

# The Danes' Might and Power that suppressed the people and the Decline that made Equality and Common Welfare possible.

THE REMARKABLY EVEN DISTRIBUTION of wealth in Denmark is due to centuries of fatal defeats and fall from great might and power:

This article is meant to turn the readers' attention to the fact that *the down-turn made equality and welfare possible* to Danes in general who inhabited and today inhabit the remaining part of Denmark.

It also discusses why the Danish people, who in 2009 carry the heaviest tax burden in the world, in the same year have been registered as "the happiest people" in the world; and it proposes how equality and democracy can be complete.

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## 1. ASCENDANCE OF A PEOPLE - THE BIRTH AND EXPANSION OF A NATION

First time the word **Danes** was used to describe people living furthest to the north of Europe was in the 5<sup>th</sup> century after our calendar and they were located at the isle ruled by King Skjold [English: Shield] called Skjölland (today's Sjælland - in English Sealand) and on the other side of the Sound at the peninsula's southern part that was called Skaune - today spelled Skåne - , which the Romans called Scania, which word they extended to Scandinavia to describe the much bigger Nordic region.

In the 8<sup>th</sup> century, also the peninsula Jutland - where peoples such as Hards, Vandals, Cimbris, Juts and Anglis lived - and all isles between Jutland and Skaune together with Skaune were known as **'the home of Danes'**, a term that seems to have been used further north up on the Scandinavian peninsula so far as to and around the great lakes Vänern and Vättern.

First time an area was called **Kingdom of Danes** was in the 9<sup>th</sup> century, and the term **Kingdom of Denmark** became known from the 10<sup>th</sup> century. At the same time also the Kingdom of Norway became known, and the Kingdom of Sweden became known in the 11<sup>th</sup> century. Around the turn from the first to the second millennium of our calendar Norwegians and Danes had colonized parts of the British isles and the northern part of France. In many places of Britain they had settled down and integrated into the population when Normans from Normandy in France conquered Britain in 1066.

Denmark had reached its largest extend in the first part of the 17<sup>th</sup> century then stretching West-East from Canada's north-east border, including Greenland, Iceland, the Shetland isles, Orkney isles, Faroy isles, Norway, today's Denmark, southern part of today's Sweden including Baltic isles such as Gotland, Bornholm, and Ösel that today belongs to Estonia, together with realms along the southern cost of the Baltic Sea. From North to South it stretched from Svalbard in North to Lüneburger Heide in South. It also governed far away situated exotic stations and islands: in Africa three fortresses on the Gold Coast; in India Tranquebar, Serampore, Frederiksnagore, the Nicobars; and in West India three islands that today is known as the Virgin Islands.

## 2. TERRITORIAL DECLINE OF THE DANISH REALM

In 1645, at the Brömsebro peace agreement Denmark had to cede to Sweden two great Baltic isles: Gotland and Ösel, plus two previous Norwegian regions: Härjedalen and Jämtland; plus Trøndelagen that soon after came back to Norway. In 1658, at the Roskilde peace agreement Denmark had to cede to Sweden land of the size of 2/3 of the size of Denmark today: the three regions called Skåne, Halland and Blekinge. An important consequence of this peace agreement was that during the subsequent reconstruction of the State of Denmark its aristocracy of nobles had to give up their strong influence on the governing monarch and in 1660 absolute monarchy was constituted. The old Danish tradition of land-value taxation that had fallen into disuse for some time was now restored and called "hartkorn"-tax; it was levied on agricultural land in proportion to its yield ability, except on land belonging to the nobles' estates.

In Denmark in the 1780's (the decade of the French revolution), "hereditary of landed servitude" was abolished by Royal Decree of the absolute monarch and the nobles' adscription of peasants was abandoned; and hundred thousands of smallholders were granted freehold of land against payment to the Crown of the annual rent of land, in those days measured in units called "hartkorn".

### The assessment of hartkorn

The assessments of *the land's ability to yielding crops* was made up in units called "hartkorn", meaning grains of rye and barley. Reasonably good land would be assessed to 1 hartkorn per half a hectare of land. Better land was assessed to more hartkorn; inferior land to less. This unit was used to indicate also assessed yields of other crops like hey, grass, poultry, etc.

The hartkorn tax was collected whatever the land was cultivated or not, which forced the owner to cultivate his land or hand it over to somebody who would. Only crop failure due to unusually bad weather conditions (like flood, draught, tornados) would allow a reduction.

### **Box 2**

In 1801, the British navy (Admiral Horatio Nelson) in Øresund, the Sound between Sealand and Skåne, outside Copenhagen (in today's Danish: København, founded 1100 as 'Kobmanna Hafn' meaning Merchants' Harbour) attacked and seriously damaged the Danish-Norwegian navy, which the British considered a threat during the "Napoleon Wars".

In 1802, agricultural land belonging to the estates of the nobles became subject to land-value taxation (the 'hartkorn'-tax) in the same way as all other agricultural land in Denmark.

In 1807, during the continued Napoleon wars, the English navy again attacked, conquered and sailed off with the reconstructed Danish-Norwegian navy, and in 1814 at the Kiel peace agreements after the Napoleon wars Denmark had to give up its union through 400 years (as long as the Romans ruled Britain) with Norway, which then fell to Sweden (the Norwegians did not like this outcome, and few months later the Norwegians succeeded to get their own democratic constitution - 17th May 1814).

Now very little was left of the Danish might and power of the past and Denmark could no longer collect duties from ships passing through the Sound, Øresund, between Skåne and Sealand. It became obvious that the Danes had to use their remaining resources wisely. But the remaining Denmark contained very little raw materials, so the most important resource was in fact THE DANISH PEOPLE. Therefore *Enlightenment of the people* and *Democratic rights* became essential.

During the rest of the 19<sup>th</sup> century, later in Denmark called “The Golden Age”, intellectual Danes lectured and preached, wrote and printed, drew, painted and sculptured over themes of the Danish people's historical and spiritual background in sagas, myths, legends and metres about Norse mythology, kings and heroes of war, commerce, science, literature, poetry, etc.

In 1848 the absolute monarch, King Frederik 7, found that the time was right to give up his absolute monarchy that since its inauguration in 1660 had developed into Enlightened Despotism, and in 1849 he factually gave over his governing power to a Parliament consisting of two chambers.

Danish democracy was born; but it took 67 years more for it to develop and include all Danes.

In 1864, as the result of a war against and won by Germany, Denmark lost its previous regions Slesvig, Holsten and Lauenburg including the great cities Lübeck and Hamburg. It was a loss of approximately 1/3 of the size of Denmark of those days. In 1920 - as one of the consequences of the peace agreement after World War I - the northern part of Slesvig returned to Denmark by referendum.

In 1866 the upper chamber of the Danish parliament represented landed interests; dominated by the nobles and their supporters.

In the end of the 1800s began legislation of benefits to people being without private means, first small amounts to old age persons unable to care for themselves. Soon after was introduced public baths, public medical treatment of people in general, public schools, public libraries, etc. With the exception of common schools that were free of charge, the publicly supplied services were not free of charge but available for people in general at reasonable low charges. Folk-high-schools were established in many places around the country and met a public demand for cultural enlightenment and cultural and technical education. Co-operative societies were established in trade and industry.

In spite of the fact that the Danish climate was not excellent for agriculture the Danish farmers by organising co-operative societies for production succeeded in developing high quality dairy products whose trademarks became attractive on the world market. This encouraged a technical development that together with the traditional Danish skills in shipbuilding and trade opened for the modern development of high technological industry, which resulted in development of cities and towns that grew in importance. Cooperative societies were also used in other branches.

In 1903, because of the growing importance of cities and towns and the growing values of land in cities and towns, the ‘hartkorn’ tax system that had been levied only on agricultural land had to be changed. But instead of adjusting it to comprise urban land as well as rural land, the agrarian interests and industrial magnates who dominated both chambers of the Danish Parliament abolished the good old hartkorn-tax, *tax on nature's abilities to deliver results* of labour, which yield-ability differs from location to locations (recognisable as the market values of land). The legislators replaced the hartkorn-tax by tax on income, in practice *tax on the results of labour*.

Sites of land mainly used for residences have values because of the residents' appreciation of the location in question, being attractive because of advantages available from the surrounding nature and the surrounding society with its infrastructure, public services and many possibilities of employment or of self-contained occupation. Tax on the values of residential land was pushed forward by Socialists and Georgists, but was always under pressure from landowners, who wanted and still want to get rid of every bit of land-value taxation.

In 1915 Danish women got equal rights to vote for seats in the Parliament, and the landed interests' exclusive representation in the parliament's upper chambers - Landstinget - was abandoned. (Landstinget was definitely abandoned 1953.) The Danish people were now guaranteed important democratic rights, namely: *personal equal rights* and *political equal rights*; whereas the claim that they should also have *EQUAL RIGHTS TO THE VALUE OF DENMARK* (recognisable as the annual market value of all land in Denmark) was raised only by few voices and suppressed by the dominating interests of landholders in power.

The general improvement of skill and knowledge, the improved democracy (yet still not complete), and the extended (but not to the utmost) equal freedom had pressed forward a growth in welfare (in Danish language welfare meant and means not only social security benefit, but good life in general), which proved to be a spur on economic progress.

The Danish West-Indian Islands that after the abolition of slavery in 1848 suffered economic downturn were in 1917 sold to USA who then called them The Virgin Islands.

