

GERMANY

About the time that Henry George was rejoicing over the first limited edition of *Progress and Poverty*, one of his friends and disciples, C. D. F. Gütschow, undertook the heavy task of translating the great work into the German. This man's name deserves to be written high in the Single Taxer's Hall of Fame. To anyone who realizes the enormous mental drudgery required of the translator in subordinating his own mind to that of the author, and devotedly converting his thoughts and phrases into another tongue, the work of Gütschow, undertaken at a time when both author and movement were unknown, is a testimonial to the abiding faith animating those early followers of Henry George. Gütschow's faith was well founded, for he knew that his work would fall upon fertile ground. To this day, the original translation has its honored place in the library of every German Bodenreformer.

Like all Teutonic people, including the old Anglo-Saxons, the Germans had always regarded the land as an integral part of the nation, something that should not be treated as a merchantable commodity. This conception prevailed in Germany long after it had been obliterated in England by the Tudors, and the teachings of the Physiocrats found ready acceptance among the intellectuals of the time of Frederick the Great. With the period of Napoleon and the turbulent times which followed, the issue became confused amidst a maze of Roman law introduced by the Code Napoleon. In 1852, Karl Arnd wrote his *Natural Taxation*, and once more brought up the issue of "the land for the people." In 1860, Friedrich Held submitted a petition to the Prussian Legislature, urging the passage of a law to provide for "one single tax" based upon the rental value of the land. Though of course the efforts of Held were unavailing in this respect, he and his Radical Reform Society were responsible for convincing Bismarck of the efficacy of nationalizing the railroads.

After the death of Held, one of his associates, Dr. Theodore Stamm, organized the Society for Humanity, which, together with its leaders, forms a connecting link between the pre-Georgian and the modern land-reformers. Germany is the land of particularism, and the movement was long hampered by the conflict of individualistic ideas and ideals. Societies were constantly being started, whose membership was founded upon religious, non-religious or other equally extraneous qualifications, but always maintaining the Single Tax as the paramount issue.

Michael Flürscheim, the iron-master of Gagenau, founded the League for Land Ownership Reform in 1888. Flürscheim was associated with many business and professional men who joined his society and it soon became the leading Single Tax organization of Germany. Among its members was another wealthy manufacturer, Heinrich Freese, who became the president and leading spirit of the movement and is to this day a prominent member of the Bodenreformers.

The days of proselytizing zealotism passed on. The League suffered from natural attrition, it acquired a large deficit which some of the wealthier members funded, and the organization adjourned *sine die*. It had wasted its strength on utopian schemes, on internecine struggles with kindred societies and on purely academic discussion.

There followed two years of inaction, until, in 1898, the League of German Land-Reformers was started, and Adolph Damaschke became its President. Although its beginnings were painful and laborious, an event occurring at the same time soon attracted the attention of all thinking men to the idea of appropriating the economic rent to public uses. In 1897 the German Government had acquired the ninety-nine year lease of the Chinese concession at Kiauchau.¹ Everyone in the German realm was watching this new development with attentive pride. With its unusual success, came reports of its unique land system. The benefits of the new system were indisputable and it was exactly what the Bodenreformers had been agitating for these many years. Naturally, this practical demonstration of their theo-

¹See article on Kiauchau.

ries was received as an indorsement, and before long the membership of the League was growing by leaps and bounds. The League gained a valuable accessory when Dr. Schrameier returned from China in 1910.

The headquarters of the central body of the Bund Deutscher Bodenreformer is in its own building in Berlin. There are subordinate leagues in all of the principle cities and provinces. An ordinary membership costs six marks per annum and entitles the member to receive the semi-monthly organ, *Bodenreform*, as well as such pamphlets as are issued from time to time. A life membership costs one hundred marks, and has been an effective revenue getter. An honorary membership costs one thousand marks, and there are many who have had their names enrolled in the League's Roll of Honor. It costs something to be a Single Taxer in Germany, and the members value the privilege accordingly. The League also accepts corporate memberships, consisting of societies, non-socialist labor unions, and sometimes entire communities. Inclusive of the individuals in these corporate memberships, the league now has about two million followers.

