

Georgist Journal / No.129 / October 2016

Georgist Tax Policy in Western Canada, 1890-1920 / by Mason Gaffney

From about 1890-1930 many cities in the four Provinces of Western Canada chose to attract people and capital by a simple tax device: raising the property tax rate on land to support public services while lowering tax rates on capital, labor, sales, and production and trade generally. Vancouver quintupled its population from 1890-1900, far outpacing US cities, even on the booming Pacific Coast.

What attracted people so fast was, of course, higher wages, and abundant complementary capital for housing and business. Edward Denison "Single Tax" Taylor was elected Mayor of Vancouver eight times on that platform, indicating widespread and sustained voter support.

This success attracted notice worldwide, and especially in the neighboring USA where the movements to untax capital and uptax land were strong, and melded into the Progressive Movement. Many cities and regions had long vied to outgrow their rivals and become the economic hubs of their respective regions, as Seattle rivaled Tacoma, San Francisco, Oakland; Chicago, St. Louis; New York, Philadelphia; Detroit, Cleveland, and so on.

The Canadian events have been little documented in recent years, and blanked out by most historians, but did spawn enough literature in their times to let us limn the essentials through the fogs of time and the diversions of exogenous events like opening the Panama Canal, the world naval race, the Klondike gold rush, bringing the railroad to Vancouver, timber markets, and war in Europe, which Canada entered, supporting Britain, in 1914.

New York City commissioned a scholarly study in 1915, by young Instructor Robert Murray Haig of Columbia University. Haig was soon to rise to distinction in his profession, and his later work clearly draws on lessons he learned and insights he gained while analyzing Canadian property tax reforms.

Another international source is the Proceedings of the Commonwealth Club of San Francisco, 1910-14, when leaders in that City were considering emulating Vancouver, as was Berkeley under its Mayor Stitt Wilson, documented by Dr. Stephen Barton. Some others are Arthur Nichols Young, 1916, *The Single Tax Movement in the US*, and Louis F. Post, several articles in his journal, *The Public*, 1898-1913, and 1915, *Taxation of Land Values*. There were several others, ranging in quality from first rate down to cheap pamphleteering, pro and con, with high

emotional content, for this was a highly provocative issue, reaching deep into voters' feelings about what kind of society they would build. The worst are simply hatchet jobs, a genre familiar in American politics.

The allure of single tax policies is plain to see. The harder question is what went wrong: why did the policies fail to prevent a bust after the boom? Why did local polities slowly abandon them? A big yet seldom-mentioned factor is that the champions themselves, well-meant but misleading, misrepresented the ideas. These champions sold the idea that a heavy tax on land values would lower the selling price of land, making it more affordable for genuine settlers and home-seekers. They based this on a partial analysis of tax capitalization, omitting the shifting of the benefits of untaxing labor and capital and commerce into land prices — an effect spelled out clearly by French Physiocrats of The Enlightenment (Quesnay et al) so that knowing economists still call it by their name. The Canadian champions were unready for the land boom that accompanied the following prosperity, disillusioning some while nourishing critics.

They were even less prepared for the land value bust from 1914, coinciding with Canada's entry into WWI. Land prices would have dropped anyway from the endogenous effects of overexpansion, fed by euphoria and the overuse of speculative land prices as loan collateral, as later in 1929, as in Japan in 1990, the US in the 2000s, China today, and dozens of episodes worldwide throughout history. But in 1914 people who were used to thinking only locally were faced with massive national and international demands for taxes, loans, and cannon fodder. War demands have always pushed down land prices, for those reasons, but who in rustic, remote western Canada knew it then, after a century of peace?

A puzzle for future scholars is why this remarkable international episode in tax policy virtually disappeared from scholarly literature after about 1940. An hypothesis worth exploring may be that “paranoia is true perception,” on which many have written bitterly. The Canadian history teaches that the best to reap the benefits of Georgist policy, we need anticipate the perils of prosperity and prepare to cope with them, and also prepare to cope with the rising impact of national fiscal and financial policies.

Robert Murray Haig was a key link: he authored two Reports on the subject, the first focusing on Canada and the second on whether New York City should emulate Canada. Haig was a mere Instructor in Economics, under the thumbs of his Chair, E. R. A. Seligman, and the President of Columbia, Nicholas Murray Butler. Both men were world figures, and critics of exempting buildings from the property tax. There was no academic tenure in those days; that may explain why Haig straddled issues cautiously. He let the reports go out with negative consensi from the committees that

stood as their nominal authors, even while giving space to many positive views in minority reports. We have clues, however, as to Haig's personal opinions.

Haig supplied a Foreword to Lawson Purdy's *The Assessment of Real Estate*, wherein he boost Purdy as "the acknowledged authority in this field." Purdy was an early single-tax campaigner, a young associate of Henry George's later years, who became President of the Board of Taxes and Assessments of the City of New York. He was politically active, leader of the Manhattan Single Tax Club. For a mere Instructor, associating with Purdy took conviction. It defied the accepted academic posture of sneering and scoffing at ideas and people associated with Henry George.

Purdy's monograph, with Haig's Foreword, was a manual for NYC assessors on how to up-value land in the tax base, and down-value improvements, by recognizing the silent appreciation of land, and depreciation and obsolescence of buildings over time. It is likely that this change in assessment practice played a major role in New York's wildly successful exemption of new housing from taxation (while continuing to tax the land value) between 1921 and 1931.

In 1921, Haig published his classic work on defining the ideal base for the new income tax. He wrote the leading chapter, including land rents and land-value increments in the base. Ever since, the idea of taxing unearned increments to land values as current income has been known by Haig's name (Simons's was attached much later).