

# The Land Question in Germany

By BRUNO HEILIG

Some months after my arrival in this country (I am a political refugee from Austria)\* an English friend presented me with some of Henry George's books. I confess I had some acquaintance with Henry George and his theories from various books on Political Economy as for instance the writings of Damaschke and Oppenheimer; but really to understand Henry George you have to study his works. From the very first page I was greatly interested in what George said. I was delighted with his splendid argumentation and his beautiful and artistic language. But my interest turned to excitement when I read his predictions about the consequences of the prevailing economic system. Why, a man had written history in advance! Sometimes I thought that by simply altering verbs from the future to the past tense one could make the form of prediction into a narrative of fact and get a complete story of the development of the civilized countries just as it actually took place during the sixty years that have elapsed since *Progress and Poverty* was written.

To me, with my intimate acquaintance of life and labor in Germany, those passages were naturally most absorbing which seemed to me to portray the kind of men who would become the leaders of starving and desperate peoples. In the Introductory to the book you already meet them in the reference to the fallacious ideas in current economic teaching which "bring great masses of men, the repositories of ultimate political power, under the leadership of charlatans and demagogues"; and

\* This is the first of a series of two articles which appeared originally in "Land and Liberty." Mr. Bruno Heilig, the author of this article, was the Balkan correspondent of the Berlin *Vossische Zeitung* for eight years, 1920-28, and was expelled from Hungary for his criticism of the land magnates' reactionary system. In 1928 he went to Berlin as editor of the *Vossische Zeitung*. From 1931 to 1933 he was Berlin correspondent of the Vienna *Der Wiener Tag* and the Prague *Prager Presse*. From September, 1933, he was leading article writer and foreign editor of *Der Wiener Tag* and the important Monday paper *Der Morgen*.

in the chapter "How Modern Civilization May Decline" there is hardly a page or a paragraph which does not apply almost literally to the situation as it has developed in Germany itself.

Many newspaper articles and books have been published on the subject of Hitler's career and Germany's turning to barbarism. They describe in minute detail the comings and goings of the actors of that tragedy; they reveal secrets about political and diplomatic interviews, about intrigues and conspiracies too. They give you a more or less reliable picture of the characters of the leading persons and entertain you, perhaps, with spicy stories about their private lives. You get splendidly informed, yet you are not satisfied. The more you have learned about the events the more you are puzzled. There was a country with a fine democratic constitution built on the ideas of liberty and self-government. Its people had been glad to get rid of the Kaiser after the Great War, and had elected for the Weimar National Assembly men whose records and programmes offered the best guarantee for a radical extirpation of the hated old Prussian ideas. Then some crooks, some fools and some weaklings appeared on the stage of history, and liberty was thrown away, and democracy became rubbish. Hitler attained power under observance of a democratic constitution, the fundamental principle of which was self-government and self-determination of the people. He became Chancellor in just the same way as any of his predecessors, by regular appointment. There was no reason why the people should submit to tyranny against their will. They followed the tyrant voluntarily, many of them jubilant. How did it happen, how could it happen?

