

## Cities and Greed: Taxes, Inflation and Land Speculation

Francis K. Peddle

Ottawa: Canadian Research Committee on Taxation, \$14.95

Reviewed by GEOFFREY LEE

THIS BOOK is largely about the Canadian experience. As it happens Canadian municipalities raise a significant proportion of their requirements from property taxation. This, essentially, is two taxes - one on land or site values and the other on the physical property itself.

Three systems could be identified in Canada before the 1980s. (1) The annual rental system, based on the estimated rental income of property. This was rarely used although St. John's, Newfoundland, operated it until around 1980. (2) The system based on capital values, which has always been used by the Maritimes, Quebec and Ontario. (3) Site-value rating, which has been used in a highly modified form in the four Western provinces.

Although significant for local government the property tax is a relatively small part of the national budget. In 1982 it represented 11.7% of total tax revenue and 4.8% of GDP.

The obvious disadvantage of the property tax is that it discourages improvements and developments. This has resulted in an array of exemptions that municipalities are forced to grant to get any significant construction in central business districts. The haphazard granting of these exemptions puts power into the hands of local politicians and opens the door to corruption.

The tax incentives to encourage firms to locate in areas of high unemployment, such as Atlantic Canada, almost guarantee that the investment will not be a good business decision. Such practices, says Dr. Peddle, raise false hopes, create unfair competition, encourage inefficient over-investment, increase business failures and, in the long-term, do little for unemployment.

The negative effects of a property based tax are spelled out by the author in a poignant story. A 43-year-old cleaner made alterations to his home so that his severely retarded daughter would not have to be put in an institution. His house was then reassessed and his property tax went up over \$1,000. However, it would have cost the Ontario government \$12,000 a year to have kept her in the institution. This man was therefore penalised by the tax system for an action that was humane, desirable and economical to society. The home improvements in this case did not reflect an enhanced ability to pay on the homeowner's behalf nor did they reflect greater benefits to the property from local services.

Increasing taxes on home renovations and improvements in many cases violates both the ability-to-pay and

cost-benefit principles and are clearly counterproductive. The author believes that at the municipal level, site value taxation is the best alternative to the property tax. It would return to the city sufficient revenue to support municipal services by taking the community-created wealth and would do it without confiscating the fruits of individual labour as does Canada's highly progressive personal income tax.

Dr. Peddle wants to see the reconstruction of the tax system in Canada starting with fundamental principles observed. It has, he suggests, to be designed in such a way as to co-ordinate government revenue generation with economic activity. One way of doing this is to gradually lower the tax rates on improvements while at the same time increasing the rates on land. The author states that site value taxation should be part of Canada's comprehensive and global tax reform in the 1990s. Sadly, past experience shows that governments rarely do more than tinker with the existing system. If politicians and administrators read this book and understand the principles expressed then perhaps something of substance might emerge. **LEL**

## The Man Who Said No!

Malcolm Hill

London: Othila Press, £9.95

Reviewed by NORMAN H. SLATER

AS ONE who has never read a biography of Henry George I found this a fascinating read. Mr. Hill covers the 58 years of Henry George's life in such an interesting manner that the life seems very short. By today's standards it was a relatively brief life but the wide experience of the man, from errand boy, sailor, gold prospector, reporter, editor, politician, philosopher is all described with such a light but sympathetic touch that I was carried along fascinated every step of the way.

Having read most of George's writings, I was delighted to learn about the character of the man. Mr. Hill

portrays a very human figure. This is a warm, generous spirit, motivated by a compassion for all human kind with a basic humility unaffected by a powerful intellect and, later in life, huge international fame.

But this was no timorous individual, either. Throughout his life, he experienced opposition, some coming from the highest in society and the establishment: most notably the Pope and the British aristocracy. He was not prepared to compromise the truth as he saw it and from this strength of character Mr. Hill derives the title for his book.

The part played by his family was obviously of great importance. The total support of his wife throughout a life where want and fame played such major roles speaks volumes for the personality of the man which inspired it. Desperately in want enough to admit that he might have killed for food at one stage of life, whilst at another feted by crowds of many thousands were contrasts not experienced by many.

