

In a Nutshell

The Research Committee's Own
Summary Of Its Views.

The tendency of present forms of taxation is to discourage production and, therefore, to retard employment. Employment can be increased by taking much of the tax burden off production.

Local, temporary or superficial measures to relieve unemployment will not create the desired result — that is, permanent full employment.

We must eliminate the basic economic causes that militate against enterprise. When initiative is freed of as many restrictions as possible, production grows and employment increases.

We need measures to ensure that the cost of government is largely, if not entirely paid for by revenue derived from natural resources. Land speculation must be prevented because it retards production and places in private hands what could be and should be public revenue.

We should keep down the price of natural resources so that they will be used as they are needed. This nation's natural resources belong to all the people. Natural resources not only supply the raw materials of all production; they can also supply the revenue needed for all levels of government.

When the right economic basis is established, full employment will follow as a natural result.

IT is the intent of this brief to advocate a necessary modification of fiscal policy. This change may be applied not only at the federal level, but also at the provincial and municipal levels of government. We believe its widespread application will promote employment and national prosperity. For the purpose of this brief, the term "land" and the term "natural resources" may be considered synonymous.

We submit that a tax based on the value of natural resources will foster employment. Such a tax can reduce or replace other existing direct and indirect taxes, and thereby raise the real wages of all workers. It will bring more money into public treasuries. It is the only tax that has no depressing effect on the nation's economy, but instead encourages business activity and increases employment. We are aware that other factors are important in our economy. For example, international trade and monetary policy, though exerting a profound influence on the business cycle and on employment, are outside the scope of this brief and deserve separate, thorough treatment.

In April 1960, a time of year when employment is generally on the upswing, the Dominion Bureau of Statistics reported 517,000 people unemployed in Canada. There is no justification for the tragic waste in human lives, the needless waste of skills and aptitudes of over half a million Canadians who are willing and able to work. Given the opportunity, they will earn their living

"Taxation can be used to destroy industry or to destroy monopolies and eradicate them for ever." — C.R.C.T.

How To New Jobs For Can Workless

Evidence presented on March 16 to Senate Committee on Manpower and Employment by the Canadian Taxation is here condensed

by producing goods needed in our country and in other countries of the world. It is a conservative estimate to multiply any unemployment figure by at least three to reflect the families of the unemployed. The distress of these Canadian families is growing more acute with every passing day — and this is happening in a country endowed with resources enough to support a population three or four times the present 18 million. Obviously our management of the access to these resources is at fault.

Short-term plans to promote employment are indispensable. Unemployment insurance helps cushion the immediate shock to the family of a man who is laid off. Public works are a needed stop-gap measure. But unless we go back to pick-and-shovel methods, public works no longer employ men in sufficiently large numbers of absorb hundreds of thousands of unskilled and semi-skilled workers. As a former Minister of Public Works once pointed out, the Strait of Canso causeway, a \$23 million project, employed only about 200 men. Too often short-term plans achieve only short-term results. A long-term policy is essential as well — a policy to create permanent full employment.

As a cause of unemployment, general over-production can safely be dismissed. When people need houses, clothes, food and haven't got these things in sufficient quantity, any apparent surplus is not real. Goods piled up on the shelves, houses unoccupied, do not mean that production is more than adequate. They reflect a harrowing degree of involuntary under-consumption.

With the growth of population, and the demand for ever more services, pressure mounts on federal, provincial and municipal governments to obtain more revenue. Incurring a deficit is a politically unsound practice, and never a final solution. Some sources of revenue, such as income tax, cannot be easily increased because of political considerations. Others, such as excise and sales taxes are easier to impose, but their effects on purchasing power and, ultimately, on employment can be most harmful.

Indirect taxes are probably the least desirable. They attach themselves to the materials that go into production and become an indistinguishable part of the retail price.

For example, if the manufacturer's price for a given item is \$100, the federal sales tax increases it to \$111 and that is what the jobber pays. A 30 per cent mark-up equals \$33.30 making the jobber's price to the wholesaler \$144.30. A 50 per cent mark-up is \$72.15, making the wholesaler's price to the retailer \$216.45. The retailer's 50 per cent mark-up is \$108.22 making the price to the consumer \$324.67.

But if the 11 per cent federal sales tax did not exist, the manufacturer's price to the jobber would be \$100. The jobber's price to the wholesaler would be \$130. The wholesaler's price to the retailer \$195; and the retailer's price to the consumer \$292.50. Thus the government receives \$11 revenue. The consumer pays \$32.17. This is how indirect taxes are pyramided. The consumer has less money left to spend on other needs.

