

By KNUD THOLSTRUP (Copenhagen, Denmark)

The article by Michael Horsman prompted me to give a little about experiences and theory on the matter of pressing down land value by using land value taxation.

LVT is shrinking as a percentage of total taxes in Denmark at present, yielding only about 2.5% of governmental and municipal budgets. When the municipalities had sovereignty as to how much of the taxes should be paid as LVT and how much as income tax, there were no differences in land prices in two municipalities where there were differences between the two kinds of tax, such as: City no. 1, 7% LVT and 15% income tax. City no. 2, 1% LVT and 20% income tax.

When a man buys a farm he is looking at its rentability for agricultural production, and he does not mind whether he pays more or less of the two taxes, as long as the total is the same. In theory, if you replace all income tax by LVT, the terms for being a farmer would be equal, and therefore no reason for the reduction of land prices. So Georgists are wrong when they promise that land can be traded for next to nothing when LVT is introduced in its totality.

You can replace all income tax by LVT, but I don't think it is wise to point out to a landowner that his land will be next to worthless when LVT is introduced. He will fight for his right and what he has paid for and will be a very effective opponent.