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Where the Business Men Rule
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EVERYWHERE in Europe the city is governed by merchants, manufacturers, bankers, and professional men. Everywhere the city does many things which we would call Socialism. Germany, Austria, England, and, to a growing extent, Italy, Belgium, and France, see in the city a means for promoting business and commerce, an agency for convenience and happiness. To an increasing extent the city is making war on poverty and disease. This idea of the city as a joint stock undertaking for doing things by us left in private hands or not done at all is what most distinguishes the cities of Europe from our own. The European city has a community sense. It enjoys something of the sovereignty of the nation.

With us property is free to do much as it wills. Private business is sovereign. We have little city sense. The rights of the community have been split into a thousand parts. Councils, legislatures, and courts reflect the will of private property. Billboard owners, builders, tenements, skyscrapers, street railways, and land speculators secure freedom from control on the plea that regulation is an interference with liberty or is the taking of property without process of law. We have not yet begun to think in terms of city sovereignty.

European cities see that the community may be injured if the city neglects to protect all business from some business, all people from a few people. This is particularly true in the matter of railway transportation, the control of water-fronts, the building of docks, harbors, and water transportation. Recent years have witnessed phenomenal activity in England, Belgium, and especially in Germany, in the promotion of inland waterways and harbors. The old so-called "dead" towns of Bruges and Ghent are struggling, by the building of canals to the sea, to regain the position enjoyed by them several centuries ago. They are still embellished with monuments suggestive of their mediaeval splendor. But Bruges and Ghent have been eclipsed by seaboard cities. Now they are bringing the sea back to their doom. Bruges has recently opened a ship canal seven and one-half miles in length, with a depth of twenty-six feet at the docks. The cost of the undertaking was \$5,000,000. The old town of Ghent is constructing a canal twenty miles in length for the same purpose.

We do not think of Brussels as a seaport town, but Brussels is completing an eighteen-mile ship canal to the ocean with twenty feet of water. Belgium is intersected with canals and waterways in competition with the State-owned railways. They explain in part the intense industrial activity of the country.

City officials of **Manchester** showed me with pride the great ship canal constructed at a cost of \$75,000,000 to make Manchester a seaport town. The canal is thirty-five miles in length. It was built partly by private, partly by city capital. The canal was begun in 1883, and was opened to traffic eleven years later. One would hardly believe that the port of Manchester is an artificial one as one travels through the great harbors and docks which have been built where vessels from

every section of the globe may be seen unloading and transshipping their cargoes. The harbor suggests that of a seaport town. There are 104 acres of dock water and 152 acres of quays. The docks, warehouses, sheds, grain elevators, hydraulic cranes, and railway sidings, are all owned or controlled by the canal company, to protect the city from exploitation. For the canal was built to relieve the city from excessive railway rates. The industrial life was in peril. The project was opposed by the railways, and was delayed in Parliament for years. For some time the undertaking did not meet interest charges. Now it is self-sustaining. But it yielded dividends to Manchester from the start. It saved the city from the competition of seaport towns and the monopoly charges of the railways.

While I was in Hamburg, one of the city officials told me of an appropriation by the city for a new harbor improvement costing \$45,000,000. It had taken, he said, just ten minutes to dispose of it. The harbor of Hamburg, like that of Bremen, is a free port. Here vessels from all over the world ship and re-ship cargoes inside the port without the payment of customs duties. Here goods can lie in bond, free of tax, ready for shipment. Thus the free port of Hamburg, though a part of the Empire, has free trade with the world. This explains the wonderful development of the city. For commerce hates obstacles. It avoids tariff laws and taxes. The shipping of America could be greatly stimulated were we to establish free ports of entry along the seaboard.

