

Canadian Attempts at Tax Reform

By C. E. Cartwright

It is sometimes claimed that social land value taxation was a failure in the City of Vancouver. But there can be little doubt that if the rate on land values had been raised to balance the loss of revenue from exemption of improvements in 1907 and 1910—which is essential to a correct municipal application of Henry George's theory—it would have been an unqualified success. If this had been done it would not have been necessary to resort to taxation of 50 percent of the value of improvements as was done in 1913.

If the land rent tax had been raised as improvements were exempted the industrial progress stimulated by the exemption of improvements would not have been accompanied by the speculative land booms which caused many square miles of surrounding territory to be subdivided into building lots. The building lots laid out would not have greatly exceeded those required for buildings. And the city would have extended compactly, instead of being spread over several times too large an area.

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This dispersion of the city made necessary the construction of many more miles of streets, drains, sewers, and other public services than would otherwise have been undertaken; and caused the city to borrow millions of dollars for public works that would not have been needed otherwise.

Then, when it was found that revenues were inadequate, the Provincial Authorities would not permit the city to increase the land value tax, and practically forced the city to tax 50 percent of the improvements once more.

Of course, raising the land value tax in 1913 would not have prevented the over-expansion of the city. By that time it was already too late to curb the developers. But it would have been the best thing to do under the circumstances. The building operations would not

(Whether the partial, inadequate, haphazard and unscientific application of the principle of land value taxation in certain Canadian localities has resulted in more damage to the local fiscal structure than benefit is a moot question. Since in none of them was there a serious effort to socialize urban rent, it is idle to point to them, as writers on public finance once were wont to do, to prove that the social benefits expected from the public appropriation of economic rent do not always accrue. At the same time, certain expedient fiscal benefits can be discerned in these localities as a result of their tax innovations; but these benefits are transitory so long as the principles involved are only partially and inadequately applied. The following article discusses the fiscal situation in some of these localities.—The Editors.)

have been brought practically to a stop and there would not have been so much land to revert to the city for non-payment of taxes.

That this is the case is shown by the experience in Point Grey, a municipality adjoining the city which had exempted all improvements from taxation. This municipality continued to exempt all improvements from taxation and continued building operations at a very rapid rate. It constructed the necessary public works without impairing its financial condition, and became the finest residential section of the city of Vancouver, to which it has since become annexed.

Practically the same thing happened in the city of Victoria. The failure to raise the land value tax caused a real estate boom. The city got into debt in the same way, and made the same mistake of again taxing 50 percent of the improvements.

The city of North Vancouver also was scattered over far too large an area as the result of real estate

speculation. In attempting to extend public services to an inefficiently developed area it incurred debts on which it was unable to pay interest. In this case only a small portion of the improvements were again taxed; but the surplus land subdivided is even greater in proportion to the requirements than in the case of Vancouver, and recovery is necessarily slow.

The municipality of West Vancouver is in the best financial condition of any British Columbia municipality. It exempts all improvements from taxation, raising practically all its revenue from land value taxation. Its revenue is sufficient for the current expenditures and for substantial annual amortization payments on its comparatively small public debt.

This municipality has never taxed improvements. The rate of taxation on land values has not been increased since the municipality was first organized. Its success, therefore, is to be attributed to the fact that the rate on land values was fixed high enough at the outset to discourage land speculation. The exemption of improvements clearly encouraged home building so that the municipality has developed into a fine residential suburb to the city of Vancouver.

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The city of New Westminster is another example of the importance of fixing the land value tax high enough when improvements are exempted. In this case it should apparently have been somewhat higher; but it was high enough to prevent much land speculation and the city has come through the depression without again taxing improvements. It is said to have the highest proportion of residents owning their own homes of any city in Canada. And the commerce of the city is now growing with great rapidity.

We would make the following general notes:

No municipality in which the land tax was fixed high enough to discourage land speculation has reverted to taxation of improvements. In every case in which improvements



again have been taxed it has been in opposition to the wishes of the people.

When the land value tax has been placed high enough to prevent much land speculation the amount of land which has reverted to the city or municipality for non-payment of taxes is less than when a lower rate was fixed.

We believe that if the cities which apply, in a limited way, the land value tax principle would adopt a policy of

leasing these tax-sale parcels competitively on condition of improvement, instead of endeavoring to sell them at prices that will not undersell the real estate agents, they would convert them into valuable assets instead of maintaining them as liabilities.

While Georgist principles of taxation are the best possible policy for cities and municipalities the benefits accruing are comparatively small compared to what they would be if the policy were applied also to the

surrounding country, for this would relieve the competition of laborers for employment and raise all wages. And, of course, the benefits are not comparable with those which would result if the policy were applied nationally.

See: "Progress and Poverty," pp. 448-451. "Teachers Manual (P. & P.)," L. IX, Q. 17, 19. See also: Brown, H. G., "The Economic Basis of Tax Reform," (Robert Schalkenbach Foundation, 11 Park Place, New York, \$2.00), pp. 264-265; Geiger, G. R., "The Philosophy of Henry George" (Schalkenbach Foundation, \$2.50), pp. 398-406.