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Familiar Follies

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WITH a bow to the great men of the past, Henry George and his immediate disciples, the mere passage of time has now made me a veteran of this movement. More than sixty years have gone by since I first read *Protection or Free Trade and Progress and Poverty* by Henry George. Many changes have taken place since Henry George wrote his immortal treatises, but his proclamation of principles are as sound today and as applicable to the problems of this troubled world as when he wrote them, or as when on a memorable night more than a half century ago I read the inspiring paragraph of the last chapter of *Progress and Poverty* and pledged a lifelong allegiance to this movement.

We in Canada have just concluded a general election campaign in which the principal issue was unemployment. For the past five years our population has been expanding faster than our economy. Business has been much below par, and in a population of eighteen million people, we have had an average registered unemployment of 420,000 workers.

You of course know the cause of this terrible malady quite as well as I



do. We have watched with apprehension the continual growth in land prices and land rents ever since the close of the great depression of the hungry thirties. Land values are a debt which industry pays to ownership. Everyone must realize that with continual increases in ownership's exactions the time must come when the profits of industry will disappear; when mounting land values, supplemented by the insatiable rapacity of our taxing authorities will exhaust our resources and put us into trouble. That time has come in Canada. Fantastic land prices and inordinate rents together with cruelly burdensome taxation has stalled business. For instance, how can a Canadian corporation expand with the increasing population, when we take one-half of its

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profits in federal taxation, with provincial and municipal taxes still to pay?

Our newspapers told the Dominion Government that unemployment was a national problem and therefore was a federal responsibility and that the solution of unemployment and business stagnation is the spending of public money. That, you know, is music in the ears of federal politicians for there is nothing that the modern statesman loves better than playing lady bountiful with funds out of the public treasury. And so they spent. We have run an average annual national budget deficit of six hundred million dollars to a grand total of three thousand million in the course of less than five years. And we have substituted for business stagnation and unemployment the addition of a financial crisis, without curing unemployment.

So our problem is how to cure the financial crisis or to stave it off and so we have poured two thousand million dollars into our currency circulation in the last two years, the immediate object being to provide the wherewithal for the spending spree. You know what that would do to the value of your dollar!

In the early stages of the present depression we were warned against American domination of Canadian economy because of American spending of investment capital in our country. We were told that if we would only invest our own money (which we didn't have) in Canadian enterprise, all would be well. In the early days of your spectacular expansion, English money financed much American enterprise. You would not have made as great progress without it, and these enterprises have long since repaid their borrowings. However, our gov-

ernment made faces at the American investors and harassed them with holding taxes on interest and dividends. Money is shy. Investors are sensitive. That money-well dried up and it left our dollar without support which it had formerly enjoyed on the New York market.

Our medicine men are great fellows. They are absolutely impervious to discouragement—so the next nostrum they prescribed to stimulate business and "cure employment" was a protectionist trade policy. We have been told that if we would keep out foreign goods, our factories would employ everybody, and all would be prosperous and happy. The watchword was "Buy Canadian." But trade is a two-way street. The only way that foreign customers can pay for what we export is to sell us something of theirs in return which we import. Exports and imports must balance, subject, of course, to this qualification.

When you Americans send us money for investment, as you have in large figures in the past, we use it to buy goods in your market. You must remember that when you read the trade statistics. When you see that we have imported more goods than we have exported, you would fancy that destroyed the balance, but it does not do so. The principle remains the same and is sound. Our customers cannot buy from us if we refuse to buy from them. For many years Great Britain has bought from us much more than we have bought from them, and they have balanced their trade by selling to you and you to us. The balance has thus been kept even by a three-cornered form of trade. They ate our wheat and we wore their woollens. Wasn't that fair and wasn't it beneficial to both parties? But as I have said our quack economic medicine men were out to cure unemployment and so we raised our tariff on British woollens.

To the extent that our increases in tariff were effective in reducing the import of British woollens, we prevented the sale of Canadian wheat and many other articles of Canadian production in the British market. *They* did the same with those dinky little English cars, which our people were buying and so providing the British money to buy from us.

We did even worse with Japan; we imposed a quota on how much Japan could sell to us, and, in effect, we placed a similar limitation on how much we could sell to them. I am sure that you smart Americans would never be as stupid as that.

Now we are in real trouble. Our Canadian dollar nose-dived from five and one-half per cent above American to seven and one-half per cent below American, and we are facing a winter of probably bitter unemployment. We are told to tighten our belts and prepare for sacrifice. And in the face of all that we have made a further increase of a general nature in our tariff of five, ten and fifteen per cent on one-half of Canada's six billion dollars' worth of imports.

So far I have been giving you Canada's experience on how *not* to cure unemployment. And by the way, may I comment that the building industry is an important employer of labor? I live in the great and beautiful City of Toronto, where our population has been expanding rapidly

and we have a housing shortage. The building industry has slowed down to a walk because you can build houses and factories only on land. Our farm lands surrounding the City of Toronto have passed into the hands of subdividers and land speculators. I know a farmer who sold his farm for two million dollars, and the purchasers are now selling lots with houses on them for \$24,000 to \$40,000 each, to buyers who may spend the rest of their lives paying off the mortgages. The exactions of the landowners in my city have become so great when added to the tax burden that the building industry has been strangled almost to death.

Pennsylvania has set an example in civic wisdom by shifting a portion of building taxes to land values and in doing so have made it more difficult to hold wanted sites out of use for exorbitant prices. That is not a drastic remedy, but it is a most effective one for improving cities and giving work to men with hammers.

I would like to believe that the wise people of Pennsylvania will soon raise all their municipal revenues in their towns and cities from land values. And if they do so, they will gently but efficiently and effectively urge their resources into use at prices at which they can be used at a profit.

—From an address at the Henry George Conference in Pittsburgh in July.

The first order of 5000 reprints of the July Reader's Digest article, "Land Speculation, and How to Stop It," by Wolfgang Langewiesche, was quickly exhausted, but a new supply is now available at the same price: 5c each, 6 for 25c or 30 for \$1.

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