A useful thing one can do in the

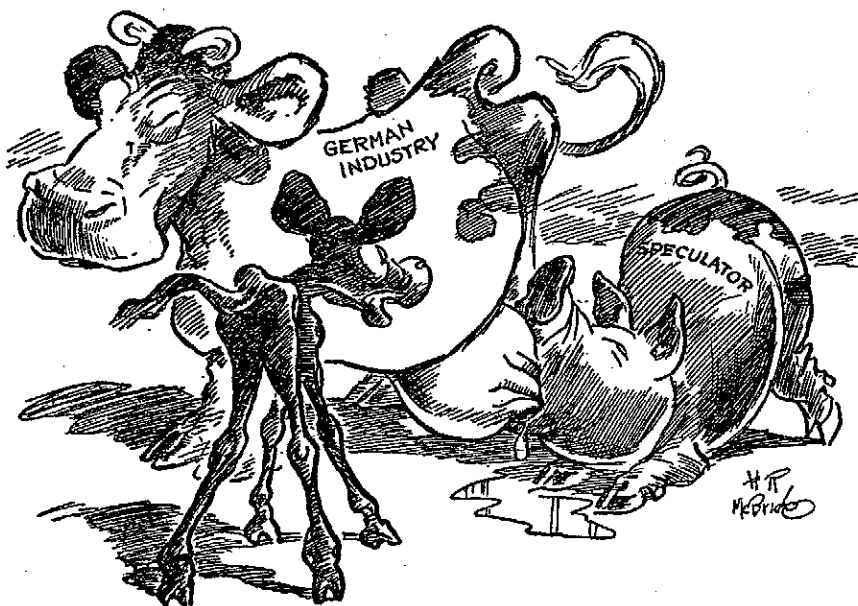


present situation is what I have hinted at above: to transcribe Henry George's predictions into history. In undertaking this as far as Germany is concerned, within the limits of space at my disposal, I can of course only deal with the most outstanding facts, and I wish to emphasize that I will speak only of matters either known to me by experience or on record in authentic documents.

After the disastrous years of the inflation, business revived almost suddenly. With the re-establishment of the gold value of the mark (equal to the full gold value of the English shilling) stable conditions for security of investment became possible, and Germany needed capital badly. The whole industrial equipment which had been engaged in war work for four years had been lying practically idle during the inflation period. There was an enormous demand for dwelling houses, not more than some few hundred houses having been built all over Germany during the previous ten years, and population had increased in spite of the war, and was still increasing.

German enterprises got as much money as they wanted from the United States, where bankers were at a loss to know what to do with the gigantic amounts of money that had been accumulated during the war. The recovery which started in Germany in 1924 had all the elements of an investment boom. The Germans are a thorough people, and they carried out the reorganization of their industry thoroughly. Factories scrapped their old plant and replaced it with up-to-date machines. Germany was going to become the most advanced industrial country in the world, surpassing even the United States. Busy times drew millions of people to the big towns, the population of greater Berlin increasing rapidly by two millions to six and a half millions.

The public bodies rushed in also to participate in the feverish building up of a new and modern Germany.



The whole rail-traffic system was reorganized and re-equipped. In Berlin rows of houses were demolished to broaden the streets. In the heart of Berlin the Alexander Platz was to become the largest square in the world, surrounded by the most modern skyscraper office buildings.

The most urgent problem to be settled was, of course, that of erecting buildings for dwelling, industrial and trading purposes. The technical problem was speedily solved. They simply made buildings in factories, the concrete blocks and plates ready-made being assembled and joined together on the site where the building was to go up. You could see posters on the growing skyscrapers proclaiming: "A story a day"!

Prices and rents of land soared at once, and so, too, rose the cost of building materials, with manufacturers protected against foreign competition by high customs duties. The price of iron was double that in England at the time, and cement was three times as high. Land prices rose on the average by 700 per cent in Berlin and by 500 per cent in Hamburg, within six years. But in some districts of the capital the increase amounted even to 1,000 per cent or more. It was "good business" to be on good terms with members of the City Council, the Stadtrat. If for instance you had timely informa-

tion about the plan to connect the Aehlendorf outskirts with Berlin by a new Underground line, or if you secretly learned that there was to be a new line to the Reichskanzlerplatz, the shrewd purchase of but a few hundred square feet of ground would bring you a fortune. And you could become even a millionaire if you were in the know that Herr Reuter, Berlin's traffic dictator, intended to enlarge the Alexander Platz and to have a gigantic central Underground station built beneath it.

Land speculators had a fantastic time, some doubling or trebling their fortunes overnight. While the common people toiled feverishly and proudly to build up the new Germany that should be the world's most advanced community, money poured into the pockets of those who gambled in land values.

The high rents for flats and premises in the new buildings reacted upon and forced up the rents in the old ones. During the war, rents had been fixed by law at the pre-war level, and that law had remained in force during the whole period of the inflation. Suddenly the newspapers began an agitation that it was unjust to maintain the great difference between the rents in the new and in the old buildings, and this was so successful that an amended law permitted the proprietors of pre-war

buildings to raise rents up to 125 per cent of the pre-war level. It was a generous gift. Already the proprietors had got rid of three-quarters of the burden of their mortgages, the valorization law passed after the inflation stipulating that they were responsible for only 25 per cent of the gold value of the bonds. Thus they were getting their full pre-war rent in terms of gold marks and, in addition, quittance of 75 per cent of their mortgages.