Through all the pressures that such extremes must have placed upon Annie George, her support never wavered. Even when his activities threatened to destroy him, during the New York mayoral election campaign, she still refrained from trying to keep him from what he saw as his duty. The man also inspired others beyond his family in the most extraordinary manner. The unqualified support of Father McGlynn, a New York priest of great compassion, who suffered excommunication for his support of

George, is further proof of the greatness of the man and his ideas.

Of course, George is important because of his ideas, but these ideas took time to develop and they grew from his personal experiences, studies and observations. Their development is traced with such a deft touch that the whole forms a comprehensive picture which convincingly portrays a great man. The structure of the book is straightforward and logical, taking us through his life, expanding at the appropriate time into some depth when the momentous events occurred.

These include the writing of *Progress and Poverty*, his travels, especially to Ireland, which resulted from the fame which his book earned for him, the dispute with the Pope and Herbert Spencer and finally his last election campaign for the mayoralty of New York.

This is an interesting, informative book which was a pleasure to read and which I can unreservedly recommend. **LSL**

all eight chapters on what it was that George proposed: a single tax, capturing economic rent as the sole source of fiscal revenue. There are, however, only brief mentions of the concomitant George put first: the abolition of all taxes on labour and industry.

The nine scholars agree, each in his or her own way, that George can and should be honoured for the insights that gave rise to the book's subtitle. The agreement ends, though, when push comes to shove. Some of them flatly disagree with him on his essential theory: that economic rent would satisfy the legitimate needs of government if all wealth, naturally distributed as interest and wages, were left in the hands of those whose rightful property it was. Others avoid discussing it. Dr. Brown and his co-author, Martim O. Smolka warn that in certain cases (in Brazil, for instance, where Prof. Smolka teaches) "imposing a single land tax could hurt rather than help the poor."

Karl E. Case, who incisively considers "Volatility, Speculation and the Efficiency of Land Markets," sees the danger in fluctuating land prices. He cites specifically the 1990-91 recession in New England, calling it "one of the most severe regional downturns in US history." He wonders if the "problem may simply be that we do not have the political will to raise land taxes to levels high enough to really retard boom cycles." But that, of course, is just where push would literally come to shove if George's advice were taken, and if the alternative taxes on labour and industry were abolished, leaving tax collectors without the help of such tranquillizers as withholding and value added.

Dick Netzer, tracing tax practices and trends in the 120 years since George wrote *Progress and Poverty*, opens his chapter by reminding how much closer we were to a single tax in George's day. He notes, too, how many of the taxes which have erupted in those years have settled on labour and industry. He comes closer than do any of the other authors to a discussion of the huge but "legitimate expenditures" of government

## Land Use & Taxation: Applying the Insights of Henry George

H. James Brown, Editor

Cambridge, Massachusetts: Lincoln Institute of Land Policy, \$12.00

Reviewed by RICHARD NOYES

H. JAMES BROWN is more than just the editor of this book. He is also the new president of its publisher, the Lincoln Institute, having taken that post just over a year before the book appeared.

And he is one of nine scholars from varied disciplines who have written eight essays that approach the title from as many directions.

So it is reasonable to search this book for clues as to how the Lincoln Institute will be carrying out the assignment from its benefactor in the years ahead. "The Institute owes its existence to John C. Lincoln's belief in George's ideas and to his explicitly stated wish to teach and expound them," writes Nobel laureate Robert M. Solow as early as

the third sentence of the book's opening chapter.

The congruence is, in fact, clearly developed in the first 26 pages. They include a dedication to David C. Lincoln, the benefactor's son, for 22 years chairman of the Institute from its founding in 1974; an appreciative forward by his daughter, Kathryn J. Lincoln, who succeeds him as chairman; an introduction by the president/editor in which he promises "we will continue to mine this rich intellectual legacy"; and Dr. Solow's chapter, called "How To Treat Intellectual Ancestors", which ends with a summary of the "best way to keep George's ideas alive and effective."

There is general agreement through