In 1918 Iceland was granted full sovereignty as an independent nation. Today Iceland's economy ranges as the richest nation in the world measured per citizen, and Denmark's economy is among the richest in the world measured per citizen, which has been achieved in spite of the fact that none of the two countries have considerable natural resources except from human intelligence.

### 3. THE PROGRESS OF DANISH ECONOMY.

The topography of Denmark offers many natural harbours and busy straits that invite to pressing toll from ships passing by, which the Danes introduced in 15<sup>th</sup> century and continued for centuries creating political annoyance and hostility towards Denmark and was ended in 1859 when Danish straits were declared international waters.

The Danish soil is fertile, but the weather is not excellent for agriculture. Nature offers important deposits, but nothing extraordinary valuable.

Nevertheless, the lack of extremely sought-after natural resources has not retained the progress of Danish economy, which raises the question about the importance of attractive natural resources in economics, to be discussed below.

#### a. Natural resources

A closer look around the world reveals that in many places where people live on land with plenty of attractive natural deposits (like oil, precious metals, minerals, stones, fertile soil, etc.) they are worse off than people living in places without very attractive resources; and in certain places they are so much worse off that it seriously damages the societies.

Some economists, politicians and businessmen say that this is due to "the curse of resources" that

- attracts power brokers, who by use of bribe and/or physical power infiltrate in national and local politics and in public administration, by which they lay their hands on the values of the attractive resources and secure for themselves privileges/ monopolies and make the values of the resources their private property;
- and that
- bribe and fear of terror then lead to corruption and demoralisation of the society, which destabilize the economy and productive activity, and create poverty and disintegration of society.

But countries like Norway, Sweden, and Finland in northern Europe, and on the southern hemisphere Botswana in Africa, and Australia and New Zealand are also rich of natural resources without having suffered from these problems; so the presence of plenty of attractive natural resources is not THE reason for the problems in suffering countries.

The real reason is that in suffering countries the governments do nothing to prevent the values of attractive natural resources from falling to private people instead of being publicly collected and used for the benefit of all citizens on an equal footing. Therefore the correct description of the phenomenon should be "***the curse of privatised natural values***".

It seems to be crafty use of words when politicians, economists, social scientists and businessmen want us to believe that the reason for violence, theft and fraud against people in general is "the curse of natural resources". This crafty wording is meant to blur the fact that the problem is due to bad ruling, unchecked greed and widespread corruption, and thereby to blur also that *the problems can be mended by a reform of the society*.

The means to solve it immediately is ***cancellation of private ownerships of values of natural resources***; and the means to avoid it in the future is ***prohibition of privatisation of values of natural resources***. The values of nature and society have to be used to the benefit of all the country's citizens on an equal footing.

Some people say that it cannot be done; so did some people say about the idea of ending slavery, but slavery was ended and privatised natural values will also end one day.

The shortcoming of natural deposits in Denmark kept serious and organised greed and corruption away from the Danish communities, which was very important. Now let us return to the question about the reason for the progress of the Danish economy.

## b. Community Power

Community Power laid latent in the Danish society of the 17<sup>th</sup> century's feudal Denmark having very little other natural resources

It is a natural resource separate from individual manpower and it occurs by cooperation. When working together two or more persons can produce results they cannot produce when working individually. They can move loads heavier than they were able to move individually. They may overcome stronger resistances when pressing together than by pressing alone. One may continue the work while the other rests. Two can easier catch an animal than one is able to. And so on.

Community Power is a natural power of the same category as natural Power of Growth that counts for breeding and propagation, which is also independent of human being's activity; to the contrary human activity definitely depends on the natural Power of Growth and very much also on Community Power.

When human beings are cooperating in large numbers their capability grows to the gigantic. Academics of today call this phenomenon 'synergism' or 'synergy'. It occurs spontaneously as human beings intuitively understand the advantage of cooperation and they use it on a daily basis; but it may also be the result of organized planning.

The value of organised synergism should fall to the organiser as a reward for his/her effort, or be shared between the people who cooperate; but the value of spontaneous synergy that occurs all the time and all over the society - which is why I call it Community Power - should fall to the community and benefit all citizens on an equal footing, either by financing needed public administration and building and maintenance of wanted public infrastructure and institutions; or by distribution in equal shares to all citizens having citizenship to the country in question.

When people in modern societies work 5 days a week their exertions are able to provide for home, house, garden, transport facilities, food, clothes, education, entertainment and other things and experiences for them and their families. That much is possible in a community of many people who take advantages of each other's special virtues and abilities, specialised skills and education, thus taking advantage of the Community Power. The understanding of the huge importance of the community becomes clear to anybody who envisages the very little result individual person would be able to produce if working in a community of only a few people.

In today's societies most of the results of production are due to the community in which individuals are working, and to former generations, back to before the Stone Age. The value of today's production is due to the individuals' ability to:

- take advantage of experiences learned from older people and predecessors, to
- specialise their own skill and knowledge, and to
- cooperate with co-citizens who also have specialised skill and knowledge.

Therefore *the value of the results of production should be shared between co-operators and the community.*

## c. Transition of the Danish society

Community Power laid latent in the Danish society of the 17<sup>th</sup> century's feudal Denmark; but it had to be harnessed. Did the inauguration of absolute monarchy help the progress of Danish economics?

That might have been the case; though the period of absolute monarchs from 1660 to 1848 was dominated by

- 1) Mercantilism's many blunders like monopolising and taxing production and trade,
- 2) the Royal Court's (like most other European Royal Courts') lavish lifestyle and administration, and
- 3) very expensive wars;

yet the period changed the society fundamentally from bondage via enlightenment and education onto parliamentary responsibility and democracy.

When the period began the nobles controlled the peasants. Originally the nobles on behalf of the Crown collected taxes from the peasants based on the *assessment of the crops the land could yield when cultivated*, but they had managed to withhold considerable parts of the taxes for themselves. Now the Crown enforced collection of this tax.

It may be difficult to clarify if the following development was led by the absolute kings in succession or by reformist nobles who managed to influence the absolute kings. Whoever led it, law books, the legal system and Courts of Justice were reorganized based on traditional common sense of justice and public conception of morality; later on nobles and clergymen were encouraged to select younger Danish citizens who were gifted for learning, and to inspire them and have them educated for the purpose of cooperation in teamwork either as staff members who would be needed in administrations of the state or local communities, or as leaders of their own enterprises of business or industry. A university was already in Copenhagen, now village schools were introduced in most communities.

Some nobles warned against education of the people because of the danger of revolution. Violent revolutions arose in other countries, but in Denmark political changes were implemented soon enough to prevent this to happen.

In the following periods the *Cooperation* between Danes with specialized skills and educations, and their *Feeling of equality before the law* encouraged a dynamic productivity that developed a steadily increasing synergy, Community Power.

#### 4. WHO TAKE THE RESULTS OF PRODUCTION?

Economy in progress entails a huge demand for manmade goods and services, for better and bigger homes, and for sites to be used for production of goods and homes. Economy in progress causes rise in wages and profits to labourers (physical and intellectual), entrepreneurs and investors, and rise in payments for access to land and other natural resources.

How do labourers, entrepreneurs, investors and landowners mutually share the increased result of production?

##### a. Entrepreneurs, labourers, investors and landowners

Wealth created by production falls to the person, the entrepreneur, who took the initiative and the risk of production; he could be identical with the labourer(s) and/or the investor and/or the landowner. The entrepreneur keeps the *profit* - or loss - after having paid expenses to the labourers (physical and intellectual), to suppliers of materials and other manmade things used in the process of production, and to the holder of exclusive rights to use the land on which the production took place.

Labourers (physical and intellectual) get *wages* for their efforts because production cannot be done without labour; but the size of the wage is determined by the market and depends on demand and supply. The size of the wage for a certain job is almost the same at all workplaces in a wide area of the society.

Investors will get *rewards* for investments of manmade things needed in the process of production (buildings, machinery, tools, vehicles, communication equipment, etc.). The sizes of the rewards are determined by the market and depend on demand and supply. They are almost the same all over the society.

The holder of the exclusive right to use the land in question will get *rent of land*. It differs from one location to another dependent of the advantages available on and from the sites in question and their surroundings.

##### b. The market of manpower, manmade things, and land

The market works in two ways:

- It functions as the *exchange*, to which people supply and from which they demand goods and services. Producers supply goods or services they have made for other people's satisfaction, in return they get the market price for which they take out goods or services they want for their own satisfaction.
- It *balances demand and supply* via the price mechanism: Increase in demand for a certain item raises its market price, which encourages the suppliers to increase their supply; increased supply lowers the market price, which then decreases the supply; in this way price and quantity of the item in question varies up and down around a balancing point. Decrease in demand lowers the market price, which lowers the supply; low supply increases the market price that increases the supply. And so on around a balancing point.

The market's impact on prices of manmade goods, on wages to manpower, and on rent of land differs remarkably.

##### i. Prices of manmade goods

The market functions perfectly well when dealing with manmade goods (buildings, machinery, tools, vehicles, vessels, food, clothes, utilities, etc.) unless power brokers (Government, monopolists, privilege holders, criminals) restrict the market in ways that favour supply of items they want, or obstruct supply of items they don't want. Power brokers' restrictions burden production, distribution, or consumption and that hampers productivity, restricts supply and increases prices of manmade goods.

##### ii. Wages of manpower (physical and intellectual)

In societies where it is still possible for human beings to find land on which labour can produce an income without paying anything to a landlord, the function of the market secures that all over the society in question labour will earn more than labour can produce at the least productive land in use.

