

Danish Land Values Commission—Controversy Evoked

By letter from Dr. Viggo Starcke, the parliamentary leader of the Danish Justice Party (Retsforbundet), our correspondence columns are thrown open to a discussion on the idea that land-value taxation might or could, or should be accompanied by what is called "compensation" to those who are now privileged to appropriate to themselves the community created value of land. The form this so-called compensation would take is to establish the taxation of land values and at the same time to nullify it—and that by trickery of most amazing description. Each piece of land, according to its value, would be charged with the land-value tax and *in appearance* the tax would be collected from the respective landholders; but only *in appearance*, since the State would actually give them the money wherewith to pay the tax. Where would the State get this money? Obviously from you and me in taxation imposed in one way or other, on our wages, our industry and our trade. It must have recourse to penalising the lot of us for the peculiar benefit of the present appropriators of land-rent who would otherwise be required to pay what is (under land-value taxation) justly demanded of them. There would be no relief from the existing forms of repressive taxation; on the contrary those burdens would be piled still higher. It all sounds preposterous; and it is so when all its disguises and pretences are uncovered. But far above the absurdity of its mechanics is the enormity of its moral default.

The Ill-Advised Proposals

Dr. Starcke reproves us for the article in our January issue which, reviewing the report of the Danish parliamentary Land-Values Commission, condemned the compensation proposals that were submitted by a section of that body; those proposals committing the State to pay to the landowners, in cash or in bonds, a sum equal to three-quarters of the assessed value of the land.

Briefly to recite the circumstances: The Commission had been appointed to consider the proposition, in all its bearings, that the whole amount of the economic rent of land be collected for the public benefit, some of it being collected already through the existing land-value taxation, national and local, including the tax on increases in land-value. A majority of the Commission (13 of the 24 members) recommended in favour of the total collection, declaring that in their opinion this could be achieved if, in addition to the existing land-value taxes and such expansion of them as present laws allow, a land rent were charged against each lot or holding of land at the rate of 4 per cent of its assessable capital value.

Those proposals were set forth in a draft Bill, which would give effect to the 4 per cent land-rent charge. But the Bill contained also provision for a transitional stage during which the aforesaid payment by the State to the landowners would be made. From those provisions six of the thirteen members dissented, the other seven (three of them belonging to the Justice Party) being responsible for advocating the "settlement" as it is called which would so richly endow the land-owning element. Their plan was that, to begin with, the general land-rent charge would be abated to one per cent, to remain at that level for every property until its owner received from the State the capital grant; and after that payment had been received by him, the full 4 per cent land-rent charge would be applied; and so, holding by holding throughout the country in a process that would extend over a period of years.

A three-page Appendix to the report gives a large number of individual cases in town and country showing how this would work out. Take, for example, a town property with assessed capital land-value of £2,200. The immediate land-rent charge at the *one* per cent would be £22 a year. Before the full rent-charge of the 4 per cent was levied, the proprietor would receive from the State a grant of £1,650 and thereafter his land would be subject to a rent-charge of £88 a year. There is the glaring example, however, which the Appendix does not exhibit. In Denmark, the market value of all the vacant land (1950 valuation) is £24,000,000 and dispensed to those proprietors would be £16,000,000, *their* side of the bargain before they were called upon to pay the full charge of £960,000 a year. It is inconceivable that any Parliament would contemplate anything of the sort.

What concerns us are the fundamental principles that are at stake. Printing (although with decided reluctance) Dr. Starcke's letter, and numbering his paragraphs for easy reference, we append the observations of several members of the United Committee who, having seen what he has written, have desired to express their views on the subject.

A. W. M.

"Answer to Unfair Review"

1. The Report of the Danish Parliamentary Land-Value Commission was reviewed by A. W. M. in *LAND & LIBERTY* for January, 1955. I beg permission to correct some misunderstandings.

2. The review did not stress the most important results which would be gained if the proposals of the Commission were passed as a law in Parliament. They are:—

- (1) The full unearned land value would be collected for the whole people as a full land-value taxation.
- (2) The land speculation would stop immediately.
- (3) All future increases in land value would be collected.
- (4) The young generation would be able to obtain land without paying any price.
- (5) All taxes on buildings would gradually be removed in some 40 years.

3. Why were they not mentioned? They should be of some interest to other Georgeists.

4. The majority of the Commission: The Social Democrats, the Radicals and the Justice Party are together a majority in the House, so that there is a possibility for a solution of the problem in the coming years. Why not back them up instead of criticising minor details? The main objection is that the Commission propose a "settlement" for three-quarters of the 1950 land-value assessment of the land property. Our common goal is a full land-value taxation, the whole economic ground rent collected for the whole people. The proposed law will give this result. It is something.

5. The landowners have no RIGHT to any compensation, and the people have no DUTY to pay any compensation. Unanimously, the majority of the Commission agrees that the landowners have no RIGHT to any compensation, but it recommends a "settlement," a sharing of the loss in land value for three-quarters of the 1950 value. Compensation and settlement are not the same. They are not synonymous. Compensation is a RIGHT which the owner can claim, but settlement is not a right but an OFFER as a fair treatment from the government to the landowner.

