

## GERMANY

The movement for the taxation of land values in Germany rests in the hands of "Der Bund Deutscher Bodenreformer" (Union of German Reformers of Land Tenure). It was founded in 1888 by one of the most earnest and energetic followers of Henry George of which any country can boast, Mr. Adolf Damaschke, who has been its President since its foundation. Under his able guidance it has extended its influence to every city in Germany, nearly every one of which possesses a branch of the Union. Its membership is very large, and it is especially noticeable that numerous municipal bodies, as well as political and industrial associations, have officially joined the Union as contributing members. The Union, whose head office is at 11 Lessing Strasse, Berlin, N.W., has a separate organisation for women "Frauengruppe für Bodenreform," the chairman of which in 1908 was Frau, Maria Boeters. Connected with the Union is a separate commercial undertaking for the publication and sale of books and other literature, which is limited to a dividend of 4 per cent, the surplus going to the funds of the Union. The Union publishes also two periodicals, "Der Bodenreform" appearing fortnightly and "Jahrbuch der Bodenreform" appearing quarterly.

The objects of the Union are stated at the head of its Constitution, as follows:

"1. The Union of German Land-Tenure Reformers regards the land question as the major part of the social problem.

"Its object is to place the land, the basis of all national existence, under a law, which shall foster its use as an opportunity for living and working, which shall exclude the possibility of mischief with regard to it, and which, as far as possible, shall secure its unearned increment for the people as a whole."

The legislative measures by which the Union endeavours, and to some extent has succeeded, in achieving these objects, differ materially from those followed by similar bodies in English-speaking communities, as also do its methods of propaganda. It addresses itself mainly to the educated classes, and counts amongst its members a surprising number of University professors, high public officials, and members of the nobility,

conservative in every other respect, as well as large numbers of members of the working classes and their organisations. Its legislative programme is consequently much less radical than that of its sister-bodies in other countries, or the principles which guide its leading members. On the other hand, it has been very successful in obtaining widespread acceptance, official recognition, and practical application of its moderate demands.

## LEGISLATION

The Municipal Tax Law of Prussia (1893), since followed by nearly all other States of the German Empire, permits municipalities to levy special taxes on real property, based either on its actual rental or on its capital value, and including or excluding the value of improvements. Under this optional clause a great variety of municipal taxation of real estate has arisen, from which, however, three systems fostered by land reformers have obtained the widest acceptance.

TAX ON CAPITAL VALUE (*Steuernach dem Gemeinde-Werth*), the basis of which is the capital value of the land and improvements thereon. This tax has been substituted for a tax on rental for the purpose of lessening speculation and idle land-holding. It has now been adopted by the great majority of cities and towns and by large numbers of rural communities.

In December, 1907, it was in operation in 320 municipalities in Prussia alone, inclusive of Berlin and the other principal cities, and not a week has passed since without adding new ones to the list.

The City of Berlin adopted the new system early in 1906, the following being the main provisions of the regulation passed thereon by the Municipal Council:

"A communal tax will be levied, as determined in the following tax regulation, on all lands within the communal area, whether built upon or not, save in so far as any are exempted from communal taxation by the Communal Tax Law of July 14th, 1893. The tax will be based on the common (selling) value of the lands liable to taxation, and on every thousand marks of such value at a rate to be fixed each financial year by resolution of the Council.

Only three-fourth of the common value will be assessed

for taxation in the case of houses of the working classes and of buildings erected by societies or companies which exist to provide cheap housing for the poorer classes, provided their earnings do not exceed four per cent of their share-capital."

The rate has so far been 4 per 1000, or equal to about 1d. in the £ of capital value of land and improvements. Even this small amount is generally admitted to have materially reduced land speculation and the price of building land.

