

FREE TRADE AND LAND VALUE TAXATION IN SWEDEN

Address by Johan Hansson (Stockholm)

(At the Oxford International Conference on 17th August)

The country of Sweden and the people of Sweden are nearly as good as any other country or people on this earth. There is not much difference. But the Swedes are no leaders in economic thought, although the fame of some of our political economists may lead us to think that they may be leaders sometime. It is certainly not necessary to have supernatural gifts to be the first in a world so full of monopolies, of economic follies and national superstitions as the world to-day presents. The road toward economic sense is a very long and tiresome one, and I feel that you and I will have to be satisfied if the Swedes come in as a good second.

As in most other countries, there have existed in Sweden for centuries certain land taxes. They were fixed charges on certain agricultural lands belonging to farmers. The big estates were mostly free from the land tax. The farmers who paid taxes felt this inequality to be an injustice and during the first part of last century they made several attempts to get these burdens equalized. Owing to the then existing constitution, the privileged class was able to resist this demand, and the result was that the farmers undertook an intensive agitation for the total abolition of the old land taxes. They formed their own party, which was often led by very able men, and after decades of political fighting they succeeded. This happened in the eighties at about the same time as Henry George's first books were translated and published in Sweden. Although the great reform proposed by Henry George was of quite another character than the old unequal and fixed land taxes, these two things were generally confused. Every one, who thought he must guard his own reputation, pretended it was ridiculous to ask for a new big "land tax" when the abolition of the old land taxes had dominated the country's politics for years. And there the matter was left.

But there was another obstacle. When you don't do the right thing you usually do something wrong. You must do something. Mr. Abel Brink has reminded us about the fall in the prices of agricultural products in Denmark during the early eighties, owing to the opening up of the Western plains of America. The Danish farmers did not ask for protective tariffs, but they changed their methods of production. I am inclined to think that one of the reasons for this wise step is this: Denmark had recently been at war with the Prussia of Bismarck. The Danes were defeated, with the result that they got a general aversion to everything Prussian. And the high protective tariff on agricultural products was at that time essentially an act of Prussianism.

The Swedish agriculturalists were not saved by any such suspicion as the Danes entertained. They imported with great pleasure the Prussian tariff philosophy. But notwithstanding a very active propaganda, it is pretty certain that they would not have succeeded if they had not got help from fate in a very curious way. The City of Stockholm elected at that time twenty-two members to the Lower House. All these members were Free Traders. That decided the majority for Free Trade. But one of the ardent protectionists discovered that one of the supporters of the Free Trade ticket had failed to pay a tax which was due, and the payment was a condition of the right to vote. The tax amounted to about 12s. 6d. The result of the election was contested before the supreme court, and the judgment was given that the election of the twenty-two members should be declared void, and that the minority candidates—that is the protectionists—should be regarded as elected.

The protectionists were quick to use their power to their own advantage. One of the evil effects of this unfortunate

incident was that the spirit of Liberalism was broken and it lost its soul. This collapse lasted for about 35 years. And it is only in this year of 1923 that the re-awakening is taking place. Most of the old Liberal leaders, who had occupied themselves and their party with parliamentary reforms, temperance, so-called labour legislation, and, of course, military defence—these old leaders have gradually died out or have forsaken politics, and new men a little better posted in economics have taken their place. Further, the great war has given every one of us rather drastic lessons in the law of economics.

In the meantime, the Labour Party has pressed itself to the front in public affairs, and I am glad to say that, thanks to some able men within that movement, well informed in matters of political economy and liberal-minded, a firm stand is now being taken in the direction of true Liberal economics. We have thus been able to keep our money system stable and sound. We have resisted all efforts to impose on the people anti-dumping tariffs and any kind of import regulations, all those quack schemes which in so many other countries have helped to undermine their productive and financial well-being. The Labour Party stand for Free Trade. The Liberals have not done so unanimously. It may be said that in May of this year the Liberal Party was split in two on the Prohibition issue. A new party is now being formed and that party is declaring itself for Free Trade. That means no doubt a Free Trade majority in the Swedish Legislature.

As to land value taxation, I have to report that the first preliminary step has been taken. In the year 1920 an Act was passed according to which all land held by private owners in all cities, towns, and urban districts, shall be valued separately from improvements, for the express purpose of taxing land values. The valuation was completed last year. I need not go into it in detail, only saying that the system adopted in Denmark and that carried through in Budapest by Dr. Pikler are more efficient. The results of our land valuation are not yet published, but according to what I have been able to learn from the Ministry of Finance, the work bears every mark of being a first and imperfect attempt. The valuation of land is by no means a complicated thing, but it is a business which has to be learned like all other serious businesses.

A gratifying fact is that nearly all our able political economists are more or less favourable to our ideas, and that one of them, Professor Heckscher, has recently, in a good little book called OLD AND NEW ECONOMIC LIBERALISM, emphatically declared that a real Liberal State is impossible without socializing the ground rent—without taking the economic rent of land for public purposes. Stable currency, Free Trade, and Taxation of Land Values are the main planks of the new Liberal platform of this eminent Professor.

You will remember that Henry George once spoke of the breakdown of the scholastic political economy. I am sure that all of us will rejoice in the fact that this breakdown has not been altogether universal; there are some interesting and hopeful exceptions. As to the future, it is not for me to promise anything or hold out any hopes, except this—that if countries like Britain and Denmark can take the lead, we will be sure to follow very close behind them.

The Spanish Treasury are about to invite proposals from experts in air photography for a survey of the whole of Spain as the basis for an effective system of land taxation. There has recently been considerable agitation for a stricter compliance with the law, which is evaded by rich landowners with complete impunity. The work of the surveyors has hitherto been of little value. It remains to be seen whether the production of reliable evidence from the air by camera will effect an improvement.—THE TIMES, 20th August.

But this was before the military Dictatorship ejected the Government.