

JULY 24.-31.1982

Knud Tholstrup

Vester Farimagsgade 1

1648 København V.

GO AND PRACTISE GEORGISM IN POLITICS

I find it appropriate to repeat my preface at the Centennial Celebration in San Francisco, August 1979:

"My aim of coming here is to explain how Henry George, fully utilized, by simple means, will stop inflation, will half the rate of interest, and bring the income tax out of the world.

With no inflation, low rate of interest, and no income tax, the road will be open for more free enterprise - it will be easier for young people to generate new industries, giving employment for more, bringing more harmony, and maybe more will become happy because we will get more justice".

Up till now we have not come very near to the goal: world-wide acceptance of our ideas. I think the Henry George unions must face that it is necessary to go actively into politics, as Mr. Graham Hart, Wembley, West Australia, wrote to me last January, if we want to have any influence of importance in the future.

100 years ago, income tax was something about 2 - 5% -- today it is killingly high. Up to 80%, in special cases more.

Any policy that could have ~~that~~ ^{income tax} reduced considerably, or abolished, would to my mind be so attractive that we could find many supporters.

In the last 30 years we have seen land value rising much faster than any previous period, -- in Denmark 4 times as fast as the consumer price index.

Any policy that could prevent land speculation would be met with the greatest interest.

30 years ago inflation was something about 2-3% (except for extreme cases) in general -- today a rate of 10-15% is common.

Any policy that could prevent inflation would be met with the greatest interest.

The last 50 years, people have been afraid of the growing marxism/socialism in two directions -- one, social welfare (made by vote-buying policy) eating up through taxing more and more of people's private result of labour, or two, socialization of the means of production, and ending in dictatorship.

Any policy that could secure private ownership to the result of labour and consolidate democracy, would be met with the greatest interest.

The last 30 years have shown the evidence of far more effectiveness and productivity under the capitalist free-enterprise system than under that of the socialized or nationalized, directed production and exchange, 2 to 1 in favour of the first.

Any policy that could secure consumer-directed production, free enterprise and free trade, maintaining a free choice of goods under free competition, would be met by sympathy from all, consumers as well as the producers.

In the last 30 years there has been a growing interest for more justice among people who want equal possibilities for everybody, educational and jobwise, against monopolies and privileges.

Any policy which can secure justice right for everybody especially

about private ownership to the result of one's own labour, would attract most people's attention.

Let us start with justice about ownership.

We all have the same rights to the living conditions as long as we do not violate others' equivalent rights. We therefore have to define the sense of ownership.

All what any single person is obtaining through work or enterprise belongs to him if he respects other people's ownership to theirs.

"Other people" are the whole nation (community), and whatever values the community creates belong to the community: the rising value of land when having

justice
security - law courts - police - army,

education establishments
schools - libraries - universities,

communication systems
roads - water supply - sewerage - street lights.

- etc. -

No private people should be allowed to charge any price for selling all these conveniences included in the price of his land he is selling or letting, without participating in the community's expenses from which he has benefited. For practical reasons his contribution should be in proportion to the trade value (assessed value) of his land.

The first step of economic justice is to start the collecting of the land rent (L.V.T.) and use the revenue for reduction (to full abolition) of the most unjust and stupid of all taxes: the income tax which is punishing the positiveness in work, initiative, taking risks, and being economic.

As we have the only method of abolishing income tax, it is our best card in our agitation.

A practical way which would encourage work and initiative could be:

First year, a 1 pct levy is charged upon the assessed market value of every individual piece of land, rising to 2 pct the second year 3% the third, and 4% the fourth year.

The income taxes are reduced accordingly by equal amounts on each person, and after 4 years the 4 pct L.V.T. are registered as a fixed annual levy in coins on each piece of land (assessment could take place every single or every two years)

After a new land assessment has taken place, a new 1 pct levy is charged upon the value of every piece of land (now influenced by the new L.V.T. burden), and the second year 2 pct and so forth, always using the total amount obtained for a corresponding reduction of everybody's income tax, until all income taxes have been abolished, which may be achieved after 15 or 20 years' transition, -- the lowest half of all incomes already in two-three years.

By such a system only, you will find the real market value of all land, and thus the true land rent.

We should never accept L.V.T. without tax reduction accordingly.

Good side-effects will be stopping the temptation of land speculation for the day the collecting law is agreed upon, and experiences show that the inflation will fall to a minor figure - rate of interest will drop considerably - new activities being created - unemployment easing off, as we see it in Denmark 1957-60 when Justice Party for a too short period had a strong influence on government, holding 9 seats in Parliament.

The inflation of 5-6% was reduced to only 1% annually in the 3% years. Money could be borrowed at 5% (instead of 6%.)

Deficit in foreign payment was reversed to a considerable surplus.

Foreign debts were reduced to a mere fraction, down from 1600 mill. (\$200) to 400 mill.Dkr. (=US\$ 50 mill.)

No new taxes were introduced, but some reductions took place.

Unemployment eased off, as 100.000 more (equal to 4 mill. in U.S.proportions) people got a job.

And Denmark had the highest rise in real wages ever.