In societies where all useful land is occupied by landowners who ask payments for use of land, the function of the market is that labourers compete against each other, during which the wages go down to the least that capable labourers will

accept. That means that wages will be low in periods of recession, and rise in periods of progress. What all people are able and ready to do will be paid very low; whereas people able to do sought-after special jobs will be paid higher.

Where workers are united in trade unions and have monopolized their services they are able to raise wages above what they would have had to agree in, had they not had the monopoly. Free movement cross borders together with free work permits - or neglect of rules that demand work permits - will dilute this monopoly.

### iii. Rent of land

Because the supply of land is finite and cannot be increased by production, the market favours the landlords to the detriment of the producers and residents who want land for production and/or for housing. Entrepreneurs and dwellers will pay whatever they can afford in order to secure a decent place to live and a useful place to work. They will pay the amount by which their disposable income exceeds what they have to pay for the lifestyle they want to maintain.

If their income-after-tax rises people may look for a more expensive and more advantageous location to live at, if it falls they may look for a less expensive location to live at.

However, by avoiding collecting the annual rent of land for the public purse the Government makes it attractive for landowners to withhold land from the market which will then bring some producers/residents in a situation where they will have to accept an inferior lifestyle and pay higher rent of land to the landowner. This same effect occurs when a considerable number of producers/ residents enter the market where they compete with people already living there over the same amount of sites for workplaces and housing.

This effect of public collection of rent of land opposes the often heard crafty assertion: that public collection of rent of land means higher rent for the tenants to pay to the landowners. To the contrary, public collection of rent of land makes it disadvantageous for landowners to keep land unused, and when more land go onto the market it lower the rent and the price of land.

The results of an expanding economy are increased wages to labourers, increased profits to entrepreneurs and increased rewards to investors, and they will immediately enjoy these. Shortly after, however, the citizens' increased ability to pay more for the use of land in combination with their mutual competition over location will make them pay more for the rights to use of land and thereby increase the unearned income to landowners.

So, just very little of the advantages of an expanding economy will become available to labourers and investors as wages and rewards to productive investors. Most of the results of an expanding economy will go to landowners, including homeowners.

### c. Distortion of the market inflicted by power brokers

Very little of the advantages of an expanding economy will add to labourers' wages and investors' interests. Though progress in technology has made it a common understanding that every family must have a refrigerator and a television set and some other gadgets that was not common to previous generations, ***most of the advantages of the rise in economics go to people who, without delivering goods or services to the market, by use of or protected by power take what economists call 'rent of land'.***

#### THE RENT OF LAND

In feudal societies where it is possible to find a site of usable land for free, 'Rent of land' was what a landlord could claim annually from his tenants of agricultural land without damaging the tenant's possibility to maintain a decent lifestyle, determined by the yield producible by labour on the most inferior of free sites of land in use.

In industrial societies where no usable land is available for free, 'Rent of land' is the amount that the highest bidder in the market will pay annually for the exclusive right to use the advantages that fall to the user of the site in question when it is used in accordance with governmental rules in force. The rent of land may be converted into a lump sum: the price of land.

Before the potential buyer of a site makes his offer he will estimate the advantages he can get from the site and its surroundings such as:

- *Fertile soil and raw materials.*
- *Experiences of nature.*
- *Silence and privacy.*
- *Job-possibilities and/or vicinity to customers and suppliers.*
- *Community services* (public utilities, police, fire brigade, public transport, shopping area, healthcare, education, sport facilities, entertainment, etc.).

- *Infrastructure* (roads, rails, airports, harbours, tubes, wires and relays for supply of water, power and information, etc.)
- *Possible windfall income* that in the future may occur because of technological progress in production, in transport, in communication, in financial settlements, etc.

Further the potential buyer will consider possible disadvantages:

- governmental limits in the owner's right to use the land,
- governmental taxes he will have to pay as owner of the site,
- risks of catastrophes such as flooding, earth quake, land slip, subsidize, tornados, bush fires,
- risk of crimes and disturbances.

The rent of land varies from one location to another.

The rent of land will be high

- if no taxes are collected from producers (labourers and investors), consumers and savers;
- if no monopolies hamper competitors' productivity;
- if no monopolies/ privileges add privilege-profits to prices of goods and services;
- if the society's institutions, infrastructure and community services are excellent;
- if cooperation between citizens works freely;
- if disorder is avoided by regulating arrangements that accept privileges (such as landownership) on the condition that the holders of privileges pay the annual privilege values (such as the rent of land) to the public to be used for the benefit of people in general.

If taxes are high the rent of land will be low.

If monopolies hamper competitors the rent of land will be low.

If monopolies/ privileges add privilege-profits on top of prices of goods and services the rent of land will be low.

If institutions, infrastructure and community services are missing or malfunctioning the rent of land will be low.

If cooperation between citizens is hampered rent of land will be low.

If disorder is ruling the rent of land will be low.

Foreseeable taxes, privilege-profits, and proceeds of criminal offences against property, are in fact parts of the rent of land because they reduce the sizes of the rents of land that the landlords are able to pick up.

### Box 3

Some of the power brokers who lay violent hands on parts of the rent of land and abuse the market are law-breakers, who act illegally, others are instructed to do it by the Government; and others again are allowed to abuse the market under protection of the government's supreme power!

The power brokers are:

1. *Tax collectors*, who forcefully collect from the citizens what the Government has told them to collect.
2. *Holders of privileges* (monopolies, licences, permissions, etc. that allow the holders to do things that people in general are not allowed to do), who forcefully obstruct their competitors and add privilege-profits on top of the prices they would have been content with had they not had the privileges.
3. *Criminals*, who illegally offend against co-citizens' properties.
4. *Landowners*, who the Government has allowed to withhold for their private use, what other power brokers have left of the rent of land for the landowners to pick up. In the case the landowner does not pick it up, it falls to:
  - the landlord's *tenants* who uses the land, or if the tenants do not pick it up, it may fall to
  - the *customers* of the tenants.

It is however not often that some of the rent of land is collectable by the tenants or their customers. Normally the landlords are very keen in collecting the residual rent of land for themselves.

Many landowners have mortgaged the market value of their land to

- *money lenders* who then receive the landlords' part of the rent of land.

By claiming proceeds from the citizens the first three of the above mentioned four categories of power brokers reduce the amounts the citizens are able to pay to the landowners who therefore in progressive periods "pay" all foreseeable taxes, privilege-profits and proceeds to crimes against property. In periods of recession the producers (entrepreneurs, labourers and investors) suffer reduction of wages, profits and rewards; they are the first to feel the regression, later the landowners have to accept lower rent of land.

All the above mentioned capturers - power practising or power protected - of above mentioned categories 1-4 operate in the market in conflict with the market's basic rule, after which *all players must put in goods and services to satisfaction of other people and take out goods and services to their own satisfaction*. The power practising or power protected capturers do not put in any goods or services, they only take out, the result of which is **DISTORTION OF THE MARKET** described in the frame below plus they also damage the society in other ways:



- Tax collectors interfere into citizens' privacies.
- Monopolists prevent competitors from production.
- Criminals make the society unsafe to live in.

Except category 3. *Criminals*, all the above mentioned power brokers work in accordance with rules given by the society's Government, and under protection of its supreme physical power. That means that in democratic countries where the power is in the hands of the majority of citizens who elect the Government ***the people can change the rules to the better.***

#### Distortion of the market.

When power practising people or power protected people capture values from an economy and use it as purchasing power by which they extract from the market goods and services without delivering goods or services back into the market, then the quantity of goods and services in the market shrinks to an inferior quantity to choose from by those who produce the total quantity of goods and services, and the producers will have to pay increased prices for achieving the goods and services they need for their satisfaction.

That is unjust towards the producers (entrepreneurs, labourers and productive investors), and ***it invites investors to invest in governmentally protected rights*** (like landownership and other privileges) ***instead of in production.***

As this practice continues, a growing percentage of production goes to the holders of privileges, so that a growing number of producers work mainly for the holders of privileges and get a shrinking part of the produced goods and services for their own satisfaction. In this way it develops a stealthy kind of bondage that increases poverty in the society and restrain the Community Power.

The society's upper class enjoy their expanded possibilities for travel and education, and for artistic and cultural development. Most of the middle class people who are managing the society in accordance with the wishes of the upper class people also enjoy life, but a growing part of it constantly fear to slide down into the lower class where possibilities are firmly restricted and poverty expanding.

#### **Box 4**

#### d. Liberation of the market

Public collection of all (in practice: as much as possible) of the annual rent of land will

- end holding land for speculation in future windfalls of unearned income, which will have four remarkable effects:
  - Immediate provision of housing that were held back from the market on speculation,
  - Immediate provision of land needed for more housing and for production.
  - Prevention of future crises with roots in financing the property market.
  - Prevention of sprawling development in cities and towns, which is almost non-existent in Denmark where some land-value taxation is collected from the landowners whatever they use the land or not; but very common in countries where none LVT is collected.
- make it possible for the Government to finance public tasks that cannot be made today because of missing funding:
  - Proper maintenance of public housing, which is the environment of many people's life and upbringing.
  - Proper maintenance of public roads (such as potholes and missing manhole covers, missing traffic signs).
  - Proper replacement of outworn sewers (built centuries ago).
  - Proper replacement of outworn tubes for supply of fresh water.
  - Improved education and teaching of children, apprentices and students.
  - Maintenance and extension of public transport (roads and rails, airports and harbours).
  - Care for children, elderly, sick and disabled citizens.
  - Prevention of child- and youth-crime by training, improvement and utilization of natural gifts and interests; thereby building up self-respect, self-confidence and trust in community and common interests.
  - Improved contact and dialog between citizens and authorities (police and local governments).
- make it possible for the Government to reduce or abolish other taxes, which will have four important effects:
  - Release hampered productivity.
  - Increase the rent of land that falls to the landowners and will be collected by the public. It will increase the possibility of further public tasks and further tax reduction; or further Citizens Dividend.
  - Increase citizens' privacy regarding their private economy; end tax declarations and dispositions taken only for the purpose of tax reduction.
  - Increase citizens' disposable income, which will increase demand in general and increase business activity.

