Canada's Economic Status

By HERBERT T. OWENS

THIS article will deal with the economic status of Canada as it now is, and as related to the Georgeist program for the ultimate collection of economic rent for all purposes of government.

A Royal Commission on Dominion-Provincial Relations was set up in August 1937, to examine into our constitutional and public finance set-up, and its Report was tabled in May of this year. Its statistics are based on the fiscal year 1937. It is known for short by the name of its chairman, Mr. Joseph Sirois, and will be designated as the Sirois Commission's Report throughout this article. A remark of Campbell-Bannerman's concerning a political opponent—"a fine chappie but na sound on the land"—epitomizes this Report. There is no awareness in it of the primacy of the land rent question.

HOW CANADA RAISES ITS REVENUES

Municipalities raise their principal revenues from a tax on land values and on improvements. There is also an assessment on business usually based on the value of real estate used, but in British Columbia there is instead a schedule o licenses which yield about as much revenue as the Busines Assessment of Eastern Canada. For 1937, the Sirois Repor shows $308,000,000 as municipal revenues, of which $245, 000,000 came from real property; $20,000,000 represent chiefly business taxes, based usually on "real estate" an also (in the Maritime Provinces) personal property taxes Sales and income taxes accounted for $6,000,000; licenses permits and fees produced $10,000,000; public utility contri butions yielded $6,000,000, while other current revenues— rentals, interest, penalties, etc.—totalled $21,000,000.

Provincial revenues are largely based on income tax, suc cession duties, gasoline tax, automobile licenses, corporatio taxes, public domain, liquor taxes and profits, federal sub sidies, and in some cases taxes on land and on improvements Automobile and gasoline taxes are the most productive, be ing 27% of the revenue of all Provinces for 1937. Liquo revenues were 12%; corporation taxes and company fees an licenses yielded 17%; succession duties produced 15% an personal income taxes 5%. Public domain revenue yielde 9% of the total, and federal subsidies 8%. The total reve nues of the Provinces for 1937 were $244,000,000.

	Assessed Land Values	Assessed Improvement Values	Business Assessment or Equivalent Licenses Assessed	Personal Property Assessment	Differential Assessment Favoring Improvements	Farm Buildings	Taxation on Land Values for Provincial Purposes
Nova Scotia	Not Separated		Assessed	Assessed	None	Taxed	Provincial Timber Land Ta Yielding about $80,000—(1938
New Brunswick	Not Separated		Assessed	Assessed	None	Taxed	Wild Land Tax $57,000—(138
Prince Edward Island	Not Separated		Assessed	Assessed	None	Taxed	"Real Estate" tax yielding abou $86,000—(1939)
Quebec	Not Separated (a)		Assessed	None	None	Taxed	None
Ontario	Separated	Separated	Assessed	None	None	Taxed	None
Manitoba	Not Separated (b)		Assessed (c)	Assessed	One-third exemption mandatory	Exempted 100%	
Saskatchewan	Separated	Separated	Assessed	None	Urban and non-agricultural exempted 40% (e)	Exempted 100%	Public Revenues tax—2 mills assessed taxable valuation in cluding buildings $2,000,000 —(1940-41)
Alberta	Separated	Separated	Assessed	None	Local option as to total or partial exemption	Exempted 100%	Wild Land Tax $25,000. Soci Service Tax $1,250,000—1939-
British Columbia	Separated	Separated	Licenses	None	Local option as to total or partial exemption (f)	Exempted up to $1500	Land Tax on "Real Propert $1,500,000 Wild Land, Coal, Timber Lan $400,000—1938-39

(a) Montreal area, comprising about one-third of Quebec's population, separates value of land from that of improvements.

(b) Winnipeg area, comprising bulk of population, separates value of land and improvements. The Manitoba assessment Commission advises that in assessing, the separation is made as a matter of practice but that tabulated returns do not publish the information or make it available for the Canada Year Book.

(c) The Manitoba Assessment Commission advises that under the Assessment Act Business Assessment may be placed either on a rental value basis or on a Personal Property basis. A large number of urban municipalities now use the rental value for business properties and do not assess any personal property i the municipality.

(d) Quebec Province has just initiated some new tax levies of personal property nature: radio $2; automobile water tax $ telephone tax 25c per month.