As one travels up the Rhine the extent of its water traffic is almost as impressive as the beauty of the scenery. The river is filled with boats which trade with inland cities, as well as all along the North Sea. The industrial eminence of Germany is largely traceable to the way in which the nation has utilized the State-owned railways and canals and the cities have developed docks and waterway facilities for the promotion of commerce. Dusseldorf, Cologne, Duisburg, Mainz—all the Rhine cities—have constructed fine harbors equipped with machinery far in advance of our own. Mannheim, almost at the head-waters of the Rhine, has a colossal harbor development. The city of Frankfurt is just completing an industrial and harbor project worthy of a city many times its size. I was taken, with the Boston Chamber of Commerce party, about this development. The officials told how Frankfurt had purchased 1,180 acres of cheap agricultural land lying about the river Main, a tributary of the Rhine. The Main had to be deepened for miles in order to make it navigable. Harbor basins were dredged by the city into the land. It lined them with cement, and crowned the shore lines with tracks from the near-by railway terminus. One hundred and ten acres were given over to the water basins. Each class of freight has its own dock, in order to prevent confusion. On the embankments electric and hydraulic cranes of the most recent design and mechanism quickly transship freight from water to rail, or to the near-by warehouses and grain silos. Germany aims to reduce the cost of haulage to a minimum.

Five hundred and seventy acres were laid out as a manufacturing area. Factory sites are sold or leased to manufacturers on inviting terms; each of the sites is connected with railway and water traffic. This is one of the ways by which the German city encourages business. This too is the way it controls monopoly. It encourages competition and makes it possible for new industries to compete on equal terms with old-established ones.

Some distance beyond the factory area the city has developed a portion of its property for workingmen's homes. The city recognized that industry and commerce require workingmen. It recognized the equally obvious fact that workingmen require homes that will not impair their efficiency. So it plans to build houses for workingmen that will rent for from five dollars a month upward.

Farther on the city laid out a beautiful park, with provision for all kinds of recreation, with swimming-pools, playgrounds, and rest places. Then Frankfort projected its city owned street railways out into the suburban villages, so that men could secure cheap and healthy homes away from the city.

Frankfort added fifty percent to its area. It planned the whole area as a unit. It built with an eye to all business, to all people. That this kind of municipal business is profitable is shown by the fact that the opening of the first harbor increased the water traffic of the city by 1,200 percent.

photo caption: LAKE ALSTER, IS THE CENTER OF HAMBURG A park with provision for all kinds of recreation

The total cost of this harbor undertaking is \$18,000,000, a very heavy indebtedness for a city of this size (411,000) to assume. But Frankfort expects to reimburse itself for the outlay out of the increased value of the land which the building of the project creates. Instead of contributing millions to near-by landowners the city became a land speculator itself. It bought more land than was needed for the harbor, and now is selling and leasing this land at the increased value which its own activity created. It expects to pay for the harbor from the unearned increments which the city itself is to enjoy.

This is the way the German city develops trade and industry. This too is the way it builds for the city rather than for private advantage. Docks and harbors, railway tracks, promenade ways, and parkways, all are designed as a unit. They are built for commerce, for beauty, for people. There is no dirt, no confusion, no smoke. As in all German cities, the water frontage is prized and protected as one of the most valuable assets of the city.

The water approaches of the average American city are usually given over to railway tracks, to shacks and factories. Rarely are they developed in a far-sighted way for trade and commerce. Less rarely are they beautiful. With the exception of New York, Baltimore, and New Orleans, Los Angeles and San Francisco, few of our seaboard cities have made any serious effort to develop their water frontage, while along the Great Lakes the harbors are for the most part the private possessions of the railways and the Steel Trust. From Duluth to Buffalo the Government has spent tens of millions on harbors, which are mostly in private hands. It would seem reasonable to insist that, before any appropriation is made by the Government, the city or the State should first make provision for the freedom of the harbor from private monopoly.

The business men who govern the British and German cities have taken the street railways, gas,

water, and electric lighting industries away from other business men in the interest of the city. Of fifty largest cities in Great Britain, thirty-nine own the water supply, twenty-one the gas, forty four the electricity, and forty-two the street railways. The percentage of ownership in Germany is somewhat higher. In the latter country, out of the fifty largest cities, forty-eight own the water supply, fifty the gas supply, forty-two the electricity supply, and twenty-three the tramways. And these cities have done with the franchise corporations what the private business men who own them in America say cannot possibly be done. There is no overcrowding on street cars, no "Step lively," "Step forward," on these municipal lines. The city thinks that the tired workingman and working-girl should be treated at least as humanely as the cattle waiting to be slaughtered in the public abattoirs. Passengers are not packed in to make swollen dividends from strap hangers. The number of passengers permitted to stand is limited. One rarely has to adopt the alternative of standing, however. The average street railway fare in England is two and one-tenth cents per passenger. In Germany it is a trifle more.

