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FREE TRADE

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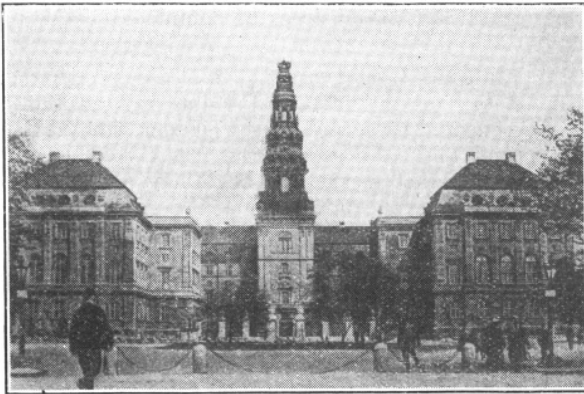
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LOCAL LAND VALUE TAXATION IN DENMARK THE ACT OF 31st MARCH, 1926



THE DANISH HOUSES OF PARLIAMENT
CHRISTIANSBORG CASTLE, COPENHAGEN

WHERE THE INTERNATIONAL CONFERENCE TO PROMOTE
THE TAXATION OF LAND VALUES AND FREE TRADE,
OPENING ON 20TH JULY, 1926, WILL HOLD ITS SESSIONS

(See page 116)

FROM THE DEBATE ON THE DANISH LAND VALUES ACT

LOWER HOUSE
25th November, 1924

THE MINISTER FOR HOME AFFAIRS, MR. C. N. HAUGE (introducing the Land Values Bill): My efforts in working out this proposal have been to make the change over to a new basis of taxation as gentle as may be, but without in the least degree departing from the fundamental principle of the new basis—it is now proposed that the levy of land value taxation shall be mandatory within every local governing area. I am confident that if the Bill is carried we shall have a far better, more rational and more equitable basis of taxation than we have now.

7th January, 1925

MR. WILLMANN, Social Democrat spokesman: The essential thing in my opinion is that the proposal seeks to give effect to the principle of land values, of a tax on the value of land. . . . From all my own knowledge and experience of valuation both for property tax and land value tax I regard the assessments of land value as far more satisfactory than the assessments that combine land and buildings or improvements. I believe that is the view of all who themselves have been engaged in the practical work of valuation.

MR. PINHOLT, Moderate Liberal spokesman: After the law was enacted in 1922 for State taxation (on land values) it should have been obvious to all that it would not take long before there would be legislation also for the local taxation of landed property that rested on the same principle.

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MR. FIBIGER, Conservative spokesman: There are those who are strong supporters of the land values principle and who consider that this tax shall increase steadily until it takes the whole land value—confiscates what has been invested in land while saying it belongs to the community. That was the substantial reason why we on the Conservative side opposed the Law of August, 1922, which introduced the principle of land value taxation. . . . We are decidedly and strongly opposed to any transference of taxes to land values as under this Bill because we see in it definite dangers.

8th January, 1925

MR. HENNINGSEN, Radical Liberal spokesman and Chairman of the Committee on the Bill: The question of land value taxation for local purposes has been before the Lower House for the last four years. Since 1920 Bills have been introduced and the four previous Home Ministers have endeavoured to get laws passed for replacing the existing taxes on landed property by the land value tax. And while Parliament has been considering the question year after year there has been throughout the country an ever-growing interest in getting such legislation carried.

9th January, 1925

MR. MARTIN HANSEN, Moderate Liberal: The towns have been obliged to tax industry, thrift and efficiency, and it has been left to certain individuals to pocket the increases which have come with the growth of the community and the town and have registered themselves in higher land prices. Labour has had to pay.

To those who are against the idea that opportunity should be given the towns to levy a land value tax we address the question: Is it a matter of indifference how much the work of the individual is taxed? Is the view uppermost among the ranks of the Conservatives—put whatever burdens you like on industry, efficiency and thrift so long as you spare the land value that arises in the towns because of growth of population? The speaker for the Conservatives ought, I think, to agree with me that he and I should pay the same amount of taxation on each acre of land that is equally good and equally well situated. I should like to know if anyone will contest that truth. And (in regard to agriculture) is the view really genuine that he who neglects his land

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MR. C. N. HAUGE
MINISTER FOR HOME AFFAIRS

shall get a premium while he who cultivates his land well shall be punished for it in taxation? As to the valuation, the assessments of land value are far more exact than the assessments of the combined value. One could be persuaded of that in 1920 and in the 1924 valuation, still more so.

