

## 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.