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Land in its Rightful Place

by HEINRICH RICHARD

NOT many may remember the excitement about the increased-wealth-tax which was passed into law by a two-thirds majority of the German Reichstag in 1911. Adolf Damaschke, the land reformer, wrote that it was full of weaknesses and mistakes. Its fallacy lay in the fact that the selling price of land was taxed, not its real value as determined by population.

Between 1881 and 1913 the purchasing value of the mark fell by one percent each year and the creeping inflation was matched by increased land prices. In order to escape taxes the selling prices of land were kept secret, and taxes were transferred to buyers as speculation increased. This tax law, therefore, had an effect opposite to that anticipated.

The reform which would have been effective is one which is simplicity itself and should be convincingly clear. All income determined through factors other than one's labor should go to the community for its public expenses. But the word "ownership" has first to be defined, since the idea may be novel to some. According to Schopenhauer, only labor gives right to ownership—and this applies to all kinds of producers: tools, machines, buildings, etc. Everything not produced by labor is defined as a natural resource

Heinrich Richard of Bonn, West Germany was one of the Bodenreformers led by Adolf Damaschke. He has elaborated his ideas in a book entitled *Die Befesselung der Wirtschaft* (The Liberation of the Economy). This is a condensation of an article translated from the German by Ilse Harder, now on the Henry George School staff.

and is exempt from ownership. This includes land, which should be used though not owned privately, and should belong to the community as a whole. But people will say this is communism! If so, it is the only form of communism which makes sense. (Bismarck said that many of our laws were socialistic even in his day, but that the government and the people would have to get used to more socialism.)

The legislative body has a duty to serve the welfare of the people. Is this duty performed when taxes are passed on to the consumer? No! But the only tax which could not be passed on would be the one on land, with its value determined by population. Only this tax will release land for the use and the good of all.

Figures published in a statistical yearbook show that land alone yields 13 percent of all income and 17 percent of all taxes (indirectly), although it is practically free of direct taxes.

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Landowners would be fools not to take advantage of this situation — and they are not fools.

The same yearbook shows living costs and the decline of the mark in ratios of approximately one-third. Purchasing power of the mark fell from 1 to .76 during 1950-63 as living costs rose from 100 to 131.8 percent. This is inflation.

Taxation of land value would have done away with this as it would have prevented transfer of the tax, and speculation in land would no longer have been profitable. These are the sole reasons why landowners fight the taxation of land values.

Taxes should not be mentioned in relationship to wealth, as they don't produce any but only take it away. Political news reports feed us statistics of the grand national product but never the real product of labor and capital. Rent, for instance, as the return from land, is never mentioned — and this is no mere coincidence. There is a thought from the old classic by Goethe where Mephisto suggests it is better not to tell all of what you know. Since the main factors of production — land, labor and capital (corresponding with

rent, wages and interest) — contribute, let us say, one-third each to total production, the figure would have to be increased by one-third to show the real GNP. True tax reform would eliminate subsidies and needed revenues would decrease to 42 percent of present needs.

Some people insist that the economic rent would not provide enough revenue, but they are confusing the real land value with selling price, and published prices unfortunately give no information of the taxable value of the land. This widespread fallacy finds its way into the many government ministries. Surprisingly, the former minister of economics and present Chancellor, Erhard, does not even mention the word "land" in his 382 page pamphlet, "Wealth for All."

Complaints that LVT would be confiscatory are illogical — its application would be the same as any other tax. Landowners have no right to the privilege which harms labor and capital, increases, consumer prices and endangers the currency. LVT would not make sense however, unless it was applied fully, and if all other taxes were abolished. No proposed tax reform will succeed which does not put land in its important rightful place.

A Green Belt for San Diego

San Diego has acted with originality and foresight in perpetuating a partial green belt around the city. Elsewhere in California much agricultural land is being lost to urbanization. San Diego, however, has a farm manager, J. C. LaForce, who lives on a ranch, and who is acting to intensify farming on land owned by the city in the San Pasqual area.

Originally this land was bought to protect the city's water rights, so agriculture is a secondary use but an important one, since it is believed that rentals from farm leases may increase by double over the previous year. San Diego as a landlord farmer will clear a substantial profit on new leases to dairies and cattle raisers. Potatoes, yams and oranges will be pushed to high yields, assuring the availability to the city of essential farm produce.

In conservative figures it is believed the economic value of the agricultural activity to the community could be estimated at \$904,000, according to an article by Larry Freeman in the San Diego Union of December 19, 1965 and sent to HGN by Louise McLean of San Diego.