Some people will warn against this change saying that they fear it will lead so much money into the public sector of the society that it will threaten private initiative and private business. However, also this is crafty talk used by the holders of privileges and their supporters who want to block for any such change. The reality is to the contrary that exactly ***this change will give more people more disposable income, more freedom, more possibilities for travel, education, artistic and cultural development, and it will give the society more activity and economic progress.***

It is correct that the change here proposed will increase the economics and the rent of land very much. It is also correct that in order to consolidate the better society obtained by public collection of the rent of land it will be necessary to collect all the rent of land (in practice: as much as possible) *even if it exceeds the expenses to commonly wanted public tasks*.

The reason for that need is that rent of land falling exclusively to holders of privileges

- is a violence against people in general who are the real owner of the values of nature and society,
- distorts the economics, and
- advances poverty (as described in the box on the previous page).

*It is absolutely necessary to distribute annually the amount by which the annual revenue exceeds the expenses to commonly wanted public tasks in equal shares to all citizens.*

Some people will warn against public collection of all rent of land, emphasizing the fear that the public collectors will go further and collect more than what sensible tenants would pay for the exclusive rights to use the sites in question. But that warning is also crafty talk spoken by those who want to abandon the proposal; the fear is unfounded because

- Collection of tax of land higher than what sensible tenants would pay will make users abandon the sites in question.
- Over-taxation will - if the above mentioned economic realities are not enough - in democratic societies be curbed by the parliamentary system.

#### e. The blessing of equal distribution of the rent to all citizens

For centuries the market has been distorted as described above in 4 c. It has been and still is a curse on people in general and on the economics; but it does not have to continue that way.

##### Liberation of the market

When the voters instruct their elected representatives that they shall publicly collect the rent of land and use the revenue to the benefit of all citizens on an equal footing, either by improving generally wanted infrastructure and generally wanted institutions, or by direct distribution of the revenue in equal shares to all citizens, then - when the change has been implemented - nobody will take out from the market quantities of goods and services for their satisfaction without putting in goods and services for other people's satisfaction.

Then nobody - except criminals who offend properties - will reduce the quantity of goods and services in the market to the detriment of producers; then consumers and producers will pay normal prices for the goods and services that will satisfy their demands, and ***then investments in production will be rewarded better than investment in unproductive investments.***

Then the production will satisfy the producers' demand, and investments in unproductive rights will no longer build up credit crunch crises.

##### **Box 5**

The liberated market will become a blessing of the economics and a blessing of the life of people in general.

***But the responsibility for this to happen rests with the voters!***

## 5. DANISH TAXES IN RECENT CENTURIES

In Denmark 350 years ago the rent of land was collected by the absolute Monarch, and for that revenue he delivered administration of the society, infrastructure, prestigious buildings, an ecclesiastical organisation and service, and a military defence. 160 years ago the absolute Monarch gave up his absolute power. Then the parliament, being dominated by landowners, urged for ending public collection of rent of land, which they wanted replaced by tax on labour. In 1903 the legislature (landowners, industry magnates, merchants) introduced what was called "income tax", though the exact definition of "income" has never been made clear (unearned increase of wealth was never due to "income tax").

In Denmark today in the first decade of the 21<sup>st</sup> century the main part (more than 98%) of expenses to public administration and public works and services are financed by taxes levied on Danish producers (entrepreneurs, manpower and investors) or their customers. The taxes levied directly on land-values cover less than 2% of all taxes.

#### a. The burden of power brokers' claim on the results of production

Immediately after implementation of new burdens on producers or their customers, and after increases of existing burdens it is of course the citizens on whom the burdens are laid, who suffer; but when the burdens have become foreseeable the citizens will take them into consideration for the future, and therefore after some time they will burden

the landowners who cannot collect more rent from their tenants than these have available and are ready to spend on location. The burdens in question are taxes, privilege-profits, criminal proceeds:

- Taxes
  - The coherence between financial burdens on citizens and the rent of land as described above means that when the authorities tax other sources but the market price of land, they indirectly collect some of the rent of land; and when the Government subsequently spend the revenue on public infrastructure and public institutions that serve citizens in general it means that the citizens take advantage of some of the rent of land.
  - Danish taxes altogether amount to more than 50% of the Danish Gross Domestic Product, which is used to the benefit of people in general. Maybe that is the reason why the Danes are considered as being the happiest people in the world?
  - It would of course be less complicated and much cheaper for the Government and the taxpayers to collect the rent of land directly from the landowners than by collecting the same amount indirectly via many other sources. The major problem in that matter is that so many of the Danish voters have got the idea that they don't like land-value taxation and prefer many other taxes.
  - Collection of the tax revenue from many different sources offers many possibilities for evasion of taxes, which will be closed when the revenue is collected directly from the landowners as a tax on the value of land. Land is conspicuous - cannot be hidden, and the current value of it is known by state agents, valuers, assessors, mortgage lenders, and others, who in their daily profession estimate values of localities; so assessment of the rent of land is not an insurmountable difficulty.
  - Taxes on many different sources generally burden low-income people more than high-income people, and high income people's ability to evade taxes and to increase their income are usually more successful than low-income people's ability to do the same.
  
- Privilege-profits
  - In the same way as described about taxes, also privilege-profits - claimed by holders of monopolies and other privileges (licenses, permissions, etc.) on top of the prices they would have been content with had they not had their privileges - will in the beginning burden the customers, consumers and producers who need the goods/ services for their satisfaction or for the process of their production; in the longer term, however, the privilege-profits - in the same way as taxes - will reduce the amount the landowners can claim from their tenants.
  - The privilege-profits, however, cannot be collected directly from the landowners in the same way as taxes can be collected directly from the landowners as described above. Privilege-profits have to be collected directly from each individual holder of the privileges/ monopolies, etc. The Government who granted and currently protects the privileges knows who the holders of the privileges are and is able to collect the privilege-profit from them.
  - The size of the value of the privilege, etc. will be revealed when the Government asks the individual holder of each of the valuable privileges how much his/her privilege means to his business, and how much he would pay annually to the Government for enjoying continued Governmental protection of it. When this amount becomes publicized other people may bid a higher amount for taking over the privilege. The process is a bit complicated in the beginning, but it is not impossible to assess and collect privilege profits for the public purse.
  - In principle privileges should be abandoned and only allowed when they provide advantages for people in general, as the case is with exclusive rights for landowners to use of certain sites of land, and with exclusive rights for somebody to use certain waves of the electronic spectrum for transmission of information that makes radio, TV and mobile phones possible.
  - If for some reason it proves to be impossible to assess and collect the privilege-profit from the holder of a privilege granted and protected by the Government because it provides advantages to the people in general, it has to be taken over by the public and run as a public monopoly. Then the privilege-profit falls to the public and can be used for the betterment of people in general.
  
- Criminal proceeds
  - When a criminal offence against property happens the burden will hurt the victim. However, when criminal offences against properties (robberies, burglaries, shoplifting, etc.) are foreseeable and it is possible to estimate the values of the risks - maybe possible to pay a premium for the risk to be carried by an insurance company - these amounts reduce the rent the landowners can claim from their tenants.
  - The way to reduce criminal proceeds is increase of the general level of morality and respect of properties belonging to co-citizens followed up by an effectively working police force, and firm consequences imposed on the culprits.

## b. The effects of heavy taxes levied on different sources.

All taxes on production are dead-weights on the productivity of society. It is so, whatever the taxes are levied on consumers, on producers, on traders, or on anybody else of the people participating in the market in accordance with the

rules saying: deliver goods and/or services that will satisfy other people and get a market price, for which you may take out from the market goods and/or services that will satisfy yourself.

Industry and trade would operate much easier without taxes on production or trade; but also taxes on consumers' income and on consumption are hampering business in all branches. It would be an enormous relief to production and trade if all taxes were levied directly on the rent of land.

Taxes on many different sources are complicated and expensive to administer. It infringes citizens' privacy, it makes sharp control of the declared information needed, and it needs a staff with special knowledge of all branches of industry and trade. It would be much easier and cheaper to collect the rent of land directly from the landowners and omit bothering and burdening citizens in general and producers with tax accounting and dispositions that only have the purpose to diminish the tax burden.

### c. Solidarity, care and equality

Through the centuries it took the Danes to build up today's society of parliamentary democracy the common attitude among them was in favour of equality and solidarity with vulnerable people (children, disabled, sick, elderly, refugees). During the last half of the 20<sup>th</sup> century in which most need has been gradually abolished or mitigated this attitude has changed. In recent decades has grown a feeling that solidarity and equality hamper cleverer, stronger, and in other respects well gifted people. This attitude that will allow advantages/ privileges to the cleverer and stronger citizens has led to tax relief to the richest, and reticence on public expenses to the weak and vulnerable. Also public administration is felt as annoying restrictions that should be replaced by privatization wherever that is possible, which will introduce more private privileges.

