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Distribution of Land and Taxation of Land in Germany

By Dr Kurt Schmidt

(Director of the Bund Deutscher Bodenreformer)

(A) DISTRIBUTION OF LAND

Statistics of the ownership of land, which have been asked for during many years by the Bund Deutscher Bodenreformer (Union of German Land Reformers), are at present being compiled by the Reich Statistical Office, but the results are not yet known. On the other hand, particulars of the number and size of *holdings* have been regularly collected and published. These statistics of holdings, however, do not give a true picture, for the number of large estates appears to be much smaller than it really is. For example in West and South Germany there are few large agricultural holdings, although there are many large estates which are let out to tenants in small and medium-sized holdings.

According to the *Statistical Year-Book* for 1938 the total area of the Reich, including Austria but excluding the Sudetenland, is 55.4 million hectares (1 ha=2.47 acres). The way in which the area was used in 1937 is shown in Table A on next page.

In the course of the year 1938 the area of arable land diminished by 230,000 ha, while the area of forest and woodland increased by 25,000 ha, and the area used for purposes other than agriculture and forestry (such as building, sport, aviation and military training grounds) increased by about 200,000 ha.

Some indication of the conditions of land ownership is given by the statistics of holdings of land for agricultural and forestal purposes in the year 1933 (see Table B).

By the Reich Erbhof Law of 29th September, 1933, all agricultural holdings of "Arable Subsistence" size, i.e., which are large enough to feed and clothe a family independent of the market and provide the materials for running the holding, and which are not larger than 125 ha, were declared to be "Erbhof," provided that they were owned by a person

Distribution of Land and Taxation of Land in Germany

TABLE A

				Million ha
Arable	...	...	...	21.5
Gardens	...	...	...	0.7
Meadows	...	...	...	6.5
Pasture	...	...	...	4.2
Orchards	...	...	...	0.1
Vineyards	...	...	...	0.1
Total used for agriculture	...	...	...	33.1
Woods and forest	...	...	...	16.1
Total agricultural and forestal area				49.2
Houses and courtyards	...	...	...	0.8
Uncultivated marsh	...	...	...	0.4
Other waste land	...	...	...	2.3
Roads, sports grounds, public parks, water, etc.	...	...	...	2.7
Grand Total	...	...	...	55.4

TABLE B

Size of Holding in hectares	Number of holdings	Percentage of area held on tenancy
0.5 to 2	931,000	26.7
2 5	895,000	22.1
5 10	699,000	16.4
10 20	525,000	10.8
20 50	320,000	7.3
50 100	63,000	8.5
100 200	20,000	12.0
200 500	12,000	13.5
500 1,000	4,000	9.5
1,000 and over	3,000	0.8
Total	3,472,000	9.8

capable of cultivating them, were cultivated by the owner himself and were not involved in debt. In exceptional cases larger agricultural holdings can become Erbhof, particularly the former entailed estates. It is of the essence of an Erbhof that it cannot be alienated, nor burdened by mortgage or charge, nor subjected to legal process to enforce payment of a debt. When transmitted on the death of the holder, it cannot be subdivided, but must go to one only of the deceased's relations.

There were in Germany, excluding Austria, in the middle of 1938 altogether 685,000 of such Erbhof with a total area of 15.6 million ha.

This is rather more than half of the total area (28.7 million ha) of Germany, excluding Austria.

About 20,000 Erbhof, comprising 134,000 ha, are less than 7.5 ha in area. About 97 per cent of the number are between 7.5 and 125 ha. Those over 125 ha number 1,086, with a total area of 208,600 ha. The average area of these larger Erbhof (which represent a new "restricted" large landownership and which cannot be divided for peasant settlement) is 192 ha.

On the other hand, of the holdings between 7.5 and 125 ha about 180,000 have not become Erbhof, mainly because they are held on tenancy. Such holdings, which are of the requisite size, but which cannot become Erbhof because they are not cultivated by the occupier, are found mostly in Hessen-Nassau, in the Rhine province, in the States of Hesse, Wurtemberg and Baden, and in the Saar territory. This indicates that in these regions many of the great estates are let out to small and medium sized cultivators.