(e) The Saskatchewan law prohibits any higher taxation than 60 of the assessment of improvements, but municipalities can all a greater exemption. Regina, the capital, has exempted buil ings 70 per cent. since 1913.

(f) British Columbia has a statutory limitation as to the rate of ta ation on land values. The general rate, aside from education a debt provision, must not exceed 35 mills

Federal revenues are based mainly on such consumption taxes as customs, excise, sales tax; income and corporation taxes, etc. The total for 1937 is $464,000,000, made up of the following principal items in millions of dollars: Customs 105; excise 32; manufacturers 17; sales tax 138; liquor excise 27; utility 7; miscellaneous 11; corporations and companies 74; public domain 2; personal income 51. A total of $337,000,000 or 72.6% thus came from consumption taxes. No wonder the Royal Commission found the Canadian consumer to be carrying "one of the heaviest consumption tax loads in the world." So much for the present set-up. We now proceed to the consideration of what sort of a substructure we have for the eventual total collection of economic rent.

SEPARATION OF LAND AND IMPROVEMENTS

The aim of Georgeists is to have public revenues in general collected from the economic rent of land. As a prerequisite to this it is necessary to have an assessment of land separate from other assessments. In both respects we can report considerable progress in Canada. The foregoing table shows what the present situation is as to assessment and taxation and by the same token indicates how much farther we have to go.

It will be noted that, aside from the three Maritime Provinces, the practise of separating the assessed value of land and of improvements in Canada is fairly general, for in Quebec and Manitoba the great centers of population do make the separation and the Manitoba Assessment Act requires that land be assessed for taxation at its full value and buildings (except when used for farm purposes) at two-thirds of their value. The totals under these requirements are unfortunately not made available for statistical purposes. It would not be difficult for Manitoba and Quebec to swing into line with Ontario and the other Western Provinces in this respect. So far as our information goes, the Maritime Provinces do not require the separation and even if made they do not yet make the separate figures available.

It is interesting to note that the Sirois Commission's Report has this to say of the Atlantic Provinces: "The Maritimes form the most mature, and the most chronically depressed, regional economy in Canada." Their attitude toward economic rent, combined with the tariff, has reduced one of Canada's former most flourishing sections to the condition described above.

EXEMPTION OF IMPROVEMENTS

The principle of some exemption of improvements is in practice from the Western boundary of Ontario to the Pacific Ocean. In Manitoba one-third off is a province-wide requirement. In Saskatchewan, the law requires a 40% exemption, but there is also a provision that "the assessment of buildings and improvements shall not in any year be reduced below the assessment for the previous year by a greater amount than 15% of the fair value of such buildings and improvements. The assessment of buildings and improvements may be increased beyond the assessment for the previous year by such amount as the council may determine." Under this provision it is possible for Regina, the capital city, to exempt improvements 70%, which she has done since 1913. Saskatoon, the second largest city, exempts buildings 40%.

In Alberta municipalities have local option in the matter of exemption or taxing improvements, and the exemptions range all the way from 100% to zero. Calgary exempts all improvements 50% and Edmonton exempts homes 50% and business premises 40%. The accompanying table shows the Alberta situation and it will be noted that an exemption of one-third on improvements is the prevailing rate in the towns and villages.

ALBERTA (1938)

Improvements Exempted	Cities	Towns	Villages
100%	....	1	4
50%	3	1	4
40%	1	3	4
35%	2	....	....
33 1-3%	....	35	125
30%	1	1	....
25%	1	3	2
20%	....	3	....
10%	....	....	1
0%	....	4	3
Not Stated	....	1	3
	7	52	146

British Columbia, like Alberta, permits local option as to amount of exemption subject to the restriction that the taxation on buildings shall not exceed 65% of the assessed value. There is a further restriction, namely that land values cannot be taxed for general purposes at more than 35 mills. Educational and debt service items may be added, which permits New Westminster to exempt improvements 100% and to levy a rate of 70 mills on land. New Westminster is about at its maximum mill rate now.

At one time there were 39 municipalities and districts in British Columbia which exempted improvements 100%. That number has decreased to 6, due largely to the restriction aforesaid of limiting the land value tax, as well as to the ignorance of the present generation of the principles for which their fathers fought. Nevertheless the following table shows that British Columbia takes more of the economic rent for municipal purposes than any other Province, and the most common rate of exemption of improvements is 50 per cent. It is significant that British Columbia is listed in the Canada Year Book as having the greatest wealth per capita ($3414) in Canada.

