

THE PROPOSED LAND VALUE LEGISLATION IN DENMARK

As was announced in *LAND & LIBERTY* of last month, the Danish Minister for Home Affairs, Mr. C. N. Hauge, introduced on 25th November a Government Bill providing for a considerable measure of Land Value Taxation in the towns, counties and parishes, that is to say, in all the areas, urban and rural throughout Denmark. The Bill, if passed, will take effect as from 1st January of this year, 1925. The Social Democrats who have introduced it are in office, and have in this proposed legislation the determined support of the Radical Liberals, while the Moderate Liberals are also pledged as a party to the Taxation of Land Values.

There is added to the text of the Bill as published a series of explanatory notes, and much excellent doctrine on sound taxation is embedded there that will be invaluable to those who are out arguing to-day in favour of the reform. A number of tables supply ample and instructive data, showing for town and country how different classes of property will be affected by the change, and making similar comparisons with regard to individual properties taken as specimens, such as central and suburban and vacant sites in Copenhagen; and large farms, small holdings, country cottages, etc., in typical parishes. From these official notes the writer has drawn at large in what follows; but he is especially indebted to the masterly analysis of the Bill that Mr. K. J. Kristensen laid before the influential Conference held in Copenhagen on 7th December under the auspices of the Henry George Union. Information and reports on the general position received from Mr. F. Folke, Mr. S. Berthelsen, Mr. Anders Vedel and Mr. Abel Brink, and through the columns of *GRUNDSKYLD*, the monthly journal of the movement, are also warmly acknowledged.

Discussion in Parliament begins early this month. Meanwhile, the whole of Denmark is turned into a debating society on the Taxation of Land Values. The Press is full of the subject and devotes to it from either point of view columns of leading and special articles and correspondence. Already the "Housemen," the small peasant proprietors, of Funen have declared through their association their unanimous approval of the Bill and pledged all their support to see it through. In this attitude they speak for the great mass of small peasants in Denmark. The popularity of the measure among the working people in the towns is equally certain. On the other hand the big landowners have taken fright and are organizing their forces, with much noise and influence. This was foreseen by the Finance Minister, Mr. Bramsnaes, when in May last he declared the Government's intentions. He said: "The Government do not by any means shut their eyes to the great difficulties they will meet in this work of pushing forward the Taxation of Land Values; but they intend to employ all their forces in carrying their proposals, confident that this question has such deep roots in public opinion that it will successfully overcome the opposition against it."

WHAT THE PROPOSALS MEAN

The proposals are far-reaching and of great importance. They cannot easily be specified unless considered in the light of the system of taxation that now obtains. Substantially they mean in the towns a minimum local land value tax of 7.5 per thousand ($1\frac{3}{4}d.$ in the £) of the capital value of land apart from improvements, and an option to levy a land value tax up to 15 per thousand ($3\frac{1}{2}d.$ in the £). In the counties, the actual rate of tax in each case will depend upon certain relations of existing taxes, and over the whole country will average 7.6 per thousand, or a fraction over $1\frac{3}{4}d.$ in the £. In the parishes, the rate of land value tax similarly depends on a separate calculation in each case, but on the average over the whole country will not, for the next two years, be less than 7.7 per thousand ($1\frac{3}{4}d.$ in the £).

The parishes have wide powers of local option and after two years these powers, applied to the new conditions, will enable them to derive their whole revenue from Land Value Taxation, apart from the new fixed ground burden, which is a special and ingenious feature of the Bill. If this power to tax land values is used to the full, the land value tax in the country districts (adding parish and county rates together) will average 3.3 per cent or $8d.$ in the £ of capital value of land apart from improvements.

SUPPORT FOR THE BILL

This is all very significant. It speaks volumes for the advance of the popular demand in favour of the policy in a country famed for its agriculture and where the vast majority of the cultivators are peasant proprietors. The history of the movement in Denmark has been told more than once in these columns and it finds an honourable place in the published proceedings of the International Conference on the Taxation of Land Values at Oxford in 1923, a book that will repay reading again at this time. The progress now achieved and now given such material shape in a Bill before the Danish Parliament is no mere fortuitous thing, lacking understanding or permanent foundation. The idea has been fostered and fed in the hearts and intelligence of the people. Its acceptance is the

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result of a long, unceasing and inspired educative work on the part of devoted adherents who have made their way in the name of Henry George. It was taken into politics by the small peasants who saw and proclaimed its advantages in 1902 as a protest against reaction, and who, within their associations now numbering 80,000 members, have been chief among the political forces making for its practical application. It is clear that the movement for the Taxation of Land Values in Denmark comes from the bottom and not from the top.

