

DENMARK: THE VALUATION OF LAND

Lessons from Practical Experience

BY K. J. KRISTENSEN



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(The following article is a translated extract from the Address delivered by Mr. Kristensen at the Annual Congress of the Danish Henry George Union on 13th September. The Address has since been published as a booklet, and is a welcome addition to the literature on the subject. Mr. Kristensen holds high office in the Danish Central Valuation Board and is secretary of the Government Statistical Department. His services have frequently been at the disposal of Parliamentary Commissions that have taken evidence on land and taxation reform. Among his contributions to the study of these questions, one of the most noteworthy and illuminating is his article in the Danish ECONOMIC JOURNAL, also reprinted as a pamphlet, expounding the rules and methods adopted for assessing land values in cities and towns.)

VALUATION PROVISIONS

The Law declares the duty of valuers to be "to assess the value of land in its unimproved condition having regard to its quality and situation and its capacity for good economic use."

Every separate piece of land must be assessed as if it were unimproved but it must, of course, be assumed that all the surroundings, roads, railways, buildings, etc., remain in their existing condition with all their potentialities. At the same time it must be assumed that all rights and privileges, or conversely all burdens and covenants, which attach to the land by virtue of law or special circumstances, also continue unchanged.

In the Land Value Taxation Bill (for local purposes) now before Parliament it is provided both in the original draft and in the measure as amended in Committee that the valuation should be made *without taking into account* the land value tax imposed on any property. It is greatly to be hoped that this provision will remain. But apart from that question, which will concern us only when subsequent valuations are made, I consider that the existing rules are good and serviceable in every practical respect.

DEMOCRATIC ORGANIZATION

A further question is whether our valuation authorities are so constituted as to carry out their duties effectively.

Without going into details, I would only make the remark that we should not strive to centralize the work of valuation too much. There is no doubt that a good valuation can only be assured through co-operation between a directing office or department and the citizens in each district, but the main work must be done by people with local knowledge who are familiar with local conditions. In that respect I consider that we are fortunate in possessing a democratic organization of our valuing bodies. Our system puts the main responsibility on the County Assessment Boards and their valuers. These authorities are called upon under the law to attend to the actual business of valuing. . . . The Central Valuation Board is not the body to attend to the actual business of valuing; its function is to superintend the valuation, to see that it is done on a uniform and properly related basis over the whole country, and is in accordance with the principles that have been laid down as a guide. It is the function also of the Central Valuation Board to consider the appeals that may be lodged against the uniformity and correctness of the valuation. There are other considerable and important duties which can be entrusted only to a central office. These are of a purely technical nature—the work of preparation preceding the valuation and the work of assembling the results sent in from each valuing authority so that they can be arranged and classified for the purpose of general supervision and in view of any appeals. . . .

PROCEDURE

The work of valuing the land comprises two important processes. First, we have to select specimen or typical properties and establish through them at the outset certain "fixed starting points" for the valuation, and as many as possible; and secondly, the values of the other properties must be assessed by taking these fixed starting points or types as a standard. The first of these objects must, of course, be attained with the assistance of the higher valuation authorities so as to secure general uniformity. But even this work should, in the main, be entrusted to the people with local knowledge, the duty of the Central Valuation Board being to watch over the work, both with respect to the choice of the lands that are best adapted for use as typical properties and to the way in which values are determined with certainty so that they correspond to one another and provide a correct basis for the assessments in surrounding areas.

The thing to be done in valuing these typical properties is briefly stated to estimate the value ruling in the open market. It is the market value that has to be computed. It is not the valuer's own opinion that is decisive. He ought properly to put his own ideas on one side and estimate what the value is according to common opinion. That he can only do by carefully keeping in touch with the prices that are paid or ascertaining what the land can yield, or hearing the judgments of others concerning values.

TOWN ASSESSMENTS

What aids have the valuers in solving that problem? First there are the facts about the sales of land. In the outskirts of towns there are so many sales that they provide an excellent starting point for the valuation. But elsewhere there are not very many sales of that kind where, in the absence of overruling conditions,

the selling price can be taken as an expression of the value in the open market—at any rate not on the countryside and particularly not where agricultural land is concerned; because there when land is bought it is usually a case of no choice but to purchase adjoining land, or it is a case of the sale of land in small parcels. But even these sales can always give some guidance if they are used with the necessary caution.

The sale of land with buildings upon it is much more frequent and it is clear in that case that the selling price provides a criterion for both the land and the buildings that are attached. The question then is to simply ascertain by rational methods to what extent the land enters into the price. . . . If we have two properties with buildings that are appropriate to the land, and if the buildings may be considered as of the same value, it is evident that any difference in value between the two properties must be a difference in the value of the land, unless special circumstances are present. If we can determine the land value of one of these two properties, we have at once a guide to what the land belonging to the other property is worth. That is a method of procedure which can be applied especially in the towns because one can always discover the value of the land on the outskirts and by that means can ascertain what the value is in the more central areas.

