. In his Budget proposals for 1937, Mr. Vincent Auriol, then Finance Minister and now President of the Republic, foreshadowed—at the end of October, 1936—

an optional tax on the value of unimproved sites, as a substitute for numerous municipal rates and taxes. In practice, however, municipalities never applied the wise measure. Why? Simply because in France, as in Belgium, public opinion has no knowledge of Georgeism.

This is why it is so important that *Terre et Liberté*, the modest, duplicated organ of French and Belgian Georgeists—established by the efforts of a few friends of the lamented Sam Meyer—should have the support of the International Union, so that it may become a world-wide Georgeist organ among French-speaking people. If this paper had an adequate circulation, it might be addressed to intellectuals likely to sympathise with our movement. With their collaboration we might be able to create in French-speaking countries an interesting agitation which under favourable circumstances would grow. We believe that examination of the attached statements on the economic situation in France and Belgium will establish the fact that there is an opportunity for such propaganda.

## IN FRANCE

### TAXATION AND DEMOCRACY

In democratic countries, taxes should not be indirect, because in such case the taxpayer has no knowledge of what he is actually required to pay. It is an hypocritical exaction, unworthy of responsible citizens. The Great Revolution of 1789 suppressed indirect taxes, but Napoleon re-established them and since then various regimes have caused them to mount ever higher. Because the landed interests objected to any direct taxation on the value of land, taxes were brought to bear on buildings and improvements. This led to a disastrous shortage of houses to let, aggravated, later, by war destruction and the results of laws to encourage larger families. The tax on unimproved land values was condemned by the landed interests as a diabolical attack upon capital. In that regard it is interesting to recall that when in the Ministry, Mr. Menier, the founder of the chocolate dynasty after the war of 1870-71, had proposed to distinguish between *fixed* and *circulating* capital, placing a tax on the former and exempting the latter. But land-owners' hostility, as forceful then as it is now, prevailed, and the legislature was obliged to find the budgetary resources elsewhere; by taxes on income and by indirect taxes.

Taxes on incomes have increased to the point of placing an excessive charge on large incomes and salaries and certain industries can no longer export because their products have become too dear. This has caused unemployment precisely at the moment when intensive production is needed.

Indirect taxes have grievous repercussions on the cost of living. They afflict the unorganised consumers (small

"rentiers," small pensioners) and wage earners. The latter, grouped in Trade Unions, all too often make unjustified claims which are the more easily pressed by the fact that many undertakings, till recently privately owned, have now under the pretext of "nationalisation" become State-owned and directed. Unionised workers believe they are victorious in the view of the nominal increase of their money wages, whereas their actual wages have in reality decreased. But as these victories are translated into a deficit in the majority of nationalised industries, by the bureaucratic extravagances of State planning and by exorbitant spending of military budgets, the result of this demagoguery is translated into inflation, a rising cost of living and an increase of unemployment, the worst of all social calamities. It is absolutely necessary that nationalised undertakings which show a deficit should cease to be a burden on the State and cease to run the risk of wrecking its whole financial structure. The number of superfluous officials must be rigorously curtailed. In 1936 the Civil Servants numbered 697,000. In 1946 there were 1,115,000. The same applies to the administration of the local authorities. Those who were discharged from their various functions have taken shelter (after having obtained compensation for dismissal) in the Army or in the reconstruction and social security administrations. Their greater number does not signify that national defence is better assured or that the work is done better. Furthermore, the outrageous number of Civil Servants has been reinforced at the expense of real production by other pen-pushers engaged in all the mass of form-filling which hampers every activity.

The manufacturer or merchant is compelled by the State-directed economy to engage in absurd book-keeping transforming him into a functionary and collector of the oppressive taxation which strangles both production and consumption. Often these taxes prohibit consumption, and thus extinguish production of the article. The cost of building is seventy times higher than before the war. A model block of flats erected by the high technique of the "Prince of Architects" offers to possible tenants flats at rents of 150,000 francs per annum (equivalent in 1949 to say £136). Let us take as an example: An average family man earning 20,000 francs monthly (say £18); after paying rent this happy family will have 7,500 francs (say between £6 and £7) per month to live upon. In France taxes are responsible for 80 to 85 per cent. of the price of each building. Taxes strangle transportation; lately potatoes were rotting in Brittany because of excessive rail charges. The railways were compelled to reduce their tariff by 30 per cent. in order to enable goods to reach the Parisian consumer.

The high cost of living is due to the low efficiency in the output of business enterprise, to the extravagance of certain concerns, but by far the most part to inflation, which in turn

is due to unbalanced budgets generally caused by excessive expenses and wastefulness of public authorities. In olden times, inflation was the result of excessive expenses of kings and the destruction caused by the great Revolution of 1789. It took 1,027 years—from Charlemagne (768) to the great Revolution (1795) to bring the value of the franc to almost nothing. But it has taken only 36 years (from 1913 to 1949) to bring the franc to 141 thousandths of its value where it now stands, in spite of such economic recovery as has been brought about since the present Government took over.