Cities like Glasgow, Manchester, Liverpool, Dusseldorf, Frankfort, use these agencies as part of city planning, as the city's circulatory organs. The tracks are extended out into the country to cheapen rents and secure healthy living environments. Cars are comfortable and clean. Electric power is sold at a low cost to encourage industry, to check the smoke nuisance, and build up the community, while cheap gas is brought to the poorest by penny-in-the-slot devices.

Transportation, light, power, water, are necessities to the comfort and convenience of the community, to its industry and its people. For this reason they should not be left in private hands, English and German officials argue.

The thing that most distinguishes the European city from our own is the control of property in the interest of people. The city is a physical, not merely a political, tiling. It is an agency for good as well as for evil. Officials and business men view their cities as they view their private business, with the same desire to see them prosper, grow in wealth, and enjoy an income from other sources than taxation. Everywhere the city controls private property and private business through ownership as well as regulation. It insures service and cheapness by a municipal monopoly or by municipal competition.

Budapest, like New York, suffered from unsanitary bakeries. The city built a large bakery, and immediately broke the bread trust, reduced the price, and insured weights and quality by so doing. Hamburg says insurance and fire protection ought to go hand in hand. If the people pay for fire protection, they ought to enjoy the profits of fire insurance. So the city insures all property against fire. The rate is less than one-half what it is in the country. Practically all Continental cities own their slaughter-houses. Some of them, like the one just completed by Dresden, are very beautiful. This is the way the German city controls the meat trust. It compels all meat to be slaughtered in city abattoirs and under the most sanitary regulations. There can be no price control with the producer and the retail butcher meeting in the open and with all the middlemen eliminated. Cattle are subject to sanitary inspection and are killed in the most humane way possible. Markets are universally owned by the cities and are operated to keep

down prices. Every city has its public pawnshop, while old age savings banks and mortgage banks are maintained to encourage thrift and the building of workingmen's homes.

Dusseldorf owns a controlling interest in the Rhine Interurban Railway. It promoted the enterprise because it was good business to do so. The city is a land speculator on a large scale. It has invested several million dollars in land for the purpose of making profits as well as a means of checking private speculation. There are public employment bureaus in every German city, as well as clean, attractive lodging-houses. Emergency work is found during the winter months or during hard times.

Frankfort, Munich, and other cities are building splendid permanent expositions like world's fairs. They are erected by the city, and are used for public gatherings, for concerts, for festivals, but primarily for electrical, industrial, and other expositions. The Exposition in Munich contains a fine theater, and is the favorite recreation center for the people. Cities even have Turkish baths, that in Munich being one of the most elaborate in the world.

All these enterprises are carried through by business men in the Council. They are indorsed by the business men of the city. They are part of the German conception of what a city should be.

German cities are great landlords. They have been so for generations. Cologne owns fifteen and one-half square miles and Breslau twenty square miles of territory. Frankfort owns one-half the area on which it is built. It uses this land for its own profit. Ulm owns 60 percent of its area, Mannheim 35 percent, and Hanover 37.7 percent. Munich owns 13,597 acres, Strassburg 11,866 acres, while Berlin owns 240 percent of its area in land within and outside of the city. One of Frankfort's burgomasters said to me: "A city ought to own all the land on which it is built. In this way it can best control its planning." With this in view, German cities are buying land all the time. They anticipate their future needs and restrain the private speculator. In addition land values increase at from four to five percent per annum. The German business men think it is good business for the city to appropriate this increase in values for its own uses.

German cities are heavily in debt, but there is no suggestion of bankruptcy. The Burgomaster of Dusseldorf said to me: "Our indebtedness amounts to over \$30,000,000, or \$130 per capita. We think indebtedness is a healthy sign of a healthy city that appreciates its opportunities, especially in Dusseldorf, where 85 percent of the debt is for enterprises that pay their own way and materially reduce taxes." One of the officials of Berlin, in addressing the Boston Chamber of Commerce party, said: "Our debt does not concern us. We could pay the entire city indebtedness, amounting to \$100,000,000, by the sale of a small portion of the land we own. However, this is not necessary, for nearly \$70,000,000 of our debt is for productive undertakings which carry themselves."