In the towns we have a still more abundant source of information about values, namely, house and building rents, and of these therefore we make special use. Clearly, where buildings are of the same value, differences in rents must be due to situation, and if we calculate as a capital sum the difference in rents, we arrive in that way at an idea of the land value. . . .

COUNTRY ASSESSMENTS

In the country districts that kind of material is lacking which in the towns is so plentiful and which enables us to assess with considerable accuracy the land value in the open market. Farm accounts would give corresponding information in the country, but unfortunately these are still rare enough, and even if they were generally kept, it would be far more difficult to make use of them. But in compensation, the country offers this advantage over the town that conditions are so uniform, and that the knowledge of what the land can produce and what it is worth is so general. If we were to gather a dozen practical and experienced farmers on a piece of land, and they had the opportunity to make thorough investigation so that they knew what manner of crops it bore and how it was cultivated, and we were to ask them the question "What can this land yield, what is it worth?" no doubt there would be some difference of opinion as to the value but the opinions would not disagree to any great extent.

Therefore when agricultural land is valued, the valuers should make the best possible use of local knowledge so as to have as many competent people as possible to offer help in the work. . . .

The next part of the business of valuation is to assess the values of all other properties by reference to the typical properties chosen as "fixed points." It will be granted that if it was necessary to make the same thorough investigation of each separate property as is necessary to arrive at the value of the "fixed points," valuation would be a never-ending job. Fortunately that is not required, because we know that land of equal capacity has to be put down at the same price and we know by experience that differences in situation and fertility express themselves in values that can be easily reckoned as a matter of course.

THE USE OF TABLES

With the valuation of the typical properties chosen

as "fixed points," there should be an established table setting forth the comparative values of land of varying fertility. . . . But that is not absolutely necessary. The fertility measurement can be done without if there is a sufficient local knowledge or a sufficiently thorough inspection of the land. . . . Then again with respect to the situation, it certainly should be possible in the case of agricultural land, from experience and the opinions of practical men, to draw up fixed tables reflecting in differences of values the influences due to nearness to public roads or distance from a railway station or a market town. But in that matter we have not yet got so far as to work out given rules based on the economic laws that govern the values of land.

So far as the towns are concerned, where our work deals essentially or almost entirely with the value of situation, we have been able to do much more. We have determined definite relations between the values of frontages and background; we have investigated how much values are influenced according as the land is a corner site or lies in the middle of a block. For these factors, it has been possible purely as the result of experience, to compile set rules so that, if the general frontage value for a normal lot along any street is known, the assessment of each individual property is a quite simple calculation which any one can make. The valuers have only to take account of such special circumstances or minor differences as may be found in particular cases.

The rules and tables thus established facilitate the work of valuation to an enormous extent. But that is not their only advantage. They also guarantee for each property that it is valued uniformly and in proper relation to other properties. It is of great importance from the point of view both of the valuer and the property owner that these prescribed rules should be used universally where it can be established that values obey certain definite laws. The practice is not yet adopted as widely as we could wish, either in the country or in the towns, and on that account valuations are faulty here and there.

LAND VALUE MAPS

But even if we made the fullest possible use of these aids to valuation, they are not enough. What is still more necessary is that, for the sake of the valuers that are doing the work and for the citizens who watch its results, the valuation should so to speak control itself. A good valuation should be such that no one could select a single assessment and seek to rectify it without being obliged to amend a whole series of assessments, because they are mutually dependent and stand in relation to one another.

There is only one way in which valuation can be conducted on those lines and that is to have a land value map of the assessments. It is true that a great deal can be learned from a valuation list. But if the properties vary greatly in nature, area, situation and value a list of assessments is not very informing. But if the assessments are entered on a map at so much per acre or so much per square yard for each separate piece of land, then we can tell in a moment whether they stand in the proper relation the one to the other. Thus errors can be rectified while the valuers are at their work, or after the work is done the citizens concerned can appeal against them and have them remedied. If we could also enter particulars of sales on the map and the values assessed against the specially valued properties that were taken as the starting points of the valuation, we could quickly determine whether these starting points had been duly regarded. . . .

