

VALUATION IN DENMARK

Unimproved Land Value and Agricultural Land

We referred last month to a pamphlet, "Notes on the Agenda," which was issued to a section of the delegates at the recent Liberal Land Conference by the "Land and Nation League," the offspring of the Lloyd George Land Inquiry Committee. The pamphlet was a shot in the campaign being carried on to persuade Liberals and others that a tax local or national on cultivable land would throw a "heavy burden" on the farmer; it would injure agriculture by stopping the use of land for cultivation; that no one can effectually assess the value of land apart from improvements in the case of agricultural land, and even if it could be done the land value would be found to be negligible or non-existent. In any event, the proposal to rate or tax the value of land would be rejected alike by the working farmer and the agricultural labourer wherever an attempt was made to explain it to a rural community.

These varied and conflicting contentions are the familiar stock-in-trade of the opponent of the Taxation of Land Values, and there is a ready answer to them all, as anyone will discover who cares to look through the publications of the Land and Nation League itself.

And if argument does not convince, the challenging evidence of Danish practice, experience and legislation remains to trouble the objectors. The facts about Denmark, an agricultural and industrial country, and an "old" country "older" than the British Isles in the matter of settlement, leap to the eye. With the warm approval of the great mass of Danish peasants and of the working population in the towns, the thing said to be impossible or absurd has been achieved. Official statistics, extraordinarily full and illuminating, provide the results of the land valuation made over the whole country at periodic intervals. A national land value tax is in operation in all urban and rural areas, where also local taxation of land values will apply, in accordance with the Government Bill about to be enacted. It is not necessary to say, for it is common knowledge, that the working farmers and the small holders welcome this measure, that they have striven for a bigger and more radical step, that in their eyes land value taxation and free trade will be an enormous benefit to all who wish to make the best use of the land.

The Land and Nation League have to face the facts, but they do so haltingly and with reservations, their pamphlet making the following statement:—

The taxation of the "unimproved value" of agricultural land has been found practical in Denmark. But this unimproved value is not simply the so-called "site value" or prairie value. It excludes improvements *on* the soil, *i.e.*, buildings, etc., but not improvements *in* the soil. This distinction is vital and illustrates again the fundamental difference between soil land and site land. In any case it was not found practical until the greater part of Danish land was held by small holders.

In fact, according to the Land and Nation League, the example from Denmark does not apply and it is misleading to quote it as a precedent. The line to take is that the land valuation in Denmark is faulty and should be discredited. These tactics are backed up by the quite irrelevant assertion that "in any case" the taxation of "unimproved value" was not found practical until the greater part of Danish land was held by small holders—as if land value had been tried in some past age and had proved a failure.

The majority of Danish land has been held by small

peasant proprietors for several generations. The new small holdings established by the legislation that began in 1899 account for only a very small proportion of the total number of the 206,000 farms of all kinds and sizes.

Taxation of Land Values first became a political issue in 1903, when the system of basing taxation, local and national, on the comparative natural fertility of the land was swept away to make room for what proved to be a system of taxing a man the more heavily the more he improved the land. It was then that the justice and expediency of taxing land values became abundantly clear.

The Reply

As to the statements in regard to the ascertainment of land value for purposes of taxation, we sought an expression of opinion from Mr. K. J. Kristensen, of the Supreme Board of Valuation of Denmark, than whom no one can speak with more authority on the subject.

Mr. Kristensen wrote (in English) as follows, under date 15th March:—

The contention that the Danish land valuation "excludes improvements *on* the soil, *i.e.*, buildings, etc., but not improvements *in* the soil" is not correct.

Agricultural land is valued as being in a normal and average state of culture. Improvements in the soil due to high farming are excluded under that provision.

The land is valued in its autumn condition after the crop has been gathered and before the autumn work begins. The annual outlay for seeds, manure and cultivation is not included.

All improvements as are easily ascertained, apart from the land itself, such as hedging and fencing, are treated in the same manner as the buildings.

Further, if the owner or his predecessor, in order to bring his land into an average state of culture, has had any outlay (capital expended or work done) within a period of 30 years upon improvements that "merge in the land," the owner can claim an allowance up to the amount of his outlay though not higher than the value which is attributable to the said improvements; provided that he has not already recouped his outlay by the greater yield of his land. Allowance under this head must be claimed by the owner before it can be granted, if it is agreed.

Very few such claims have been made as yet, the small rate of the national land value tax (equivalent to 7d. in the £ of annual value.—Ed.) not giving any special inducement. When the local taxation of land values takes effect, the taxpayers will have a greater interest in the allowances for the improvements named and claims for a much greater number than now will have to be heard.

It is because up to now owners have not claimed an allowance that in the valuation of 1924 the improvements in the way of reclaiming, liming, draining and the like are generally valued as pertaining to land value. At the same time, farmers who are themselves members of the Supreme Valuation Board hold, I think, generally to the opinion that in ordinary farming such improvements are "paid off" in a very short period of years, and that the question of deduction for improvements which "merge in the land" is of no great importance any more for the country than for the towns.

Certainly, legitimate deductions for all such improvements will account only for a very small amount in proportion to the total land value.

Mr. S. Berthelsen, member of the Supreme Valuation Board, who was also consulted, wrote that the valuation had been carried out in complete harmony with the principles and policy of Land Value Taxation.