This inflation has induced the excessive increase of the cost of living, the index of which (wholesale) as compared with 100 in 1930 was 1,977 in November, 1948, and 1,877 in February, 1949. With the very recent devaluation of the franc, it is not an exaggeration to maintain that we are running towards an index of 2,000 as compared with 100 in 1939.

If one asks shopkeepers—themselves victims of the consumers' involuntary strike—how these taxes and various charges are reflected in figures, most of them (who only see the immediate cost of their goods) generally underestimate them. Thus they estimate these charges at 15 per cent. for bread, 21.5 per cent. for wine, 18 per cent. for meat and 18.5 per cent. for clothing. But, in fact, if one takes everything into account, including the direct and especially the indirect repercussions of these charges, the total is much higher. My excellent collaborator, Mr. T. Gracques, has calculated that the producer of flax who sells this raw material at 12 francs per kilo, pays 3,000 to 4,000 francs per kilo when he buys it in the form of shirts, pants or handkerchiefs, no doubt because of wages and the profits of the producers and intermediaries, but also owing to excessive fiscal charges and particularly indirect taxes.

Mr. Barthe, Senator of Herault, has justly stigmatised this "fiscal madness" when he disclosed that a hectolitre of alcohol has to bear 80,000 francs (say £70) of charges and taxes. But these charges do not spring from the desire of the legislator to suppress alcoholism, seeing that the Government encourages it by granting privileges to those who distil at home in a small way, and who do not hesitate to swindle the fiscal authorities, much to the resentment of large commercial distillers burdened by taxation.

#### INDEX OF PRODUCTION IN FRANCE

As for the course or development of production, Governments generally make comparisons with the year 1938 so as to present a more favourable picture. But 1938 was a bad year. The reference should be to year 1929, which was a good year. Taking then 100 as the 1929 index, the information supplied by the General Statistics Office enables us to

give the following comparison after regrouping the old series and making other necessary adjustments:—

1928— 91.3	1932—73.4	1936—77.5	1942—46.0	1946—63.0
1929—100.0	1933—80.5	1937—81.7	1943—41.0	1947—75.0
1930— 99.9	1934—75.0	1938—75.3	1944—29.0	1948—83.0
1931— 86.5	1935—71.9		1945—38.0	

Thanks to the Marshall Plan and in spite of Communist intrigues, 1948 was the best year since 1931. In 1948, the index was 1,087 for petrol, 182 for electricity, 162 for rubber, 157 for paper and cardboard, 148 for the press and publishing, 140 for gas, 127 for the extraction and preparation of minerals, 113 for chemical industries, 110 for tobacco and matches. In every other branch there is a deficit compared with 1929.

#### REMEDYING THE SITUATION

With American aid the formal recovery of French production would be possible, provided strict economy was practised in the civil and military administration and effective responsibility at every stage of the country's structure was established. The production and circulation of goods would be encouraged progressively with relief from excessive taxation. The reduction of cost prices would lower the cost of living and the increase of real wages would encourage the consumption and production of goods.

But it will be said that the Ministry of Finance requires fiscal resources to meet the budgetary obligations. To replace the present catastrophic taxes, it is necessary to point out what resources there are in the value of land, built upon or not, whether cultivated or not. This would dissuade the owners of rural or urban land from their belief in economic Malthusianism—quite human in the circumstances, and from their *dolce far niente* attitude. If they had to pay taxation on the value of their land as an alternative to the present heavy burdens on industry, they would be compelled to cultivate well and build well, in order to increase their return. But with the present fiscal system, the contrary happens; poor and unimproved soil is exempt, while well-improved land is overburdened with excessive taxes.

To start with, this substituted tax could be, as suggested by the late Morizet and Sellier, Socialist Senators of the Seine, at the rate of one per cent. on the value of land, apart from improvements. It is this policy—land value taxation—which was advocated by Sun Yat Sen, the father of the Chinese Republic; but the big Chinese landowners would not hear of it and at this very moment they are paying for their sordid selfishness through the seizure of their land by the Communists of their own country. In France, Mr. Queuille, Prime Minister, and Mr. Petsche, his Finance Minister, cannot apply this programme because they are "farmer-elected."

Only the Socialists could take charge of it if they were not handicapped by their disdain of fiscal questions and their sickly fear of losing votes, especially those of farmers, at the elections. For this last reason they have refrained publicly from emphasizing their programme for nationalising all the means of production and exchange. They would leave such means to be organised by an ever-encroaching bureaucracy. Thus, socialism has become a mere dogma, almost unrelated to its original meaning and aspiration.

This being so, the Socialists no longer move for the socialisation of property, but are content with this catastrophic State-management which by its fiscal accompaniments is leading the country to ruin, or at any rate along the road to economic Malthusianism. With better logic, they would, as they should, rally behind the socialisation of the rent of land through the application of the Georgeist programme. Can they or will they come to that decision? After all, this idea of *land rent socialisation* has been recognised for half a century, particularly by Professors Franz Oppenheimer and Charles Gide, of the Universities of Berlin and Paris, without mentioning many American, British, German, Belgian and French Socialists.

