

In Canada's housing policy circles, the land crisis remains unmentionable. We cannot solve the housing crisis without dealing directly with the land question

By: Colin Bruce Anthes

“Consider what rent is. It does not arise spontaneously from the land; it is due to nothing the landowners have done. It represents a value created by the whole community.”

—Henry George, *Progress and Poverty*

Last year, the neoclassical consensus in housing policy discussions to ignore the boa constrictor in the conference room—unearned rentier income derived from land rents—prompted me to pen an article for *Canadian Dimension* entitled: [“For one week, can Canadians please talk about land instead of housing?”](#) Since then, some small but not terrible developments have taken place. There has, for instance, been a broader recognition from federal, some provincial, and many local levels of government that public land needs to be utilized as a key asset in addressing the housing crisis. The community land trust movement has continued to expand, along with recognition of it and even some resources for it. None of this flirtation with reality, however, has actually come with a break from the consensus. At no point has our political and economic establishment gone so far as to admit that land value is socially created and, when privately extracted by rentier landlords, leads to problems that are systemic, vicious, and circular.

A recent event—let us consider it a case study—made more evident just how entrenched this costly negligence is. The telling incident was an episode of the usually compelling [Missing Middle podcast](#), co-hosted (alongside the capable journalist, Cara Stern) by the prominent housing-focused economist Mike Moffatt. Moffatt, who shot into an almost celebrity-level spotlight with his proposal to bring back the Second World War program of [pre-approved housing designs](#), is hardly a nefarious actor. He strikes me continuously as thoughtful, honest, and knowledgeable. He genuinely cares about the plight of economically disenfranchised young people, a plight he took seriously earlier than most. He has also made great strides to forge a more open conversation between economists and the general public. It was in this good faith spirit, responding to prompts from social media, that he decided to produce an entire episode on why he is not an advocate of the land value tax (LVT). What the podcast revealed,

unfortunately, was not merely a personal weakness on LVT, but a massive and systemic blind spot permeating his framework—a blind spot that is surely far worse among the great majority of economists who are not at Moffatt's level.

To set the stage: LVT is a common proposal to address the serious problem of private land value extraction. Land tax advocates, who date back to classical political economists like Adam Smith and Henry George, have consistently pointed out that there are two very different components of most properties: *land*, which is produced by nature, and the *buildings* developed on the land through the labour of human beings. This means that taxes on buildings put frustrating penalties on and deterrents against labouring to make improvements. Taxes on land, however, are just the opposite: they are deterrents against absentee landlords and speculators who would sit on land as an investment *without* improving it. It follows, LVT advocates argue, that taxes on properties should be low or non-existent, while taxes on land should be robust. This would tend to free land from oligarchs, make development more practical, and generate an income stream for the public purse that is significantly lighter on the working class.

Moffatt's arguments against LVT are myriad. Existing property taxes already include a land component, and that hasn't stopped a housing crisis from happening. He isn't sure, he says, that weighting taxes on land would change anything at all. If it did, it might mean seniors with slightly oversized properties would be taxed out of their homes. This, he offers sardonically, is rather like the plot of *Happy Gilmore*. Meanwhile, in many places where LVT might spur useful development, outdated exclusionary zoning prohibit it anyway, forcing LVT advocates to fight multiple battles at once. Moffatt *does* admit there are situations where an LVT approach offers useful incentives, such as in places that want to attract more capital, but its champions are folks with a hammer who see very different problems all as nails. "Let's start with the problem we're trying to solve," he proposes, and then proceed with issue-specific strategy.

Much of Moffatt's episode is uncharacteristically misleading or mistaken. Taxes on land certainly do *not* operate the same way when split with hefty building taxes. His (speculative) argument is a bit like someone putting on the emergency brake and claiming the gas pedal can't help us drive faster. Where land-weighted tax systems exist (for they are not merely theoretical) evidence suggests they generally produces tax *cuts*, not increases, for

people who are actually using land for housing or enterprise. When [Pennsylvania cities](#) started weighting roughly four-fifths of their property taxes on land they generally found about 70 percent of property owners received a tax cut while vacancies, as predicted, steadily disappeared. This same point is currently being made by [Detroit Mayor Mike Duggan](#) who is pushing for similar tax reform, arguing it would cut the average property tax by 17 percent and reduce taxes for over 90 percent of Detroit homeowners. While it is certainly possible an LVT-weighted system wouldn't work in other contexts, Moffat doesn't provide any evidence of it backfiring, suggesting he simply has an erroneous assumption on hand. Similarly, the fact that certain zoning laws can get in the way doesn't tell the audience anything about how LVT compares to regular property taxes.