* * *

MR. GRATHWOHL, Conservative: It has been said that by this Bill we are stretching out a hand to the principle that is especially championed by Georgeism, namely land taxation. Whether the proposal is a concession to those theorists is a question I will pass by. But I have a suspicion that the object is to find a new engine for extorting taxation. The Georgeist idea, which I have taken a lot of trouble to understand, is just a theory that promises great benefits for the community; but it has the defect that it cannot be adopted in an old community. If one had tried to introduce it a thousand years ago perhaps it would have been practicable and now perhaps we should have been living under the idyllic conditions and enjoying the blessings the idea portrays.

* * *

MR. VANGAARD, Moderate Liberal: It is certainly a very old and enormously debated question whether we should have taxes on land value or on land and buildings. Not merely on this occasion but on many occasions endless and often tedious speeches have been made on the subject, not only in this House but at thousands of Georgeist meetings outside. There are quite a number of people who have taken it into their heads that the Taxation of Land Values is the only salutary thing and will bring great good. Others of us, and not a few, believe that nothing very terrible will happen under such taxation. . . . And for my part, although I can be as obstinate as any in my views, I am inclined to say—we have heard so much about this for so many years past, let us give the new idea a chance and then at least we shall be able to talk about something else. Perhaps some of the agitators will feel as if food had been taken from them and become lax if the proposal is carried, and if that should be the case I should not be much disturbed.

* * *

MR. BRORSEN, Moderate Liberal and ex-Minister: With respect to the Bill as a whole and the principle on which it is based I wish to say in behalf of the Moderate Liberal party that the die has been cast without any question whatever. After full consideration—I say it deliberately—we adopted the State tax in 1922 and again in 1922 our Minister for Home Affairs, Mr. Kragh, prepared a Bill for local taxation on much the same lines. I cannot understand therefore, that anyone should think of voting for anything else. I am therefore

fully and firmly convinced that on our side of the House we will stand by the principles written into the law of 1922 and adopt local taxation based on the same principles (namely, separation of land from improvements and the separate taxation of land values).

* * *

[The Bill was referred to a Committee of 15 Members (Mr. Henningsen, Chairman) on 9th January. The Committee made a number of amendments and reported on 6th April after the Parliamentary session was over. The Bill came forward as the first business of the next session.]

25th November, 1925

MR. PINHOLT, Moderate Liberal: I believe that sentiment in the country grows more and more for having this reform carried. I see the finger-post in the petitions that are reaching Parliament and the Government urging that the business be completed.

* * *

MR. FIBIGER, Conservative: We are prepared to accept a tax on the increased value of land but on increases effected by actual sales. [Under the Act there is a special and additional *annual* tax that may be levied on increments, the tax beginning as an *annual* payment due after the date of the next periodic valuation if that assessment shows a given increase in the land value of any property as compared with the previous periodic valuation.] If the State or the local authority carries out work that causes land to increase in value, it is reasonable that the community should have some compensation but nothing should be taxed except actual increments that are proved through sales.

* * *

MR. HENNINGSEN, Radical Liberal: While we on our side have agreed to the various amendments (made in Committee) to the Bill it is not to be said that the proposal now conforms altogether to our ideas. That is not the case. We had no doubts or misgivings whatever as to the wisdom of making land value apart from improvements the sole basis of local taxation. The Moderate Liberals insisted that some form of taxation on improvements should be maintained as an obligatory part of the Bill [whereas in the original Bill it was optional] and we had to work in Committee under such conditions. In the Danish community there is a very large majority who desire that local taxation shall go in the opposite direction, being taken off buildings and placed in greater degree on the value of land. I do not at all understand how any comparison can be made between these two things, land and buildings, when it comes to the matter of taxation. It is unintelligible that a man should pay higher taxes on his property because his buildings are in good condition. Taxation of the combined value and the principle it rests on is as foolish as it possibly could be and from the Radical side we welcome every step that leads to a more equitable basis.

2nd December, 1925

MR. A. C. D. PETERSEN, Conservative: I consider that there is a certain danger of things developing so that the little finger being given to Georgeism more or less of the whole hand will be taken. It has been said that if there is a risk of confiscation by land value taxation the same risk is present with a general property tax. But there is a difference between the application of these two systems. Once land and buildings are separated for tax purposes then the interests of taxpayers lie in two different directions. While the interests are united there will always be opposition to

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an extended use of a general property tax, whether the greater part of the value rests in the buildings or in the land. But when the division is made one will always be able to find the two classes of mutually opposed interests and out of that will come the frequent passage of Acts of Parliament.

* * *

MR. WILLMANN, Social Democrat: The experience I have had as a member for a number of years of the Supreme Valuation Board has convinced me that it is possible to obtain in very much shorter time a valuation of land apart from improvements than a valuation that lumps both land and improvements together.

