

BOOKS

UNEARNED INCREMENT TAXATION IN GERMANY.

Zuwachssteuergesetz, vom 14 Februar, 1911. (Increment Tax Law of February 14, 1911.) Elucidated by Dr. Hans Simon.

A legal commentary, of 175 pages with index, on the national land value tax law of the German Empire, which went into effect April 1, 1911, and one of a series of commentaries on specific statutes intended for laymen as well as for the legal fraternity. It includes a history of the statute named, its inception and passage, an abstract of the 72 sections into which the law is divided, and a careful analysis of its provisions. Each section or paragraph is accompanied with elaborate explanations of its purpose, the import of its unfamiliar terms and involved phrases, and examples of the way the tax is to be applied, or not applied, under given circumstances.

As this is the first law applicable to the entire German nation which distinctly recognizes the principle of taxing unearned increments of land, it has a special interest for students of Henry George. True to its Teutonic origin it is worked out into infinite detail; and its application cautiously restricted to certain phases of the increase of land values, is rather elaborately guarded and circumscribed. But the author of this commentary recognizes the far-reaching economic bearing of the principle involved, and assigns this element in explanation of the close study, the numerous changes and the long discussions to which the bill was subjected before it became a law. The novelty of the principle and the strange and mystifying terminology induced a member of the Reichstag to suggest that a draft of the law be referred to a committee whose business it should be "to translate it from the incomprehensible into German."

Dr. Simon's introduction indicates the care with which he has treated the subject. Referring in the opening paragraph to monopoly of land, he says: "The earth is not a commodity, but a portion of mother nature. Owing to its natural attributes it has at all times and among all peoples assumed a distinctive relation. Especially is the peculiar property of the ground as a resting place for buildings of great significance, because, owing to the natural limitation of building sites on the one hand, and the ever increasing demand for buildings on the other, land owning readily takes on the characteristics of a monopoly." He refers also to the Mosaic law regarding the distinction between agricultural and urban lands, to the Greek and Roman land laws, constituting an important part of their political history, to the claims of the

Physiocrats led by Quesnay, to the Napoleonic decree of 1807 allowing cities to retain part of the increase in ground values, to Herbert Spencer as a believer in common ownership as opposed to private ownership of land, and to John Stuart Mill's "unearned increment" theory established by his investigations founded on the proposition that "no man made the land" and "it is the original inheritance of the whole species." Coming then to Henry George: "After him (Mill)," Dr. Simon says, "came Henry George, who in his principal work, 'Progress and Poverty,' proclaimed the ownership of land a monopoly and expected to find a remedy for the unsatisfactory returns to labor in the taxation of ground rent."

The subject appears to have forced itself upon the attention of the German nation after the Franco-Prussian war in 1870-71. Since that time the number of German cities with more than 100,000 inhabitants has increased from 10 to 47, with a total population increased from 2 millions to 13 millions. This pressure of population gave rise to a growing demand on the part of cities and communities for a share in the increased values of their sites. A direct land value tax was, however, not permissible under the law of 1893, which definitely specified the objects of taxation and the proportionate burden of the tax levy. The communities therefore fell back upon a "transfer tax" levied upon immovable property at the time of sale or transfer. In some form this kind of tax has been adopted in more than 650 German municipalities during the past five or six years. But with the exception of the German colony of Kiautschou, China, no periodical land value tax has yet been introduced, and in Kiautschou the periodicity is only every 25 years when no transfers have been made in the meantime.

The present law is very specific as to the "unearned" increase, which alone is to be taxed. The difference between the cost and selling price decides, but this difference is reduced by adding to the original cost various items, such as commissions paid at the time of purchase (not to exceed 4%), expenditures for improvements, special assessments paid for street and other public improvements, etc. There are special provisions for woodlands, moors and meadows, military reservations and the like. The difference between cost and selling price is still further reduced by deductions from the selling price. Other regulations refer to the status of the parties—whether heirs, relatives, etc., and to conditions surrounding the transfer, all with a tendency to modify the severity of the tax. And no property is taxed under this law which has not reached a value of 20,000 marks (\$5,000) if improved, or 5,000 marks (\$1,250) if unimproved. But properties of less value may have their unearned increments taxed if the combined income of man and wife, when either sells, is greater than 2,000 marks yearly.

The tax, varying from 10% to 30% of the net increase, is determined by the proportion of increase. If the difference between the purchase and the selling price amounts to 10% of the former, the minimum tax of 10% is levied on the increase; and for every additional 20% of increase (and beyond a certain point for every 10%) an additional 1% is added to the tax, up to the maximum of 30%. The tax is levied at the time of transfer.

Exempt from the tax are certain princes, States, communities, and some colonization companies of a public character. How the tax shall be collected, the rights and duties of the parties taxed, penalties, provisions applying to communities that already have an increment tax for local use, and many other rules and regulations are so elaborated that every conceivable situation seems to be covered.

The law is retroactive to January 1, 1911, and the revenue derived from it is divided into three parts—50% for the national government, 10% for the State which collects the tax, and 40% for the community in which the land lies.

EMIL SCHMIED.

PERIODICALS

The Nautilus.

Making of its July issue a "Special Single Tax Number," The Nautilus (Holyoke, Mass.) includes in this issue a paper by Joseph Fels on "The Single Tax," one by B. S. Spaulding on Vancouver as "A City Under the Single Tax," and one by Stanley Bowmar on "Two Single Tax Exponents."

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Everybody's.

"The Coming Ashore of Andrew Furuseth," by John L. Mathews, gives special color to Everybody's for July; for Andrew Furuseth is known far and wide for his splendid service as the organizer of seamen, who neither stands for classes nor fears classes, but is for men. The story of his work, illuminated with one of those democratic dissenting opinions with which Justice Harlan has enriched the literature of the Supreme Court, makes wholesome reading.

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The Pacific Monthly.

Besides its leading article by C. H. Baily on woman suffrage in Washington, the Pacific Monthly for July helps Stephen S. Wise, Rabbi of the Free Synagogue of New York, to discuss his idea of "A Substitute for War." This substitute also is war. Not "a war of man upon man," but "a war for human security and human peace and human justice, a war against the causes of preventable poverty, preventable disease and preventable crime." In the same issue of the Pacific, its regular contributor, C. E. S. Wood, writes with characteristic candor and brilliancy of Governor Wilson's speeches in Portland,

and furnishes besides a beautiful bit of Oregon landscape in color, artistically reproduced on the cover page.

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The man on the seat in the vestibule of the Heights car looked around:

"I'm a strong Sane Fourth man," he said, "and I wear the button of reform, but at the same time I can't help sympathizing with a cousin of mine who is a consular agent on one of the Ladrone islands."

"Don't have any Fourth out there, do they?" inquired the other man.

"Sure they do. That's just the trouble. I suppose Cousin Henry is a good deal to blame for it, but he started in to give 'em a noisy Fourth and he can't cut it out. Henry gets a stock of firecrackers, big and little, from Hongkong, and rockets and pin-wheels and things, and those natives have the time of their lives. Henry says they look forward to the big noise all the year. Why, they come to him every little while and say, 'Big bang plenty soon, Henly?'"

"Any of 'em ever get hurt?"

"No, they're too timid for that. Henry says that when he touches the fuse of a cannon cracker he has known some of 'em to run a mile. One brown boy ran so far it took a hunting party three days to find him. Henry would be glad to give the thing up—he nearly blew a thumb off at the last celebration, but he don't see how he can do it. He says that if

The Women's Trade Union League of Chicago

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