VALUATION PROVISIONS

But to return to the Bill, the valuation of 1924 and the succeeding re-valuations in 1927 and thereafter every fifth year, provide the basis on which the new land value taxes will be levied. The 1924 valuation is the third general valuation showing in respect of each piece of land in town and country the capital value of the land *plus* the improvements (if any) upon it, and the value of land apart from improvements. Previous valuations on the same lines were made in 1916 and 1920, although there was then no tax on land values in force. The provisions for the valuation are now embodied in the law of 7th August, 1922, which imposed a national land value tax operative in both town and country, without exemption to any class of owner, at the uniform rate of $1\frac{1}{2}$ per thousand of capital value—approximately one-third of a penny in the £—and producing annually about £300,000. This "little tax," of itself having little economic effect, has proved the keystone of the structure and the efficient instrument of the bigger steps now proposed.

For future valuations the present Bill provides that the land value taxes shall not be taken into account—the capital value is to be ascertained by determining what the selling value of any land would be if the land value taxes on that land were not in force. It is a novel and important provision and incidentally ensures a uniform basis for assessment throughout the country which will not be affected by the varying amount of land value taxes imposed in different districts.

THE EXISTING SYSTEM AND THE BILL IN DETAIL

As already indicated, one can better grasp the full significance of what is intended by looking at the present system of local taxation, a strange mixture of personal taxes and real estate taxes built up under laws applying peculiarly to Copenhagen, to Frederiksberg, to the provincial towns and to the country districts. There are also certain duties on trade and consumption, which are of less importance as revenue producers. The personal taxes are the local income tax and an annual levy on the capital value of personal wealth.

In the different districts the personal taxes and real estate taxes enter into the total tax-revenue in widely varying proportions.

THE METROPOLIS AND THE PROVINCIAL TOWNS

In *Copenhagen*, the real estate taxes make up 15 per cent of the total municipal tax-revenue. These real estate taxes include the tax on the selling value of land *plus* improvements and a series of taxes levied on floorage, frontage and insured value of buildings.

In the *Provincial Towns*, the real estate taxes make up only $6\frac{1}{2}$ per cent of the total tax-revenue and in the main consist in a house tax levied on the insured value of buildings. There is also a tax on the selling value of land *plus* improvements, but it is of little consequence, and in some towns does not exist at all. The small proportion of revenue derived from real estate is partly because, under the law, the towns cannot take more than one-sixth of their revenue from real estate, and partly because the nature of the assessment (mainly the value of buildings) discourages the towns from taking more than is absolutely necessary from that source.

The Bill proposes

For *Copenhagen and Frederiksberg and the Provincial Towns*:

(a) to abolish the tax on the value of land *plus* improvements;

(b) to commute all other real estate taxes into a fixed and unchangeable charge called "old tax," which in future will be the same annual amount on any property as was obtained in 1924 from the taxes thus displaced;

(c) to institute a tax on the value of land apart from improvements at a minimum rate of $7\frac{1}{2}$ per thousand (capital value) and a maximum rate of 15 per thousand;

(d) that whatever the rate of land value tax adopted, the rate on any given property shall not exceed 5 per thousand of the composite value (the value of land *plus* improvements) for the first two years; and for the three following four-yearly periods shall not exceed respectively 7, 9 and 12 per thousand of the composite value; but any increase in the land value over the valuation made in 1924 shall be subject to the full rate.

This last-named provision (d) is, of course, a departure from the clear principle of Land Value Taxation, which makes no distinction between one kind of land and another. The land value is there; it is a public value, and should be taxed at the same rate all along the line. This provision (d) is intended to "soften the blow" upon vacant sites and under-developed land by allowing a transition period. In the case of vacant land, for example, the composite value is the same as the land value, since there are no improvements. Therefore vacant sites cannot be taxed at more than 5 per thousand ($1\frac{1}{4}d.$) in the £ to begin with. The concession is wrong in principle and means also that as soon as the site is properly developed the full rate of tax will fall on it *afterwards* instead of *in the beginning* and throughout.

Land Value Revenue in the Towns

The total amount of the land value taxes to be levied in Copenhagen, Frederiksberg and the provincial towns works out at £450,000 if the minimum rate is adopted throughout; and £900,000 if the maximum rate is adopted throughout—less in each case the temporary loss due to the partial concession (d) above mentioned. The excess revenue over that obtained from the existing real estate taxes will make it possible with unchanged budgets to reduce the personal taxes by £120,000 in the former case, and £461,000 in the latter case.

