

The Unchaining of The Economy

BOOK REVIEW by ERICH ZINCKE



*Die Entfesselung
der Wirtschaft*
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GMBH, Dam-
stadt 1961. 272
pages with draw-
ings. By Heinrich
Richard.

HENRICH RICHARD is a retired high official in the Building Ministry. Thus land was one of the main subjects he had to deal with throughout his life. He very early came into contact with Damaschke, the leader of the former German land reformers. But he soon became one of his sharpest critics because Damaschke rejected the Single Tax. Richard, on the contrary, accepts Henry George's proposal "to abolish all taxation save that upon land values" completely, and in a long research he argues that this tax reform is feasible and shows a practicable way how to do it.

Unfortunately the book is rather difficult to read because it contains thorough historical research, innumerable quotations and much polemics. The really new things he brings out could be condensed to 50 pages.

Richard begins, like Henry George, with definitions of the fundamental terms of economics. He then traces the origin of the term "economic rent" and defines it as follows: "Economic rent is the possible return for land after deducting all expenses for labour and capital." He then brings all the necessary terms — rent, wages, interest, taxes, land value, etc.—into the form of equations in order to give mathematical illustrations. He investigates the effects of present taxation and compares it to the effects of the Single Tax, using mathematical drawings and calculations. He concludes from these drawings and calculations that **the effects of the present taxation are:** 1. *Increased price of products*; 2. *Many plots not profitable*; 3. *Diminishing demand*; 4. *Diminishing production*; 5. *Unemployment*; and 6. *Danger of inflation*.

The effects of land-value taxation are: 1. *Lowering of prices*; 2. *All the plots profitable*; 3. *Increasing demand*; 4. *Increasing production*; 5. *Full employment*; and 6. *Currency safe and sound*.

In the following chapters he shows the effects of import and export duties on land values and land prices.

Another chapter is about natural law. Here his statement is that by nature land ultimately bears all the taxes that are not annulled by inflation. He quotes a certain Charles Davenant as his informant. And he concludes from this: "If by nature the land is the only taxbearer it is only natural to make the landowner the only taxpayer."

He then summarises his proposals for tax reform with the canons of land-value taxation, and his ten years' scheme, which is as follows:

1. Abolishing the real estate tax (one year)
2. Abolishing the turnover tax (in 3 years)
3. Abolishing the income or wages tax (in 2 years)
4. Abolishing the consumption taxes (in 2 years)
5. Abolishing the remaining taxes (in one year)
6. Abolishing import duties (in one year)

For each year he gives advice about assessing land values and the percentage to be taken as land-value taxation. At the end of his scheme it is 2.9 per cent. of the assessed capital land value, land values being trebled.

It is a pity he does not give an example, say, for a simple family home, to illustrate what a home-owner or the owner of a big residential block or of a business house or a factory would have to expect.

He often makes calculations as to the revenue he expects from land-value taxation. He must do so in order to enable the Minister of Finance to propose land-value taxation as the single tax to his parliament. So he tries to find out the share of economic rent in the gross social product. He estimates it to be 30 per cent. And he warns the Minister of Finance never to trespass beyond this limit. "More revenues," he says, "than the full and pure economic rent can yield cannot be taken without endangering demand, production, wages, interest and the currency. To go beyond land-value taxation will have the same destructive effects on the economy that our present taxation has. The highest percentage that can be taken from land values without damaging the economy is the normal rate of interest of a country."

Of a partial carrying-through of the single tax he says:

1. Land-value taxation is not to be introduced for its own sake and as an additional tax it is to be rejected, for on such conditions it will be inefficient and disappointing. The main aim of this tax reform is the abolition of the present system of taxation.

2. Substituting land-value taxation for the existing real-estate tax is only the first step to the goal. He who neglects this misjudges the meaning of the reform. And he who sees it and yet declares the first step to be the last falsifies its meaning. Such an attitude cannot even be excused for reasons of tactics; it underrates the adversaries, who often know Henry George better than his devotees.

The book has a short preface from a former Reichs-Minister of Finance, Count Schwerin von Krosigk (1932-45). This well-known expert in taxation suggests a close examination and discussion of Richard's proposal, because even a partial carrying-through of this scheme would allow the Minister of Finance to abolish a great part of the taxes that damage the economy and to simplify taxation and rationalise administration.