As the organization is non-partisan its members are gathered from every political party except the Social Democrats, who are its most consistent and persistent opponents. The public officials are a powerful element in the membership, especially municipal officials, who realize at first hand the evils of the present system of land ownership. Another striking feature is the number of university professors who are Single Taxers. The absolute academic freedom prevailing in all of the German universities, affords the professors absolute liberty to pursue any beliefs their conscience dictates.

The platform is contained in a single sentence: "The Bund Deutscher Bodenreformer holds that land, being the basis of our national existence, should be subjected to a law which shall encourage its use for industry and dwellings, shall prevent its misuse, and shall render to the entire community those values which appertain to land, regardless of the activities of the individual."

The Bodenreformers accept entirely the economic principles formulated by Henry George. They hold that the Single Tax, as a means for appropriating the economic rent, is an ideal system and was advocated by George with particular reference to conditions in America, that he had no other country in mind and was in fact not particularly informed regarding conditions in other countries. Appropriating the economic rent being the fundamental object of land-reformers the world over, the means adopted to this end must be subject to domestic conditions. In this connection they do not favor land nationalization, except as it has been sporadically applied as a temporary measure in many communities.

They do not consider the tariff as a subject that should be included in their agitation, although nearly every one of the prominent members is a free trader. They regard it as impolitic to antagonize people and interests who might otherwise favor a reform of the land system, by injecting a question which is a correlated but not an essential feature of the land question.

.Dr. Schrameier says: "The German Land-Reformers certainly know that the ultimate goal of their doctrine includes the abolition of protection. But so long as there are so very many questions which all may unite upon, why introduce a question which is not as yet ripe for discussion."

MORTGAGE CONDITIONS

The well-known attitude of the Bodenreformers with regard to the subject of mortgages is due to a condition which is probably more developed in Germany than elsewhere. Aside from the Astor Estate in New York, or the Field Estate in Chicago, land is pretty widely held in America; it is still possible to buy valuable sites. In England the reverse of this is true, and a prospective land user rarely buys, but usually leases a valuable site from one of the great land-holding noblemen. But in either case the Single Tax would be more readily applicable than in Germany, where land titles are in possession of a large number of owners, but land values held by a few mortgage banks and insurance companies. It is about as easy to execute a mortgage in Germany

as it is to secure a marriage license in New York, and it is a much simpler matter to foreclose on a delinquent mortgagee than it is to secure a divorce in Reno. Foreclosure automatically follows proof of delinquency. Therefore a mortgage is the safest sort of an investment and it is no uncommon practice to encumber property up to eighty and even ninety per cent. of its value. To apply the Single Tax under such conditions would result in a financial upheaval that would not readjust itself in a generation. To avoid such a catastrophe, the Bodenreformers propose a system of nationalizing mortgages through a bond issue, which shall be steadily amortized in the course of forty or fifty years.

The late Joseph Fels was one of the most energetic opponents of this plan when it was first brought to his notice, but after the matter had been analyzed for him, his keen business mind grasped the necessity of this proposal, and shortly before his death he made the statement that no doubt the Germans know better than we how our common aspirations could best be put into practice in Germany. Naturally the great mortgage loan banks are vigorously opposed to this plan, and they have paid the Bodenreformers the compliment of organizing an excellent fighting force to defeat it if possible, and have provided a corps of legal heavy-weights at its head. Monopolistic tactics are the same the world over.

THE INCREMENT TAX

The Bodenreformers have been successful in writing some of their principles on the statute books. The increment tax law is one of these. It provides that at any transfer of land, other than through inheritance from next of kin, the vendor must pay a proportion of the increased value to the treasury. Like all German taxes the principle of graduation is adopted. The rate varies according to the period since the last transfer (in no case more than a period of forty years), or the estimated value in 1876. Where a given increase has been arrived at during a short term, the rate is greater than if the same increase has been the result of a slow growth. The amount of the tax varies from five to thirty per cent. of the increment. The law was first adopted

by many of the cities, but in 1911 it became a national law, the cities receiving fifty per cent. of the returns, the State ten and the federal government forty. Its effects as an educational measure have hitherto been more valuable than its financial productiveness, but the latter increases every year. It is teaching the people to discriminate between land and improvement values, which are often confounded in popular opinion. It also brings into prominence the principle that the unearned increment of land rightfully belongs to the community which has created it.