COUNTRY DISTRICTS

In the Counties and Parishes, the present assessment of real estate taxes is partly on the basis of selling value of land *plus* improvements and partly on the old "hartkorn" basis, which is a measurement of the qualities of soils according to an established scale. Since 1903 the "hartkorn" tax is being replaced step by step by the tax on the selling value of land *plus* improvements—much to the disadvantage of the smaller holdings and the most improved land. At the present moment, the revenue from real estate is made up of one-fifth assessed on the "hartkorn" basis and four-fifths assessed on selling value. After 1st April, 1925, according to the law as it now stands, the last fifth of the "hartkorn" tax will disappear and the real estate taxes will fall wholly on the selling value of land *plus* improvements—which will cause a further shifting of the burden from the bigger landed properties, and from land not intensively cultivated, to houses, small holdings and land now put to its best use.

The county taxes are levied wholly on real estate on the two-fold assessment just described. The parish councils, however, levy personal taxes as well as these real estate taxes and in such proportions to their total tax-revenue as they with the approval of the county council may decide. The proportions so fixed hold good for three years at a time. They vary considerably from parish to parish; the average for all the country districts (counties and parishes taken as a whole) shows that 60 per cent of the total taxation is taken from real estate.

*The Bill proposes.**For the Counties and Parishes:*

(a) to commute the "hartkorn" tax into an "old tax" at a fixed amount for the future after the same manner as the "old tax" is created in the towns; the "old tax" will also include, in the case of properties of less extent than $1\frac{1}{2}$ acres, a part of the tax now levied on the value of land *plus* improvements.

(b) to abolish the whole of the tax on value of land *plus* improvements that is not commuted into "old tax";

(c) to levy all real estate taxation (save the "old tax") on the value of land apart from improvements, with the exception, however, that the parishes *may* levy a tax on buildings and improvements at a rate not exceeding two-thirds of the rate levied on land value; if they so tax buildings and improvements there must be an exemption of 10,000 crowns (£400) improvement value in each case;

(d) to continue the option now enjoyed by the parishes to vary the relations between real estate taxes and personal taxes; in future they may do so once every four years, but until April, 1927, the present relations shall hold good.

The rate of the tax on land values in the country districts depends upon a special calculation. Here again the Bill departs from the true principle of Land Value Taxation. It puts into one class in each county and parish all properties of $1\frac{1}{2}$ acres (one "tönde") in extent or more, and into another

class properties of *less* than $1\frac{1}{2}$ acres. It prevents any transference of taxation from the one class *as a whole* to the other class *as a whole*. It determines what rate of land value tax is required to replace the tax on land *plus* improvements that is now paid by all properties of $1\frac{1}{2}$ acres or more; and whatever that rate may be, it is applied over the whole county or parish. The effect of this distinction as between properties is that the tax on land *plus* improvements, now paid by the smaller properties, will *not* be fully replaced by land value taxation; and the part not so replaced is to be commuted into and added to the "old tax" as mentioned under (a), thus giving the smaller properties less relief than they would have received if the rate of land value tax had been measured by the land value of the whole area.

The option given to the parishes to tax buildings and improvements, even to a limited extent, is another of the blemishes in the Bill our co-workers in Denmark hope to see remedied. A door seems to open also in a backward direction in the power the parishes will have after April, 1927, to vary as they like the relation between revenue from real estate taxes and revenue from personal taxes. A parish might conceivably abandon the land value tax in favour of the personal taxes. If this is a correct interpretation of the clause as it stands, a few words might well be included in the Bill providing that however the parishes may exercise their option after April, 1927, the proportion of revenue taken from real estate shall not be less than it was in 1924.

Land Value Revenue in the Country Districts

The county land value tax will contribute altogether £911,000 to the county revenues, taking the 1922-23 requirements as the basis—an assumption that applies to all these estimates; and the average rate of the tax will be 7·6 per thousand.

The parish rates are levied in addition to the county rates, every taxpayer being charged with both. The parish revenue from land value taxation will be not less than £925,700 for the next two years; and after two years may be as much as £3,041,900. The minimum sum (£925,700) for the next two years is what would be produced by the land value tax if all the parishes decided, a very unlikely event, to take as much from building tax as the new law will permit. The maximum (£3,041,900) after two years is what the parishes

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will be able to derive from land value taxation if they all decided to avoid taxing buildings and at the same time abolish the personal taxes. The average rate of land value tax to produce the minimum sum (£925,700) is 7·7 per thousand; and to produce the maximum sum (£3,041,900) the average rate would be 2·54 per cent.

