It Isn't Communism

By NOAH D. ALPER

FORTUNE Magazine (January, 1950), in an article on Canada's oil frontier, reveals how the people collect rent (of land) as oil royalty, and it isn't communism. The purpose is to make money for the government and prevent any one company from monopolizing a field it has discovered.

"Generally speaking, the game here is the same old game, but there are variations," we read. "For instance, when a U. S. citizen owns a piece of ground he owns everything under it straight down to China. This is not so in the prairie provinces of Canada. Beginning in 1887, when a man bought property the mineral rights did not go along with it. These were reserved by the Dominion, which, in turn, made them over to the various provinces in 1930."

The article points out that 10 per cent of the land, bought before 1887 is freehold, and adds: "If an oil company wants to drill on any of this property it makes a private deal with the owner. As to the remaining 90 per cent (147 million acres) of Alberta's land, the oil seeker must negotiate with the government."

To free enterprisers and Georgists the following is of special interest. Mr. N. E. Tanner, Alberta's Minister of Mines and Minerals, is quoted as saying: "No other government on the American continent, neither federal, state, nor provincial, has been more consistent in its stand for individual or free enterprise . . ." And the article continues: "U. S. oilmen will go along with Mr. Tanner himself. He talks their language when he says: 'My job isn't to please you. I'm here to get every cent I can from Alberta oil for the benefit of the people of Alberta.' Tanner is tough, but his word is good and he is scrupulously honest. He is largely responsible for Alberta's present oil code, designed to prevent monopoly but also to encourage private capital to develop Alberta oil." . . . This has been referred to as "an oil development that is orderly beyond all precedent."

Americans should compare this "orderly development" with the famous Signal Hill, Long Beach, California exploitation where wells were sunk on each house lot, making a forest of derricks. Capital, labor and land resources were wasted in a disgraceful manner.

"House rules" are laid down by Alberta's government. A company may secure a "wild cat" reservation of 100,000 acres. Each company may acquire two such reservations. A fee of $250 for each 20,000 acres is deposited and a deposit of $2500 for each 20,000 acres is made to guarantee fulfillment. The reservations are good for three years. During that time the company may elect to make a lease for 21 years by agreeing to pay $1 per acre per year and to assure proper exploration. Rent of land royalties may vary from 5 per cent to 16-2/3 per cent.

An interesting provision is that a company may lease only half of its reservations and cannot take that half in a solid block. The result is that no matter how skillful or lucky a company is in picking its acreage," the province is sure to wind up with a lot of land that has been made immensely valuable by someone else's work."

The fact that the government collects the royalties or rent-of-land for all the people, in no way causes private industry to hold back on seeking land. Imperial Oil, a subsidiary of the Standard of New Jersey, holds 70 per cent, or 6,000,000 acres, of the proved reserves. The Bear Oil Company, Ltd., an American-Canadian group of seven companies, has five million—Socony-Vacuum and Gulf also have large reservations.

Mr. Tanner says that "if one company does not care to pay the costs there are plenty of others that will." This is a healthy attitude. It proves that it is use of land, not ownership, that is essential. One weakness in the code is the failure of the government to reserve a share of the royalty for the account of the people and for government expense. (The thirty millions already collected will be spent for new roads—the taxes of Alberta's 900,000 citizens will not be any lower.)

Strethel Walton, director of the Quebec extension, commented on the above article in Land & Liberty: "One cannot help contrasting this wise handling of oil resources with the way in which Alberta government allows land speculation to flourish outside the oil fields."

The fly in the Canadian ointment was pointed out, however, in a faculty letter in February, written by Robert Clancy, director of the Henry George School, in which he wrote: "Since Alberta doesn't recognize that *all* land rent is properly public revenue, the rents of *sites* surrounding the oil fields are left unmolested. Oscar Boelens of Montreal sends us a clipping which tells what is going on in Edmonton, a city near the oil fields:

> Land speculation profits, which have skyrocketed during Edmonton's oil-inspired boom, are causing concern among civic officials.
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> One owner of land assessed at $250 an acre sold the property this week for $2,500 an acre, realizing a clear profit of $90,000 on the 40 acres . . .
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> Speculators buy up land in out-lying districts, wait a few years until the city's expasion makes the area desirable and then sell out at a big profit—without having spent a dollar on improvements.
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> City Commissioner John Hodgson told on one civic employee "who bought land from the city for $100 an acre several years ago. This week he offered to sell the land back to the city for $3,000 an acre."

Clearly what the people of Canada and the United States need is to be educated in the principles of economics as presented by Henry George. In a very real sense, those who stand idly by encourage communism. Georgists have a responsibility!