OUR PRESIDENT'S TOUR
Of U.S.A. and Canada

Most gratifying is the report received from Miss V. G. Peterson, executive secretary of the Robert Schalkenbach Foundation, of the success attending the lecture tour by the Hon. F. A. W. Lucas, Q.C., President of our International Union, during his recent visit to the United States and Canada. The tour was arranged and sponsored by the Foundation with the helpful co-operation of the Henry George School extensions along the line of route. Judge Lucas arrived in New York from England on September 24, and departed from there on his way home to the Transvaal on December 18, and within that period he undertook a far-travelled and most strenuous campaign, frequently keeping several speaking appointments on one day. At each centre, besides the public engagements, there were meetings with the local branches of the Henry George School. Starting from New York, Judge Lucas spent a week in Canada at Ottawa and Montreal with Sherbrooke in Quebec also visited; then to Washington D.C. for three days; after return to New York and Newark, N.J., on to Chicago; to Dayton in Ohio; to California (three weeks stay) for numerous meetings in Los Angeles, San Francisco and San Diego; then to St. Louis in Missouri; and on the way back, breaking journey at Chicago for six days further campaigning there. Finally, before departure from New York, there was the week spent in Boston, Mass.

Very important among the groups addressed—and exceedingly satisfying because so influential—were the students and faculty members of no fewer than seventeen universities and colleges; at the Columbia in New York, for example, before an audience of 1,000. Making up the service rendered by this eminent advocate of Henry George's Social Philosophy and vindicator of its practical application was the advantage he took of the opportunity given to address, from place to place, as many as 65 assemblies, including business clubs, church congregations, municipal and professional groups, the Forums as in Washington and San Diego, and other institutions. Six times he gave broadcasts on the radio and five times he appeared on television programmes.

In especial, Judge Lucas was in great demand by American audiences eager to have a first-hand explanation of the tense situation in South Africa which has been created by the widely-criticised policy of race segregation called the "apartheid." He gave a clear picture of how this policy had grown out of the fears held by those of European origin of being displaced by the non-whites who make the great majority of the population. He insisted that there is room and opportunity for all in South Africa's expanding economy, and he pleaded for a change that would free the land and encourage co-operation between peoples, regardless of colour.

At a dinner given in honour of Judge Lucas by the Henry George School in New York on December 3, Mr. Ezra Cohen, presiding, voiced the sentiments of all present by the tribute he paid to their guest for the captivating and effective manner in which he had enabled so many of their fellow countrymen to appreciate more fully the wisdom and the justice embodied in the teachings of Henry George. An illuminated scroll, commemorating Judge Lucas's visit to the Western Hemisphere was presented to him by Miss V. G. Peterson on behalf of the Robert Schalkenbach Foundation.

From Mr. J. Rupert Mason in San Francisco and from a number of correspondents elsewhere we have had letters attesting the welcome given to Judge Lucas by his audiences. As for the newspaper publicity, most notable was the extensive report appearing from the pen of Mr. Harlan Trott in the *Christian Science Monitor* of December 27. It stated faithfully the speaker's views in his address to an influential business group in San Francisco; and in that there was good education for a mighty host of readers, so widespread is the circulation of the *C.S.M.* all over the world. "What Constitutes a Sound Tax System," was the subject discussed. Judge Lucas, it was remarked, had "gained a certain international reputation for helping to install some tax reforms in Johannesburg and other cities of the Transvaal which have been taxing land values at the same time exempting buildings and improvements since 1918." The philosophy behind the Johannesburg plan was that there were two ways of raising public revenue: either by taxes that restrict or by taxes that encourage private enterprise. "Land has value," the speaker was reported to explain, "because of the presence of population and because of its inherent qualities; land produces nothing by itself, its value is made entirely by the community; the holder may make improvements, but he does not make the value of land; the value which the community contributes should be used for the support of government." Interestingly, what is called the "Pittsburgh Plan," which observes the principle although it goes but half way in exempting buildings from the city taxes, was mentioned—interestingly, because San Francisco's Redevelopment Agency is being asked to consider that plan in improving a blighted area south of Mission Street in downtown San Francisco. And Mr. Harlan Trott observes how timely Judge Lucas's talk has been, for since then "the San Francisco Board of Supervisors has asked to see the contract forms and other details worked out in connection with the renaissance of downtown Pittsburgh, where whoever erects a new building knows in advance that the city will halve the tax on the building." (In other words, the city taxes in Pittsburgh are so levied that the rate of tax on the building value is half the rate of tax on the land value of each property.) "This means that more of the cost of government is charged against the value of the site, a value which the community creates by wearing out the sidewalks throughout the Golden Triangle of the shining new Pittsburgh."

NEW DANISH LEGISLATION

Legislation "For Valuation and State Taxation of Landed Property" is proposed in the Bill under that title presented in Parliament on January 19 by Mr. Kampmann, the Finance Minister. The Bill would consolidate the existing Acts incorporating in them the following new provisions:—

1. *The Land Valuation.* The periodic general valuation to take place once every four years instead of quinquennially as under present law.
2. *The Tax on Buildings.* No further taxation to be imposed on buildings and improvements. Present amount of tax on existing buildings to be frozen and to be abated by 10 per cent every fourth year until it is finally eliminated. This means that all buildings and improvements erected or made after the passing of the Act would automatically be exempt from taxation. (Observe that the foregoing refers to *National* taxation with which specifically this Bill deals. *Local* taxation comes under separate legislation. A Bill relating thereto and taking similar action as to local rates on buildings and improvements may be expected.)
3. *The Increment Tax.* To be widened in scope by embracing the whole amount by which the assessed land value of any land is seen to have increased at each periodic

valuation subsequent to the one chosen as datum line. At present the tax is charged upon something less than three-fourths of such increase.