If the attitude that the stronger and fittest shall be granted privileges to the detriment of the weak and vulnerable will grow and dominate the attitudes of the Danes for a longer period of time the result will be that more of the rent of land is led to private privilege holders. Then they will extract the most and best of the production of the society (and from the whole world) for their private satisfaction, albeit in their capacity *as holders of privileges they will not deliver any goods or services to their productive co-citizens* who will therefore have to put up with prices for goods and services higher than necessary.

When huge amounts of privilege-profits are allocated to few people they will provoke poverty that will grow and infest not only the citizens of today's lower class but also citizens of today's middle class.

#### **Private or public administration**

The idea that private management is always more effective than public management is an assessment that needs modification.

It is correct that big administrations are vulnerable to rigidity and corruption, which however is due to all big administrations whether they are privately or publicly managed, and *the more so when competition is missing or weak*.

Competition is missing or weak where power brokers are involved, which is the case in governmental administrations as well as in administration of monopolies/ privileges.

In order to take advantage of the effect of competition we need to further the following:

- Public administration shall be privatized where it is practical and can be done *without creating private monopolies/ privileges*.
- Private privileges of any kind shall be abolished in principle, but not when they provide advantages to people in general as is the case with exclusive rights to use of natural resources, such as regarding use of land and use of electronic waves for radio, TV and mobile phone transmissions. Another category of privileges providing advantages for people in general are connected to governmental regulations protecting human beings' health and life and the environment, such as regarding nuclear power, gen-modified food, certified medical drugs, serving of intoxicating drinks and drugs, dealing with poison, weapon, explosives, pollution, cremating and burying corpses, handling of household waste. As a third category of privileges providing advantages to people in general is the exclusive right to print and coin money, and to put money (also electronic money) into circulation.

When private privileges are accepted because they provide advantages to people in general, we have to maintain the condition that the privilege-profit shall be forwarded to the public that will use it for the benefit of people in general.

If for some reason the privilege-profit cannot be assessed or publicly collected the privilege should be taken over and managed by the public.

## 6. THE SUPREME POWER IN DENMARK

From Danish History we learn about groups, companies, gangs, and parties who in past times fought over the superiority to forcefully claim tributes from people living and working on and from the land. Early it happened by raids and organised robberies, invasions and claims for tributes. Later it was by political intrigues, privileges and taxation.

### a. Kingdom

Early communities that wanted stability had to make a contract on protection with the strongest power broker in the area; and that usually meant that the community should pay to the power broker what it was able to produce over what the producers and their families needed to keep an acceptable lifestyle (reward for manpower); the power broker was usually called Chieftain or King and used the revenue to enrich himself and to build up a strong force for defence against enemies. The society that was able to provide their king with the largest tribute and raise the strongest military force, could - if their king was a successful warlord - enjoy peace.

- *Ideally* liberty and sovereignty should rest on a healthy society able to meet challenges from neighbouring communities, about industry and trade, and about military abilities.
- *Practically* kings/governments had to balance between on one hand: good life and high productivity of the citizens, and on the other hand: military strength.

Less strong societies - like Denmark has been since 17<sup>th</sup> century - would have to comply with the stronger of their neighbours and hope to be left in peace.

When his realm had a certain size the sovereign king had to rely on his henchmen who would

- act locally on behalf of the sovereign,
  - collect the rent of land for the sovereign,
  - provide the sovereign with military units;
- and as entitled nobles they were allowed to
- withhold some of the revenue they collected from the productive people.

However, this arrangement was vulnerable; some nobles would use their position to claim more privileges from the sovereign and/or urge more influence onto him.

Privileges - to rent-free landownership, or privileges to run certain industries like windmills, watermills and factories, or to supply attractive commodities such as salt, spices, oil, - sometimes called monopolies, licences or something else, were granted to nobles and knights and to other people who were able to further the sovereign's interests in meritorious ways, including the sovereign's interest in a sound and well working society. Sometimes the king granted, pledged or sold privileges or monopolies in return for money needed for governmental expenses to military arming and soldiers' pay, prestigious investments, and infrastructure.

After absolute monarchy was inaugurated in Denmark in the 17<sup>th</sup> century some of the nobles' privileges were cancelled.

When in the middle of the 19<sup>th</sup> century the absolute monarch handed over his power to a parliament of representatives elected by voters, it became possible for the people to get rid of privileges and monopolies and let the values of nature and society benefit the people in general. Since then Danish democracy has been under development, but it is not yet complete and the Danes have not yet acquired equal rights to the values of nature and society.

### b. Democratic power in Denmark

In the last half of 19<sup>th</sup> century the Danish legislators dominated by landowners, merchants and industrial magnates concentrated on

- making the newborn democracy work,
- improving the democracy and the general education,
- institutionalising the labour market,
- improving health service and the life style of people in general,
- developing of a new tax system.

In 1903 "Income Tax" was implemented as part of a new tax system that also abolished the previous hartkorn tax.

Since the beginning of the 20<sup>th</sup> century the supreme power in Denmark has been and still is in the hands of the people who exact their democratic rights to elect representatives to the legislative assembly: The Danish Parliament "Folketinget". However, the representatives appoint a Prime Minister who proposes the ministers who will form his

Government which the Queen will approve. Between elections the Prime Minister exerts the supreme power via his ministers. They rule the society in accordance with laws given by the elected representatives. Today the power of the Royal Majesty is very limited.

From 1925 to 2000 the Danes developed a tax burden that has been registered as the heaviest in the world. Today it finances a wide range of arrangements for all Danes including those at low income, and it pays for new infrastructure and for maintenance of old infrastructure. Wages to middle and lower income citizens are higher in Denmark than in most other countries; but - as mentioned - taxes are high. Purchasing power of the disposal income-after-tax is very much as it is in neighbouring countries.

The taxes on the market prices of land annually collected directly from the landowners are not insignificant in Denmark, but they are small compared to the market prices of land (less than 2%).

The Danes have the opportunity to use their democratic power to abolish monopolies and privileges, which they have not done. But since World War II monopolies and enterprises that dominated or were about to dominate the market have been under control by governmental bodies. After Denmark's association with the 'European Union' much of this kind of administration has been transferred to EU, but still a 'Danish Competition Council' keeps control, examines questions, and enforces rules.

The number of monopolies, licences, etc. is currently increasing, and holders of monopolies/ privileges, etc. are capturing income on top of what they would have been content with had they not had their monopolies, privileges, etc. The holders of governmentally protected privileges extract from the market big quantities of goods and services, without delivering wanted goods or services in return to the market.

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The number of holders of exclusive rights to use land has also increased considerably during the last half of the century, including those owning the land under their homes; in some blocks of flats the tenants own the land jointly, which enables them to participate in unearned windfall income that makes them feel solidarity with the great land owners.

### c. Democratic Power and the Rent of land

When in the 19<sup>th</sup> century Denmark began its development from dealing mainly with agriculture to dealing also with industry in bigger scales, and crowds of people moved into towns and cities, new groups of citizens raised their voices. They were industrial magnates, members of craftsmen's guilds, organised farmers in the countryside, and gradually also organised workmen. They all expressed their individual interests and claims, which had to be considered, and gradually emerged and developed the idea of constitutional democracy.

In 1849 the parliament was institutionalised and over the next 66 years democracy developed; from 1915 it comprised all Danish citizens of adulthood living in Denmark. Today's democracy in Denmark guarantees the citizens Equal Personal Rights and Equal Political Rights; but the Danes are not guaranteed Equal Rights to the Value of the Danish Nature and Society, which is created by the nature and by all citizens in common..

Access to and use of some of the value of nature and society are guaranteed to holders of monopolies and privileges. This holds good in case of exclusive rights to use of land and other natural resources but also in case of exclusive rights to deal with certain professions, branches of craftsmanship, and trades with specially described products.

The producers (labourers, entrepreneurs and productive investors) will only enjoy the value of nature and society so far as the Government has provided the public with advantages (public roads, streets, lighting, transport facilities, education, health care, etc.), and a bit more included in their wages if they are able to provide the holders of monopolies/ privileges with special and strongly sought-after services.

#### **THE ADVANTAGES OF NATURE AND SOCIETY AND "THE RENT OF LAND"**

##### PROVIDED BY NATURE:

##### Physical Natural Powers

Gravity, streaming and falling waters,  
Sun, wind.

##### Organic Natural Powers

Growth Power

Community Power

Synergy of human cooperation and specialization

### Natural Deposits

Fertile soil, fresh water, salt, fruits, vegetables, game and fish, timber, pitch, minerals, metals, fossil fuel, hot springs, etc.

#### PROVIDED BY SOCIETY:

##### Public infrastructure

Roads, rails, canals, harbours, airports, power plants, networks of tubes and wires for transport of water, power and information, networks of radar and antennas for TV and mobile phones, etc.

##### Public institutions

Administration, law and order, military defence, markets, health service, education, information, care, preparedness, etc.

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None of these advantages are caused by any individual human being or of any individual group of human beings. The values of these advantages are something else but wages to manpower and rewards to productive investors. The values of nature and society are “free game” or “free lunch” that can be picked up by power brokers who are strong enough to exclude other human beings from the advantages and maintain their claims, or by anyone else who is able to call upon a power broker commanding strength enough and willingness to enforce the claim for him/her.