The changes in the incidence of taxation resulting from the substitution of the capital for the annual value as the basis of assessment are described as follows:

The Municipality of Elberfeld, one of the first to adopt the new system, published the following comparison in 1906:

Percentage of Revenue Furnished by the Following Classes of Property:

	Under Tax on Rental Per Cent	Under Tax on Capital Value Per Cent
Private Houses	63.58	50.13
Private Houses and Business Premises Combined ...	24.94	23.44
Business Premises ...	8.86	13.09
Private Houses with Land not Built on ...	2.12	3.43
Allotments without Permanent Buildings ...	0.50	9.91

This shows the greatest benefit to have been confirmed on private houses, while the contributions from business premises have been increased by 50 per cent, while the taxation of empty allotments, generally held for speculation, has been increased twenty-fold.

The following testimony shows that a great relief has been given to the owners of medium and smaller houses. Thus Dr. Weber, Syndic to the town of Gottingen, in a speech which he made at Altona in May, 1908, and which resulted in his election as paid Senator for that city, by an overwhelming majority, said:

"We, in Gottingen, adopted the land tax on April 1st, 1906, that is about two years ago. The previous revenue had been Marks 105,000 (£8250); under the new system it was in 1906, Marks 185,000 (£9250). The additional revenue was almost entirely derived from the increase in the contributions from vacant land ripe for building and from some properties with large parklike grounds. On the other hand, the contributions from small houses was reduced to an extraordinary extent, in many cases by one-half, and medium houses also pay considerably smaller contributions. Consequently Gottingen is well satisfied with the change."

While the capital value tax, as generally adopted, makes no distinction between land values and improvement values, a movement has arisen towards differentiating between them. Several municipalities tax empty allotments at higher rates than land built upon, and in at least one instance, the rate on the former is double that on the latter. In no instance, however, have improvements as yet been exempted.

TAX ON SALE OF PROPERTY (Umsatzsteuer) is based on the selling value of real estate, and payable on the full value at every transfer consequent on sale. It has been adopted by all, or nearly all, municipalities, but the rates are very low. Berlin, which adopted it in 1895, at first enacted only one-half per cent, but raised the rate to one per cent in 1897, as far as land not built upon was concerned. A further increase took place in 1903, the rate since that date being one per cent as regards land built upon and two per cent as regards land not built upon, inclusive of gardens and courts suitable for building. The revenue thus derived was £294,230, in 1904.

TAX ON THE UNEARNED INCREMENT (Zuwachssteuer). This is an impost falling on the advance in price of real estate i. e., on the difference of the price at which it was purchased and at which it was sold, less the value of any improvements which may have been added during the period it was held by the selling owner. The rate of this taxation is generally progressive and of some weight. It may be imposed by counties (Kreise), as well as by single municipalities.

The following rates prevail in Hamburg:

On a taxable increase of:

Up to	£100	the basic tax is	1	per cent
Exceeding	£100 and up to £200	is	1½	" "
"	£200	" " " £300	2	" "
"	£300	" " " £400	2½	" "
"	£400	" " " £500	3	" "
"	£500	" " " £1000	3½	" "
"	£1000	" " " £1500	4	" "
"	£1500	" " " £2000	4½	" "
"	£2000	" " " ---	5	" "

When the taxable increase exceeds 10 per cent of the price at which the seller purchased the property the following surtaxes are charge in addition:

- 10 per cent if the increase is between 10 and 20 per cent
- 20 per cent if the increase is between 20 and 30 per cent
- 30 per cent if the increase is between 30 and 40 per cent
- and so on up to
- 100 per cent if the increase is more than 100 per cent of the seller's purchase price.

Thus supposing a property (to which no addition had been made during the interval) of a cost price of £10,000, and which was sold at £ 20,000 the tax would be 5 per cent, with a surtax of another 5 per cent, or a total tax of 10 per cent on £10,000, i. e., £1000.

In many other cities higher rates prevail. Breslau, for instance, charges 2 per cent on profits between 10 per cent and 20 per cent, gradually rising to 25 per cent on profits of 100 per cent and over.

