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OPINION

This Is the True Face of Modern Socialism



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Is private property still private property if the state tells the supposed owner in exacting detail what can or must be done with it?

Proposals for new EU regulations on the energy performance of residential buildings are causing a stir in many European countries. Take Germany, for example: calculations show that German property owners alone would be forced to spend 200 billion euros on energy efficiency upgrades, per year! This is equivalent to four times Germany's annual defense budget. According to estimates, the cost of an energy saving heating system and thermal insulation for a single-family house is at least 100,000 euros.

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Whether the EU directive is eventually implemented in its current form is still an open question, but the debate alone is enough to unsettle hundreds of thousands of property owners. And this is just one of many examples of how the EU is increasingly turning the European economy into a planned economy. The term "planned economy" may seem exaggerated to some readers who associate it with the nationalization of means of production and real estate. However, the modern planned economy works differently: Formally, property owners remain property owners, but they are gradually stripped of control over their assets as the state increasingly determines what they are allowed or required to do with their property.

The ban on the registration of new cars with combustion engines in the EU from 2035 is another example: It is no longer companies or consumers who decide what is produced, but politicians and civil servants. This is underpinned by the belief that, when it comes to what is good for people, politicians know better than millions of consumers and entrepreneurs.

And this is precisely the difference between a market economy and a planned economy: A market economy is economic democracy in action. Every day, millions of consumers decide what is and is not produced. Prices send a signal to companies as to what products are needed – and how many – and which are not.

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Coming back to the example of real estate, many countries have extensive rental legislation that prevents landlords from securing the rents that could be obtained on the free market. In Germany, for example, this is achieved via a whole package of laws: A rent increase ceiling (Kappungsgrenze) determines the percentage and level of permissible rent increases. Even when inflation hits 7% or more per year, rents in many German cities are only allowed to increase by a maximum of 5%. And the SPD, the senior partner in Germany's ruling coalition, is now calling for the ceiling to be lowered to 2%, which in effect equates to cumulative expropriation. In real terms, the value of rents is falling year in, year out. Then there's the Mietpreisbremse (literally, rental price brake), which determines how much rent an existing apartment's landlord may charge when renting it out.

As a result, a property's supposed owner is increasingly constrained: The government imposes almost unaffordable renovation obligations on landlords – see the raft of German and European energy performance directives – and forces them to comply with ever stricter and ever more expensive environmental requirements for new buildings. At the same time, it prevents landlords from

securing the rents they could achieve on the free market. In effect, property owners become little more than government-appointed property managers. In the worst case, however, they also stand to lose their formal rights of ownership if the gap between what the government allows them to earn and what the government forces them to spend continues to widen.

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And this regulatory frenzy not only affects real estate, it also has a significant impact on businesses: The EU is not content with regulating its member countries and the companies based in them. The so-called EU Supply Chain Directive is designed to make large companies in the EU liable if, for example, their suppliers abroad operate under occupational health and safety regulations or environmental standards that do not meet the EU's expectations. Another European regulation, CBAM, introduces carbon tariffs on imports from around the world. If, for example, a company imports screws from India, where the EU's climate standards do not apply, it will have to pay extra. This is how Brussels wants to reduce emissions – not only within the European Union, but all around the world.

The erosion of property rights is not, however, an exclusively European phenomenon. In the U.S., too, property rights are being steadily eroded under the banner of the Green New Deal. This will continue until the owner or manager of a company is reduced to a mere agent of bureaucracy. The government will stipulate what goods and services are to be provided (and how) by means of stricter and stricter laws. At some point, entrepreneurs will be no more than civil servants.

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Rainer Zitelmann is the author of the book [In Defense of Capitalism](https://in-defense-of-capitalism.com/)