* * *

MR. PINHOLT: The proposals of the Conservatives that there should be a simple exemption (in the interests of humbler taxpayers) of a given amount from the combined value of land and improvements would destroy the principle of an equal tax on equal land and lead direct to a system that would be most objectionable. It would create the demand for graduated taxation, a considerable area of land (having a value) would be freed from taxation, and I regard that to be absolutely unjustified. . . . I would like to give Conservative members this assurance that if we were to make land and improvements lumped together the sole basis of taxation, Georgeism will gain twenty times as much strength as it would gain by the passing of this Land Values Bill. And then you would find people coming to us and saying—we must be freed from your taxation, we must have Georgeism.

* * *

MR. HENNINGSEN: The demand for the Taxation of Land Values is now so strong in Denmark that it will be very difficult to hold back such a reform.

3rd December, 1925

MR. A. C. D. PETERSEN, Conservative: Mr. Brorsen has said that the die was cast for the Moderate Liberals when they approved the State tax on land values. There are several branches of the Moderate Liberals. There is the section led by Mr. Aksel Jensen behind whom Mr. Pinstrup and several others stand, including the President in the other Honourable House, Mr. Ole Hansen, who are uncompromising opponents of the land value principle.

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[The First Reading being concluded the Bill went to Committee which issued its report on 5th February.]

11th February, 1926

MR. WILLMANN, Social Democrat: Certainly far too much money has been expended by the Conservatives to make success of their agitation against this Bill. It has been said that 50,000 crowns have been used in the circulation of pamphlets. I think it is a pity for these gentlemen that all the energy, the money, etc., employed to persuade people that this was a mischievous Bill has been wasted, for when the law begins to work it will be seen that, to use a mild expression, the stories were fables. This will all react upon the Conservatives, and I venture to say that the people concerned will deplore the money that has been thrown away in this campaign.

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MR. FIBIGER, Conservative: When the first step has been taken a bigger step necessarily follows, and in that way the goal is reached desired by those people who are upholders of the land value policy. Every time the question is raised the demand is enlarged and it cannot

be opposed. We have to give way and then we come to a point that we never expected at the beginning. . . . When one reads what the President of the Upper House, Mr. Ole Hansen, said in the debates on the national land value tax we can see that he has very much the same opinion as we have: if the State tax was passed things would evolve so that the same principle would be applied to local taxation.

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MR. HENNINGSEN, Radical Liberal: I wonder what our successors one hundred years hence will say if they examine conditions here in Denmark after the war and see how the State and the local authorities spent one million after another to build much-needed houses while at the same time they enforced a system of taxation that levied a heavy tax on those individuals who went and built a house for themselves or dwellings for others.

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MR. C. N. HAUGE, Minister for Home Affairs: Like Mr. Willmann I would express my astonishment that this Bill has aroused such violent passion. With a vehemence the like of which we have seldom seen, an agitation is being conducted in the press and at public meetings against this land values proposal, and the landed interests are in a state of fury.

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MR. VANGAARD, Moderate Liberal: No political party can take to itself the honour of having invented the (land values) system. It originates in the so-called Georgeism and among the right Georgeists there are undoubtedly many eminent idealists, but we do not generally share their airy visions that all taxation or at any rate a large part of taxation should be placed upon the land. The fear seems to prevail that now we have begun, we must continue. . . . As I have said, if there are certain people (among whom I am one) who have been against making land values the only basis of taxation it is because we fear that the local authorities could not stand this shifting of taxation. But the State can, and I will say, although it may alarm some people, that there is nothing wrong in going over to the pure taxation of land values for national purposes. Then we will be able to see the true working of the system.

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MR. HAEEKKURUP, Social Democrat: A tax on house rents is surely a tax of the very worst kind. House shelter, a dwelling place, is surely the elementary need of the family. Everyone agrees that the home is the pillar of the State. If that is so, it is preposterous to tax the building, the home. It is clear to me that the Minister is absolutely right when he says that to tax house shelter is as great a wrong as to tax bread.

* * *

[The Bill was carried on 3rd Reading, 11th February, by 103 votes to 26.]

UPPER HOUSE

17th February, 1926

MR. MAEGAARD, Moderate Liberal: I have had much to do in practice with the question of valuation, and it is my decided conviction that within the valuation district where I am the chairman, and within the county where I am chairman of the valuation board we are all agreed that our land valuation as a basis of taxation is far better than the valuation we make of the combined value. Therefore members of this House must not be surprised that I express my pleasure that we are now to have the value of land as a basis for local taxation. The old basis penalized the industrious

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man; and it could not be otherwise according to the rules, because every time a man improved his buildings or his land, of course for himself and his family and his successors, and went in for better cultivation, we took advantage of the first opportunity to say to him, "You must pay more in taxation." Another man, his neighbour, who had the same chance to improve his buildings or his land but spent his money in other ways and let his property go into neglect escaped any such increase in taxation.