Advantages that are available from a certain site of land are valuable for the holder of the site if he/she has obtained the supreme power broker’s protection of *exclusive right* to use the advantages in question, meaning right to exclude other people. Then the advantages represent the value that economists call the “*Rent of land*”. It varies from one location to another.

#### Box 7

## 7. DEMOCRATIC EQUAL RIGHTS TO THE VALUE OF NATURE AND SOCIETY

Since 1915 all Danes have enjoyed *Equal Personal Rights* (to go about, to privacy, to be brought before a judge shortly after arrest, to equality before law and justice, etc.) and *Equal Political Rights* (to speak and write and print and distribute ideas, to assemble at meetings, to demonstrate attitudes, to stand for elections, to vote at secret polls, etc.).

These rights are very much appreciated, but they do not provide the perfect democracy. The democracy is not perfect as long as it allows few people to capture a great share of the values of nature and society that morally belongs to all citizens on an equal footing.

*Equal Personal Rights* and *Equal Political Rights* can, however, be the tools by which the Danes achieve the missing *Equal Economic Rights* to the values of nature and society.

The only reason why they have not already got *Equal Economic Rights* to the values of nature and society is that they have never claimed it. We shall zoom in on that problem below.

### a. Unprivileged Danes.

Unprivileged Danes have for centuries suffered and still suffer from the fact that holders of privileges, protected by the Danish Government, are able to extract and use for their private satisfaction considerable parts of the rent of land that morally belongs to all citizens on an equal footing. Not only the landowners but any holder of valuable privileges are able to enjoy advantages or collect income they have not earned by their own labour or productive investment.

Unprivileged citizens are cheated currently, year in and year out; they do not get a fair share of the values of nature and society, and the purchasing power of their wages are reduced by the privilege holders’ unearned income by which they take out from the market goods and services without putting goods or services back into the market.

Why have unprivileged Danes not claimed their equal shares of the rent of nature and society?

The answer may be found in the fact that in the beginning of the 21<sup>st</sup> century statisticians could report that the Danish people were registered as being the Happiest Nation in the world, producing a Gross National Product among the greatest in the world measured per citizen, and having a gap between the wealthiest and the poorest citizens that is among the narrowest in the world.

Maybe high taxes are not as bad as the rumour goes. In this paper I have asserted that any tax system collects a part of the rent of land, which assumption is based on the understanding that *wages after tax* - independently of the tax system -

are determined by the market, so that the amount the landowners can pick up as rent of land is reduced when the purchasing power among people in general is reduced.

So, though Danes in general don't get their equal share of the values of nature and society, they do get a tidy portion of it, and enough to make them feel happy.

### The size of the rent of land

The rent of land decreases when the general tax burden on people is increased.

The rent of land increases when - as a result of negotiations between the organisation of labourers and the organisation of employers - wages to employees in general are increased.

The rent of land increase/decreases when - by governmental measure - the general access to credit is eased/limited.

### Box 8

## b. Policy for people in general

Through most of a century the Danish society has been led by people from a coalition of the political party The Social Democrats and the Danish Trade Unions. The Social Democrats were in governmental power most of the time from 1924 to 2001 in which they provided sound housing all over the country, created welfare institutions and regulated the labour market, which in concert formed the base for a productive environment of trust and stability, on which the two sides of the labour market have been able to negotiate the conditions of production.

Danish Trade Unionists succeeded in improving the *conditions of labour* at working places by developing security rules that were agreed by the organisation of employers and later adopted as laws by the legislators. In practice these rules were keenly enforced by well educated trade union shop stewards democratically elected by the shop workers. The shop stewards managed to keep the employers up to the marks. The Unionists also succeeded in raising *wages* of Danish manpower (physical and mental) to acceptable levels.

The Social Democrats on their side succeeded by its tax policy to capture for the community big parts of *the value of nature and society* that was not caused by individuals or any individual group, but caused by nature and the society. The revenue was used to construct and maintain generally wanted *infrastructure* and public welfare *institutions* that benefitted all or most of the Danish population.

## c. Counter policy

Since 2001 not only increases in taxes have been stopped, also certain taxes have been reduced, including taxes on houses, in spite of the fact that the market prices of housing have increased gigantically until the economic stagnation began in 2008, and in 2009 developed into recession.

So, during the 20<sup>th</sup> century the political party The Social Democrats succeeded in indirect capturing of considerable parts of the Rent of land for the community and use of it for the benefit of people in general. In the beginning of the 21<sup>st</sup> century the coalition of anti-socialistic parties succeeded to recoup considerable parts of the value of Nature and Society to the pockets of landowners including homeowners.

## 8. DANISH "HAPPY-LAND" TAXATION versus DIRECT LAND-VALUE TAXATION

The experience from Denmark's tax policy through the 20<sup>th</sup> century seems to indicate that the rent of land can be collected indirectly by public taxes on a wide fan of different sources.

But we cannot say that the Danish indirect collection of the rent of land via taxes on many different resources have the same good effects as directly collected Land-Value Taxation has. Definitely they have not!

Through generations Danish Georgists have recommended Land-Value Taxation with arguments like the following:

- Ethically the rent of land *belongs to all Danes* in common and should be publicly collected instead of other taxes; avoidance of public collection of the values of land and the use of it for the betterment of people in general is a *violence against the people*.



- When rent of land is collected by monopolists and privilege holders, it *hampers the productivity* of the society (by restricting competition), *damages the economics* (by diluting the purchasing power of wages), and *creates poverty* (as result of restricted competition and diluted purchasing power);
- Levying the revenue the Government needs is *much easier and cheaper when levied from the landowners only* than when levied from many different sources; and when the revenue of collected rent of land is used to replace other taxes *the rent of land will raise accordingly*.
- *Sites of land cannot be hidden*, the cadastral tells who own the sites, and the values of the sites are assessable by experienced assessors, mortgage lenders, state agents, developers, educated tax experts, etc. Openness and publicity about the assessments will strengthen fair assessments.

Let us see how these arguments will be met by indirect collection of rent of land via taxes levied from a wide fan of sources.

#### a. The value of all land in Denmark belongs to all Danes

This allegation can be met by indirectly publicly collected rent of land captured via taxes on a wide range of sources, but only to the degree at which the total of collected taxes relates to the total of rent of all land in Denmark. As long as sites of land still have a market price there are still rents of land that are not publicly captured, which means that people in general are still violently victimized.

Like it will be impossible to abolish unemployment completely - 1-3% unemployment will be brilliant - it will probably not be possible to collect all rent of land. Public collection of 95-98% of all rent of land will bring about all the advantages to the people and the society, presupposed the revenue will be used for the benefit of the people in general on an equal footing.

#### b. Public ignorance of collection of the people's rent of land is violence against the people

It is tragic that the Danish people in general reject direct public collection of the rent of land and prefer many other taxes that cause them serious problems (hamper productivity, damage the economics, create poverty and increases need for more taxes). The reason why this has continued through centuries is *the systematic suppression of information* about the advantages of direct collection of rent of land from the landowners, and the systematic *making light of the problems* caused by the many different taxes.

In the beginning of the 20<sup>th</sup> century many teachers agreed in the Georgist ideas and referred to it during their teaching. But gradually it became a 'no-no' for teachers to refer to Georgist theories (as well as to Marxist theories). The mantra in Danish education was: *"You shall teach how the society is and how it was, but not what it might be changed into. That is up to philosophers and politicians, not to teachers."*

During the 20<sup>th</sup> century wealthy interests in USA lavishly sponsored economists who taught at universities or wrote textbooks, when they could explain economic phenomena emphasizing the virtues of privatization of natural resources and the virtues of what they called, but definitely was not, "free competition" that would allow for monopolies and privileges. If professors or teachers criticised this favouritism or taught in conflict with it they were excluded. Over time they built up what today is called Neo-classical Economics that suppressed the idea of people's equal rights to the rent of land and has been favoured by influential circles in other branched, such as journalistic, and in other countries. The Neo-classical Economics confuses the teaching of classical economists, restricts the market they call, but not is "free", allows economic boom-bust crisis to emerge periodically, and create poverty.

When many 'Adult Education Associations' (Voksenundervisningsforbund) began to work in Denmark in the last part of the 20<sup>th</sup> century it was difficult for the Danish proponents for Land-Value Taxation to raise the interest of people who were overwhelmed by the million of possibilities offered from other angles, such as hobbies (photographing, motoring, flying, painting, drawing, modelling, etc.), foreign languages, school subjects, cultural and spiritual and literary lectures, travel experiences, and much, much more.

Another obstacle to the rise of interest in information about public collection of the rent of land was (and is) the fact that well skilled specialized labourers in the second half of the 20<sup>th</sup> century had an income good enough to buy their own home, which many of them did. Then, though their property of land was very small and of low value compared to the total of all land-values of Denmark, they felt solidarity with big landowners and other privilege holders. In general they were under-privileged, but they were not at all interested in furthering the idea of public collection of the rent of land; and even worse, they influenced this negative attitude to land-value taxation to the members of their families.

No doubt, had the unprivileged and under-privileged Danes (homeowners in general) got the correct information about the advantages that individual people and the society in entirety would gain from 'Direct public collection of rent of land from the landowners', they would have supported the idea and prevented the hampering of productivity and the periodically boom-bust circles.

