

## France Faced with the Need for Radical Fiscal Reform

By Max Toubeau

### *The Burden of Indirect Taxation*

The need for fiscal reform in France is felt more and more. Everyone calls and clamours for it, but from this to general agreement on how the reform is to be realised a vast field of confusion extends.

In 1948 the French Parliament passed a law (that of 17th August) instructing the Government, before 1st January, 1949, "to recast the whole body of fiscal codes and texts, so as to reduce the number of imposts, duties and taxes; to regulate and standardise the rules of their application; simplify the formalities required of taxpayers; and co-ordinate the procedure of registration, collection and settlement of claims." Following this law came the decree of 9th December, 1948, which by its first article abolished all direct taxes then existing. Happy prospect! But by its second article it brought them all back again, with the exception of a tax on some kinds of corporations (mainmort), under a form scarcely differing from the previous one. It established a schedule of taxation to which everybody is liable, set out in two parts:—

- (1) A proportional tax based on the previous taxes on property built on or vacant, and on the profits of industrial, commercial, agricultural, etc., undertakings.
- (2) A tax on total declared income, exempting incomes under 120,000 francs.

As for indirect taxes, these were not taken into consideration although France is, after Russia, the country in which indirect taxes constitute the largest proportion in the State budget. A Finance Minister admitted publicly last year that in France about half the price of each article was made up of taxation.

M. Daudé-Bancel, the sturdy Editor of *Terre et Liberté*, has on several occasions given an account of the burden of direct and indirect taxation, respectively, upon the French taxpayer. Since the liberation, the annual indirect taxation per head has increased from 4,250 francs in 1946, to 9,775 in 1947, to 15,500 in 1948 and to 23,650 francs in 1949. During these years, direct taxation per head rose annually from 1,963 francs in 1946, to 5,802 in 1947, to 8,082 in 1948 and to 11,850 francs in 1949. In 1949 the total burden of all taxes was per head 35,500 francs, of which 66.62 per cent. was indirect and 33.38 per cent. direct.

But if, in France, the direct taxes retain a relatively modest position beside their greater companions (the much more imposing though veiled, indirect taxes) what can be said of that kind of direct tax with which we are particularly concerned: the tax on ground alone, on the value of landed property apart from developments? At the present time this tax occupies a place trivial indeed among the other direct taxes. During the discussions in the French National Assembly in July, 1949, it was said again and again that the revenue from undeveloped land had fallen so low—a milliard and a half in 1948 compared with an ordinary budget of 610 milliards—that its collection, which involves for the Exchequer, difficult calculations of hypothetical “location value” had become a waste of labour. In the opinion of some supposedly wise persons the obvious solution is to suppress the tax altogether; and this has been partly carried out.

#### *Pre-Revolutionary Doctrines Recalled*

We are certainly very far from the ideas which prevailed in France in 1790, at the outset of the Great Revolution. At this period the influence of the Physiocrats, whom Henry George afterwards recognised as his predecessors, was dominant. Doctor Quesney and his friends had prepared men's minds to accept the principle that the “net revenue” (rent) should be the fundamental and sole basis for State of land (afterwards called the *rente foncière*, or economic revenue. The French Revolution of 1789 was preceded—as is well known—by an enquiry in town and country, lasting several months, to obtain the people's opinion on taxation. These opinions were finally recorded in what have been called the *Cahiers des-Etats Généraux*. Study of these exceedingly important documents reveals that the immense majority of those who expressed their opinion were in favour of:—

- (1) The abolition of indirect taxes.
- (2) The abolition of taxes on the movement of goods (or internal Customs duties).

- (3) The substitution, for the previous direct and indirect taxation, of a tax on ground alone. The record books of some provinces demand the Single Tax (impôt foncier unique) which Turgot, Finance Minister to Louis XVI, had favoured.

The Constituent Assembly, of which the Physiocrat, Dupont de Nemours, was a member, was influenced by these demands. It voted the law of 23rd November-1st December, 1790, which established a land tax on a basis which was in fact very uncertain (the valuation of net income instead of land value), but which nevertheless might have secured for the French fiscal system a future development quite different from what it has become. According to estimates at the time, 240 millions of a budget of 300 millions would have been supplied by the land tax.

But war and internal convulsions checked all projects for methodical administration. Then came financial crisis. When the counter-revolution had done its work, the indirect taxes, which the Constituent Assembly had abolished, reappeared under Napoleon's regime, with the name (soon to become unpopular) of Droits Réunis or combined taxes. The Restoration of the monarchy changed the name again, but kept the substance. Indirect taxation was extended more and more while the land value tax, which the men of the Revolution had wanted, correspondingly shrank, to the great profit of powerful land monopolists.

*The French Neo-Physiocrats and their Relations with  
Henry George*

But this does not mean that the counter-revolution in France went forward without any protest on grounds of principle. From time to time thinkers arose to criticise "bad taxation." During the first half of the Nineteenth Century, Bastiat, Paul Louis Courier and Proudhon recalled their fellow-citizens' attention to the principles of sound finance and the conditions of a truly democratic regime.