The Erbbaurecht is a leasing system which, although long established in German law, has during the last twenty years been given a Single Tax application. According to the old Teutonic practice, much of the land of Germany is the property of the government. Nearly all forest reserves (privately owned forests are also under government control) and other extensive areas, besides, of course, the railroad rights of way, belong to the States. The municipalities also are large land-owners. The several municipalities comprising Greater Berlin own sufficient land on the outskirts of the city to furnish a population of fifteen millions with factory and residence sites. According to true German thoroughness, most of this area has been tentatively laid out for future settlement according to its best adaptation for industries, flat buildings or separate houses.

Berlin is no exception to the rule that metropolitan cities are not good examples of progressive radicalism. But Frankfurt, Dusseldorf, Jena and other cities have taken advantage of the Erbbaurecht to put the land in their possession to the best possible use. The best example of these is the little city of Ulm on the Danube, in Wurtemberg, whose Oberburgermeister, Heinrich von Wagner, is one of the leading spirits in the Bodenreform. Before he was appointed Burgermeister in 1891, he had been chief of police, and had seen something of the misery due to bad or insufficient housing. Accordingly when he became the chief magistrate, he set about remedying the evil by the best means in his power. At first two-family houses with a garden were built on the city's land; latterly these have been abandoned for one-

family cottages of four or five rooms. These are sold to workmen, mostly at cost for land and improvements, the buyer usually being required to advance from five to ten per cent. of the cost, which is rarely over seven thousand marks. The buyer must pay the interest at from 3 to 3½ per cent. and the taxes, besides a small amortization charge. The low interest rate is possible because the city borrows the money at this rate from the State insurance and the municipal savings banks. The city retains the right of eminent domain in that it may buy back the houses at cost, plus improvements and minus deterioration any time within one hundred years. This absolutely prevents land speculation and the result has been that while Ulm has doubled its population in the last quarter century and taxes on gross sales of business have almost trebled during the same period, while improvement assessments have increased at the same rate, yet during the last ten years since the working of the Erbbaurecht has become extensive enough to make itself felt, the land-value assessments have shown a steady decline.

SOME LEADING BODENREFORMERS

The President of the League and its leading spirit since 1898; is Adolph W. F. Damaschke. He was born in Berlin, Sept. 24, 1865, the son of a cabinet-maker and therefore what we would term, "a man of the people," were its equivalent ever used in Germany. He attended the public schools and the Berlin Normal School, and from 1886 to 1896, he pursued his profession as school teacher. In the early nineties his natural interest in economics and the strong personality of Heinrich Freese, made a Single Taxer of him and he devoted much of his spare time during the following years to propagandizing with tongue and pen. In 1896 he was offered the editorship of a radical daily at Kiel and he touchingly describes the great struggle between love and duty when he thus came to the parting of the ways. A public school teacher is very much of a personality in German society and to abandon his profession meant a social as well as financial sacrifice. After two years at Kiel he returned to Berlin and helped organize the present League, of which he was the

first and the only president. He is a clear thinker, a lucid and forceful writer, although he does not suppress a strain of quiet humor in the driest of economic thesis. Besides being the popular orator of the movement, he is a shrewd and practical organizer and much of the League's success is due to his talents. He is the author of numerous books and pamphlets on public questions, among which are: *Bodenreform, Grundsetzlich und geschichtlich*, the popular text book of the movement; *Kamerun oder Kaiutschou, Alkohol u Volksschuler und Leherr und der Soziale Frage, Geschichte der National Oekonomie, Volkstumliche Redekunst*, etc.

Sitting in his office one day, he happened to pull out a drawer and a peculiar leather case came to view. "What is that, an order?" I asked. "Yes, a Red Eagle." (The highest order given to a private citizen). Then rather sheepishly, as though he had no business with such a decoration, he added; "You see it came by registered mail one day and my wife took it in." Yet although I have never seen him wear the order, he would not be human did he not prize it highly, for it means an acknowledgment from the State that he has done good work.