TOTAL REVENUE IN ALL DISTRICTS

What the Bill will accomplish is brought out in these figures. The minimum annual revenue from land value taxation in all the local authorities, town, county and parish, taken together works out for the next two years at a sum of £2,286,700 and the maximum annual revenue after two years at a sum of £4,852,900. *These sums represent taxation that in effect will be transferred from industry and employment to the value of land apart from improvements.*

THE TAX ON INCREASED VALUES

All local authorities will have the right to levy an annual additional tax up to 1½ per cent (3½d. in the £) of *increases* in land value between the 1924 and succeeding valuations. This *annual* tax, in the towns, counties and parishes that adopt it, will be levied on all sites that show greater relative increase in the assessment of land value than the increase over the whole country. The official notes on the Bill say with regard to it: "This tax is not a tax on the transfer of land leviable only when the sale of the property shows an increase in value. If increases in land value are to be regarded as fit objects for taxation it is somewhat inconsistent to postpone the levy until transfer takes place. The tax on the increase ought to be payable to the community from the time that the economic value of the land has risen, without regard to whether the owner himself continues to hold the land and its increased economic potentialities, or by selling passes them on to others. A tax on increased values collected when land changes hands can be easily evaded by the formation of companies or corporations, and in general has the effect of hindering the transfer of land."

This new proposal is therefore very different from the "increment duty" of our own 1909 Budget. Yet it is not free from grave objections. It will result in unequal taxation on lands of equal value. You and I, for example, have each a piece of land worth £1,000, and therefore owe the same debt to the community. Yours has risen to that point from something less, while mine has remained stationary. Why should you pay more *on that account* than I? We should both pay an equal amount because the value is the same, and any other plan is a departure from the principle of Land Value Taxation.

OTHER PROVISIONS

As already explained, the capital land value is in future to be assessed apart from the land value taxes; but the opposite is the case with the "old tax." That is to be treated as a public mortgage and the capital value shall be assessed subject to that burden and not apart from it. There are provisions for redeeming the "old tax" where it is small in amount.

The owners of dwellings built since 1st June, 1916, under the law that gave public subsidies, can demand exemption from the "old tax" but the tax shall

be levied on the site at the amount due from it if it were vacant. There is a similar exemption from any taxation the parishes are likely to levy on buildings and improvements. Many of the dwellings referred to are already exempt for a period of ten years after they were built, and this provision would enact lasting exemption.

Respite is given in the payment of the land value taxes wherever it can be proved, to the satisfaction of the local authority, that conditions for which the owner himself is not responsible make it difficult to put the land at once to its best use. The respite is allowed for only one valuation period at a time and ceases if the owner makes material alterations in the property, and the provision lapses altogether after 20 years. In any case, the due amount of land value taxes accumulates against the payer; it must be discharged eventually and the local authority will not be defrauded or deprived of the taxation that has been levied.

The local authorities have power to add interest at the rate of one half per cent per month if the real estate taxes are not paid within one month after payment has been demanded; and may issue a distress warrant for all taxes plus interest due. All the real estate taxes, and accumulated interest, are charges upon the property as a whole and the owner as holder of the title shall be answerable for them.

Where there is a contract for tenancy and the tenant has contracted to pay the whole or any part of the taxes commuted into "old tax," he shall refund to the owner the corresponding amount of "old tax." Similarly, where a tenant has contracted to pay the former tax on composite value (land *plus* improvements) he shall refund the owner the land value tax and the parish tax (if any) on improvements, in so far as these two taxes do not exceed the previous tax on composite value. If there is an excess in the amount, and owner and tenant cannot agree how much of that excess either should pay, they can require a decision in the matter by the local valuation board subject to appeal to the local tax authority and the central valuation board.

THE PROMISE OF THE BILL AND ITS ACCEPTANCE

We have dealt with the Danish proposals at this length for the instruction they afford in the matter of policy and practice. It is something to know that such a measure is now under consideration in a European Parliament. Its passing will make a gift of a great object lesson to the progressive forces in every country, and engage their attention more and more upon the sure, sweet and swift way to promote industry and progress. We are not looking hard at any blemishes in the Bill or any concessions to things as they are. They can be rectified later with the further certain growth of the idea that land value is the proper and natural source of public revenue and that all taxation on trade, industry, improvements and "the work of man's hand" should be repealed.

The grand concession is not to those who stand for the private appropriation of rent but to those who would put a stop to it. The public presentation of these proposals, by authority of a responsible Government, is in itself a great victory whatever

may happen, and our co-workers in Denmark are to be envied and congratulated that their country puts it on record.