A. D.-B.

## IN BELGIUM

### THE ECONOMIC SITUATION

The paper, *Le Soir*, of 7th May, 1949, published a report of a Conference given at Etterbeek by Mr. M. P. Spaak to the elite of the Socialist Party. The main item reads as follows:—

“The financial and fiscal policy must be considered from a realistic point of view. In Belgium the taxes are heavy, but that is inevitable because the Government has passed wise laws so that the country should not be threatened by a devaluation of the currency.”

The words of the head of the Government are confirmed by the fact that in 1948 every Belgian household paid on an average 27,000 Belgian francs (say £150) and the index of retail prices has risen sharply compared with 1936-38 taken as standard—100. Over a period of years this index has been: In 1928—112; in 1930—123; in 1936-38—100; in 1946—333; in 1948—395. Moreover, the public debt has risen from 60,000 millions in 1938 to 264,000 millions in 1948.

In the same paper one reads that Mr. Spaak admits there is nevertheless a black spot, namely, unemployment. He is of the opinion that it is rather a question of technological unemployment, which will require new adaptations on the part of our industry. Will our Socialists find the technological cause and the remedy for this vexatious unemployment by such adaptations, whatever they may be? It would

be desirable, because the latest statistics reveal that the unemployment figures are now 261,357.

The head of the Government does, in fact, consider that indications are favourable and that the country is doing well. His statement is that the index of the global production is round about 118 (compared with 100 before the war) and that in 1949 exports will exceed 8,000 million francs per month. But in spite of official optimism, importers and exporters can certify that imports and exports have shrunk to such a degree that the crisis which exists at present in Belgium is much more severe than that before the war.

In Belgium we have no data as to the value of land (apart from improvements). The "land tax" is assessed upon the income from property which includes the rent of land and buildings taken together. Uncultivated land bears only a very insignificant tax. The same applies to unimproved sites. For example, the tax on a piece of building land in the suburbs of Antwerp, having an area of about 167 square metres, is no more than 10 francs per annum. The prospects of land value taxation are not encouraging. The proposals for a new tax, wrongly called a "land tax," are an example of this. Without going into detail according to the newspaper, "*Lloyd Anversois*," this is a temporary measure increasing during the years 1948 and 1949 the property taxes which go in part to the Treasury and in part to local authorities. The increase is severe and is added to the supplementary personal taxation. The same journal is consistent in saying that this new tax amounts to nothing less than legal spoliation. It is the house occupant rather than the landowner, as such, who must pay.

People complain in Belgium that the reconstruction programme is stagnant, but it will be even more stagnant as the result of this new tax.

M. C.

#### *Editor's Postscript*

The lessons to be drawn from the failure of these mistaken methods of taxation provide an opportunity for French and Belgian Georgeists to expound the principles of a just system of taxation and the beneficial effects which would ensue from its operation. As elsewhere our supporters are few and our opportunities for publicity limited. Nevertheless, they have achieved some progress in bringing our proposals to public notice, not only by means of *Terre et Liberté*, but also by articles in other newspapers, contributed by MM. Daudé-Bancel, Giannellias and Vallois, the last-named writing under the pseudonym of T. Gracques. The newspapers in which these articles have appeared include *La République Fédérale* and *L'Année Politique*, both of Paris, *La République de Normandie* (previously *La Cité Nouvelle*), of Rouen, *Le Mondial*, of St. Brieuc, *L'Homme Libre*, of Hérault, *La Journée du Bâtiment*

and *La Journée Vinicole*, both of Montpellier, *L'Idée Libre*, of Herblay, *Le Co-opérateur de France* and *La Co-opération de Production*.

Recently, on May 1st, M. Daudé-Bancel succeeded in persuading the Socialist Congress of Seine-Inférieure, held at Dieppe, to adopt the following resolution:—

“Recognising

“That indirect taxes are most injurious to public and private prosperity, and the main cause of the high cost of living, under-consumption (generally called over-production) and unemployment.

“That taxes, as at present levied, on the products of industry and agriculture encourage laziness and discourage enterprise, production and building, and

“That taxpayers are overburdened by direct and indirect taxes, while at the same time economic rent, rural and urban, which is produced by the community as a whole, is appropriated by privileged individuals, and should be socialised for the benefit of the community.

“For these reasons

“This Congress, recalling previous resolutions to the same effect, declares that there is a need to undertake throughout the country a campaign directed to replace progressively the customary system of taxation, especially indirect taxation, by a tax on the value of land only; rural and urban, whether cultivated or not, built on or not; as a first step this tax to be fixed at 1 per cent. of the capital value of land, irrespective of improvements. It is especially recommended to local governments as a *substitute* for the various and numerous municipal taxes.”

The adoption of this resolution is no doubt due partly to M. Daudé-Bancel's influence as a veteran leader of the Co-operative movement in France. But the noticeable interest shown by the 200 delegates during the one hour's speech in which he introduced and explained the resolution, and the frequent applause with which it was greeted, marks an encouraging stage in lifting the conspiracy of silence on this subject. Moreover, there is every expectation that M. Daudé-Bancel may have similar opportunities at subsequent conferences.