

Canada's Paradoxical Boom

by ERNEST J. FARMER

MANY persons have spoken of the "paradox" of persistent widespread poverty in times and in countries in which productive power has by far outstripped human needs. To the student with a fair mastery of Henry George's works there is no paradox. Widespread poverty is seen to be the logical and necessary consequence of the excessive privileges granted to a small part of the population—privileges which make it possible for them to make a living by their own efforts—and of a tax system which often makes it pleasant and profitable for them to exercise their privileges in this way.

Some paradoxes are not easily resolved. Among these is the effect on land prices of the adoption of site value taxation by municipalities. More than half the municipalities in New Zealand and Australia have adopted SVT since they became empowered to do so (1896), but not without much argument. Supporters and opponents assumed that SVT would reduce the selling price of land, for it seemed obvious that the necessary doubling or tripling of the tax rate on land would, by reducing the net return to the land holder, lower the price by the capitalized value of the increase in the land tax. It was also believed that persons holding land idle on speculation would be induced to sell to such an extent as to make prices even lower than would be estimated from the decrease in net revenue from land.

But actually something different happened. The removal of taxes from buildings made it suddenly more profitable to erect and use good buildings, and to replace obsolete or decrepit ones. The rate of building in many cases immediately doubled and increased markedly. With this activity came an increase in production and in

the demand for land. People moved into the areas under SVT from others nearby, to take advantage of the economic activity. The returns were divided among workers, capitalists and landlords in such a way that the benefit to landlords from increased production was greater than their loss through the increase in land taxes. A totally unexpected result was that the only persons who suffered were the landlords in the areas which did not adopt SVT. While many speculative holdings were sold, with few exceptions they were sold at the prices formerly current or slightly higher. Speculation was not abolished; there was however a tendency for land to be held out of use for shorter periods. An altogether favorable effect was that slums rapidly disappeared; and as slums compel abnormally expensive civic services, while contributing little to the tax revenue, the total tax burden was lessened.

The point most to be noted is that with the adoption of SVT production increased by several times the amount of the tax shifted. Other comparisons make it clear that besides the tax on buildings a number of other taxes, by curtailing production, reduce the net return from land more than a site value tax yielding similar revenue. This is true of the "personal property" tax and the turnover tax which played an important part in the decline of Spain that began during the reign of Philip II.

There is a troublesome paradox in the fact that in the three western-most provinces of Canada there was an era of wild land speculation at a time when the majority of the municipalities were under SVT. Speculative booms, like panics of all kinds, are manifestations of mob psychology which unscrupulous persons often turn

to their own advantage. Increases in commodity prices sufficient to provoke speculative booms have been exceptional. But so long as a country or district is increasing in population, land prices will in general increase in greater ratio. Under conditions which have frequently recurred, the increase in prices is enough to start a speculative boom.

From about 1905, the year in which Alberta and Saskatchewan became provinces, until the late twenties, a number of circumstances combined to bring about a land boom there and in British Columbia. Extremely active railway building made accessible large tracts of land, much of it easily utilized prairie. The government granted thousands of acres to railway companies who determined the position of townsites, usually within their holdings. Partly to obtain ready money, partly to promote settlement and consequent traffic, the railways sold some of their land at moderate prices, but held many choice town lots and blocks of farm land. They also advertised the advantages of this developing country and promoted immigration in various ways. The government granted thousands of acres in 160-acre blocks to settlers as homesteads for nominal payments, after the railways had made their choice.

During that time a majority of the Canadian municipalities practised SVT, and Saskatchewan still does. This has favored a rapid increase in production. Dominion Bureau of Statistics reports show that from 1926 to 1933 at least, these provinces had higher per capita wealth than any of the other six. At that time SVT was understood by more people than at present. The possibility of obtaining practically free homesteads, and of being able to improve holdings without tax penalty, induced large numbers of energetic young men to try their fortunes in the West.

