

TAXATION OF LAND VALUES IN GERMANY.

(For the Review.)

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The victory gained in Great Britain in the great struggle for the Taxation of Land Values has not been a victory for that country alone, but has strengthened the cause of Land Reformers all over the world, and not least in Germany. On the other hand, some of our achievements and some of our old Land Reform institutions have helped to forge weapons for the British Government to carry the Valuation Bill.

Thus each country can learn from the other, and this is the more necessary the nearer we approach the point where Single Tax theories have to be put into practice, for it is here that the chief difficulties arise. It is one thing, and generally a very easy one, to have a theory, but it is another to work it out in figures and taxation schedules.

In newly developed countries, with no ancient laws and institutions, it is comparatively easy to put Henry George's theories into practice. A plain fact is then easily brought into harmony with a plain truth. Thus the nearest approach to a Single Tax has been instituted in the German colony of Kiaochow with highly gratifying results; but in older countries, with complicated economic conditions, things are not quite so easy. The legislation of centuries has created many obstacles to the introduction of the Single Tax pure and simple, and these have to be removed, in order that it shall not lead to the reverse of what the great "Prophet of San Francisco" intended.

This, at least, is the case with us in Germany, and therefore we seem to swerve, at least to all outward appearance, from the true course followed by our friends in other lands in pursuing our common ideals. The tactics we follow have even brought us under the reproach that we are not following the paths shown by Henry George, and that we waste our energies in contests which do not touch the vital question of taxing land values. It is true that we proceed differently from our friends in other countries, but then the circumstances differ.

For instance, when we advocate a reform of our mortgage laws, it seems to outsiders, to have very little to do with the Single Tax problem, and yet, if we proceeded differently, it would be a violation of Henry George's principles and not their fulfilment, as I will try to show.

We have in Germany the most perfect mortgage system in the world, at least from the technical point of view. One can register a mortgage with very trifling expense, and as easily as one buys a pair of shoes, and no intricate judicial questions are likely to arise in case of default. The proceedings are prompt and plain, yet this technical perfection has proved to be the curse of the country, for it has led to an indebtedness of the cultivators to a degree quite unknown in other countries.

In 1905, 737 forced sales of landed estates of all sizes were recorded, cover-

ing an area of 44,802 acres, and these were proved to have been mortgaged to the extent of £1,061,445, which works out at £23 13s. an acre. This would be considered a high price for average farm land in England.

Now I do not contend that the same indebtedness prevails all round, but we are travelling towards it, for according to the figures given in the *Official Reichsanzeiger* of 30th November, 1909, the yearly increase in mortgages in Prussia alone amounts to about £15,300,000.

The total indebtedness of agriculturalists in Germany may be estimated at nearly one thousand million pounds sterling, which reveals the fact that our much praised freehold landed proprietors are such, to a large extent, only in name. The real owners are the big mortgage banks of which we have no less than 37, the savings banks, insurance companies and private lenders, for a mortgage means co-proprietorship and even a preferential one. All the risk, all the trouble, all the work to make the estate pay, is borne by the nominal owner, while all the advantages lie with the mortgagee. To him, and to him alone goes the ground rent; and in this fact lies the reason why we in Germany cannot go straight for Taxation of Land Values pure and simple as many of our foreign friends would like us to do, without tackling other questions at the same time. It is the fundamental teaching of Henry George that the tax on land values must come out of *ground* rent. The man who receives the ground rent has to pay. Very well. If we in Germany should tax agricultural land values we would hit the wrong man. It would be a tax on human industry, on the man who works the farms without ever getting a penny of the ground rent. Even if we say the tax will not be a new burden, that it will merely replace the taxes the farmer is paying now, it would not alter the case, for the present taxes are being paid out of his earnings, and if they are substituted for others nominally on land values, it would do little to alter the case.

Henry George nowhere says that taxing land values is the only way to recover the ground rent for the community; he only considered it the most expedient way, and so it is under normal conditions; but where laws and customs have, in the course of centuries, changed these to such an extent that it would be folly to pursue this path, he would certainly have been the first to advise us to follow another, provided it eventually led to the desired result.

Our road in Germany is barred by its mortgage system; until we have removed this obstruction by systematic reform, we can no more try to introduce the Single Tax than the owner of a drowned coal pit can think of getting at the coal without removing the water. He who would advise us to go straight for the Single Tax without considering the mortgages, should have the courage to say to the owner of the coal pit "Go straight for the coal, and never mind the water."

It would lead us too far at this time to try to explain by what means we propose to solve the mortgage question; but I may mention another important factor which forces us to take a different course from our friends abroad.

While the people of England have been fighting for years to get the right

to tax land values, our countrymen had that right long ago, only they make use of it in a wrong way. They do not deduct improvements, and now we have a very hard task to persuade them that in not doing this they violate an economic principle. Of course this difficulty would be removed if we could get our Imperial Parliament to pass a law for a separate valuation as in Great Britain. It is certainly easier to persuade 400 M. Ps. of the justice of a cause than 55,000 communities, but the central Government, after having once granted them the right of taxing land values, does not feel inclined to trouble itself with the assessment, and leaves the communities to look after their own interests. This position is strengthened by the communities themselves, who are very jealous of their self-government.

The difficulty is enhanced by the inability of the average German to understand that a building and the ground it stands upon are two different economic items. In England, where there are landlords, tenants and leaseholders, and where a man builds a house on land which belongs to another, there is a much better basis for separate valuation than here, because with us, house and land invariably form one unit.

However, the Government Bill for taxing unearned increment has come as a great help in overcoming this difficulty, for here the principle of deducting improvements comes into effect, and as public opinion has been greatly agitated by this measure, the Bill has given us a splendid opportunity of educating the people in our principles. That is one of the reasons why we have put all our energies into the support of this law. Besides, we think it expedient that, so long as a more thorough reform is in suspense, the public should not continue to lose the enormous values which are daily being created by the rapidly rising ground rents. In this way, at least, part of what Henry George wanted to reach by means of the Single Tax, will have been achieved.

In addressing the public, we are careful to see that we leave no doubt in their minds that the tax upon unearned increment is but a part, and a small part of our programme; but that nevertheless, we consider it a step in the right direction, and we value and support it as such.

In studying German affairs, it must be borne in mind that our people still possess very large areas of common land. We have towns like Ulm where three-fourths of the municipal area belong to the public. Some communities draw so much revenue from municipal property, that, instead of having to pay taxes, the citizens derive certain advantages. The bulk of the woodlands are public property and also about 850,000 acres of agricultural land. From these sources Prussia alone derives a revenue of about £3,000,000 a year. Now if there is a tendency to increase this property, which has proved highly beneficial all round, we naturally wish to strengthen it; for in this case the community gets more of the ground rent, and with less trouble, than would be obtainable by taxation.

Thus it will be seen that in promoting our great cause, we have to adapt our methods to suit the peculiar circumstances which prevail here, as in other countries. The great goal of land reformers is everywhere the same, but the tactics are bound to vary if they are to be crowned with success.