The Corporation of the City of Berlin adopted this tax in principle in 1906, but the definite proposal to levy it was rejected in November, 1908, by a small majority of the Council, in spite of strong popular approval. The rates at which it was proposed to levy the tax were:

- One per cent on any increment exceeding 10 per cent and up to 15 per cent;
- Two per cent on increments between 15 and 20 per cent;
- Four per cent on increments between 25 per cent and 30 per cent, and one per cent more on every

There is no doubt that Berlin will institute this tax at these or similar rates at an early date.

The Increment Tax was first adopted by the City of Frankfort-on-Main in 1904, and has made and is making rapid progress. A large and constantly-increasing number of Municipalities and Counties in Prussia, Saxony, Hesse, and other States have adopted it, counting in Prussia over 100 at the end of 1897, and including all the principal cities. Such States as have not yet conferred power upon their municipalities to impose this tax, such as Bavaria, the Palatinate, Alsace-Lorraine, and others, are proceeding to do so, and a strong agitation demands that the tax by utilised for State purposes as well.

The incidence of the tax is thus described by Dr. Paulz, Magistrate-Assessor, of Kiel, to the Conference of Schleswig-Holstein Municipalities, held in Tondern in 1908:

"During the seven months between August, 1907, and March, 1908, 408 sales of properties took place in Kiel. Of these only 107 paid a tax on unearned increment, which aggregated Marks 93,000 (£4650). The sale prices aggregated £225,000, and those of acquisition £125,000, and cost of improvements £25,000. The margin, excluded from taxation, was £17,500, so that £57,500 was taxable unearned increment. The rate of tax, which varies with the rate of profit, was from 5 per cent to 25 per cent.

Of the sellers, 17 had inherited the properties which had been in their families a great many years, and 6 were speculators who had acquired the land before it had become ripe for building and had allowed it to remain unimproved. These 23 owners contributed £2750 out of the total revenue of £4560. Their rates of profit varied from 150 per cent to 4000 per cent. Thirty-seven sellers had profits varying from 30 per cent to 150 per cent, and contributed £1650. The remaining 47 sellers had made profits of from 10 to 30 per cent and contributed £250, or less than 5 per cent of the unearned increment. The collection of the tax gave no trouble and occasioned scarcely any expense."

Land Value Taxers will readily see the two principal objections which have been made to the Increment Tax. One is that its yield is subject to great and rapid fluctuations and that it may

thus disorganise the finances of a municipality. To remedy this defect it has been proposed that the revenue derived from it should be ear-marked for the purpose of acquiring properties, especially building-land, which properties are to remain the inalienable possessions of the municipalities. This is actually being done in Frankfort O/M.

Another and more fundamental objection has been formulated as follows:

Any increment in the value of land is based on an actual or potential increase in its rental value, i. e., the tribute which the owner can exact from users for permission to use. The object of the land reformers is to transfer this tribute, sooner or later, from individual owners to the community. But the Increment Tax does not do this. It leaves the whole annual rent to the buyer, and compels the seller to pay part of its capitalised value to the community. This payment, instead of weakening, must strengthen the owner's claim to the rent, and thus raise obstacles to its ultimate transference.

To meet this unanswerable objection the Corporation of Copenhagen (Denmark) has formulated a system, by which the amount of the tax remains uncollected, and is entered as a permanent mortgage on the taxable property at 4 per cent interest. The amount of this interest thus becomes a permanent rent-charge in favour of the Municipality.

BETTERMENT TAXES, and special taxes on site-values when not covered by permanent structures, have also been adopted by several municipalities. Berlin, for instance, levies a special tax on all properties connected with the sewerage system, and derives therefrom a revenue which in 1903 amounted to £307,437.

These several systems of taxation are generally in force at the same time, and in the aggregate are a strong bar against land speculation. The only exception to this rule is the Increment Tax, which in some municipalities is charged only when and in so far as it exceeds the tax on the transfer of properties.