CONFERENCE OF THE HENRY GEORGE UNION

The United Committee cabled this message to the Conference convened by the Henry George Union in Copenhagen on 7th December to discuss and consider the measure: "Congratulations on the proposed legislation; we have examined the Bill and are deeply impressed." To the Conference, invitations had been sent to branches of the Union and to friends and adherents in all parts of the country. More than 150 delegates were present, including among them representatives of the political parties and of such bodies as the Association of "Housemen," the Union of Justice, the Christian Social Union, the House Tenants League and other societies and organizations. Mr. K. J. Kristensen, who is one of the secretaries at the Central Valuation Board, made his able statement on the scope and purpose of the Bill, a statement now in print, and we hope it will have the widest possible distribution in Denmark. After discussion, a resolution was adopted unanimously which, while urging certain necessary amendments, called upon all adherents to enter the lists in favour of the good Land Value ideas embodied in the Bill, so that they would find clear expression in the law to be passed; and especially to work for the removal of all arbitrary distinctions, with Land Value Taxation fully applied and all taxes on industry and consumption abolished.

Thereupon a large Committee was appointed to watch the situation and to consider further the question of calling the next International Conference on the Taxation of Land Values in Copenhagen.

MR. F. FOLKE'S ADDRESS

Nothing can better show the spirit of our co-workers in this promising land and their earnestness of purpose than the eloquent address with which Mr. F. Folke, the President of the Henry George Union, opened the Conference and exhorted his fellow workers in the cause. His words speak the hope and the encouragement that inspire all effort to build that new civilization revealed so clearly by Henry George himself:

"While the enemies of the Taxation of Land Values are giving vent to their agitated state of mind, protesting loudly at their meetings and passing angry resolutions, while the big landowners in town and country are busy exploiting the forces of monopoly to excite opposition against the Land Values Bill the Government has introduced, we are gathered here to-day as adherents of the Taxation of Land Values soberly to consider this proposal with all the serious attention it deserves, and to provide ourselves with the equipment necessary to take part in the work of bringing the question to a successful issue in the interests of both land and people. . . .

"A glance at the list of those who have been invited will show how manifold are the supporters of the Taxation of Land Values. We bear the stamp of no class; but we are all the more to be recognized I hope by a thought that impels us all to itself. An idea is true, is broad and profound, when it can be perceived from all sides and its

realization can be confirmed by the results it would have in the most diverse directions. I venture to assert it is this universal validity, this privilege Truth has, that gives the Land Value idea such attractive force from so many sides. The 'old-fashioned' Georgeist can be said to attach most importance to its social results, the Christian Social worker is perhaps taken up more with its ethical aspects, and the Union of Justice more with what should be equitable before the law. The representatives of the Housemen think perhaps first and foremost of the question of equal rights to the land, while the representatives of the House Tenants keep before them the solution of the housing question. For an individualist, the Taxation of Land Values makes the clear distinction between the rights of the individual and the rights of the community, while the Socialist emphasizes the recognition of the community's right to those great values that heretofore have been enjoyed by private capital and have been the condition of its mastery. A worried taxpayer sees rightly in the Taxation of Land Values the only means to put a stop to the tax robbery of to-day, while an anxious finance minister can no less rightly regard the Taxation of Land Values as the only basis that in the long run can support the expenditures of the community, because it does not repress production.

"Many roads lead to Rome and we who are met here to-day must not forget that the roads may be different although the goal is the same. It is our task to promote what we can agree upon and to let be things on which we cannot unite. That is the fundamental rule of all good co-operation. The more the Land Values idea means for us, the wider and stronger are the perspectives that we see in its light, the further will our unity reach.

"And with respect to the proposal that now lies before us there are perhaps not many, and fewest of them among the Socialists, that could have dreamt it would be their Government that would take up this task. But I believe that we can congratulate ourselves upon having the will to understand one another, which in spite of all is what has given Denmark's inner history its peaceful and happy character.

"With this proposal, the old rule holds good—moderate in form, strong in principle. It is a decided break-away from the taxation of values made by labour, and puts upon the local authorities the duty of carrying through a prudent but straightforward experiment with the Taxation of Land Values. It will be for experience to determine how much farther we can go on that way.

"We who are met here to-day may have many different opinions on the details of the proposal, on its construction and its adequacy, but let us hope we can all unite in agreeing that it is an advance in the right direction, one of the thousand steps that the race must take on its way to the Eternal City of Justice"

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