During the second half of the Nineteenth Century, Albert Maximilien Toubeau, father of the present writer, published at Paris in 1880 his work on *Metric Assessment of Taxation*. In this he advocated replacing the direct and indirect taxes then in force, by a tax on ground alone, in both rural and urban districts. This reform he saw as the first condition of all social improvement. In France, he considered, where peasant proprietors do not occupy such a large proportion of the agricultural land as generally supposed, and where town rents are excessively high owing to

land speculation, a fiscal revolution to adopt the "metric tax" would ensure the reign of justice, leading to abundance of goods and progress in all spheres.

As soon as they became acquainted with Henry George's works, Albert Toubeau and his friends, notably Eugène Simon and Auguste Desmoulins, communicated with the author of *Progress and Poverty* and in 1889 (the centenary of the French Revolution) organised in Paris an "International Congress for Agrarian and Social Reform." At this the renowned American philosopher presided and the proceedings, including the address by Henry George, were published in full in *La Revue Socialiste* in the same year.

The premature death of Albert Maximilien Toubeau, which occurred shortly afterwards (February, 1890), evoked articles in Henry George's paper, *The Standard*, deeply deploring the event. It had indeed the effect of interrupting the work of French Single Taxers for a number of years. In 1912 and 1913 Georges Darien and Joseph Fels made an effort, by means of a "French Single Tax League" to revive the suspended teaching, and a few pamphlets with quotations from Henry George and Albert Toubeau were published. But, as the French delegate reminded the 1949 International Conference at Swanwick, it was only in 1924, and thanks to the inspiration of the so-much-lamented Sam Meyer, and Daudé-Bancel and Charles Gide—the eminent professor of political economy and apostle of co-operation—that the Ligue pour la Réforme Foncière et le Libre Echange was formed. The bi-monthly review *Terre et Liberté* became the voice of this organisation.

#### *Georgeist Propaganda in France*

From 1924 to 1939 the Ligue carried on very useful work. *Terre et Liberté* published matter of great interest and the ardour of supporters was maintained by periodical meetings. But circumstances then became unfavourable to the undertaking thus hopefully begun. The second World War kept Sam Meyer and Daudé-Bancel from their work of propaganda. As soon as the enemy occupation began *Terre et Liberté* ceased publication. Finally, Sam Meyer was murdered by the Nazis.

Thus, when Daudé-Bancel, with the help of Anglo-Saxon and Danish friends, started to publish *Terre et Liberté* again in 1945, he performed a resurrection, even although the paper reappears in very modest style and its printing is reduced to the minimum imposed by post-war difficulties. All the same, in the present turmoil it is surely necessary that earnest men should from time to time, one would like to say monthly, warn their fellow-citizens of the false steps

that are being taken, even against their wishes, in the matter of taxation. That is why we hope that the help so generously given by our friends of the International Union to *Terre et Liberté* will continue until, by the number of its subscribers, this periodical, the only one in France working for our common cause, will have an assured future.

#### *Towards a New Land Valuation*

By force of habit, taxpayers allow themselves to be "plucked" without realising it, or at least, with as much resignation as if they do not realise it. Hence the extension of indirect taxation. When a new Government comes into power, the method it finds most convenient (as it thinks) to provide for the rising tide of public expenditure is almost always to give a supplementary "turn of the screw" to existing taxes. Even if it wanted to embark on radical reform it would probably have no time to carry this through. Nevertheless, some promising tendencies can be seen in certain political quarters. In 1925 MM. Morizet and Sellier, Mayors of Boulogne-on-Seine and Suresnes, respectively, proposed the adoption of a tax on land values, to take the place of other local government taxes. In his proposed Budget for 1937 M. Vincent Auriol, since 1947 President of the Republic, but at that time Finance Minister, suggested an optional local land value tax to replace other taxes. It was this which inspired Daudé-Bancel to write a recent article, for those who think our ideas Utopian, "From Utopia to Presidency of the Republic."

Among the taxes which local authorities have optional powers to introduce in place of town dues (octroi) there has been for some years past a tax on the selling price of land when it changes hands. But the number of local authorities having recourse to this tax is insignificant. This shows how necessary it is to disseminate those principles which will make clear to the people truths of which they are ignorant, and remind them of traditions they have forgotten. If their representatives are to act, it is necessary for the people themselves to be convinced and see that the action is effective. Unless the philosophic and moral appeal is renewed generation after generation, the most important victories of the human spirit will fall into oblivion.

Recently, under the signature of M. Henri Queuille, the French Government published a decree, dated 17th April, 1951, fixing 1st January, 1952, as the day for coming into force of the revised valuation of property consisting of bare land. This was begun several years ago, the previous valuation having taken place in 1912.

### *Conclusion*

We ask ourselves what is likely to result from the publication of these valuations. Will some Finance Minister be tempted to replace some especially injurious taxes by a tax on the value of land alone? The benefits of such a tax, in the form of increased production and a stimulus to trade, could not fail to be speedily felt. The near future will show if a Finance Minister can act in this way.

Meanwhile, few though they may be, those in France who advocate land and tax reform by means of the progressive extension of a tax on the value of land only, rural and urban, remain true to their ideas. They are convinced that under the pressure of events in this and other countries, the old way of favouring the selfish and complacent will inevitably be abandoned. And, once for all, with the help of science, the victory of justice which is the victory of liberty will be won. The progress already made in this direction by our Danish friends sustains our hope and stimulates our efforts.