

## SOCIAL CREDIT AND UNEARNED INCREMENT

(A Letter to the Premier of Alberta from the Rev. D. C. McTavish, of Sanguo, Alberta)

You have been elected by a magnificent mandate of the people to the highest position in the administration of public affairs, within the gift of the Provincial electorate.

While your programme of "basic dividends" and "non-negotiable certificates" have much in them that is mystical and obscure with respect to their practical application, your pronouncements respecting our "cultural heritage" and the "unearned increment" possess the germ of a great truth, which if recognized and given concrete realization in your governmental policies, will enable future generations of Albertans to rise up and call you blessed.

With respect to the former, our "cultural heritage" in my final dissertation for the late Professor Moore of the University of Toronto I treated it in effect thus: At the country crossroads where I received my public school education, across the main road from the school house there lived a farmer and his wife. They were a childless pair, and in those early days this farmer declaimed long and loud against the injustice of having to pay school taxes to educate other men's children. But when he came to retire from farming he did not forget to insert in the advertisement of his farm, that there was a school across the corner. And that school, with the system of education for which it stood, represented the cultural heritage of the centuries, the arithmetic of Babylon, the geometry of Egypt, the philosophy of Greece, the jurisprudence of Rome. And this cultural heritage was registered with mathematical precision and accuracy, in terms of economic value only in the annual rental value of this farmer's land. For this enhancement did not attach to anything which was the product of his labour or industry, such as his house, or barn, or fences or drains. And this value he capitalized when he sold his farm. Had his school taxes, therefore, been levied on this annual rental value he would simply have been paying to the School District his just dues based upon value received. And these just dues, as far as mere monetary value in connection with public revenue is concerned, are ascertainable and collectable at this point with an accuracy which exists nowhere else.

But we are told that there is an unearned increment in other things which are the product of human industry, as well as in land. Under existing conditions this is too sadly true. Let us take for instance a pair of shoes. Everything which enters into the construction of these shoes is taxed. The leather, the dyes, the pegs, the hammers, the knives and under our policy of protective tariffs are taxed for the benefit of those of whom each of these things is the finished product. And every one of these taxes on imports increases the margin of speculative values, and provides the basis of the unearned increment in shoes. The remission, therefore, of all these innumerable levies, which penalize industry, which remission is the necessary counterpart of the absorption of the entire rental value of land—economic rent—for purposes of public revenue, will mean the elimination of the unearned increment in all such products of human industry.

*The elimination, therefore, of the unearned increment in land will be pro tanto the elimination of the unearned increment in everything else.*

Some eight years ago, when the administration of the national resources of this western country was transferred from the jurisdiction of the Dominion to that of the Provinces, I was asked to use my influence with the Department of Mines and Natural Resources at Winnipeg to induce it to continue the policy of the Dominion Government with respect to the disposition of the site of Fort Churchill, that is, to lease or rent, not to sell this town site. I accordingly presented this aspect of the case as strongly as possible, and was rewarded by a letter from the Secretary of this Department, assuring me of the intention of his Department to continue the policy of the Dominion Government to lease or rent this site.

Encouraged by my success, I made a similar appeal to the then Premier of Alberta, who I thought, at the moment of transfer, had a golden opportunity to place Alberta in the vanguard of our civilization with respect to social and

economic progress. But my appeal fell upon deaf ears. Yet this appeal I now make to you, trusting that your appreciation of a great truth, together with the logic of events, may lead your administration to the practical application of those fundamental principles of justice and righteousness upon which are reared the social, economic, material and moral well-being of human society. There are approximately 130,000,000 acres of unalienated land in this Province, and the disposal of this vast domain by the "usehold" which is the ideal tenure, will preclude the existence of a land mortgage, and secure to every tiller of the soil, the full product of his industry save in so far as it is prejudicially affected by sinister federal fiscal legislation.

And this you have at hand in the Supplementary Revenue Land tax of 2 mills on the dollar, which I have been informed in 1931, raised over one million of dollars. If this trifling levy of one-fifth of a cent on the dollar were raised to three or four cents on the dollar as it ought to be in all justice, a sufficient revenue would be provided to meet all legitimate governmental expenditures with a possible ample surplus, derived from a source which would not penalize industry as all other taxes do, nor increase the cost of living one cent to any resident of Alberta.

And this enlargement of the Supplementary Revenue Land tax until it absorbs the entire annual rental value of land apart from all improvements will prove to be the most powerful solvent of the unemployment problem. For as one of your speakers in this district pointed out, it is the capitalization of this annual rental value which constitutes the *unearned increment* in land. And it is this capitalization, rising as a barrier between Labour and Capital on one side, and land or national resources on the other, which is the fundamental cause of unemployment.

And this annual rental value of land apart from improvements is the only true Social Credit. It is the only tax which is not a tax; the only levy which is a bonus not a burden, a premium, not a penalty, to every producer of wealth.

And this true social credit, this tax which is not a tax but a bonus and premium to every toiler, is collectable by the municipal machinery which is already in existence, thus obviating the necessity of any additional expenditure in connection with the formation of an army of clerks and bookkeepers.

And in addition to the foregoing every toiler will have as nearly as possible absolute security of possession, for there will be no landlord in the shape of a mortgage company, ready to evict him at the moment of default. For he will be the tenant, not of the Government (whose function is that of an executor not an owner) nor of any government, nor of any real estate or financial corporation, but of God Almighty only, from whom he has received the inalienable right of being his own employer.

In a brief submitted to the Alberta Taxation Inquiry Board, and which was recognized in the Preliminary Report of that body of March, 1935, I have dealt fully with all other proposed means of raising revenue, such as the taxation of so called "intangibles"—bonds, stocks, mortgages, saving bank accounts etc., and have reviewed the merits and demerits of all such propositions. I would respectfully recommend this study to your attention.

In Isaiah, Chap. lxviii, verses 6 to 8 inclusive, we have the most drastic programme of social and economic reform ever promulgated, with the reward accruing to its concrete realization thus: "Is not this the fast that I have chosen? to loose the bands of wickedness, to undo the heavy burdens, and to let the oppressed go free, and that ye break every yoke?"

"Is it not to deal thy bread to the hungry, and that thou bring the poor that are cast out to thy house? when thou seest the naked, that thou cover him; and that thou hide not thyself from thine own flesh?"

"Then shall thy light break forth as the morning, and thine health shall spring forth speedily: and thy righteousness

shall go before thee: the glory of the Lord shall be thy reward."

"The wilderness and the solitary place shall be glad for them, and the desert shall rejoice, and blossom as the rose."—(Isaiah, xxv, 1.)

When, "the wolf (the exploiter and racketeer) and the lamb shall feed together, and the lion shall eat straw like the bullock; and dust shall be the serpent's meat. They shall not hurt nor destroy in all my holy mountain, saith the Lord."—(Isaiah, lxxv, 25.)