If this sales tax alone were abolished, the gross loss of revenue to the Federal Treasury would be about \$700 million a year. This would be compensated for by the expanded income of all the people of Canada. Consumers could buy more goods and pay for more services. Even this one corrective action would increase employment.

Excessive taxation, especially of the indirect type, can have a depressing effect on production. It is not known what share of total production can "safely" be taken to maintain all levels of government, but we suspect that the breaking point is now dangerously near.

It is possible by unjust and unwise taxation to destroy all industry, and this could happen if we continue to increase existing taxes. It is also possible by just and sane taxation to destroy monopolies and to create such a permanent demand for labour as to eradicate unemployment forever.

The social injustice inherent in taxing food and clothing has the harshest effect on that part of the population least able to face economic disaster. These older people contributed enormously to Canada's economic growth.

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raw materials to him and to ship out the finished products. These employed persons, in turn, create a greater demand for the products of the firm. This applies to all human needs — additional people are employed. The way to banish unemployment is to create conditions that foster employment in the first sector of the economy. This can be done by making it profitable for private industry to produce from our abundant natural resources.

All man's needs — food, clothing, shelter, indeed all the material things that make life possible, must come, in the last analysis, from the land — all the natural resources. To make the bounty of nature available and useful, labour is always necessary — we must discover, extract, produce, fabricate and transport the raw materials if they are to serve us.

Government must be supported either by a charge against the value given land by the activities of the whole

community; or by taxes on the use of land by labour. The choice is between collecting land rent for the support of government, or taxing labour values.

Production results from the application of labour to land and natural resources. That's where our consideration has to begin. What interrupts this natural process? When speculation in land holds land out of use, employment lags.

Here is how the construction of housing bogs down when urban building sites are held by speculators and not used. A *Montreal Star* survey reveals some illuminating facts. The Island of Montreal, one of Canada's large population centres, contains 130,000 acres. In 1959, 60,000 of these were not built up. Within a 40-mile radius of Montreal 610,000 acres of land were held by speculators. One hundred per cent of the land available for building on Jesus Island was so held; 60 to 70 per cent in the western end of Montreal Island; 60 per cent in the eastern end; 90 per cent of the land in the nearby St. Jerome-Ste. Therese area.

Why do people buy land and then not use it? Because our growing population creates a growing demand for land. This demand may rise or fall from month to month and from year to year, but the trend of land prices over a long period is upward. Drawing on the lessons of past experience, the land speculator knows that whatever the price of land is today, next year the probability is that it will be higher, and higher still the year after. Here are some advertisements, taken from recent issues of *The Montreal Star*, inviting the public to cash in on a profitable venture. [See opposite and over.]

According to Central Mortgage and Housing Corporation, housing costs have risen since 1950. Comparison of the percentage increases in the factors comprising these costs is both illuminating and alarming. Since 1960 the cost of materials has risen 22 per cent. The cost of labour has risen 65 per cent. And the cost of land has risen 222 per cent. Little wonder that shrewd land speculators continue to hold on.

What is the result of this far-sighted inaction? According to the Dominion Bureau of Statistics, residential building in Canada in 1958 was valued at \$2,189 million. The estimate of intended residential building for 1960 was \$2,153 million — a decline of \$46 million [sic]. In the face of an increasing population, this decline is significant. Homes that are needed are not being built. Industrial building for 1956 was £604 million. The estimate for 1960 was £443 million. A decrease of £161 million.

When building enterprise seeks land sites, the price is often too high. The American publication *House & Home* puts the problem pungently: "Let's not pay 1970 prices for 1960 lots." For these reasons, when there is speculation in land and natural resources, workers in the building trades find less employment. Fewer people are employed in the manufacture of building materials. Home furnishings are produced in smaller quantities, and so the trend

LAND BOOM AT PLATTSBURGH!

Investors, Speculators

... THIS IS YOUR OPPORTUNITY

Six farms at Plattsburgh offered at the fantastic low price of . . .

LESS THAN $1\frac{1}{4}$ C. A FT.

THIS OFFER MAY NEVER AGAIN BE POSSIBLE

Imagine your profitable tomorrow . . . and insure it today. Land investment is your best protection against inflation.

A total of 12 missile sites already approved by the U.S. Government will bring millions of dollars in permanent industry to Plattsburgh, creating unlimited employment.

NOTHING INCREASES LAND VALUE LIKE AVAILABLE JOBS

- Farms located within three miles of Plattsburgh
- Suitable for FHA approval for future homesites
- Northway Autoroute to Canada now under construction in Plattsburgh, passes right through some of these farms
- Proposed Richelieu-Hudson Inland Waterway hits Plattsburgh in Lake Champlain
- Large frontages on main highways
- Plattsburgh Airforce Base, now fifth largest in the world, to be increased in size
- Long terms — 10 years — to pay
- Smallest farm for sale — 110 acres

Adjacent farms presently appraised at $2\frac{1}{2}$ to 3c a foot

Phone or Write for full information now to Phil Curtis

UNITED SALES PROMOTIONS LTD.