TAXATION THE PATHFINDER

Apart from all I have said, there is an absolute condition for our securing the good valuation that we still lack—the valuation must really be used. The very small national land value tax we have got is of little effect in that connection. . . . We cannot expect that the men who are engaged in making the valuation will take work seriously that is not yet put to real practical use. And we cannot expect that the public will take much interest in the valuation so long as it is of no material importance as a basis of taxation or for other purposes. The fact that we did have a national land value tax, and far more that there was the prospect of local land value taxation, was of great significance in the latest (1923) valuation. It was an incentive to the valuers and aroused interest among the property owners. . . . But that is not at all sufficient. It is an absolute necessity for the valuation that we get the help and the support that interested and informed people can render and will render as soon as the valuation has real meaning. . . . It has to be admitted that complaints made about the valuation are not unwarranted. Neither the valuation provisions nor the valuation authorities are responsible for the faults; nor is the reason that the problems are impossible or too difficult of solution. The cause is to some extent that the valuers have not been supplied with the necessary technical aids. First and foremost, however, the cause is that the valuation has not yet captured such public interest or been subjected to such public supervision as will be its share when it really has importance as a basis of taxation.

If we get a substantial instalment of land value taxation, a good valuation will follow sure enough.

At a meeting of the Rowley Regis Council on 23rd November, Mr. W. L. Edwards said evidence had been submitted to the Council during the past week which showed that 28 persons were living in one house which contained four bedrooms and two living rooms, while cases of 23, 20, 18 and 16 occupying two and three-roomed houses were getting quite common. Many newly married couples, he said, were forced to live with their respective parents, and in one instance a husband only saw his wife once a fortnight because of the distance which separated their homes.

It was decided to bring to the notice of the Ministry three cases in which subsidy houses were still vacant, and offered for sale at prices in excess of the all-in cost of £690.—BIRMINGHAM GAZETTE.

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The members of the German Delegation to the signing of the Locarno Treaties have made it abundantly clear that they favour the breaking down, in wholesale fashion, of the present barriers between Europe's family of nations. . . . Above all, they place the question of tariffs. It is not too much to say that, in their private talks in London, the Germans have been preaching the need, the urgent need, of a Free Trade revival in Europe. And they have been able to document their arguments impressively from Germany's own experience. It is understood to be Dr. Stresemann's personal conviction that a general abrogation of protective tariffs will have to come before the economic stability, and even the peace, of Europe can be said to have been re-established.—DAILY NEWS, 4th December.

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NOTES AND NEWS

The HASTINGS AND ST. LEONARDS OBSERVER reports the defeat of the "Liberal Government" in the local Parliamentary Debating Society by a vote of 39 to 29 on a motion by Mr. F. T. Comerford in favour of the Taxation of Land Values. There was a keen debate. A member of the Liberal Cabinet writes: "We were beaten only by the Socialist Party voting with the Conservatives put to turn us out of office. We have 100 members mostly young people and the discussion must do good."

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A Liberal land reformer writes: "Just on a journey, and will distribute the U.C. leaflet 'Idle Land and Idle Men.' I am unable, to my regret, to contribute to your funds but if you can spare me a quantity of 'Real Land Reform' I can make use of them at meetings."

* * *

In "Notes of the Week" recently you wrote: "The strange men are offered a smaller sum and say they will not dig for that sum." What alternative have they? The remedy of the Georgeist is simply to make available all the avenues to employment that are closed down by monopoly on the one hand and penal taxation of the producer on the other. That remedy is called the policy of the taxation of land values. All Denmark is debating it to-day; all England will be to-morrow.—Charles Ayliffe Gardner, in G.K.'s WEEKLY, 21st November.

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The Press is so adroitly manœuvred as to keep the mind of the electorate occupied by the most trifling matters that such topics as the question of land reform must take a back seat.

We could have a drastic change in our land system in two years if the whole of the public Press gave as many columns to this vital matter as they unitedly devote to football, cricket, and racing.—Joshua A. Pitts in the YORKSHIRE OBSERVER.

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Land for allotments is reported to be difficult to obtain at Hull.

Mr. J. Phillips, a co-opted member of the Corporation Allotments Committee, stated at a Liberal meeting that recently inquiries were made for agricultural land adjoining plots already owned by the Corporation. The land cost them £250 an acre, but when they inquired the price of adjoining land they were astonished that the price demanded should be £1,500 an acre, the excuse being that the land was "ripe for building purposes."—MANCHESTER GUARDIAN, 18th December.

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Mrs. Henry George, Jr., writes last month: "Henry and I are at present reading the Biography of Tom L. Johnson. His life was certainly an interesting one, full of vigour and clean thinking with a deep purpose back of all his actions. When I was visiting Beatrice in Cleveland this summer we together went to the Public Square, where a life-size monument of him was placed by public subscription. He is sitting in a chair holding a copy of PROGRESS AND POVERTY and around the columns are quotations from his various utterances. It is very inspiring. Remember us to all the good friends."

By the same post came an inspiring word from Louis F. Post, in which he names Tom L. Johnson, his old comrade in many a good enterprise, as "one of the best of men who ever walked the earth." Mr. and Mrs. Post also desire to be remembered affectionately to all their friends on this side.