* * *

MR. PIPER, Conservative: The significance of the Act (of 1922 for the national land value tax) was not obvious to most people in the country with the exception of the Conservatives who at once called to arms. But there were Moderate Liberals who at that time took a strong line against the new form of taxation which was introduced. I would like to quote what the then chairman of the Moderates said in the Upper House: "I wish at once to say that I am not able to vote for the proposal. I will not deny that one can point to defects in the present tax on fixed property but I am of the opinion that the demerits of a tax on land values will be much greater." . . . Mr. Hauge's original proposal gave the local authorities the discretion whether to tax improvements or not, but in the localities where the majority of the Council is interested (to put it mildly) in land value taxation, the tax on improvement values would never have been applied.

18th February, 1926

MR. HANS NIELSEN, Radical Liberal: It is of the greatest economic consequence for our people that all land shall be used in the best way and that no one who neglects his land should get a premium in the form of reduced taxation; no one should get relief from taxation because he monopolises a larger area than he is in a position to use to advantage. The main thing for the community in respect to the use of land is that it shall be fully used and this Bill contributes a little to that consummation. It will open the eyes of those people who have possessed themselves of larger areas of land than they are able to work efficiently.

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MR. OLE HANSEN, Moderate Liberal and President of the Upper House: Various members of the House will remember that at the time the State tax on land values was before us, I voted against the proposal. . . . Now that four years have elapsed since that law was passed we are faced with the question of reforming local taxation. The Act which placed some State taxation on land values has been tried out as an experiment and we can see that it has provoked no great dissatisfaction. On the other hand different conditions have come more and more to the front with respect to the taxation that is based on the combined value. This dissatisfaction is not universal but has never been so great as it is now. When we regard the general purpose of this Bill I think we must agree with the Minister for Home Affairs that it is a moderate proposal. That is my view of the Bill and I hope that when it comes before us for Third Reading it will be in such a form that I will be able to vote for it.

31st March, 1926

MR. PINSTRUP, Moderate Liberal: On the Third Reading of the Bill in this House it was announced that amendments would be made in the Upper House. I abstained from voting because I wanted to see the man before I took off my hat to him. I will allow that the Bill as it now lies before us has been improved. I

intend now to vote for it and I do so because I attach the very greatest importance to what stands in our programme in regard to equal tax on equal land. That is a just proposition and I feel it cannot be brought about meantime in a more satisfactory way than is here proposed. What a future Socialist-Radical majority in both Houses is likely to accomplish does not arise on this occasion, for if such a majority is voted to power it may carry through whatever it pleases.

* * *

The Bill was carried on the 30th March in the Upper House by 49 votes to 12. It was returned to the Lower House on the 31st March and was carried there by 92 votes to 23, receiving the Royal Assent on the same day.

THE PARABLE OF THE BULL Receipt of the Message from Denmark

The telegram we received from Mr. S. Berthelsen, Copenhagen, announcing that the Danish Government had passed the Act for the Local Taxation of Land Values was a message we had anticipated and had been arranged beforehand in a happy allusion to the opening sentences of Henry George's PROTECTION OF FREE TRADE. It is a striking reflection of which Mr. Berthelsen himself has made constant use in his writings and speeches in the cause he has so faithfully and ably served in Denmark:—

"Near the window by which I write a great bull is tethered by a ring in his nose. Grazing round and round he has wound his rope about the stake until now he stands a close prisoner, tantalized by rich grass he cannot reach, unable even to toss his head to rid him of the flies that cluster on his shoulders. Now and again he struggles vainly, and then, after pitiful bellowings, relapses into silent misery. This bull, a very type of massive strength, who, because he has not wit enough to see how he might be free, suffers want in sight of plenty, and is helplessly preyed upon by weaker creatures, seems to me no unfit emblem of the working masses. . . . Bitterly conscious of injustice, feeling in their inmost souls that they were made for more than so narrow a life, they, too, spasmodically struggle and cry out. But until they trace effect to cause, until they see how they are fettered and how they may be freed, their struggles and outcries are as vain as those of the bull. Nay, they are vainer. I shall go out and drive the bull in the way that will untwist his rope. But who shall drive men into freedom?"

On the 31st March, the United Committee received the following cable from Mr. Berthelsen:

"Danish people have taken one more step to free the Bull."

which, being interpreted, meant that the Bill for the Local Taxation of Land Values had been enacted that day.

A telegram was immediately sent in reply:—

The United Committee heartily congratulates the Danish Movement in their triumph. The Bull has assuredly turned in the right direction. Denmark leads the world towards the economic freedom and justice proclaimed by Henry George.

The same evening the news of the passing of the Act was communicated by telegram to the Press Association and to the American and Australian Press Agencies.