1819 GLENDALE AVE., MONTREAL RE. 3-3424

"More money has been made in real estate than in all industrial investments combined." said Andrew Carnegie

ward stagnation continues to spread through the whole economic fabric. Land speculators invest enormous sums of money in land. If speculation were curbed, this money could be channelled into productive investments, in mining, in oil drilling, in factories or farms. Thus the same money that is now keeping men out of work would be used to provide employment.

Dun and Bradstreet of Canada reported that in 1958 approximately 25 per cent. of the volume of business failures in Canada was in the construction industry. Though less as a percentage of the total, in 1959 construction industry failures were even higher than in 1958. The construction industry is one of the foremost employers of unskilled labour, exactly the type of labour to suffer the earliest and hardest impact of unemployment. A thriving construction industry promotes employment.

Natural resources must no longer be held out of use when they are so urgently needed. They will not be held out of use when a logical system of taxation makes this too expensive for the speculator. By making it unprofitable to hold land out of use, vacant land and underused land is brought into the market. The Royal Architectural Institute of Canada has recommended the study of urban tax assessment based on land alone.

Here is a comparison of the diametrically opposite effect of a tax falling on buildings only, and on sites only:

BUILDINGS ONLY	LAND SITES ONLY
Vacant land escapes all tax. Investment return is reduced by the tax.	Land, used or not, pays all the tax.
Capital investment in buildings is reduced and diverted to	Return to investment in the building is unaffected.
. . . Increased investment in sites.	Investment in vacant sites is reduced and diverted to
Land speculation is encouraged.	. . . Increased investment in buildings.
Price of land is increased.	Speculation in land is diminished.
Cost of buildings is increased because the annual tax on them is a cost.	Price of land is reduced. Cost of buildings is not increased.

In almost every large city — and Toronto and Montreal are obvious examples — would-be home owners have to go past good building land to cheaper land at the margin of the city. The result is that a city spreads over a far greater area than necessary, increasing the difficulties of local authorities in providing good roads, water, sewerage, street lighting, police and fire service. This suburban sprawl, a trend that is growing in frequency and magnitude, encroaches unnecessarily on good farm land. The gradual disappearance of orchards in the Niagara Peninsula bears this out. Today, cities don't expand in an orderly, economical way. The larger ones are disintegrating, and spreading the pieces over miles and miles of countryside. It is not a shortage of suburban land that causes this — not a shortage, but waste, the unnecessary land waste, dollar waste, and time waste of the checker-

8 LAND, LOTS FOR SALE

(Continued)

[YOUR MONEY MULTIPLIES FAST WHEN INVESTED IN LAND]

BEST LOTS IN FABULOUS BOOM AREA AT: CHAMBLY

only 15 minutes from Montreal

Trans Canada Highway from new Champlain Bridge will bring Chambly within six miles of Montreal.

Proposed Richelieu-Hudson Inland Waterway from Montreal to New York will pass through Chambly canal and locks.

[LAND VALUES BOUND TO SOAR GET IN NOW ON THE GROUND FLOOR WHILE PRICES ARE STILL LOW]

ONLY \$3 A WEEK, BALANCE OVER 36 MONTHS, NO INTEREST OR TAXES.

Enjoy fishing, swimming, boating and golf. Shopping centres, schools, churches, within a few minutes distance; also fire station and new filter plant.

Phone for free literature on "Beautiful Chambly." REgent 3-3424.

Facsimile reproduction of advertisement in Montreal Star as displayed in Canadian Senate Official Report.

board pattern called suburban sprawl. The present system of taxation makes this inevitable.

[An extensive extract from *House & Home*, August 1960, was presented in elaboration — see *L&L* October 1960, p. 148.]

It must be emphasised again that present forms of taxation in Canada tend to discourage production. For one thing, sales taxes become part of the price, thus taxes penalise earning, limit the amount of investments, and therefore retard employment. Real estate taxes on buildings are a penalty imposed against both the original structure and against additions and improvements. It follows that they also militate against employment. But a tax on land tends to hold land prices down; and an increase in this tax, up to but never beyond the annual rental value of the land, tends to reduce the price of land.