Such an influx of people caused land prices to rise sharply in spite of the opening up of new areas. Civic serv-

ices were less elaborate and less expensive than now, and the tax on land alone was lower than the present rate on land and buildings in many Ontario municipalities. It became the usual thing for people who prospered at all to buy for speculation more land than they were using.

Even So — Site Value Tax Prevented Undue Poverty

Settlers were forced ever farther from the railways to obtain homesteads. Population was unduly scattered. Much hardship and unnecessary death resulted. Speculation undid a large part of the benefits resulting from SVT, but not all. There was little of the absolute poverty of the Maritimes—general health standards were excellent—over the years Saskatchewan has had the highest health standards in the provinces, even when its medical services were notoriously deficient.

The years of World War I and those immediately following, brought abnormal prosperity to Alberta and Saskatchewan. There was an insatiable demand at high prices for wheat, their principal product. Farmers bought expensive machinery in order to cultivate more land; land prices increased rapidly in spite of the fact that the war took away thousands of the best men.

If residents of the provinces had been the only ones to speculate in land much less harm would have been done. But knowledge of fortunes made easily by the luckiest ones was soon widespread. Companies selling Western Canada land abroad induced city councils to extend municipal boundaries altogether beyond reason, so that they could sell "city lots" which were actually nothing but farm land made valueless by excessive division of ownership. Some of the unscrupulous salesmen specialized in fleecing housewives, and this swindling activity, in addition to "legitimate speculation," made it more difficult for people to get land needed for production.

The depression of the thirties was

particularly severe in Alberta and Saskatchewan, and distant land speculators must in the end have lost most or all of their money. But restoration of wholesome conditions was more necessary than ending the boom. Speculators had to surrender their titles. In some cases they were able to sell, losing only part of their gambling stakes. In most cases they realized they had been swindled and so declined to pay taxes, or they became unable through depression conditions to keep up with them. In any case municipalities took over the land, and eventually found good use for it.

To sum up: SVT brought to the three western-most Canadian provinces an extraordinary degree of prosperity. This prosperity provoked an amount of land speculation which did untold harm, but still left these provinces in more wholesome economic condition than the others. While a reaction largely reduced the incidence of SVT, enough remained to restore wholesome conditions after the land boom much more rapidly than would otherwise have been the case, and to keep living standards materially higher than in the rest of Canada or in much of the United States of America.



Make a Wish, Mr. Evans!

SIDNEY G. EVANS of San Diego is a lucky man. At an age when some people's names would be appearing as obits, Sid was being feted at birthday parties, giving press, radio and TV interviews, receiving earnest and affectionate accolades, and giving happiness to lots of people who have shared his life interest.

Sid Evans was born in Nebraska eighty years ago. He learned about Henry George while still in college in Lincoln, Nebraska, at the time when *The Public* was being edited by Louis F. Post, Secretary of Labor. Mr. Evans himself had a newspaper career and extensive travel before settling in La Jolla, California in 1925. Evidently he found gold in California in the form of real estate, because he has dispensed steadily through the years, generous gifts to Henry George extensions, because he became convinced that "poor economic background leads to poor decisions in personal and public life."

Sidney Evans has not lived a double life! He had strong beliefs and he wagered his money on his beliefs. At

one time he gave all his ready capital, \$325,000, to the Basic Economic Educational Fund. He was backing education all the way—but *his kind* of education. In 1965 he consented to a series of full page newspaper advertisements at a cost of \$25,000, to support a tax reform then being considered in the California legislature. The advertisements explained how untaxing buildings and taxing land more would aid the cities in ridding themselves of slums and would bring in added revenue while equalizing the tax load. The bill was voted down in the Assembly 30 to 33, and never reached the Senate. Despite this poor showing Mr. Evans feels that he gave the cause of land value taxation a great deal of publicity and he hopes that next time the legislators will feel more receptive.

On his eightieth birthday, March 12th, there was a reception at the home of Mr. and Mrs. James L. Palmer in Chula Vista. At another San Diego party Henry George School friends came from a 100-mile radius to pay tribute and enjoy the big birthday cake.