

## LAND TAX OR NATIONALIZATION OF MORTGAGES.

(For the Review.)

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(Translated by Grace Isabel Colbron.)

### THE QUESTION.

To the English or American Land-Reformer the question as to whether we shall advocate a Land Tax or the Nationalization of Mortgages will not seem very comprehensible. But for the German Land Reformer it is the first and most important question for him to settle. This will be seen as soon as the importance of land mortgages in Germany is understood. But before we go on to deal with this subject, let us say a word or two on the subject of a Land Tax.

### THE LAND TAX.

Save all the ground rent for society. This is the goal towards which Land-Reformers everywhere are working. The shortest way to reach it is to put a government tax on the ground rent, the Land Value itself. But this is the shortest way only for such States as are free to apply it. These are the States where the ground rent goes almost entirely to the owners of the land. In Germany this is not the case, because of its land mortgage.

### LAND MORTGAGES.

The holder of a land mortgage has the first right to cover his interest from the returns brought by the use of the land. The owner of the land has to wait until all mortgage debts are paid before any of the income from the land returns to him. Payments of a public nature, such as taxes, etc. are the only payments which take precedence of the right of the mortgage holder. Now in Germany these public payments are unimportant. The condition results that almost the entire ground rent or land value goes to the holder of the mortgage rather than to the actual owner of the land. Anyone may take up a land mortgage. These mortgages are held in Germany by private parties, or by public institutions such as Savings Banks, by Semi-public institutions, such as Insurance Companies or Mortgage Banks. There are no statistics which give the exact figures for the liens held on land throughout Germany. But from such reports as we have from separate States, from Brunswick, for instance, it is possible to calculate that there are at least sixty billion marks invested in Land Mortgages, throughout the Empire. And as almost the entire area of the land of Germany is burdened by mortgages, we can see that almost the entire sum of the ground rent, the Land Value, goes not to the owner but to the holder of the mortgage.

## LAND TAX AND MORTGAGE.

The security of these mortgages, which is greater even than that of government bonds, rests upon the fact that they have the first right to the returns for the use of the earth, to its increase in value, with the exception of such public payments as the State may exact in the form of taxes. As aforesaid, these payments have been comparatively slight and it is generally understood, or at least taken for granted, that such a condition of things will continue. Therefore it can easily be seen that the suggestion to introduce a Land Value tax which should take precedence of the rights of the mortgage holder, would result in an upsetting of the mortgage market. As a further result a number of those concerned therein, small stockholders in Insurance Companies, depositors in Savings Banks and the like, would find their securities threatened, would be subjected possibly to actual loss.

## NATIONALIZATION OF MORTGAGES.

The only way out of this dilemma, the most effective and safest way, is that of the Nationalization of Mortgages.

Every mortgage is secured entirely or in part through the actual value of the land, or else through the value of the capital used in improving the land. The task for the State then, is to take over all direct liens on land from the present holders in return for interest-paying bonds. The mortgages on improvements can be reduced through amortization by processes which we will not describe in detail here, as it is a technical matter only. When in this manner the State has bought for itself all the direct liens on land it will take in the form of interest the ground-rent, but it will pay part of it back again to the former holders of the mortgages in the form of interest on their bonds. The next step will be amortization of these bonds by the State. Once the beginning is made with a portion of these bonds, the amortization of the remainder will go on from year to year automatically through the excess of the interest on the liens, which does not change, over the constantly decreasing interest on the bonds. In this manner the nationalized interest on the mortgage will become a taxation on land values.

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THE "corner" in land forces business and labor to less productive land and diminishes their returns (compensation or wages).

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THE present system of levying and collecting taxes is expensive, complicated and unjust.

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THE rent which the landlord collects, and which now appears in the high cost of living, will, when collected by society in the form of the Single Tax, still appear in the cost of goods, but it will be less and it will be expended for the benefit of society instead of for the benefit of individual owners.