This restraint on the price of bare land is of profound social importance. Cheaper land means that the would-be producer requires less capital to get started. At the same time, the instruments of production can be freed from local taxation. Above all, the cheaper land is, the easier it is to acquire. Only rich men can buy dear land; more men can buy cheap land. By stopping the aggregation of land into huge blocks of value, and keeping its price

Continued On Page 107

become Chairman of the new House of Councillors. Dr. Cho became Executive Director of the United Nations Association of Korea and as such was the U.N's Korean delegate attending the Association's 1960 World Federation meeting in Australia.

It was some weeks before new printing arrangements could be made, but finally an agreement was reached with the Tai Kwang Publishing Company to produce 3,000 copies of the book in Korean translation. This brought a new problem into focus. Whose name should appear as publisher? The answer emerged in the title: "The Henry George Institute of Korea". This organisation was formed in September 1960 with the aid of the students who had worked on the project, using desk space at 111 So Gong Dong, until a more permanent address at Room 106, Chamber of Commerce Building, Seoul, could be arranged. Officers of the Institute include persons identified with Korean schools, and prominent in the field of economics and political science.

The Institute proposes to sponsor lecturers, and to organise study classes. It will also make a free distribution of the translated book to one thousand selected colleges, libraries and other institutions, and find sales outlets for the remainder of the edition from which the Robert Schalkenbach Foundation will also be permitted to draw. A modest library will be maintained for the free use of all, with books in Korean and in English, as well as in Japanese, French and German. English language copies of *Progress and Poverty* donated by the Schalkenbach Foundation, will be available here.

Despite the heavy duties imposed by his new office, Dr. Paik fulfilled his promise to write an introduction to the book. At long last, the history-making work was ready for the printer; the presses began to turn and the first copies of the volume reached the Foundation by air on April first. Running 601 pages, it is bound in navy blue cloth; its title is lettered in gold on the back strap and it boasts a frontispiece picture of Henry George.

What is the future of this new Korean translation of *Progress and Poverty*? What may we hope for from the newly-formed Institute? Dr. Cho reports that friendly reviews should soon appear in the local press, and this should start the ball rolling. Equally important is the news that Mr. & Mrs. Maxwell plan to return to Seoul within the next six months for an indefinite period. If this transpires, we may expect to learn that classes are being formed and directed by Mrs. Maxwell, and with that happy event, a new foothold will be established for the Henry George School in friendly soil thousands of miles away.

The Robert Schalkenbach Foundation is proud to have played a part in bringing into the Korean Language this new translation of George's *Progress and Poverty*, and acknowledges with deep gratitude the assistance of the scholars who made it possible: Dr. Paik, Dr. Cho and Mr. Chan Sup Chang. It extends a special vote of thanks

to Mrs. Eva Maxwell who inspired this accomplishment where Fate so fortunately placed her. She has become as George said such thinking people would become: a person of influence. "a light and a power."

CANADIAN SENATE — From Page 101

down, the taxation of land values promotes the widespread ownership of land. Thus it fosters that ideal of free men — a property-owning democracy.

All Canadians should be property-owners, if they so desire. This desire should not be thwarted by the monopolistic practices of land speculators. Businessmen and industrialists should have access to this country's natural resources without paying tribute to a parasitic system that draws the life-blood of the Canadian economy without producing.

Every citizen's right to the land is the right to share in the common patrimony of mankind granted by the Creator. No one can maintain that the earth was created for the benefit of the few to the exclusion of the many. This goes to the heart of the vital question of man's relationship to the earth, perhaps the most ancient realm of social conflict. Modern society suffers from a disease often called monopolistic capitalism. The chief evidence of this is the ownership of natural resources by the very few. One violent reaction to this disease has been communism. The alternative to both these evils is a property-owning democracy.

The value of natural resources is created by the activities and growth of the community. This is a new, large source of public revenue that should be tapped before any other taxes are imposed. By doing so, it will be possible to eliminate a number of existing taxes — taxes that are at present discouraging enterprise. At the same time, the high cost of collecting a multitude of taxes can be enormously reduced.

Deriving public revenue from a tax on natural resources discourages land holding and speculation in natural resources; it promotes the most intensive use of land, and therefore promotes maximum employment.

POTATO STUPIDITY — From Page 96

the fine, they told him they had no power to do so. He also approached the Minister of Agriculture without success. "It seems to me," says Mr. Farr, "a most extraordinary state of affairs when a person can act in good faith and make a mistake, yet have to pay a statutory fine which nobody has the power to vary or waive."

It seems to us arrant nonsense that farmers and the British public go on putting up with this sort of stupidity. Mr. Groves is forbidden to grow too many potatoes, in order to prevent a glut. When he grows none he is promptly fined £100. Cruelty to children and animals and drunken driving usually cost far less.