The Case for Agriculture

We have pointed out repeatedly that the ratio of the aggregate land value of agricultural land in Denmark to the aggregate composite value of land and improvements is $46\frac{1}{2}$ per cent. That is to say, land value on the average is $46\frac{1}{2}$ per cent of the value of the land plus the improvements. The ratio varies within wide limits, being as high as 70 per cent in the case of larger farms and below 20 per cent in the case of small intensively cultivated holdings. This variation in the relation of land value to composite value is the sum and substance of the matter and throws into brilliant relief the argument for land value taxation as affecting this or any country and applied to every kind of land, whatever its really "best use" may be.

The latest figures published by the Board of Agricultural Economics show that in addition to capital invested in the way of buildings, stock, implements and stores, the yearly expenses on farming operations in the case of small farms of 10 hectares and less are 1,266 crowns per hectare, whereas the expenses in the case of large farms of 100 hectares and more are 541 crowns per hectare. The typical small farm, more productive than the typical large farm, has relatively far more improvements "in the land," not to speak of improvements on the land, as the result of this much greater expenditure. If the valuation did not eliminate these improvements "in the land" the small farm would appear to have a relatively higher land value than the larger farm; but the valuation proves otherwise and rightly brings out the results already indicated—that 70 per cent of the total value of large farms is value of land as against only 20 per cent or less in the case of small farms.

If the average ratio of land value for agricultural land in Denmark is $46\frac{1}{2}$ per cent, it is likely to be much higher in Great Britain, in view of the acknowledged large area of land that lies idle or under-cultivated in this country. Wherever land is thus neglected or has "gone back" after having been in good use, the residual value of any improvements or any past expenditure is nothing at all. The ratio of land value to composite value is well up to 100 per cent. Accordingly, where land is well farmed and where therefore the land value is a low proportion of the total value, as compared with the average in any district or over the whole country, the greatest benefits will accrue from the taxation of land values. By the same token the under-used land and vacant land will be forced into a better use, and in all the opportunities thus made available there is great prosperity in store for every rural community. It is a prospect which, we imagine, will be hailed with acclamation by every working farmer and small holder throughout the land.

A. W. M.

NEW PAMPHLET.

WHO OWNS THE LAND?

Correspondence on Mineral Royalties between Mr. Andrew MacLaren, M.P., and the Duke of Northumberland, and Report of Mr. MacLaren's speech in the Queen's Hall, London, 16th February, 1926.

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THE HOUSE FAMINE

Taxation of Land Values as a Remedy

(From the MANCHESTER GUARDIAN, 10th March)

The Manchester Land Values League, whose secretary is Mr. Arthur H. Weller, has issued a pamphlet which is described as a reply to the housing proposals put forward by the Social Service Committee of the Manchester and Salford Council of Christian Congregations. What that Committee hopes to do is to mitigate the shortage of houses for the poorer classes of the community by embarking on a house-building scheme of its own, provided that a sufficient number of well-disposed people can be found to lend money at the low rate of interest of $2\frac{1}{2}$ per cent for the financing of the scheme.

The authors of the scheme (says the Land Values League) argue "that the problem is not merely how to get houses built, but how to reduce the cost of building so that they could be let at an inclusive rent of 10s. per week. They also assert that only by the use of money at a low rate of interest can that be done. In another similar scheme no less than four parties are to combine in helping poor tenants to pay house rents: the State, the local authority, the lenders of money, and the shareholders. If these proposals were to materialize, many of the people most in need could not afford even the reduced rents. A few might be benefited; but such schemes, if successful, would have effects not anticipated by their supporters. The new demand for sites and materials would stiffen prices and make continued building difficult, and if, in spite of that, enough houses were built to reduce rents generally, the purchasing power of the working classes would diminish because wages are regulated by the cost of living, and a reduction of even one item in that cost would be followed, sooner or later, by a reduction of wages. Some other scheme to make houses artificially cheap would then be sought, and the same tragic round of wasted effort and blighted hope would be repeated." What is really needed, in the eyes of the Land Values League, is a practical policy which will reduce building costs and also stop the downward tendency of wages. The solution which it propounds is, of course, the taxation of land values. Building costs, it says, can be reduced by making building sites and materials cheaper, and that can be done only by increasing supplies. "If all the owners of land were taxed on the basis of its selling value, whether used or not, the withholding of sites, and clay and state land, would be difficult or impossible, and a bigger market supply of land would reduce prices and encourage production. A change could also be made in local rating by levying the rates on the unimproved value of the site alone, instead of on the combined value of land and improvement as at present. As such rates and taxes would fall on unused as well as used land, it would cease to be profitable to hold land out of good use. The production of bricks and other materials would then increase, and houses would be built on cheaper sites and with cheaper materials."

The STOCK EXCHANGE GAZETTE of 18th February, quoting the WINNIPEG FREE PRESS, points to the fact that during the past fifty years the land value of grain-growing land in Illinois has increased from \$8 to \$41 an acre, while in the past thirty years the land value of land for mixed farming had risen from \$54 to \$188 an acre. In Iowa the corresponding increases have been from \$6 an acre to \$28 an acre for grain-growing land and from \$43 to \$227 an acre for mixed farming.