More details are to be found in the work of Dr Theodor Häbich, *Deutsche Latifundien* (Second edition, Königsberg, 1930), which, however, treats only of the great estates of the nobility. Häbich has found that there are in Westphalia 94 noble estate owners who have 79,315 ha. In the Rhine province he enumerates 285 owning an agricultural area of 67,684 ha of which 51,910 ha is let out to tenants. Similarly in Schleswig-Holstein there are more large estates than the statistics of holdings indicate; the number of holdings over 500 ha is 33,282, while the number of estates over 500 ha is 101,997. Out of 125,433 ha owned by the nobility in Schleswig-Holstein 65,510 ha are let out, but only 1,487 ha in small parcels and 64,023 ha in 789 large farms.

Of special interest is the list compiled by Häbich of the largest private landowners in Germany. At the head of the list are:—

	Ha
Wilhelm II, former Kaiser	97,043
Christian Kraft Fürst zu Hohenlohe-Öhringen	48,221
Friedr. Victor Fürst von Hohenzollern-Sigmaringen...	46,036
Friedrich Fürst zu Solms-Baruth	38,774
Ernst Christian Fürst von Stolberg-Wernigerode	36,739
Herzog von Ratibor auf Schloss Rauden	31,128
Friedrich Herzog von Anhalt-Dessau	29,300
Engelbert Herzog von Arenberg-Nordkirchen	27,842
Graf Thiele-Winkler	28,882
Friedrich Reichsgraf Schaffgotsch	27,668

Sixteen owners of great estates, each over 20,000 ha, own between them 550,684 ha of land, of which 146,562 ha is used for agriculture and 376,465 ha are forest and woods.

By relating the statistics of agricultural holdings to those of the property tax Dr Martin Raumberg has endeavoured to elucidate the

Distribution of Land and Taxation of Land in Germany

distribution of land ownership. His conclusion is that in 1925 there were 22,715 owners of large estates (only 9.6 per cent. of the total number of owners) who could call their own not less than 23.8 per cent of the area used for agriculture and forestry, and that in addition the churches owned not only 850,000 ha, which they let out in parcels, but also a portion of the 976,744 ha belonging to public corporations (Reich, states, municipalities, churches, etc.). The agricultural and forest land of the churches may thus total 1 to 1.1 million ha.

In order to improve the distribution of land there was started soon after the war a planned settlement (internal colonization).

Even during the war, in March, 1915, Adolf Damaschke, the President of the Bund Deutscher Bodenreformer, who died in 1935, had formulated a plan for soldier homesteads which was soon supported by 4,000 officials and corporations. His object was to establish for the benefit of the soldiers when they returned genuine homesteads under a new legal protection. They should have not only a dwelling, a small house with a garden, but also a small holding of land which on the one hand would be protected against legal process to enforce payment of debts ("protected against the hands of usury," as Hindenburg wrote to Damaschke), and on the other hand would be permanently restricted from being used for land speculation. The latter aim would be achieved by conferring on the "founder" of the homestead—the public or municipal corporation which provided the land—a right of pre-emption.

This plan was destroyed by the opposition of the Kaiser Wilhelm II, who was advised by the land speculators and who was and is himself a land speculator. After the war this idea was again taken up and carried out in two methods: (1) through peasant settlements, and (2) through the Reich Homestead Law.

(1) The Reich Settlement Law of 11th August, 1919, which was due to the proposals of Professor Max Sering, obliged the German States to establish communal settlements to provide new peasant holdings. It decreed that the large landowners in each state or province should be combined into "land delivery associations," which must provide when required for settlement, suitable land to be taken from the great estates at a defined price for these communal land settlements, and up to a limit of one-third of the area which was used for agriculture. Up to the present the great land owners have provided some 60 per cent. of the area which they were obliged to provide.