Dr. Ludwig Wilhelm Schrameier, Actual Privy Counselor to the Admiralty, was born at Essen, October 2, 1859. He attended the Gymnasium at Essen and the Universities at Bonn, Leipzig and Berlin, acquiring the doctorate in theology, philology and law. He spent a good many years in France and England, and besides learning to speak and write both of these languages perfectly he is conversant with about every tongue in the Orient, including Chinese. He was in China for twenty-five years, at first in the diplomatic service, and on the acquisition of Kiauchau was transferred to the admiralty. His knowledge of Chinese made him the logical man to take care of the fiscal affairs of the colony. It soon was apparent that the Chinese landowners had organized a ring to hold up the price of land; and incidentally the German government. They were asking ten times what the land had previously brought in this isolated village of fishermen's huts. Another difficulty was that the administration needed revenues and there was nothing to tax. Then it was

that the Great Idea burst in upon Dr. Schrameier just as Henry George tells of its being suddenly revealed to him. The increased value of the land was entirely due to the activities of the German Government and the potential city and wharves which were to arise on this location. Ergo, as the government had created the values, let the government benefit from them. At that time he had never heard of Henry George or the Single Tax. In 1910 he returned to Germany and he has since played a leading part in the organization, whose growth he had unconsciously stimulated. He is a Vice-President of the League and one of its ablest speakers. He comes nearer to our ideas of an orator than do most German public speakers and for this reason he is always assured a large and appreciative audience. Besides his land-reform work, he gets out the monthly organ of the German-Chinese Alliance and has written many works on Oriental affairs, both political and economic, and *Die Bodenreformbewegung in Deutschland*. He is a member of the German Oriental Society and of the Geographical Society.

Professor Dr. Adolph Wagner, Actual Privy Counselor, Excellency, and member of the Prussian Upper House, is the Nestor of the movement. He was born at Erlangen, March 3, 1835, attended the Universities of Gottingen and Heidelberg and in 1858 was appointed Instructor of Political Economy in the Commercial Academy of Vienna. Those were troublous days, politically, and so when the independent young man stated in a speech at Munich that in his opinion, Prussia was the logical leader of a United Germany, he soon found cause to transfer his activities to other fields. He became successively Instructor at the Commercial Continuation Institute at Hamburg, Professor at the German University in Dorpat, Kurland, and at Freiburg. He became Professor of Political Economy at the University of Berlin in 1870, specializing in banking and finance, and has occupied that chair until this Winter when owing to advancing age and failing sight he retired as Professor Emeritus. In politics he is a conservative and a supporter of protection for agricultural industries. Yet he holds with Henry George on the land question and has always advocated his doctrines in the

seminary and the public rostrum. He has written many books against socialism and on economics, being considered the most eminent authority on the latter subject. His reputation is not entirely domestic, for he is Honorary Doctor of the Universities of Wisconsin, Dublin, Czernowitz, Christiana, Rome, Milan and Naples, a member of the Austrian Academy of Sciences and of the Royal Statistical Society of London.

The old gentleman once visited his friend and successor Professor Imhoff at Freiburg. The latter is one of the best known Single Taxers in Thuringia and he said to Dr. Wagner: "What an unjust world this is! For your advocacy of land reform, the government has just dubbed you Excellenz, while for the same sort of activities the folks around here call me Pestilenz."

Did space permit there are many other men in the movement well deserving of mention. There is Herr Pohlman-Hohenaspe, who became a Single Taxer in the wilds of Brazil and is an expert in statistics; Professor Erman of Munster, one of the lights of the legal profession and of the land reform movement as well; Professor Rein of Jena, and Herr Wiesner of Hamburg, a young man but promising. These and hundreds of others are helping to bear the international standard of human justice to its ultimate victory.—J. D.

THE SINGLE TAX IN KIAUCHAU

At the seventh international congress of geographers in Berlin, Poultney Bigelow, representing the United States, said:

"Kiauchau deserves in a very high degree the widest attention of the general public. Here for the first time the principles of land values taxation are applied in practice. And these much opposed doctrines have been brought into operation under the jurisdiction and authority of the German Empire. This fact has an importance that cannot yet be appreciated. In the whole world—in America, in Australia, in England, and wherever the doctrines of Henry George are understood—the development of this colony is watched with the keenest interest."