BRITISH COLUMBIA

Improvements Taxed	Cities	Districts	Villages	Total
Nil	2	4	....	6
5%	0	1	....	1
10%	2	0	....	2
13%	0	1	....	1
15%	0	1	....	1
16 2-3%	0	1	....	1
20%	1	1	....	2
25%	3	2	....	5
30%	2	1	....	3
33 1-3%	2	0	....	2
35%	2	1	....	3
40%	0	1	1	2
50%	17	13	18	48
55%	1	0	....	1
60%	0	1	....	1
65% (Victoria)	1	0	....	1
	33	28	19	80

REVENUES DERIVED FROM LAND VALUES

Every Province in Canada derives some revenue from the use of the public domain in the shape of fishing, hunting, game, trapping and mining licenses, timber, oil, grazing, land and water leases, etc. These public domain revenues are given in the Sirois Report as $21,100,000 in 1937, as compared with only $2,500,000 from national domain collected by the federal authority.

These revenues, however, are not in reality economic rent, as licenses, e. g., are on a flat rate not having any relation to land value. In Nova Scotia a small portion of provincial revenue is based on timber land value taxation and New Brunswick has a "wild land" tax, but in the other Eastern Provinces no levy on land values is made. In the Western Provinces, however, some substantial provincial revenues are based on assessed land values. By specific Provinces these are as follows:

Saskatchewan has a Public Revenues Tax derived from a tax of 2 mills on assessed taxable valuations including improvements. It is budgeted to yield $2,000,000 in 1940-41. Of course, that part of the levy which falls on improvements is not economic rent, but Saskatchewan has the highest land value per capita in Canada—it was $1011 in 1935.

Alberta collects a Social Service Tax levied on land values budgeted to yield $1,250,000 in 1939-40. The municipalities levy a Hospitals tax assessed on both land and buildings. This specific Hospitals tax is peculiar to Alberta, which has for many years provided medical services for its people, and has built up a mobile medical force for the settlers something on the order of the much publicized Mounted Police.

British Columbia lists among its "land taxes" a provincial "real property" tax estimated to yield $1,500,000 in the fiscal year 1939. It also budgeted for $400,000 from Wild Land, Coal and Timber Lands.

All the Western Provinces except Saskatchewan levy "wild land" taxes — being taxes on privately-owned undeveloped lands.

The federal revenues for 1937 were $464,000,000 and the items comprising that sum have been given above. Aside from the small sum of $2,500,000 raised from national domain—timber, mining, trapping, national parts, etc.—the federal authority does not secure any revenue from land values. In that respect Canada is out of line with her sister Dominions of Australia and New Zealand, who have been collecting a small part of the national revenue from land or land value taxes for many years.

THE GEORGEIST AIM

The aim of Georgeists must be directed therefore along the following lines, in order to realize our full program:

1. To secure the separation of assessment in those Provinces which now lump assessed land and improvement values together.

2. To get the principle of exempting improvements adopted in those Provinces in which it is not now practised.

3. To secure an extension of the principle of exempting improvements in those Provinces which now practise it in part.

4. To induce the Provinces to levy on land values for more of their provincial revenues.

5. To persuade the federal authority to levy a federal tax on the rental value of land.

As for this last aim, the Sirois Commission Report makes a most retrograde recommendation. The Commission recommends that the Provinces should agree to surrender to the federal authority their present practice of taxing incomes, estates and corporations in return for being relieved of certain debt obligations and carrying charges. If the Provinces agree, the Commission proposes as follows: "The Dominion, while retaining its unlimited taxing powers, *would recognize an obligation to respect the remaining revenue sources of the Provinces.*" That is why we said that the Commission was not "sound on the land."

With so many forces to contend with, our only salvation is ceaselessly to educate the electorate on the fundamental principles of economics.

L & F Goes to Washington

FIFTY copies of the last issue of LAND AND FREEDOM were personally delivered to as many Congressmen by our good friends, Elizabeth Magie Phillips, and her associates. Each copy was accompanied by a letter appealing for free trade among the Americas and also for the financing of the defense program by a direct levy on the Nation's land values.