The general adoption of these forms of taxation are mainly due to the efforts of the Land Reform Union. In addition, it has had marked success in three different directions.

Numerous and important canals are at present being built

by the Prussian Government. For this purpose the Government has compulsorily acquired the land of the canal-beds and one-quarter mile along each side of the bed at agricultural values. It was proposed to sell such of this land as was not required for tow-paths and other objects connected with the working of the canals, as a strong demand had arisen for it on the part of speculators who foresaw its importance for industrial purposes and building sites. The Union, however, demanded that the land should remain the property of the State, to be leased instead of sold, and succeeded in inducing the Government to propose, and Parliament to pass a Bill for this purpose. This was done in 1908, the Parliament voting a large credit for the improvement of the sites. The Governments of other German States building canals have also been induced to adopt this system.

On the acquisition of the first over-sea colonies, the German Government was induced by wily speculators to part on easy terms with enormous areas of their land on the plea that large amounts of capital were required to develop them. Needless to say little development has taken place where this suicidal system was adopted, as the companies concerned are merely land speculators, and ask a heavy price for every acre of it. Against this pernicious system the Union took a persistent stand, and after many years of agitation, succeeded in inducing the Government to abandon it, and to favour a policy the outcome of which will be described when dealing with the tax system of the German Colony in China (Kiautchou).

From time immemorial many German towns and villages have had possession of common lands, arable as well as forest land. Especially is this the case in Southern Germany and Switzerland. In Wurtemberg, 1629 communes out of a total of 1910, hold such communal property. In Baden the number is 1256 out of a total of 1582, and their communal property aggregates 121,500 acres of arable land and 675,000 acres of forest, the latter being about one-half of the whole forest area of the State. In Saxony 39 per cent of the total area consists of such inherited communal property, and in the principality of Hohenzollern it forms 41 per cent of the whole area and about two-thirds of all meadow land. Many rural districts, in addition to satisfying the rights of the villagers to free timber and grazing, derive such revenues from these lands that they can render all municipal services without charging any rates.

The social importance of such communal lands has lately been demonstrated by a German investigator of a French village



being in a similar enviable position. Dr. A. Grotjahn has contributed a volume (Supplementary volume 4) to "Weylsche's Handbook of Hygiene," and on pages 738 and 739 makes the following interesting and far-reaching statement:

"How strong is the physical reproductive power of the French nation even to-day, when it can take its course unchecked by economic consideration, is proved by the example of the village of Mardic, near Dunkirk. This is a colony founded by Louis XIV, with a system of land tenure which does not permit of private ownership in the soil. The men of Mardic marry on an average at 24 years of age, immediately after having passed the obligatory service in the navy. When a new family has thus been founded it receives for exclusive use, but not as private property, a plot of land of 22 acres and a section of the shore for net-fishing.

"The land settled on the village was much in excess of the requirements of the families originally settled on it. The area in excess of such requirement (22 acres per family) is leased on behalf of the Commune. The families may leave to their children the land handed to them in usufruct, but they may not divide or mortgage it. The result is that Mardic possesses a prosperous population free of material cares, which does not rack its brain on behalf of its children's fate, while the rest of the peasants and fishermen of France are particularly anxious in this respect. The births amount to 43 per 1000 of inhabitants a figure which is not surpassed by any civilised people. During the last 50 years the population of Mardic has increased from 615 to 1481."

So far, Dr. Grotjahn, who naturally was struck by this exception to the general tendency towards race-suicide throughout France. That he has also correctly diagnosed the cause of this healthy condition of a small section of an otherwise moribund nation permits of no doubt.

The properties now in the possession of German Communes are merely a remnant of those which they previously possessed. Commune after Commune has sold all or part of that which the wisdom of former generations had confided to its care. The Union of Land Reformers has given special attention to the preservation of the land in communal hands, as well as to the further acquisition of land by communes and municipalities. By persistent agitation and education it has succeeded in fixing the importance of this policy in the minds of the people, as well