But these are LVT-specific grievances. LVT is perhaps the simplest but certainly not the only way to deal with the problem of unearned income from land rents. The public, for instance, can own the land, lease it for use, and put the revenue into the common purse: a practice that was key to [Singapore's astonishing rise to prosperity](#). Community land trusts offer local non-profit community stewardship of land, and have proven [unusually successful](#) at providing stable and permanent affordability. And LVT itself, like any other tax, can be adjusted and customized to include exemptions for vulnerable populations. Whether private land value extraction emerges as a nail or, more likely, a screw, we have tools.

But Moffatt *never mentions unearned income from land rent once* in the entire podcast. He resorts to the question as he understands it: the technocratic one of which incentive is the cleverest. What results is a muddled debate about the Mediterranean diet at a pie eating contest. Far from beginning “with the problem we’re trying to solve,” he omits the problem entirely, and then, logically, offers no solutions.

This is not a hit piece on Moffatt, whom I have no desire to “defeat.” He is a good actor, and I would like to see him be a great one. Indeed, the reason his example is so revealing is because he is good: if even he is missing the point—not *disagreeing* with the point; simply walking right past it—it is because he is surrounded by an ocean of economists that are doing the same.

That is very big trouble for the rest of us.

Let's be clear: while we might be able to make some improvements here and there through clever initiatives, we almost certainly cannot *solve* the housing crisis without dealing directly with the land question. To understand why, let's consider the situation that led to the creation first of British Columbia's Rental Protection Fund, and, subsequently, the [federal version](#) earlier this year.

Affordable housing actually was being built in BC, but it was *disappearing* at a far faster rate. The situation came to a head when major decades-old housing cooperatives, now chock-full of seniors, faced eviction. Normally, housing cooperatives are excellent at providing permanent affordable housing since the tenants don't pay for the additional profit of a landlord. Indeed, housing cooperatives usually become *more* affordable over time. Why, then, were these large-scale housing cooperatives suddenly facing their end? The tenants only owned the *building* and had leased the land underneath it from a private landlord. Decades later, and without the landlord having *contributed* anything, land values had massively increased. The lease came up and the new bill went, a little too literally, through the roof.

Even dense, non-market housing cannot deal with a massive rise in land values if that land value is being extracted by a private landlord. As Thom Armstrong, the CEO of the Cooperative Housing Federation of BC, [said subsequently](#): “we certainly wouldn't approve *any new co-op developments on private land*.” In recent decades highly-concentrated [BC residential wealth](#) has climbed from \$400 billion to \$2.1 trillion, about \$1.5 trillion of which is in land. When such immense socially-created value is being privately extracted by landlords the problem is not one of cleverness but of *class*.

In this case the cooperatives were able to be saved in a very specific way: the provincial NDP government put together a [Rental Protection Fund](#) that in turn funded The [BC Community Land Trust](#) in time for emergency action. The land trust swooped in to take up the lease and make the cooperatives sustainable again. It was in no small part due to the swift success of this rescue effort that a federal version of the fund was rolled out a few months later.

Yet this was the tip of the proverbial iceberg, and when we swim a bit deeper we start to see the systemic scale of the problem our establishment has pushed aside with truly criminal negligence. Guess who the landlord threatening eviction was? A *pension fund*.

Now, the managers of the pension fund may well be upright people who want to earn their keep by helping the elderly in their twilight years. It is natural for them to want to maximize returns on investment for their clients. And it is in turn natural, when they looked at where the big bucks were being made, that they decided to invest in the lucrative game of extracting land rents. The result: they'll take care of our seniors if they have to kill them to do it.

A system that treats unearned rentier income as legitimate earnings inevitably eats itself. In a version of Gresham's Law, the bad pushes out the good. The private extraction of land value doesn't just produce a crisis for housing, but virtually everything *across the political spectrum* that can be useful: on the right it is an obstacle to capitalist businesses that actually produce goods and services; on the left it is an obstacle to cooperatives, community organizations, and intergenerational fairness; to both it is inflationary since prices must rise to cover its costs. It is why Pierre Poilievre has such a hard time [producing real-world examples](#) that don't tell us to do the opposite of his proposed policies. It is why Henry George thought taxing land was not just a clever incentive creator, but central to justice. It is why James K. Galbraith argues today that taxing land is a [better method](#) of reducing inequality than taxing incomes. And ultimately it is why reversion to neoclassical orthodoxy on the land question, however much we may cheer for the granny in *Happy Gilmore*, always protects oligarchs over seniors.

We are currently having a debate about whether we should have a total housing crisis or a more moderate one. If we want to do better—on housing and beyond—we will need stronger proposals.

In the meantime, and regardless of whether one agrees with them on everything, we owe the LVT advocates a show of gratitude. They have cracked open the door of the conversation about what income is legitimately earned and what is toxic unearned extraction.

Let us swing it open further, and never let it be shut again.

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