

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.