Almost cotemporaneous with the formulation of the programme of the Land Reform League of Germany was made the first trial of the Single Tax in the German colony of Kiauchau, China,

in 1898. When Kiauchau was acquired in 1897 the German authorities, with their usual thoroughness, forbade every change of landownership without official consent, and began to buy up the land. In a few short months a considerable part of the protectorate was the property of the German government. The principles on which the future land and taxation policies were to be formed were the subject of a memorial prepared by Dr. W. Schrameier, the Land Commissioner of Kiauchau. It was stated in this memorial that the action of the government at the time of occupation made it possible for the community to participate in the "unearned increment" of land values. It then went on to say:

"To keep up the value of land it will be necessary to bring so much land as is required by actual need from time to time into the market at public auction. The land shall be sold to the highest bidder. The purpose for which the land is to be used is to be communicated beforehand to the government which will reserve a certain liberty in assigning the lots. Every subsequent re-sale of land must, before it can become legal, be communicated to the government. The seller must report to the government the price which has been offered him and which he is willing to accept. The government has the right of pre-emption at this price in every case. If it does not exercise this right a transfer duty is levied on the transaction and in the case of an increased value a further tax of $33\frac{1}{3}\%$ of the increase in value (after deduction of all capital expenditure set off against the enhanced value) is levied. The Government reserves the right to see the building obligation carried out according to the original propositions and statements as agreed to. Land that has been in the same occupation for a period of 25 years will be subject to valuation and in the event of an increase in land value a tax of $33\frac{1}{3}\%$ on the increase will be levied."

In another paragraph it is stated that:

"The reason for this measure is that the prices offered at the first sales are not normal prices representing the true value of the land. By means of these proposals the Government secures a share in the future unearned increment without invading the rights of private property."

This was a characteristic German way of doing the thing, but it will be observed that the principle is not obscured. That

the object sought was realized is confirmed in the official White Book on Kiauchau for 1906. It is characterized the development of conditions in the following words:

“The share of the Government of $33\frac{1}{3}\%$ in the unearned increment, realized at the sales of land in private hands, has not yet been of any considerable amount. This is principally due to the fact that changes of ownership of land are, on the whole, comparatively few, because people willing to buy can still get the needed land in sufficient quantities from the Government. So far it can be affirmed that the land policy of the Government has accomplished the end and aim before it, that is, to prevent unwholesome speculation in land and to keep a sufficient area of land as the property of the community, in order to supply, eventually, the growing needs of the settlers without artificially enhancing the value of the land.”

In no instance has the administration made a free gift of the land to the first comer. The fact that the area of Kiauchau was ceded by China to the German Empire in March, 1898, in order to establish a commercial settlement, caused at once an enormous increase in the value of the land, and a further increase was foreseen to be certain with the execution of the contemplated railway and harbor facilities. The Government bought the land from the Chinese peasants at the prices ruling before the time of the occupation, while the prices realized at the first auction were in keeping with the expenditure and intentions of the Government for the future development of the settlement. The Government, of one mind in this case with the body of the inhabitants of the colony, all of whom are benefited, did not fare badly with this policy.

In an elaborate article dealing with Kiauchau contributed to the *Single Tax Review*, Dr. Schrameier wrote as follows:¹

“In the before mentioned White Book of 1906, the fact is emphasized that while the proceeds of the unearned increment tax have until now been very small, a boom in land has been prevented also, and the real purpose in introducing the unearned increment tax (this was the claim made in the memorial of 1898) was accomplished if the tax had never, indeed, been levied. The real object of the provisions was not so much to fill the treasury

¹*Single Tax Review* (Special Number for Germany), of March-April, 1912

of the Government as to prevent abuses in dealing with land. The Land Ordinance of Kiauchau, therefore, is not to be considered as a purely revenue producing policy; its true character is social rather than financial; it results in a policy that, besides applying the Single Tax system upon land value, aims at a practical solution of the highly important question of town extension. It deals with the urban land question fully, and this question is solved in the way that the Government buys up all the land that may be used for urban purposes to dispose of it to settlers under such conditions as will safeguard the welfare of the community in the future. The extension of the city is therefore carried out by the Government and regulated by law.