The G.N.P. (adjusted to growth in population and consumer price index) did not rise at all during the four years before the period, due to growing unemployment, increased by 30% during the 4-year period thanks to higher employment and lower inflation and no strikes, but only 16.7% in the following 4 years when inflation started up again, although high employment continued.

Since then, the development in Danish economy has been worse and worse, with an enormous growth in debts and unemployment, and today must be considered none less than disastrous.

Other experiences:

In Denmark since 1960 the "index family" had a rising part of its consumption as house rent, from 7% up to 20%. Thus the last 13% is land rent rising in 20 years - his annual excess contribution to land monopoly 13% out of his nett income, going into wrong pockets.

In Switzerland, when foreign labour came in by thousands, new houses had to be built, increasing from 53.000 in 1968 to 82.000 in 1973. Inflation rose from 2.2% to 11.9% in 1973 and dropped to only 1.3% in 1976, when new houses amounted to only 34.000.

By investigation I learned that a land speculation had taken place up to the oil embargo year 1973, leaving enough of building plots for some years ahead, so that practically no sales of land took place in the first years after 1973.

Anyone will agree that there is a connection between rising profits from land value rising and rising inflation, and inflation will ease off when development is in the opposite direction, as shown in the table of homes built and inflation.

	NUMBER OF HOMES BUILT	INFLATION %
1968	53.140	2,2
1969	57.280	2,3
1970	63.590	5,4
1971	65.248	6,6
1972	73.612	6,9
1973	81.865	11,9
1974	73.691	7,6
1975	54.899	3,4
1976	34.158	1,3
1977	32.297	1,3
1978	34.464	1,0
1979	37.813	3,6
1980	40.876	4,0
1981	?	(est.)6,0

This year we learned that inflation in U.S. fell considerably, not only for a decreased activity, but I understand that foreign investment in U.S. land also had decreased considerably, against the boom I learned about at the meeting in San Francisco 1979, especially from investments of Arabian oil money. The effect of the last years' decrease in house-building activity also plays a part.

The new experiences from Denmark, Switzerland and from U.S. confirmed the lesson we learned in 1957-60 in Denmark.

The importance of having income tax reduced if not abolished, was demonstrated in Denmark when a new taxing system "Pay-as-you-earn" was introduced in 1969. All excess incomes, especially from overtime work, were taxfree for this transitory year, as tax was simply charged by the same amount as 1968.

DEVELOPMENTS IN DENMARK 1967-71

Percent increase:	1967	1968	1969	1970	1971
Production (in fixed prices)	4	4	8	3	3
Consumer prices	7.5	8	3.5	6.5	6
Private investments	5	5	20.5	9.5	0
Wage-earners' savings, in mill.Dkr. (estimated)	2.468	2.857	3.774	3.137	3.059

and thousands of unemployed got a job.

Georgists have been paying more attention to Single Tax than to the abolition of income tax. I hope my letter will convince Georgists that only by pointing to both sides of an L.V.T. system, we can attract more people's attention, as all other experiments have failed - Socialism - Keynesianism - Monetarism - Capitalism with monopolies maintained. Georgism is the solving alternative.

Since 1960 Danish GNP rose from 36 bill.Dkr to (est.) 405 bill. (81 bill.1960 Dkr) or + 125 %, but the total amount of money rose from 40 bill. Dkr to 900 bill.Dkr (180 bill.1960/Dkr) or + 350 %.

Milton Friedman : "We have inflation when money supply is rising faster than production. Is he right or wrong ?

Land is regarded as a significant security for obtaining a loan. With no land value rising their would have been 300 bill.Dkr less as securities for credit giving and the issue of new money, especialle bonds/mortgages would probably have been 300 bill. Dkr less.

Let us play a little with the figures and deduct the 900 bill. of money by the 300 bill. to 600 bill.Dkr or 120 bill.1960 Dkr. Then the growth in money would have been only 200 % (3-doubled) against the 125 % growth in GNP (2.1/4 doubled) not nearly as far from each other. I will let yourself draw your own conclusions about what would have happened to the inflation without the land value rising in the hope that you agree that public collecting of the community created land rent is the main answer to abolishing of the inflation.

When visiting J.Rupert Mason in California 1959 he gave me mr.John R. Fuchs' book from 1956 : "Constructive taxation for free enterprise". Mr. Fuchs was known as a convinced georgist. From page 82 I quote : "Everyone knows that there is an enormous inflation in land prices, but not until recently have people generally and those in power become alarmed about it. Will this require more price ceilings ? Will our whole policy of government be transformed into a policy of "locking the stable after the horse is stolen" ? Land price inflation is the primary cause of all other inflation because it is the one factor which throttles production. There is only one way to stop inflation, and that is by first attacking and stopping land price inflation. And that can be done only by taxing speculation in land, which can be effectively accomplished only by changes in our tax system". Page 88 : "When we adopted the first income tax, although that was one of the serious steps in the socialist direction. And it happened when, by reason of the fact that government failed to exercise the duty to collect its ground rent".

I regret I never meet Mr. Fuchs personally.