

Land Value Taxation in Australia

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ALTHOUGH this country cannot boast of a large organisation working for the furtherance of land-value taxation and free trade and although there are still a great many obstacles preventing these principles from being put into practice here, Austria has been deeply influenced by the ideas and ideals of Henry George and they have found devoted supporters.

Indeed when looking back into history we find that the most popular of the emperors of the Holy Roman Empire of the German Nation, of which Austria then formed a part, Josef the Second, introduced land value taxation in the 18th century. He was no doubt influenced by the French physiocrats and the edict introducing it in 1789 breathes a true Georgian spirit.

His "Grundsteuer" or Land Tax was later on the pattern for the Prussian and other German land taxes. It was based on the agricultural structure of the economy prevailing at the time of its origin. In fact, even prior to its adoption, land-value taxation had been practised in some German countries in the 16th century. There were 9 categories of agricultural fertility to secure adequate valuation. However, the powerful aristocracy and clergy, which were the largest landed proprietors, had seen to it that the assessment was entrusted to the bureaucracy. Valuation proved so costly, slow and cumbersome that it was repeated only at long intervals, so that the revenue derived from the land tax, not keeping pace with actual land values, was insufficient and had to be supplemented by all sorts of other imposts. Yet by 1848 it still covered about 16 per cent of the state budget. Among many other taxes a tax on house rentals (*Hauszinssteuer*) and houses was introduced with a view to obtain for the state a share in the quickly rising urban and industrial land values. This tax became the root of the housing shortage which has afflicted Vienna and the other Austrian towns for many decades and from which they are still suffering.

The old Grundsteuer, rendered insignificant by arrears of valuation and inflation, was finally abolished—in 1922—and like other countries Austria drifted into a so-called modern system of taxation consisting of some 60 imposts of various kinds: These have the common feature of charging labour, enterprise and savings, but leaving land values practically exempt.

With a budget amounting to something like 40 billion Austrian Schillings—those of the provinces, municipalities and social welfare corporations not included—the revenue derived from the present Grundsteuer, which was introduced by the National Socialists in 1940, is merely 400 million Schillings, or roughly 1 per cent. As, however, this so-called land tax includes improvements, i.e. buildings, land-ownership in itself is only furnishing $\frac{1}{2}$ per cent of the budget. Thus merely to hold land in Austria costs very little indeed; but as soon as this land is put to use,

the whole burden of taxation comes down on the enterprising owner. So much for the past and for the present state of affairs.

NOW to the history of our movement and prospects of the future. The wave of inspiration and new thinking which Henry George had evoked in the United States, in Western Europe and indeed all over the world reached Austria at the beginning of this century and coincided with the first awareness that there was something wrong in the life of the community. Housing distress and social unrest had attracted the attention of governments and state subsidised dwelling co-operatives, garden cities and other endeavours, all excellent in themselves, but not solving the real problem, were their answer. Georgeism had come to Austria via Germany, where Damaschke and his friends had organised a strong and active movement which, however, soon deviated from Henry George's principles.

Still they were spread by the German Bodenreformers, even if mixed up with other ingredients. A branch of the Bund Deutscher Bodenreformer (League of German Land Reformers) was founded in Vienna and this city owes Damaschke, and thus indirectly Henry George, its green belt which was established as a result of the former's visit to Lueger, the greatest and most popular burgomaster Vienna ever had.

After World War I, when everything was turned upside down, there was of course inflation and rent control and a far-reaching change in taxation, still more to the worse, as indirect taxation with a vicious turnover tax, was introduced. There was, however, also a move in our direction, as a *Bodenwertsteuer*, or Land Value Tax, was passed in Vienna in 1919, to collect $\frac{1}{2}$ per cent of the market price of land, this price to be ascertained by annual self-assessment under municipal supervision. This method of valuation proved to be cheap as well as efficient. Some 75,000 sites could be assessed in 6 months by a staff not exceeding 50 persons. No doubt this land-value taxation would have continued, but for the exceedingly rapid inflation which made its proceeds illusory. So it was repealed, but it constitutes a valuable point of reference when advocating our reform. It is always easier to make people follow trodden paths than to ask them to be pioneers.