The outstanding feature of these proposals is the decision to shorten the interval between the periodic general valuations—together with the attention paid to the rules for valuation procedure as laid down in the original Statute of 1922. Sundry amendments are made therein, guided by long practical experience, which will ensure still greater precision in the assessment of the value of land apart from improvements.

The tenth general valuation took place in 1950 and should have been followed by the eleventh in 1955, but for special reasons that was postponed till 1956. It is now being undertaken and, under the Bill, the next will be made in 1960 and so every fourth year.

What the Bill aims to do with regard to valuation represents a considerable advance. The proposed abandonment of the tax on buildings is admirable as far as new buildings and improvements are concerned; but one is mystified for reasons why the tax on existing buildings should have to peter out its existence over forty years instead of being abolished forthwith, were the Government minded to it. That raises the question of the alternative source of revenue which lies in the value of land, to obtain ever more from that source and ever less by taxation whether on buildings or any other result of labour or capital expended. But there the Government meanwhile stands pat, the present Bill's only provision for additional land-value revenue being such as may be got after 1960 from the revised increment tax.

To digress. It may be useful to explain that there are three real-estate taxes. They are levied as an assessment of selling value. They are (a) the land-value tax levied annually on all land values at the rate of 0.6 per cent (" 6 per mille ") equivalent approximately to 1½d. per £; (b) the tax at 4½ per mille on the value of buildings and improvements as reduced by various tax-free abatements, and (c) the increment tax levied at the rate of 4 per cent on *increases* in the assessed value of land.

The land-value tax has stood at the 6 per mille rate since 1937. The present Bill re-enacts and leaves it at that. It is disappointing that the opportunity has been missed to increase the rate, so to obtain more revenue from land values and to reduce the repressive taxation now levied on trade and industry.

The operation of the increment tax may thus be illustrated: Let the 1956 valuation be the datum line. A piece of land (A) then has an assessed selling value of 40,000 crowns. By the next valuation (1960) the selling value has risen and the land is now assessed at 60,000 crowns.* The " increment " is 20,000 crowns and the 4 per cent tax being applied to that, this land has to bear an annual rent charge of 800 crowns; that is, for the future until a subsequent valuation shows a change in the assessed selling value, increasing or decreasing the " increment," which is always the excess over the datum line valuation. But the 1956—1960 comparison serves the argument. Consider now a piece of land (B) in a quiescent district where land values have remained stationary. Its assessed selling value in 1956 and in 1960 is the same—namely 60,000 crowns. Owner A, the first case, has to pay the 800 crowns rent charge because his land has risen in value, while owner B, the second case, pays nothing, on the assumption apparently that he has " gained nothing." But reduce the whole illustration to *annual* value and a completely different picture is presented. To put it familiarly, Owner A was " pocketing " 2,000 crowns economic rent in 1956; in 1960 would pocket 3,000 crowns. What about owner B? He was pocketing and is still pocketing 3,000 crowns of economic rent. He the greater " appropriator " goes scot free while his brother landholder, the lesser " culprit," is surcharged and for no other reason than that the rent he used to enjoy is less than the rent he enjoys now. This indeed is the very antithesis of land-value taxation and its principle of " equal tax on equal land," besides its contention that *all* land value belongs to the community. The increment tax suggests the ridiculous that land value is divisible in two parts, making the appropriation of one part more " wicked " or anti-social than that of the other, and it allows all " datum line " economic rent to remain in private pockets—actually sanctifies that. Its basis of selling value is false, since selling value has nothing whatever to do with what has happened in the past, the rents of those years having been spent and consumed. The selling value of land is the price of the privileged right to appropriate the rent of the land in the future. And, if the assessment for land-value taxation were the *annual* value, the unjustly discriminating nature of the increment tax would at once be revealed.

The observations we have thus ventured to submit are we trust not presumptuous. But certainly the straightforward land-value taxation is the key to the whole matter and whether or not the Government is putting this Bill forward as a " standstill " so that only " increments " are to provide additional land-value revenue for the national treasury, remains to be seen. The Bill deals with national taxation and when it goes through it is to be followed, we understand, by a Bill for overhauling the local taxation system, establishing a revised inter-relationship between the national tax and the local rates on land value.

The Justice Party—Retforbundet—has made use of the occasion to bring into the discussion the recommendations, in the Report of the Land Values Commission, in favour of " fuld grundskyld," meaning the collection of the entire rent of land for the use of the community. It will be recalled that these recommendations were bound up with compensation to landowners by way of a so-called " settlement sum " provided by the State†. The day after the Government's Bill was presented, the Justice Party re-introduced the Bill it had put forward in April last. This Bill combines with the " total collection of land rent " a levy of one per cent payable annually for twenty-five years on the capital value of personal property (real estate, ships, live stock, plant and machinery, stock in trade, bank deposits and ready money, stocks and shares, State and other bonds, etc.) such as is assessed for the existing steeply graduated " wealth tax," the *formueafgift*. Produce of this additional " wealth tax " would go toward settling the goodly bargain with the landowners that when they start paying to the State the full amount of the land rent, the State will pay to them a capital sum equivalent to three-quarters of the present assessed value of their land.

These proposals have already been described in our columns as frankly outrageous. The Justice Party, having had its " field day " with them, is nevertheless giving its support to the Government Bill. Both measures came before the House for first and second reading debate on February 8 and 9. We hope to review the debates in our next issue.

A. W. M.

* In the matter of technique, it should be explained that these selling values are assessed without taking any increment tax into account, the tax being treated like a mortgage. In other words, the valuer assesses what the land would fetch in the open market if the increment tax did not exist.

† See L. & L., 1955: Jan., Feb.-Mar., Apr.-May and Sep.-Oct.; also the explanatory pamphlet issued at the International Conference.