The per capita debt of German cities is much higher than our own. Cities borrow just as does a business man, and with the same end in view. It is a good thing to be in debt, officials say, if the debt represents something of value, if it yields a direct or indirect profit from the investment. The

average debt of thirteen English cities with a population of more than 200,000 is over \$100 a head. In Germany the average debt of this class of cities is \$85 per head. Manchester has a debt of \$180 per capita and Frankfurt of \$140. The debt of Munich is \$125, of Dusseldorf \$130, and of Charlottenburg \$120 a head. Most of this debt is for business undertakings, for gas and street railways, for docks and harbors. It carries itself and helps the city as well.

The indebtedness of the average American city is much less. The debt of Chicago is very low. It is but \$25.66 per capita. The debt of Cleveland is but \$65.72 per capita; of Detroit, \$18.78; of Washington, \$28.67; of Milwaukee, \$28.56; and of Philadelphia, \$61.64; while that of Greater New York is \$212.85. The last expenditure, however, includes subways, docks, ferries, water-works, and other investments of a valuable kind that support themselves in whole or in part out of earnings.

There is a generosity of expenditure in the German cities that is not found in England, and, bearing in mind the purchasing power of money and the lower wages and cost of living they spend more generously than our cities do. Certainly they spend more willingly for beauty, for adornment, for music, for art, and the amenities of life.

There is also a willingness on the part of business men to bear taxes. It seems as though they struck a trial balance in their minds of the taxes they pay, and saw the gains from the city expenditure. Officials in Dusseldorf figured out for us that beauty, comfort, convenience, contributed directly to the city's business. They told how the Steel Trust had made the city its home after a study of all the surrounding cities; told of the palatial buildings erected by the company as proof of the wisdom of Mayor Marx's policy. They pointed out the wonderful department store of Tietz, a monument of architecture of which the city is proud. Even manufacturers are attracted by the beautiful in selecting a site. People choose homes with this in view. Of course, travelers from America, England, and Germany seek out cities that spend generously for education, art, music, the drama, and beauty. All these things bring money to the town. They promote business; they increase land values; they increase the taxable value of the city and yield a direct return ultimately in lower taxes. So these German business men regard the subject, and encourage debt, expenditure, taxes, with this ultimate return in view.

Cologne, a city of 468,000 population, spends \$129,000 for parks, \$97,000 for public baths, and \$500,000 for music, the theater, for art and science museums. Dusseldorf, with 350,000 people, spends \$64,000 on parks, \$110,500 on its theaters and orchestras, and \$45,425 for art and science. Mainz, with a population of 105,000, spends \$29,400 on the theater, \$16,000 on baths, \$19,000 on an orchestra. Essen, with 265,000 population, spends \$9,730 on an orchestra and \$12,500 on a theater. Music, the opera, and the drama are a public rather than a private function in Germany. They are encouraged by subsidies from the cities and the State.

The surprising thing about these German business men who rule the cities is that they assume most of the cost of it themselves. There is first the income tax. Nearly one-half the revenue of the German city comes from the income taxes. Prussia levies a tax on incomes which rises to four

percent on large incomes. The city income tax is a certain percentage of the State tax. It ranges from 100 percent to 500 percent, or even 600 percent, of the State tax. In other words, the total tax on a large income would range from 8 percent to 25 percent, according to the municipality. And it is the progressive municipalities that have a low income tax rate. Then there is a tax on houses, measured by the rental paid. Then there is a tax on trade and industry paid by all business men earning a net profit above \$375. There are beer and license taxes and taxes on tickets sold to places of amusement. These are the principal sources of city revenues.

