

**LAND REFORM AND CANAL BUILDING.**

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By DR. A. VON SCHWERIN.

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The chief objection to all plans for building canals is the high cost of the work. This expense is so high that neither the toll paid by the ships, nor the customary contributions from communities interested promise a sufficient and proper interest and amortization of the capital sunk in the undertaking. Of course this is no denial of the fact that canals bring great benefit to the countries through which they go, but this benefit cannot be utilized as a return for capital expended.

It is easy to show the greatest advantages accruing from the building of a canal, one example alone will suffice. Let us take the Teltow Canal near Berlin. The Teltow Canal is about 20 miles long. Its position in the immediate neighborhood of a great city gave a high original value to the land along its banks even before it was built. According to information given me by the builder of the canal, Councillor Havelstadt, the value of the lots to the right and left of the canal for about 500 yards was, before the canal was built, 100 million marks. It cost about 40 million to build the canal. Once the undertaking was completed, the value of the land rose from 100 million to 500 million marks. The building of the canal, therefore, costing 40 million, had produced an increase of value on a strip of land scarcely half a mile wide, of ten times its own cost. And there is no doubt that the increase of value continued beyond this strip of 500 yards to the right and the left of the canal. Also that the increase of value still goes steadily onward even if not quite as rapidly as at first. The greater part of the land in question has already passed from the hands of private owners into the possession of realty companies.

An enterprise like the Teltow Canal, in the neighborhood of a great city, will naturally produce on a smaller amount of land a relatively greater increase than that resulting from the building of a longer canal through open country. But every long canal passes some centre of population, and the increase of value in the land near this centre is of itself a justification for the building of the canal. In its Monograph on Canal Building the Prussian government gives some interesting information as to the increased expense necessary in condemning the land just as soon as the line of a proposed canal becomes generally known. Before a single spade full of earth is turned a noticeable increase in the value of the land has already taken place. As to increase in value in general the Monograph says the following:

1. The increase of value of the land due to the North Sea Canal makes itself felt for two miles inland, although of course it is most noticeable immediately adjoining the canal. The price of the land went up long before the canal was finished. At all places where ferries and landing docks were to be built the land went up in value rapidly, although of course the greatest in-

crease was seen in the neighborhood of cities and larger towns. The land around Brunsbützel, laid out in building lots, quadrupled its price in one year, 1893, and then rose steadily until 1903. The increase was noticeable to about one mile distant from the canal. Near the city of Rendsburg the value of improved land went up 50%. At the end of the North Sea Canal the prices for land doubled for agricultural land while building lots went up to ten times their original value.

2. Similar figures can be shown around the Dortmund-Ems Canal. The Monograph notes the sudden startling rise of values around new canals in the neighborhood of the harbors in the larger cities, but speaks also of a steady if slower, increasing value of the agricultural land within the sphere of influence of the new canal.

And to whom does all this increase go? Only to the chance owners of the land. To these few it comes like money won in a lottery, it is a gift given to the chance possessor of the land and its values by the whole community. The first and most important influence of the building of a new canal, therefore, is to raise land values along its banks, values the benefit of which accrue to the chance owner of this land. I might almost say that this chance owner is the only one who has a benefit from the increase of value, for it is possible for him to levy a tribute on all those whose business makes it desirable that they should locate near the canal. It does not seem reasonable that the community should give this chance owner of the land the power to levy toll on all those who need the canal and its services. It would seem as if the State had not only the right but the absolute duty to bring about a condition of things in which this extra value would be brought back for the use and the good of the entire community.

That the State may make it possible to take for itself the increase of value made by the building of a canal, it will be necessary to find a sensible system of taxation. The thing can be done I believe through the following taxes:

A governmental unearned increment tax.

A tax on the actual value of the land.

A tax on exchange or sale of land (such as we already have in a number of communities), and power to condemn the land at such places (landing places, harbors, railway terminals) where the most noticeable increase of value is to be expected.—Extract from a report made by Dr. von Schwerin at the 19th Annual Convention of the League of German Land Reformers, in Nuremberg, on April 14th, 1909.

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THE holding of land out of use has the effect of a "corner" on the market.

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TWO-THIRDS of the present high cost of living is estimated by Single Taxers to be caused, directly and indirectly, by the ground rent. The mere bringing of vacant land into use by the Single Tax would reduce the rent of land about one-half and would lower the cost of living fully one-third. (This is a conservative estimate.)