

The Danish valuation system

Land & Liberty, Nov/Dec 1978, quoted Professor F. von Hayek as calling Henry George's solution attractive "... if it were possible to distinguish clearly between the value of the 'permanent and indestructible powers of the soil,' on the one hand and, on the other, the value due to the two different kinds of improvement ..."

If he knew the Danish valuation system, he would realise that assessing the unimproved land value is possible, and without any problems. In Denmark all land is assessed every four years. The law demands that the figure should show "what a sensible purchaser is willing to pay." Through records of registered sales, everybody can see for himself that his land has been valued fairly. Because the real value is underestimated by between 10 and 20 percent, the valuation authorities get no complaints of their assessments.

The average tax on land is close to 4 percent of the market value, but is shrinking proportionately against other kinds of taxation. This system could be improved if we had annual assessments, which is also under consideration; it could be done easily thanks to data processing.

From 1945, land assessments in Denmark have developed as follows, as compared with consumer prices:

	Total land value mill. Danish Kr.	Consumer Price Index
1945	6,791	100
1950	9,268	
1955	12,504	
1960	17,175	
1965	41,078	
1969	67,419	
1973	103,484	
1977	194,274	440

Thus, land value in Denmark since World War II has risen six-and-a-half times higher than consumer prices.

At the moment, Danish Georgists are discussing a plan for the collecting of land rent combined with income tax reduction. Briefly, this plan envisages taking the latest public land assessment (194,000 Danish Kr.) and charging tax at 2 percent in the first year, rising by a further 2 percent a year until 8 percent is being collected. At this time a further assessment would be made and again a tax of 2 percent of this new assessment would be levied, rising by 2 percent a year until 8 percent is being collected. This procedure would be continued for a third, fourth, fifth or any number of periods.

As the revenue from land rent increased, so there would be a corresponding reduction in the amount of public revenue collected by way of income taxes. In this way, small incomes would become tax-free in the first period, possibly halving the number of income tax payers. After the third or fourth assessment period, we would expect nearly all incomes to become tax-free.

We would see the side effects of this as being a considerably reduced rate of inflation and a reduction in the rate of interest for ordinary loans, to the benefit of those investing in new activity and employment.

Knud Tholstrup

Forthcoming in *Land & Liberty*

HONG KONG'S property companies are reporting sharply increased profit for 1978. The economy is thriving, and there is yet another building boom under way. In the next issue of *Land & Liberty*, Ian Barron describes and analyses the unique land tenure system on which the colony's success is built.

THE DISEASE CREATED BY LAWS

WHEN socialist measures fail to produce solutions to the problems at which they are aimed there is invariably no criticism of socialist dogma but an attempt to blame some outside villain.

Now that Keynesianism appears to have run into bankruptcy, attention is being refocussed on multi-nationals as the great obstacle to socialist fulfilment.

Generally multi-nationals are engaged initially in the production of goods and are kept in business by public demand for their products. To that extent their operations are innocuous, although suspect in socialist eyes as large owners of capital and employers of labour. Unfortunately their efforts in the pursuit of profits are not confined to their early benign activities any more than are those of other large "capitalistic" corporations which are national rather than multi. They work assiduously to attain positions of monopoly and exploitation both by taking advantage of existing bad laws and

persuading politicians to pass more bad ones. It is these home-generated laws, conferring such privileges as inequitable land acquisition and ownership, tariffs, subsidies and government contracts that lead on to take-overs and amalgamations.

It is always in the area of government legislative privileges that the anti-social and anti-economic aspects of multi-nationals become apparent and cause friction. And the legislation that gives rise to them appears to be as readily forthcoming from socialists as from conservatives, except that socialists invariably refer to the ensuing exploitation as the effect of *laissez-faire* capitalism. In his book *Value*, Dr. H. G. Pearce made the following comment on this point:-

"So long as such political values endure no economist has a right to talk about *laissez-faire* and non-interference of the politician in economic life. Our economic diseases are by law established—

and it is nothing but the existence of such political interference which engenders the economic diseases, which call for more political interference. But when the orthodox economist speaks in favour of no political interference, he means no political interference with the political interference upon which our whole morbid economic system, called Capitalism, rests."

Instead of nationalisation with its high-priced, bureaucratic incompetence it should be a matter of simple honesty for politicians of any party to repeal the laws which degrade the multi-nationals and others from beneficial producers to monopolistic exploiters. The first and most appropriate step would be to reassert the public ownership of site rent and to abolish taxes. These two acts would effectively destroy special privileges and end exploitation by ensuring free competition in the fields which the corporations endeavour to turn into private monopolies.