In the years following World War I, Dr. Ludwig Thausing and Architekt Professor Siegfried Sitte headed the Bund Oesterreichischer Bodenreformer (League of Austrian Land Reformers). They, and especially Siegfried Sitte, undertook thorough studies of the problem of land-value taxation and most of what I am able to tell you here today I owe to their devoted work. Siegfried Sitte was the son of the famous Vienna town planner Camillo Sitte and he had at his disposal the papers and data of

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decades of urban development in Vienna. He showed and proved graphically and statistically that the ups and downs of home building and indeed of the whole economy were closely interrelated with taxation which, as a stimulant or as a deterrent, has a decisive influence on trade and employment. Sitte was not a popular propagandist like Damaschke, with whom he differed in many ways, but he influenced many people by excellent clear lectures and short essays, so much so that he succeeded several times in bringing his proposals quite near realisation, convincing ministers and high officials.

Unfortunately the political repercussions, periodic changes of government and civil wars prevented the adoption of what he advocated. He summed them up in a draft of a bill called "The Law of Economic Liberation" (*Wirtschaftsbefreiungsgesetz*). It demands the introduction of land-value taxation and gives a detailed sequence of the gradual abolition of the other taxes. According to him the rate of taxation should not be more than about one-half or two-thirds of the normal rate of interest for mortgages, i.e. 2-3 per cent of the value of the land—as different from its market price—so as to be on the safe side in not hampering enterprise and production. This rate would be sufficient to cover normal public expenditure, as through the abolition of the adverse imposts the real land values would emerge and rise so much that the share collected by the community would exceed the amount these taxes had supplied.

SITTE laid great stress upon the difference existing between the market "price" and the actual "value" of the land. The former he considered as the mere residue, capitalised, of what rentability, or possibility of net proceeds, had been left by taxation and other public charges. In the appendix of my booklet* I have tried to illustrate this by means of a graph. It shows that by adapting taxation to possible net proceeds the maximum of workable land, of employment, of public revenue and of land rent can be secured, and at the same time, marginal prices reduced to a minimum.

Sitte died in 1945 and since then our good friend Dr. Josef Schwarzl has taken care of the Austrian Union of Land Reformers in a most devoted and unselfish way. We have only a few members but we have kept up our persistent efforts to spread the ethics and ideas of Henry George. From time to time we arrange larger meetings—once we had the pleasure of a young American Geologist, Carl Shaw of Detroit lecturing in English to Austrian students, but as a rule our efforts are concentrated on influencing politicians and men in charge of public bodies such as officials of ministries, municipalities and provinces. Especially among town planners we have met with understanding and sympathy and one or two of them have become our members.

* *Die Steuer im Lichte des Natürlichen Rechtes* ("Taxation in the Light of Natural Law"). Georg Fromme & Co., Vienna, 1957.

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AT THE great International Congress of Housing and Town Planning held in Vienna in 1956 we succeeded in getting a resolution passed in which land-value taxation was recommended. Perhaps the most important progress in our direction was, however, the separate valuation of land and improvements by optional self-assessment stipulated in the 1955 valuation law. Even this little progress led to a more up-to-date valuation of sites, and, consequently, to an increase of home building and better use of roads and amenities in many places. We have so far not succeeded in modifying the existing land tax (*Grundsteuer*) in a way which would enable municipalities to tax land values and exempt improvements, but we have succeeded in making headway in bringing about this reform. There has been such an enormous increase in land prices in Vienna and other Austrian cities lately that public attention is reverting to it and this is favourable to our objects.

Although nearly all of our members are old, mostly past 70, a growing part of the younger generation is being impressed by our work. It is difficult to get steady membership and co-operation but we are confident that in spite of vested interest and biased and sophisticated official political economy, reason and justice will finally be victorious, for after all they have an echo in every human breast.

INFLATION

This letter bears on the review of George Winder's new book, A Short History of Money, published in our August issue. Pressure on space has delayed publication.

To the Editor of Land & Liberty.

Sir—An outstanding requirement of modern economics is a proper understanding of the principles of money and credit.

A sound thesis is a correct thesis. There may be several theses on the same subject, but they must deal with different aspects of the subject and wherever they touch they must fit, and where they overlap they must say the same things. Wherever there is contradiction there must be falsity.

Some months ago the Governor of the Bank of England, interviewed on television, said quite clearly that the main function of the Bank was to issue its notes on demand and after they had done their work in society, to receive them back again and destroy them.

The Governor did not say that they were issued against deposit of valuable security. He was not in fact asked that question. In any case there could only be one answer. Bankers are businessmen and only lend up to amounts covered by deposited security.

Precisely the same conditions and principles of issue, circulation and redemption govern money forms which achieve the status of currency as govern those which issue from institutions which do not enjoy monopoly rights. They all implement the exchange of goods with equal facility and