On the basis of this law between 1919 and 1925 about 17,000 new small holdings with a total area of 147,000 ha were established and handed over to the settlers. In the following years the number of new holdings established increased year by year and reached a maximum of 9,082 holdings with an area of 99,624 ha in 1931 and 9,046 with an area of 101,926 in 1932. Since 1932 the number of new settlements created each year has declined as follows:—

Year	New Settlements	Area
1933	4,914	60,927
1934	4,931	74,192
1935	3,905	68,338
1936	3,308	60,358
1937	1,894	37,596

This decline has many causes. As a result of the Erbhof law more than half of the agricultural area has become unpurchaseable. Much land has also been used for aerodromes and military training grounds. The diminution of the supply and the increase in the demand has resulted in an increase in land prices. In 1933 the average price of agricultural land was 669RM per hectare, and in 1935 it had already reached 905 RM per hectare (according to Dr Reischle in the *Nationalsozialistischen Landpost* of 26th November, 1937). Since then the price of land has risen much more strongly, and to such a point that new small holdings are at prohibitive rents. At the same time the number of applicants for new small holdings has fallen greatly, because as a result of the agricultural marketing regulations small and medium-sized holdings are now less remunerative than large ones. On that account an attempt has been made in recent years, as will be seen from the foregoing table, to increase the size of the holdings. But these larger holdings can only be undertaken by those who possess larger capital, and there are not so many of these.

(2) The Reich Homestead Law of 10th May, 1920, is undoubtedly due to the proposals of Adolf Damaschke and the Bund Deutscher Bodenreformer. It distinguishes between dwelling homesteads—plots of land sufficient for a one-family house with kitchen garden, and economic homesteads—pieces of land which can be cultivated for agriculture or market gardening by one family without outside labour. The founders of Reich homesteads may be the Reich, the States and the municipalities, and certain public corporations if officially authorized. The founder has a certain overriding right in the homestead which limits the rights of the holder. Division or mortgaging of the homestead can only be effected with the consent of the founder. In addition the founder has a right of pre-emption if the holder wishes to alienate the homestead and a right of resumption if the holder does not continue to reside on the homestead himself or cultivate it himself or grossly misuses it. The price to be paid in such events must not contain any element of increased value, thus land speculation is prevented. Apart from these restrictions holders of homesteads have certain essential advantages. All the transactions involved in founding the holding are free from taxation, and the homestead is exempt from legal process to enforce payment of a debt.

The total number of Reich homesteads established is estimated at 60,000 to 70,000.

Distribution of Land and Taxation of Land in Germany

(B) LAND TAXATION

Up to 1938 the taxation of land was a matter left to the individual States, and was dealt with in many differing ways, so that there was a great variety of methods of valuation and assessment and of rates of taxation. By the Reich Land Tax Law of 1st December, 1936, which came into force on 1st April, 1938, the taxation of land in the whole Reich (excluding, of course, Austria and the Sudetenland) is to be regulated in a uniform fashion, but the land tax does not go to the Reich treasury; it is a municipal tax. The Reich officials (Finance Department) determine the value of all land, and the Reich law prescribes the tax-unit (Steuer-masszahl) uniformly for the whole Reich (at 1 per cent of the value usually, but less in the case of certain kinds of land); the individual municipalities however determine the tax rate, that is, the figure by which the tax unit is to be multiplied in the particular district. The law and the valuation are therefore uniform throughout the Reich, while the rate of tax is left to the discretion of the local authority.

The valuation is regulated by the Reich Valuation Law. This distinguishes between: (1) building land; (2) agricultural and forest land; (3) industrial properties; (4) other properties. The first category includes land with buildings on it and land which has no buildings on it. Land without buildings is valued according to the ordinary value (selling value). So also is land with buildings on it, with the exception of houses let out in tenements. The latter are valued at a multiple of the gross yearly rent, *i.e.*, according to actual yield. The value of site with buildings must in no case be less than the ordinary value of the site without buildings. Agricultural and forest lands are valued according to the yield, and the valuation is, as a rule, much lower than the "ordinary value."