### c. Direct collection of rent of land from the landowners is much cheaper than many different taxes

Most politicians are well aware of the fact that direct Land-Value Taxation can be collected much cheaper than taxes from a broad fan of sources. Yet they prefer taxing the wide fan of sources and give the following reason for that attitude:

*Our voters think it is injustice to collect tax from a single source only. And we do not want to annoy them.*

But the voters got this information from the information media (electronic and printed) whose staffs, by their teachers who promote neo-classical skewed “knowledge”, have been told to avoid speaking about the people’s equal rights to the values of nature and society. *“The staffs are not supposed to work up a critic of the existing social order”.*

Had the people been told that they are the original and rightful owners of the values of nature and society, and had it been explained to them that the state of social order - though it has been so for centuries - is the result of powerful protection of an injustice that can easily be re-adjusted as soon as the people want so to happen, then the people surely would have instructed the persons they nominate for election to the legislative assembly that they want the change to happen.

### d. Evasion of tax on the values of land

It is completely impossible to hide land, and the Danish cadastral tells who own all sites. The values of the sites are assessable by people who are accustomed to that metier on a daily basis. Assessment is not a problem, but has to be organised carefully, and to be checked up regularly; and publicity about the assessments is essential.

The system’s immunity against evasion is an important advantage of land-value taxation compared to taxes levied from a broad fan of sources. That is, however, also a very important reason for landowners to hate it as a plague. People who want to establish institutions that can prevent evasion of taxes find land-value taxation very attractive.

Also in this respect ‘direct public collection of rent of land’ is very much in favour than are the many taxes on many sources.

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So, though the Danish “Happy-land” tax system obviously has advantages compared to many tax systems used in different societies around the world, it is not the very best choice of tax systems and it has important failures compared to direct collection of the rent of land.

New taxes or increase of usual taxes levied from anything else but rent of land will in the beginning burden the persons who are taxed. It will take some time before the increased tax burden reduces the rent of land that the landowners are able to pick up, but it will happen that way. It takes longer time when the taxpayer have difficulties in negotiating the size of their wages, whether it is because of language problems, or because the taxpayer simply is bad in “the art of negotiation” about the wage they want. The trade unions could be supportive in such cases, and the Danish unions were very active in that respect up to the first half of the 1970s, when it was secretly agreed that collectively wage negotiations should be kept low, which they have been since then.

#### **Inflation is fuelled by general increase of wages when privilege holders keep the rent of land for themselves.**

In the first half of the 1970s the Danish government and the two main organisations of the Danish labour market agreed that general increase of wages to manpower should be restraint.

The reason for this agreement was that the economic boom at the end of the 1960s and the first half of the 1970s made the Danish trade unions urge for general increase in wages to the members of the unions with the argument that *the labourers shall have a fair share of the economic progress*. The organisation of Danish employers accepted considerable increases, but when wages in general rose, then rose also rent of land; then more money was put into circulation and then prices on goods rose.

That made the unions claim a further general rise in wages to their members as *compensation for general raise in prices of goods and in prices for and rent of land* \*). Also this claim was met by considerable increases in wages, but had the same consequences as just described. This happened a few times more, but every time the wages were increased also the rent of land increased. As it also led to increased amounts of circulating money it caused inflation, which made the government suck up money by taxes. Unfortunately the government had decided not to increase taxes on land-values because of the experiences from 1960 and 1965 when the voters so clearly expressed their annoyance with land-value

taxes\*\*); therefore the government could only tax producers and/or consumers, which was not popular either, but accepted by the voters as long as it did not completely eliminate the rise in wages.

But increased taxes could not break the still growing vicious spiral that fuelled inflation. It had to be stopped in another way and that was the reason for the agreement between the government, the Unions and the organisation of employers. The former chairman of the Nationwide Federation of Danish Trade Unions, Thomas Nielsen, declared in the beginning of the 1970s that the Unionists - in coalition with the Social Democrats - through the century had indeed been victorious, but to rack and ruin.

The fact was and still is as described by economists living before 1900 that it is impossible for labourers to get a share of the rent of land by raising wages. Had the Danish Unionists and the politicians of the Social Democrats understood this, they would probably also have known that *the only way in which labourers can get their fair share of the rent of land is by public collection of it and subsequent public use of the revenue to the benefit of all citizens, either via public supply of generally wanted infrastructure and institutions; or by equal distribution of the revenue in equal shares to all citizens*.

The Unionists in coalition with the political party of Social Democrats had the power, and they had sufficient economic resources, and well functioning organisations, and an information system (schools, teachers, newspapers and magazines) that are needed for making citizens understand that *the rent of land belongs to all citizens on an equal footing*. The Unionists and the Social Democrats could have carried through the necessary shift of taxes from the income of productive labourers and entrepreneurs to the unproductive landowners' - including homeowners' - unearned income of rent of land. And had they then used the revenue as they usually did for the benefit of all citizens, then they had been able to provide all Danes with fair shares of the rent of land. Then the victory of the Unions and the Social Democrats would have been complete. Instead they misspent the victory.

The un-implemented policy would have up-rooted the core of inflation that was caused - not as described in those days' Danish news media: by the rise of wages; but caused - by the combination of raised wages and subsequent rise of rent of land that fell to individual landowners who were allowed to keep it for themselves.

Had the rent of land been publicly collected and used for the benefit of all citizens in general it would not have fuelled inflation. The revenue could have made it unnecessary for those days' Danish Finance Minister to raise again and again heavy loans from abroad, which turned into more taxes burdening the people.

As neither Unionists nor the politicians of the Social Democrats had this knowledge, and they did not listen to proponents of the direct public collection of the rent of land, they were frustrated and admitted that they could no longer use their power to urge for general increase of wages to their members.

The very sympathetic and honest Danish Prime Minister, Anker Jørgensen, who always worked for the Danish trade unions and for the political party of Social Democrats and had been Prime Minister of two governments felt in 1975 that he should give up his seat as Prime Minister. He voluntarily, without any constitutional reason for it, dissolved his government and gave the power to the Conservatives; a very unusual reaction of a socialistic prime minister.

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\*: This was described in some of the verses of a popular song from a Danish revue: "The Swings and the Carousel".

\*\* : At the general election in 1960 the three parties of the so called "Ground Duty Government" that had urged for land-value taxation lost seats in the Parliament; the Danish Justice Party lost all its seats. At a referendum in 1965 about a set of updated 'land laws' that had already passed the Parliament, the laws were rejected.

#### Box 9

Another bad effect of 'indirect collection of rent of land via a broad fan of other sources' is that when it burdens the citizens, it burdens them differently. Most taxes burden low income people more than they burden well-off people. Collected as direct tax on land-values also called public collection of the rent of land it doesn't burden anybody at all, it is collection of an unearned income that the landowner can pick up, though it morally belongs to the people in common and private withholding of it is violence against people in common.

So, the many advantages of 'Direct public collection of the rent of land from landowners' compared to 'Indirect public collection of rent of land via a broad fan of sources' make us recommend: Direct collection of the rent of land.

## 9. IMPLEMENTATION OF DIRECT LAND-VALUE TAXATION IN DENMARK

The Danish society is a democracy. Important changes have to be supported by a majority of the people. People are emotional, and will be interested in a case if their feelings are touched in favour of it, or if they can see that they will benefit from the proposed change.

In the case of *abolition of slavery* their feelings were touched in favour of it to an extent stronger than their economic interest in benefits of slavery.

In the case of *protection of the environment* many people are touched in favour of it, but only a few are willing to sacrifice economically for the case. Maybe it was also so in the case of slavery until politicians took heart and began to move the case forward.

In the case of the proposed 'direct public collection of the rent of land' it should be possible to touch the voters' feelings against the *continually ongoing injustice* that has to be brought to an end; and it should be possible also to make them see their personal interest in common ownership/equal sharing of the immense values of nature and society all over the country. The following procedure should further this to happen:

First of all, the proponents should

- agree in propagating the basic idea; maybe propagating a slogan like:  
**Nature and Society belong to all citizens - the Values of both are for their equal sharing!**

Next, it is important that the proponents

- estimate the size of the total annual value of Denmark's nature and society so they are able to emphasize for the citizens the importance of the proposal.

When the above two items are clear, as clear as they possibly can be, the proponents should

- list how the revenue of publicly collected rent of land MIGHT be used:
  - Citizens Dividend, also called other names such as Citizens Income, Citizens Bonus, Citizens Wage, or Basic Income Guarantee (either equal shares to everyone, or shares allocated to people after their need for support);
  - Construction and maintenance of public infrastructure (generally wanted, or governmentally decided);
  - Reduction of other taxes (reduction/abolition of different taxes are proposed; regarding income tax it should be discussed if the reduction should be by *equal amounts* deducted from every taxpayers' individual burden, or by *equal percentages* deducted from every taxpayers' burden).
  - Repayment of public debt; which will reduce future need for revenue.

A discussion about preference of the possible use of the revenue should not take place before the sufficient number of people in general want the reform implemented because *they want to end the ongoing collective unjust*.

Also, but less important than the other three items, the proponents must

- list the supposed advantages of the proposed reform, such as:
  - Smoother economy; (try to avoid speaking about free trade or free competition, which many people have personal reasons to really hate);
  - Abolition of "free lunches" going exclusively to holders of monopolies and privileges;
  - Abolition of the most serious cause of the periodically occurring boom/bust circles, economic stagnation, and unemployment;
  - The feeling of *equal rights* for everyone to the advantages of society and nature, of *harmony* and of *equality*, which is basic for mutual trust and respect, and trust and respect in public authorities.

