

Ludwig Erhard on Taxation

Dr. Ken Henry needs to look at the results achieved by one of the most successful Finance Ministers of all time Ludwig Erhard of West Germany.

West Germany was the most devastated nation in the world in 1945. For three years they struggled under the occupational forces of the U.S., Britain and France with rationing, price controls, wage controls, foreign exchange controls etc. and rapidly rising inflation.

Erhard issued a new currency and declared there would be no more money printing. He then abolished foreign exchange controls, rationing, price controls and dramatically lowered taxation rates.

As he stated in his book *Prosperity through Competition*: "All hours worked over 40 hours will be tax free." And he established Code 7-D which stated that any German who invested in ship building was granted a tax exemption. By 1953 7-D had attracted DM 1.5 Billion out of the DM 2 Billion invested in ship building.

Another tax exemption which applied to all industries as well as ship building was the remission of taxes on profits earned from export sales.

Unemployment fell from 50% to 5% in five years. In 10 years unemployment was zero and five million new workers had to be imported from Greece, Turkey, Italy Spain and France.

Erhard stated, "In order of importance, I have replaced the bureaucrat with the businessman."

Success was so startling that his policies were followed by Taiwan, Singapore, Hong Kong, Japan and South Korea.

But England and Australia relied on the bureaucrat replacing the businessman with the dreary foreseeable results from which we still suffer.

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