(a) The total taxation levied by the public authorities of the Reich in the year 1936-37 amounted to 15,563.5 million reichsmarks, of which the Reich received 9,175.5 million RM, the States 2,008.6 million RM, the local authorities 3,691.8 million RM, the unions of local authorities 409.7 million RM, and the Hanse States 277.9 million RM.

(b) The tariffs and the taxes on income, transport, consumption, etc., were as follows (in millions of RM):—

Income tax	...	...	4,212.8	Local taxation:		
Sales tax...	...	...	2,372.2	Business tax	...	936.7
Stamp duties	...	...	31.9	Poll tax	...	481.4
Betting tax	...	...	29.9	Stamp duties...	...	7.8
Company tax	...	...	30.8	Beer tax	...	174.2
Tax on vessels	...	...	134.6	Drink tax	...	37.9
Beer tax	...	...	287.1	Entertainment tax	...	43.2
Meat tax	...	...	197.8	Dog tax	...	28.9
Tariffs and other Reich taxes	...	...	4,107.4	Other taxes	...	21.0
Total	...	...	<u>11,404.5</u>	Total	...	<u>1,731.1</u>

(c) The taxes which fall on landed property (in millions of RM)
are :—

Inheritance tax on land	...	...	95.0
Land and building tax	...	...	1,481.9
Other property taxes	...	...	22.3
House-rent tax	...	...	733.6
Municipal addition to Inheritance tax	...	...	60.0
Increment tax	...	...	25.1
Total	...	...	<u>2,417.9</u>

(C) THE LAND REFORM MOVEMENT

The Bund Deutscher Bodenreformer, which was founded by Adolf Damaschke on 2nd April, 1898, and led by him till his death on 30th July, 1935, has a programme which is formulated in one 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 increases of value which appertain to land, regardless of the activities of the individual.

This programme includes the demand for a tax on land values and for an increment tax (a tax on unearned increase of value), but it includes also a demand for all other measures for preventing land speculation and uniting land and people : Reich Homestead Law, Erbhof Law, peasant settlement (inner colonization), worker's settlements, building regulations to control the use of land on the outskirts of towns, reform of mortgage law, etc.

Before the war an increment tax was established, and in many towns taxation on the selling value of land instead of on the yield, especially in the case of unused building sites. After the war there were the Reich Homestead Law (see above) and latterly the Erbhof Law, which, however, does not wholly accord with the desires of the Bund, and, in addition, peasant holdings (see above), and worker and small settlements.

As regards land taxation the Reich Land Tax Law of 1936 marks an advance in two directions : first, the law, but not the rate of tax has been made uniform for the whole Reich, and, second, the valuation of unused building sites as of built-on sites is made according to the selling value (except in the case of tenement houses) and not according to the yield as was formerly the case in most parts of Germany. In the case of unused building sites the yield value is usually extremely small, while the selling value is very high.

On the other hand it is regrettable that the land tax is not levied on the value of the land alone, but on the buildings and improvements as well, and that the tax on agricultural and forest lands and on tenement houses is not based on the selling value but on the yield value.

Distribution of Land and Taxation of Land in Germany

Before the enactment of the Reich Land Tax Law the Bund Deutscher Bodenreformer had addressed to the Reich Finance Minister on 28th December, 1935, a memorandum demanding that taxation should be on the value of the bare land and that all buildings and improvements should be exempted. This has had no result except that consideration has been given by the Ministry to the question "whether it is not advisable to value the land and the buildings separately." In the official exposition of the Land Tax Law it is stated that "the consideration by the Reich Ministry of this difficult and important question has not resulted in a conclusive decision. It was decided that the facts were against an *immediate* carrying out of this demand, because . . . a new determination of the unit values . . . would occupy a considerable interval of time."

Thereupon the Bund on 17th November, 1938, in a new memorandum repeated the demand that the value of land and of buildings should be separated for purposes of taxation and requested that preparations should be made for determining the value of the land separately so that on any future alteration of the land tax only the value of the land itself should be taxed. Endeavours to secure this object are being continued.

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