“It is of this that German Land Reformers have availed themselves in pointing to the example of Kiauchau to further their cause. One does not even need to accept the general proposition, established at Kiauchau, and at least not yet disproved, that all speculation ought to be considered as evil, in order to admit, nevertheless, that apart from speculation guided by far seeing economic principles, opening up vast tracts of land to use, there is another kind of speculation which, without involving the owning of real estate, profits, by a reckless system of hypothetical credit. Such speculation strives to enhance the price of land, and as land is necessary for all housing purposes it causes higher rents. But higher rents mean increased hours of labor or a lowered standard of living, and often both.

“The movement of the industrious and working classes against the owners of the soil, which has been established in different forms in different countries, though they all aim at the same end, is no longer to be hindered. It turns from the city, with the house famine and housing misery, to the country and attacks the accumulation of landed property in the hands of the few, which is injuring and hampering economic development.”

TAXATION OF THE UNEARNED INCREMENT IN GERMAN CITIES

The Kiauchau experiment led to the emulation by many German cities in the adoption of the “unearned increment tax,” in Frankfort-am-Main in 1904,¹ then in other cities, Essen,

¹The Frankfort increment tax or transfer tax as it is called, passed in 1904, provides that every change of ownership not depending upon inheritance is subject to a city tax of 2 per cent. of its value and if, since the last preceding transfer, less than five years has elapsed in the case of improved or ten years in the case of unimproved property and there has been an increase of value of 30 per cent. of the former price, a supplement is imposed as follows: Five per

Leipsig, Hamburg, Breslau, and lastly in Berlin in 1910. Berlin at first rejected the measure at the dictates of the landowners. In all these cities the system is a complicated one. The law as applied—a tax on the profits of the sale of land over the previous sale of the same parcel—has but little if any social value.²

If a man buys a piece of land at 5,000 marks, makes improvements of 80,000 marks and sells it for 110,000 marks, his profit of 25,000 marks is called the “unearned increment,” and is the basis of the tax known as the *zuwachesteuer*. The question of how far back the starting point should be fixed remains undetermined, some cities going no further back than the date of the passage of the ordinance. The average city adopting this system has taken 1885 as a starting point, because of the enormous increase in values during the ensuing decade. The tax varies, too, with the amount of increase between sales. If the land does not change hands a revaluation is held just the same and a tax is imposed upon any increase which may have taken place.

The tendency as well as the intention has been to tax unimproved higher than improved property. What this law has done, after all, is to familiarize the German people with a species of land tax, to accentuate in small measure the general truth that the people should share in the land values, and to equalize in some degree at least the burdens of local revenue. It is asserted by German land reformers that it has a tendency to discourage land speculation, but more than a “tendency” can hardly be claimed for it.

cent. for an increase up to 35 per cent., 6 per cent. for an increase up to 40 per cent., and so on, 1 per cent. being added for every 5 per cent. increase until the total tax reaches 25 per cent. Expenses for permanent improvements are deducted, also loss of interest and cost of maintenance for unimproved property, less the income therefrom. If property is sold by a mortgagee, however, the tax is collectable only out of the excess. In case of exchange of property it is levied only once and upon that piece whose value is increased the most.—WILLIAM DUDLEY FOULKE.

²For fuller details of the law see H. M. Haertel, *Digest of the German Increment Tax*. Also Seligman's *Essays on Taxation*. But the most complete account of these German increment taxes is to be found in Yetta Scheftel's *The Taxation of Land Values*.

The number of communities in Germany which have adopted the unearned increment tax is estimated as high as 600. In the year 1911 the Reichstag passed a general increment tax law for State and Imperial purposes by a vote of 199 to 93.

Land reformers of Germany regard the land question in the Empire as differing materially from the land question in other countries. Almost the entire area of land in Germany is burdened by mortgages;¹ therefore a large part of ground rent goes not to the owners of land but to the holders of mortgages. Many of the land reformers of Germany therefore advocate the nationalization of mortgages. But these agree that the end in view is to "Save the rent for Society."²—EDITOR.

¹The yearly increase of mortgages in Prussia alone in 1909 was 15,000,000 pounds. It is calculated that there are at least sixty billion of marks invested in land mortgages throughout the Empire.

²Dr. Karl Tolenske, University of Halle, in Saxony, in *Single Tax Review* (Special Number for Germany) for March-April, 1912.