

Poor Taxation needs to be removed in order to let economy grow

Erich Jacoby-Hawkins, 20 July, 2016

The Barrie Examiner

Michael Den Tandt recently opined that Canada's government should heed the example of Taiwan, and the other Asian Tigers' rapid economic growth, by freeing up trade and pushing through new pipelines.

In some respects, he is right, we should copy some of the economic policies the Four Tigers rode to success. But he misconstrues what those policies really were.

Of course, one key aspect to their early growth was authoritarian governments, run by generals or former generals who engineered their election as 'president'.

As Den Tandt noted in another column, Taiwan only began holding free elections in 1996; I add Korea elected its first non-general president around the same time, while Hong Kong has never known truly free elections, and Singapore has been dominated by the same party for the past 57 years, with the same president for 31.

Various studies have concluded authoritarian governance played a key role in accelerating economic growth.

I expect most Canadians would not rush to give up our democratic freedoms for a few more dollars or jobs, and one consequence of this democracy is that major projects like pipelines must earn their social license by proving their environmental and other bona fides before approval.

Besides that, though, Den Tandt praises the merits of capitalism and thus seems to believe the secret to their success is a pro-economic, laissez-faire, low-tax approach.

However, this is a bit of a mis-read.

It is true these economies mostly had low tax rates on income, profit and sales. However, they all balanced that with a higher tax on land, as well as instituting land reforms to discourage or break up the large land holdings of rich families and make affordable parcels of land available to farmers or homeowners.

It is this key approach that sets the Asian Tigers apart from most Western economies.

You see, the founders of the Republic of China, Sun Yat Sen and General Chiang Kai-shek, understood that a fair and just economy is based on using value created by nature and the community to fund government. They did this by fully taxing the value of land and any increase in land value.

Nature creates land, and the presence of a growing community gives it value; this value is either returned to the community, or else pocketed by private landowners who managed to call dibs on it.

If the community collects that rent to fund government services, then confiscatory taxes on wages, income, profit or trade aren't necessary. But if private owners keep the benefit of land values, then government has no choice but to seek other revenue sources: you and your business.

The benefits of land value taxation are many. It is fair, because it only taxes what people take or use for themselves, instead of taxing what they produce for the community.

Instead of a value-added tax that punishes enterprise, it serves as a value-subtracted tax discouraging waste, hoarding, or living off land and resource rents.

People are free to keep what they make for themselves, while passing back to government the wealth created by nature or the community.

In this way, land stays in private hands for optimal use, while land values are shared fairly by all.

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So yes, Canada could learn about successful economic growth from the Asian Tigers; not through authoritarianism or low taxes, but by replacing unfair taxes on wages or added value with fair taxes on land, resources, government-granted privileges and monopolies.

With the dead weight of poor taxation removed, our economy would be free to grow in a fair, efficient and ecologically-sound direction.

Erich Jacoby-Hawkins serves on the boards of Living Green and the Robert Schalkenbach Foundation. Read and comment on this and other Root Issues at www.ErichtheGreen.ca.