

# The Historic Reform

INTEREST in the German section of the International Division at HGS headquarters in New York has experienced a cheering ground swell since Ilse Harder joined the staff. She teaches Fundamental Economics in German, both in class and by correspondence, supervises the administration and translating of these courses, and has originated a German Newsletter, *Georgist Nachrichten*.

In this extended capacity she came upon a report from Austria recently concerning a research group which met in Vienna to discuss the familiar topic "Renewal of cities, towns and villages." All reports were in agreement that the land problem was the basic factor in the housing dilemma and that without an answer to this, no modern planning could be possible.

Dr. Friedrich Kuehberger, the main speaker, urged the necessity of bringing down the speculative price of building land through a land value tax program. Under the present system, he said, there is a vicious cycle of, 1) less land on the market, 2) higher prices for land, and 3) less return for capital and labor . . . then back again to a higher demand for land with less on the market, in an endless spiral.

From an article in a German health magazine, *Gesundes Leben*, we are reminded by Heinrich Richard of Bonn, that Adolf Damaschke, whose name is well known in international Georgism, was born a century ago.

Damaschke became acquainted at age 25 with the founder of the League of German Landreform. Also deserving of credit in that movement were Heinrich von Thuenen and Siegfried Sitte. Other sponsors of the League were P. Loebe, Th. Heuss and H. Luebke—the latter two were presidents of the Federal Republic of Western Germany. Damaschke's teachings were

taken over almost literally into the constitution of the Weimar Republic, and he was accorded an honorary doctorate by the University of Muenster.

At a time when it was considered tabu to mention social problems, Damaschke was forceful in exposing poor housing conditions. He understood the weakness of an increment tax and knew it could not possibly work. He held the abolition of taxes other than that on land value was necessary for they cause price increases, inflation and low wages. However he regarded land speculation only as a symptom of an illness and therefore never opposed the landowners themselves. He constantly tried to reason with people who thought of land only in the agricultural sense.

Damaschke was greatly influenced by Francois Quesnay. This early exponent of fiscal land reform wrote at length on these principles, and when he was called to the Court of France by Louis XV he worked out a strictly scientific finance system based on a single tax on land. After that he was known as the father of the national economy. It is said that, had not Quesnay died in 1774, Adam Smith would have dedicated *The Wealth of Nations* to him. For a later generation Ricardo and Henry George espoused this philosophy. And Damaschke in his time clarified Quesnay's theory that a land value tax is the only tax that cannot be passed on.

In *Vaterland*, a magazine for homeowners in West Germany, Miss Harder found an article by Heinrich Richard protesting confiscatory taxes and affirming "God's land is only for usage; therefore rent has to be paid."

"Damage can only be prevented where its causes are removed," he wrote. "Will increased costs of living be checked by raising wages? No. Will

the inflation be checked by asking people to 'be careful'? No. These symptoms are taken as necessities of life. Nobody dares to question the traditional tax system even though three revolutions were not able to change the principles of it. Nothing can prevent these taxes being added to the price of commodities—and passing the taxes on to the final consumer is dangerous, especially if the minister of finance uses this tactic for balancing any high budget.

"A real financial reform is possible only if these many taxes are abolished in little steps, as taxation of land value increases. The collection of economic rent is always fought against as something evil, although what is really evil is the private collection of something which logically may not be owned by men. If the economic rent were collected by the community it would benefit all.

"Economic rent is unearned income only for the private collector. Any other taxation holds production down. However if economic rent were col-

lected without abolishing taxes on labor and capital the reform could not work, because economic rent would not support the budget, in spite of high land prices. If prices go down, with taxes removed, we get a different picture. There will be more production, monopolies will be checked, and new companies will be started.

"LVT works like a mortgage. The price of the land would go down at the rate of the economic rent, without changing the value of it. Even if it eventually went to zero this would not be going against nature, for nature is not affected by prices. This reform alone—not subsidies or privileges—will guarantee progress in the economy. Prices are rising today because commodities are taxed in various and numerous ways—but land is almost tax-free."

To quote a proponent, Daire, who wrote in 1846: "society has no greater interest than increasing the land value. The power of the state and the progress of the culture depend on it. LVT should be the only revenue."

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## **To Montreal We Go...**

Be sure to send in your reservation for attendance at the 1967 conference of the Henry George School. It is to be held from Wednesday, July 26th to Sunday, July 30th in Montreal, scene of the spectacular World's Fair, Expo 67, and rooms will be hard to find. Fortunately arrangements were made long in advance at the College Jean de Brebeuf. Meetings will be held there and conferees will be accommodated college style.

Single rooms are \$5 a day, double rooms are \$4.50 for each occupant. There is running water in every room and a bathroom on each floor.

Information about the Conference program, now being planned, will be sent to HGN readers. There will be talks, reports and panel discussions on Thursday and Saturday. Friday is reserved for visiting Expo 67. The banquet will be at the Queen's Hotel, Saturday evening, price \$6.50.

Visitors to the conference may live at the College Jean de Brebeuf only during the above period. Anyone wishing to stay in the city for a longer time may inquire about accommodations from the Montreal HGS. Address your requests and inquiries to the Henry George School, 4278 Dorchester Street, West; Montreal 6, Quebec, Canada.