In 1904 Frankfort discovered a tax that has since spread all over Europe. It gave this tax the unpronounceable name of **Wertzuwachssteuer, or “unearned increment,” tax**. The officials of Frankfort saw land values increasing with every addition to the population and prosperity of the city. They saw that these land values were social values, and should be enjoyed by the community. So they worked out a tax by which the city takes a portion of the land speculator’s profits. The city’s share ranges from one to twenty-five percent of the profits made on a sale. And if there is no sale and the land remains in the owner’s hands for over twenty years, the tax is assessed just the same on any increase which takes place in value. The justice of this new tax was immediately appreciated by other cities. It swept over the Empire and was adopted by over three hundred cities in two years’ time. In 1911 the Reichstag recognized the principle and enacted a law for taxing unearned increments all over the Empire. It made the tax of universal application in the cities. The rates are ten percent of the gain if the profits do not exceed ten percent; eleven percent if the increase in value is between ten percent and thirty percent, from which the tax progresses until it amounts to thirty percent of the profits. The receipts from the tax are divided as follows: fifty percent goes to the Empire, ten percent to the State, and forty percent to the city. Cities have power to increase the rate still further. Frankfort’s discovery has spread to Switzerland, to Austria, and to Belgium. The British Budget of 1909 was partly inspired by it.

This discovery of land value taxation has spread to our own continent. In 1906 the city of Vancouver, in western Canada, reduced taxes on houses and improvements by twenty-five percent. The results were so satisfactory that it later reduced the improvement tax by fifty percent. Finally, in 1909, the city abolished the taxation of houses, improvements, and personal property altogether. It now collects all its local revenues from land values alone. The result was electric. It stimulated building. It discouraged land speculation. Speculators sold their idle land holdings and workingmen became home-owners. Capital came to Vancouver because investments were free from taxation. The bringing of land into use and the exemption of improvements from taxation stimulated industry of all kinds. Wages rose with the demand for labor, and business prospered because wage-owners were employed and had money to spend. Vancouver has grown with wonderful rapidity. It set such a pace of prosperity that one Canadian city after another adopted the experiment. The following cities have abolished the taxation of improvements, and collect their local revenue from a single tax levied upon land values.

These cities are: Vancouver, with a population of 110,000; Prince Rupert, with a population of 8,000; Victoria, with 60,000; Westminster, with 15,000; Edmonton, with 35,000; Lethbridge, with 15,000; and Nanajino, with 6,000 people. In none of the cities that have adopted this

experiment is there any movement to return to the general property tax on buildings and improvements.

The idea of exempting improvements from taxation has spread to the United States. The city of Everett, Washington, with a population of 15,000, has exempted improvements from taxation by a referendum vote; and a number of other cities in the State, as well as many counties in Oregon, will within the next twelve months vote upon the question of exempting all improvements from taxation.

German business men tax themselves instead of shifting the taxes on to the poor, as they could quite easily do under the laws of Prussia, for German cities have wide latitude in the matter of taxation. The tax budget of a German city may be interesting. That of the city of Dusseldorf (population 350,000) for 1910 was as follows:

From the income tax.....	\$1,825,000
“ ground-owners.....	825,000
“ business taxes.....	200,000
" warehouses, etc.....	40,000
“ brewers, etc.....	40,000
" sale of beer.....	15,000
“ dog tax.....	25,000
" theater and ticket.....	100,000
“ land and transfer tax.....	380,000
	83,540,000

The revenue of Frankfort (1909) from taxation was as follows:

From income tax.....	\$2,685,000
“ pure land tax.....	75,000
" house tax.....	1,025,000
“ business tax.....	400,000
" change of ownership.....	525,000
	\$4,710,000

In addition, there is a substantial revenue from beer tax, dog tax, tax on tickets to places of amusement, drain dues, refuse cartage, etc.

Dr. Albert Sudekum, the eminent German authority on municipal administration and a member of the Reichstag, in addressing the Boston Chamber of Commerce party, said: “A new science is being born in Germany. It is the science of community living. Germany is adjusting the industrial city to the comfort and happiness of the people.”

I think this is true. Germany and Continental cities generally are building cities for people. They are reducing the costs of industry by humanizing administration in the interest of all classes. In spite of the autocratic nature of the German Government, her cities have developed the most

democratic administration in the modern world. The efficiency of Germany is largely traceable to the big vision of the city, to an appreciation of the necessity of controlling the predatory greed of the few for the welfare of the many. It is the understanding of the fact that some business is, of necessity, public business, to be operated by the State or the city, that explains the prosperity of all business in that country. It is this, too, that explains the expanding power of Germany in the markets of the world and the comparative contentment of her people even under the most exhausting taxes.