At last the proponents have to discuss

- The practical implementation of the reform.

A closer look at the above five items:

### a. The values of nature and society are for equal sharing

It is essential that the idea of **The Value of Nature and Society belongs to Everyone** is propagated as widely as possible.

People may ask if the slogan means that the value of nature and society should be socialised/nationalised, to which the answer is: It will depend on how the Government (instructed by the people) wants to use the revenue.

- The Government may want to use it for *financing generally wanted public tasks* instead of taxes or instead of public borrowing that would mean increased taxes in the future; then the reform **will benefit the taxpayers**; and from the public tasks **everyone will benefit**.

- The Government (instructed by you and the other citizens) may prefer to use the revenue for *equal distribution to all citizens*, which will be **plain privatisation and benefit everyone**.

But the discussion about how to use the immense revenue of the proposed ‘direct public collection of the rent of land’ should not start before a sufficient number of people in general want the proposed reform because *it will end the unjust* that has gone on for centuries.

## b. Estimate the size of the total value of nature and society

Every day people consider how much they will accept to pay for shelter, food, clothes, taxes, transport, fuel, and other things they find important for their life style. The two most important and biggest expenses on their list are public taxes and housing (shelter), of which in most cases the major part is for the site on which is built.

By taking the total of all market prices of land in Denmark (Denmark’s Statistics has that amount) and de-capitalizing it to an annual amount [for 1997 Danish statisticians made it up to Dkr.27,500 millions] and to that amount adding the annual land-value tax “Ground Duty” that all Danish landowners pay to the public [for 1997 Danish statisticians made it up to Dkr.8,500 millions] the sum it makes represents the annual value of advantages provided by nature and society that all landowners are able to pick up from their sites and use for their own satisfaction [for 1997 approx. Dkr.36,000 millions].

But this amount is not the total annual value of Danish nature and society. In order to estimate it we have to add the total of all taxes that every year reduce the citizens’ purchasing power. Danish statisticians register annually the total of collected taxes [for 1997 approximately Dkr.560,000 millions] that we must add to the de-capitalized market prices of all land in Denmark [for 1997 it was made up to Dkr.27,500 millions]. But even more should be added.

Not only do tax collectors reduce the citizens’ purchasing power. Monopolists and privilege holders also extract purchasing power from their customers without giving them anything in return for that expense, and they do so by claiming privilege-profits on top of the prices they would have been content with had they not held their privileges.

Unfortunately the total amount of annual privilege-profits is not registered by statisticians or by anybody else; so we can only estimate part of the annual value of Danish nature and society, namely the de-capitalised market prices of all land in Denmark [for 1997 Dkr.27,500 millions] plus all taxes annually publicly collected from Danes living in Denmark [for 1997 Dkr.560,500 millions], which was **for 1997 Dkr.588,000 millions**. But the total amount of the annual value of nature and society in Denmark was probably some trillions more.

The total of all annual privilege-profits should be possible to estimate by the government who originally gave the privileges. The Government should just discuss with the holders of the valuable privileges how much it would harm their businesses if the privileges were abolished, and which amounts they would be ready to pay annually to the Government for keeping the rights in the future. It would reveal considerable sums of money, I am sure. And by publicizing the amounts other entrepreneurs might give in higher bids for taking over certain privileges.

This process would be a bit complicated in the beginning, but it is definitely not impossible to find out the size of the annual privilege-profit of the most valuable privileges in Denmark. (Of the more important privileges in Denmark are to be mentioned use of the electronic spectrum, oil drilling, power plants, privatised water supply, issue of money - printed, coined, and electronically issued - and putting money into circulation, privatized public transport, pollution permissions, and waste management).

## c. List of how the value of nature and society may be used by the government to the advantages of people in general.

### i. Citizens Dividend

Citizens Dividend is promoted by several international organisations. Some of them call it Citizens Income, Citizens Bonus, Citizens Wage, or Basic Income.

They currently discuss to whom the dividend shall be paid, and the size of the amount.

The most extreme attitudes to these questions are

- dividend paid to meet the recipients’ individual needs: the annual amount that will provide for shelter, food, heating and other necessities.
- annually paid to all citizens equal shares of the total revenue of all unearned income (all “free lunches” = all privilege-profits, including the rent of land = the value of nature and society).

Proponents of Citizens Dividend also discuss from which sources the needed funds should be taken. The proposals are:

- collected by increase of ordinary taxes (such as on income, consumption, savings, resource charge).
- collected by new taxes (like “tobin-taxes” on transfers of currencies, or CO2 taxes)

- collected by taxes on the values of nature and society (appearing as values of privileges, including landownership).
- ii. Construction and maintenance of generally wanted public infrastructure and institutions:
- Maintenance of outworn and construction of new infrastructure
    - sewers, roads, rails, bridges, tunnels, canals;
    - harbours, air- and rail-terminals;
    - nets of tubes and wires and relays for distribution of power, water and information;
    - water treatment works, power plants, waste handling/ recycling plants;
    - public school buildings (including toilets and bath facilities, sports facilities),
    - flooding protection
  - Development and improvement of institutions
    - care for children and elderly and sick and disabled citizens,
    - prevention of child- and youth-crime, including offers of training and improvement and utilization of natural gifts and interests; building up self-respect, self-confidence and trust in society and authorities.
    - improved contact between authorities and citizens (police and local governments)

iii. Reduction of other taxes

Reduction of different taxes are proposed and has to be discussed and decided; as regards income tax it has to be discussed also if the reduction should be by

- equal percentages deducted from every taxpayers' tax-burden.  
Deduction by equal percentage will mean that high-taxpayers will benefit more than low taxpayers.
- equal amounts deducted from every taxpayers' individual tax-burden  
Deduction by equal amounts will mean that every taxpayer will benefit to the same degree of the values of nature and society. But when the deduction increases, more and more taxpayers become tax free and will not take advantage of further increase of the revenue of public collection of the value of nature and society.  
This calamity could be avoided by cash payment to all citizens of an equal share of the revenue, reduced by the individual taxpayer's tax; or without that reduction.  
In Denmark every citizen has his/her private ease-account to which all payments from public institutions go. That works perfectly well, and it will be very useful for equal payments to all citizens.

It would strengthen the implementation of Direct public land-value taxation if its proponents could agree in a certain strategy. But attempts to create a strategy for all proponents to agree in has until now not been successful.

As long as the proponents concentrate on discussing the different ways of using the revenue, without being able to give possible supporters an idea of the size of the value of nature and society, we can only expect quarrels between proponents but no interest of supporters.

d. List of expected advantages of the reform

A list of expected advantages of the reform begins with 'Ending the unjust situation of having only a few beneficiaries of the value of nature and society'. That is because the implementation of the reform cannot be made before people in general feel deep in their heart that they are the rightful owners of the values of nature and society, that it is ridiculous that the unjust has continued for centuries, and that they sincerely want it to end as soon as possible.

- Ending the unjust situation of having only a few beneficiaries of the values of nature and society.
- General satisfaction that the values of nature and society will be shared equally by all citizens.
- Smoother economy; (try to avoid recommending free trade or free competition, which many people have personal reasons to really hate).
- Abolition of the most serious cause of periodical boom/bust cycles, economic stagnation, and unemployment.
- The reform performs a sound basis for a reliable money system, and a sound banking system.
- Provision of funding for generally wanted public infrastructure and generally wanted public institutions.
- Environmental regulations often mean exceptions that cause privileges that lead purchasing power from people in general to the holder of the privilege in question. The reform will capture the privilege-profits and guarantee that the revenue will be used to the betterment of people in general.
- Sprawls in towns and cities are prevented by land-value taxation.

e. The practical implementation

The practical implementation will be decided by the democratically elected representatives. The voters in general will instruct their representatives about their wishes, wants and wills.

If the people are really keen on an urgent implementation of the proposed reform it can be made quickly, but in order to avoid too much trouble I suggest that the implementation goes over some eight years' time. In Denmark frequently updated cadastral showing recently assessed land values have been used for most of a century. The registered values or rents and other details about the sites have all the time been publicly accessible; and in this matter open publicity is essential.

Details about how to implement the reform must be elaborated by a governmental subcommittee and prepared by civil servants.

I am able to supply more details of my proposal, but it is too comprehensive for this paper.

25<sup>th</sup> July 2009  
Ole Lefmann

“While the governments of developed nations with market economies collect some of the rent of land, they do not collect nearly as much as they could, and they therefore make unnecessarily great use of taxes that impede their economies - taxes on such things as income, sales, and the value of capital goods.”

*William Vickrey (1914-1996)*

“Use of land rents or, at least, of a major fraction of them, for public purpose is therefore not merely an ethical imperative, derived from categorization of these rents as an unearned income derived from private appropriation of publicly created values, but, even more importantly, a fundamental requirement for economic efficiency.”

*William Vickrey (1914-1996)*

“Economists are almost unanimous in conceding that the land tax has no adverse side effects . . . landowners ought to look at both sides of the coin. Applying a tax to land values also means removing other taxes. This would so improve the efficiency of a city that land values would go up more than the increase in taxes on land.”

*William Vickrey (1914-1996)*

***About the Nobel Prize in Economics laureate William Vickrey, see attached cut from the July-August 2009 issue of “Progress”, magazine published by the organization ‘Prosper Australia’, Melbourne, [www.prosper.org.au](http://www.prosper.org.au)***