6. The explanation is this: There are differences between conditions in Denmark and other countries like U.S.A. and the British Commonwealth. The idea of L.V.T. is very old in Denmark, at least 1,000 years. Denmark has not the problem with the very big landlords, but the problem of thousands of small holders in farm land, and thousands of small house owners in the cities. More than 90 per cent of the Danish farmers have occupying ownership. Denmark has a special mortgaging system with long-term loans, different from that of other countries, and the mortgages are higher than in other countries.

7. A reform should be not only righteous, it should also be practical and practicable. We have to respect the Constitution, the Laws, and the economic and political possibilities as they are. Henry George was against compensation as a principle, and so far the reviewer is justified. But: Henry George was *not* against a settlement under Danish conditions. In a letter of 24th December, 1888, George wrote to the Danish Georgeist Jakob E. Lange (published in the Papers of the International Conference in New York, 1939. No. 7):—

“As to your question: I have not deemed it expedient, in the first place, to dwell much on details, but I have all along stated that in my opinion the mortgagor and the mortgagee should be considered joint owners, so that in any destruction of land value caused by the land-value tax, *their loss should be proportional*. In other words, I coincide entirely with your view and would *have the mortgagee treated as a joint owner*, as to such part of his mortgage as was really based upon the value of the land. I trust this will answer your purpose.”

To this, Lange adds:—

“The nationalisation of rent through a land-value tax could only win the day if the mortgagor and the mortgagor in some way or other be brought to *share the burden*, as joint owners of the land values.”

(The italics are mine—V.S.)

Next year, in 1889, Lange discussed the problem with George in England. In his book: *Erindringer fra halvfjerdindstve Aar*, (Seventy years' reminiscences), p. 85, published 1938, Lange writes:—

“After the meeting George and I agreed next morning to go to Melrose (*i.e.*, Melrose in Scotland) where his wife and daughter were staying at an hotel. Here I initiated a discussion about Danish conditions which later was completed in letters and where I had the satisfaction that George fully accepted my point of view: that if an eventual land-value taxation exceeded the present taxes on real estate, it ought to be shared proportionately between the title holder and the holder of bonds.”

8. Why, then, be more Georgeist than George?

9. In Danish legislation there is a precedent for that. During the war in 1848, between Denmark and Germany the expenditures were collected as a L.V.T. in such a way that the title holders had to pay the land tax, but were allowed to reduce the interest payable to mortgagees so that the latter had to pay their due share of the tax. For years, the landowners and speculators have collected the unearned value belonging to the people. If the landowners still had the money received through land speculation, it would be easy to collect the money from them, but it is not so, because money moves from land to houses, from bonds to shares and stocks or goods. We cannot find it, because money is not earmarked, but we know that most of the money derived from land is to be found amongst the wealth of the wealthy.

10. Our common goal is: The whole land value to the whole people. It is a matter of principle on which there cannot be any compromise. But the ways to the goal can differ under different practical conditions in different countries. If it were so that the landowners alone were responsible for the laws, it would be easy to let them pay and make refund to the many poor young smallholders who have recently bought land. But we are all more or less responsible for the present unjust laws.

11. Our common goal is a matter of principle. The practical way to reach the goal is not a matter of principle, but a matter of practical solutions, of tactics, of strategy and statesmanship. Many different ways are leading to Rome. Some of the older Georgeists are in favour of a slow, progressive collection, step-by-step. In this way the landlords are able to continue collecting a part of the ground rent for many years. If a landlord in this way is able to collect £1,000 in all, it is a form of compensation. Other Georgeists are in favour of collecting the whole ground rent immediately, at once. If we are able to do that, and as a practical solution are willing to give a fair treatment and pay a settlement of say £1,000—why, then, are the first blessed and the second wicked?

12. If we in Denmark were able to solve the problem in the Danish way recommended by Henry George, and the Georgeists in favour of a step-by-step solution would prevent us from doing so, only because we differ in details but not in principle, it would be a great responsibility to take. They would then prevent the Danish people from having their hereditary share of the land values, and would allow the land speculation to continue.

13. As for the money required to pay the “settlement” to the landowners, the Commission has recommended that it be not obtained through taxes on consumption or on incomes. The Commission has made no recommendations as to the tax sources for paying the settlement, the reason being that the Government and another Parliamentary Commission are working on a great reform of the whole Danish tax system.

14. The Justice Party has only 6 seats in a House of 179 and cannot expect to have all their wishes fulfilled. Why then try to put a spanner in the works?

15. The review in LAND & LIBERTY was not fair. To put the words: “Ill-advised Proposals” in the head lines is to prejudice the reader beforehand, and to use such words: “But it is not the folly of the bargain that we deplore; it is its patent wickedness”—is bad manners. The reviewer knows something about Danish conditions, but too little. Therefore, moderation and modesty in language would be appropriate.

21st March, 1955.

VIGGO STARCKE.

Bearing on pars. 13 and 14 above, and as we go to press, we have copy of the Bill presented in Parliament on April 19 by Messrs. Oluf Pedersen and Søren Olesen on behalf of the Justice Party. Adopting the draft Bill in the Commission's report, those legislators complete its provisions by definitely proposing that the landlord compensation be found by means of a special tax, payable each year for 25 years, of one per cent on the capital value of individual wealth. By this, does not the Justice Party commit itself to a campaign of new persuasions, blotting out the moral and economic distinction formerly made between values in land and values due to the work of man's hands? Where that road leads is not “to Rome” but to political self-immolation..

A. W. M.