Experts estimated the increase in rents in respect of dwelling houses alone at 1,200 million marks (say, £60,000,000) a year for the whole Reich. It is impossible, of course, to give any approximate figure of the burden which was heaped upon production and trade by the enormous rise in the rents and prices of land used for industrial and mercantile purposes.

The people had not only to pay this tribute to the land monopolists, they also had to finance the business, thanks to the strange policy of the representatives and the corporations of the cities and towns. Alfred Schär described in a pamphlet how land rents and land prices in Hamburg increased as the result of the corporation's land purchases. The Hamburg taxpayers had to subscribe 60 million marks in compensation to owners, and were further made to pay 40 millions in subsidies to builders of houses. After these schemes were carried through, rents all over Hamburg went up by 20 million marks per annum.

Berlin spent upon land buying no less than 400 million marks of which 120 millions were invested in purchases around the Alexander Platz. This business turned into a big scandal of speculation and corruption. The sites for which the city paid 120 million marks had been valued at 35 millions previous to the purchase. The excess of 85 million marks was actually regarded—in addition to the original 35 millions—as the rightful property of the vendors because that would be the value given to the land by the expenditures of the taxpayers' money on the improvements about to be made; the vendors should not be deprived of

this value added to their "property." It has to be said, too, that the city officials of Berlin, entrusted as they were with the defence of the city's interests, lent a hand to that speculation—and not disinterestedly. It was a kind of legal corruption and bribery.

In cases where the landowners refused to sell to the city or would not accept the price offered, an arbitration committee had to decide. This committee was composed of two representatives of each party and one neutral chairman. Many cases came before such committees who regularly declared that the city council had to pay not only the actual value of the site but any value the site was likely to have in the proximate future, no matter what caused the value to increase. I remember the exact data of one such case which was the most disgraceful of all. The proprietor of the site valued his property at 400,000 marks. The city council considered the price too high, and submitted the case to arbitration. The decision was that the city had to pay, not the 400,000 marks the owner had wanted, but no less a sum than 1,080,000 marks, this being the arbitrators' estimate of the value the site would have after the city had made the traffic improvements it had planned. Now, the scandalous side of the transaction was this: the fee payable to the members of the arbitration committees was a certain percentage of the determined price, and it was therefore in their personal interest that the price should be as high as possible. What they awarded the vendor was also their reward. Moreover, the city council appointed their own representatives upon the arbitration committees from that city committee which had to decide which were the cases to be submitted to arbitration.

Another case of amazing corruption was the leasing of the Berlin river-harbor basin to a private firm. It took place near the end of the inflation period, when well-informed people already knew what was going to happen after settlement of the money question. The port of Berlin is, after Duisburg, the largest

of its kind in Germany. It is situated on the rivers Ober and Elbe respectively, and thus connects Berlin with the sea. The city council spent millions upon millions on the completion and equipment of the basin with huge warehouses and the most modern means for loading and unloading. When all was finished Herr Schuning, who as city official was in charge of the basin, reported that it could not be operated with profit to the city but would require a considerable subsidy, and he therefore recommended that it be leased to a private firm.

An accommodating firm was soon formed as the Berlin Port and Warehouses, Ltd., by the Busch Wagon Factory and the transport agents, Schenker and Co. To that company the council leased the whole basin with all its fine warehouses and other equipment for 50 years against payment of 369,000 marks, not as annual rent, but as outright purchase of the lease. The area of the basin was one million square metres and the rent of the bare land in that neighborhood was one mark per metre per year. The Company, therefore, paid for the fifty year concession only a 150th of what they should have paid in rent for the land alone. In addition, the city council granted to the company a loan of five million marks for working capital. Exactly 12 months after the signing of the contract, Herr Schuning was appointed director-general of the company. With the port of Berlin under their control the promoters of this company controlled all supplies coming to Berlin and the Berliner had to pay them tribute for every bite he ate.

Such in brief is part of the story of the land racket in the cities and towns. There remains to give some description of what happened with regard to agricultural and mineral-bearing land. The monopoly in land and the speculation in its value reached its climax, and then the bubble burst. The boom had lasted some seven years, and it ended with seven million men and women, one-third of the wage-earning people, rendered unemployed, and the middle class swept away.