

Land Value Assessment and Universal Basic Income (UBI): A Canadian assessment with implications for America

July 2020

There have been multiple attempts to quantify and analyse land value in Canada. This is the first attempt it appears to consider the application of a small levy on land rent for the purpose of financing a Universal Basic Income (UBI). Research on land values has been made somewhat difficult for Georgists in Canada over the past decade due to numerous changes with the collection, compilation, location and archiving status of data. The last attempt to quantify Canadian land value by Georgists, with the intent of changing the tax system in Canada, was in 2010.

A Draft Finance Proposal produced in 2010 concerning the national budget of Canada by Earthsharing Canada – also known as the Henry George Foundation of Canada – states:

***LAND:** As a disincentive to suburban sprawl, farmland loss and..., a Canada-wide land value levy could be applied to the assessed value of parcels of land (ignoring improvements). The 2009 assessed market value of land in Canada was \$1.8 trillion, generating approximately \$100 billion of economic rent annually. A land value levy collecting 50% of this unearned income would generate about \$50 billion per year for the Canadian government.¹*

Changes in where Statistics Canada archives its data, variations across provinces in how land value data is categorized and collected, problems with accessibility of data (often highlighted by the Parliamentary Budget Office of Canada) and other changes over the past decade have frozen this analysis in time. In the meantime, real estate and land prices have escalated in Canada.

The Draft Finance Proposal by Earthsharing Canada, referenced above, applies a 5.55% Land Value Tax (LVT) to collect land rent,² and then proposes to collect half of this amount on behalf of Canadians (at the federal level of government) *with the goal of “eliminating all taxes on incomes, business and consumption”*. This goal would also be achieved by collecting other forms of rent, in lieu of the existing tax structure (natural resource rents, Tobin tax, among others).

This article is far more focused in its assessment and application of updated land rent collection. I am proposing that a moderate LVT be applied toward financing a UBI.

In 2017, Flomenhoft proposed a 5.5% LVT for Australian residential, rural and other land, and a 6.5% LVT for commercial land, in alignment with Georgist economics principles.³ Flomenhoft writes:

Residential land comprises 75% of the total land value in Australia. ...The long-term trend of land prices is somewhat higher than 5.5–6.5% in Australia. From June 2014 to June 2015, land value increased from \$4197.3 billion to \$4722.2 billion for an increase of \$524.9 billion, or 12.5%.⁴ According to the HSBC, Australian home prices have risen 24% in the past 3 years, with Sydney jumping by 39%.⁵ The long-term trend is shown in Fig. 4.2. Total Australian land values increased from \$665.1 billion in 1989 to \$4267.5 billion in 2014 for a total increase of 541.6%. On an annual basis over 25 years this amounts to a long-term trend of 7.72% increase per year for all land.

Fitzgerald calculates potential land rent of \$206.01 billion on a total land value of \$3.684 trillion using the 5.5–6.5% rate. Existing land taxes are estimated at 2.5%... Subtracting

existing revenue from estimated land rent leaves a total of \$113.9 billion in annual land rent available for BI.⁴

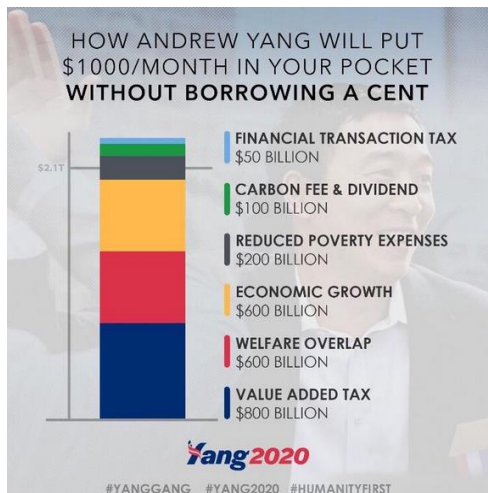
The latest figures, available for Canada,⁵ give us a land value figure of \$4.472 trillion for Q1 of 2020. An LVT of 5.55% applied to this amount equals \$248.2 billion. Taking half of this amount (or taxing at half the rate [2.78%]) in conjunction with Flomenhofs work above and Earthsharing Canada (Henry George Foundation of Canada), provides \$124.1 billion in annual revenue.

It is important to note that the differential between residential/rural and commercial LVT rates (5.5 – 6.5%) can be further differentiated and made progressive. This can lower the impact on owners of modest homes and progressively collect more of the available land rent from owners of multiple and luxury properties, as well as from corporate-commercial holdings of the largest and most profitable businesses.

This is a significant amount of revenue available to finance UBI in Canada, by collecting a small portion of previously foregone land rent. As noted in *The Economist*, land value taxes lack the “perverse effects” of many other forms of taxation – “They cannot reduce the supply of land, or distort decision making. Instead they may even stimulate economic activity, by penalising those who hoard land... (a big plus in desolate post-industrial cities where much land is vacant).” *The Economist* also writes that collection of LVT “is cheap. Unlike profit, you cannot massage land away or move it to Luxembourg.”⁶

The implication for America is, given the transformative presidential campaign of Andrew Yang and his signature campaign policy of the Freedom Dividend (UBI), this represents a major and comparatively non-controversial source of public revenue for such a project, particularly if structured progressively as outlined above. This is also a proposal with deep American roots, and a very popular American economist and social philosopher at its source. With the general rule of thumb that the scale of the U.S. economy is approximately 10 times the size of Canada’s, this appears to be a large untapped source of revenue for UBI in America. And one likely to prove far less controversial than other funding methods, such as a new VAT (Value-Added Tax) which is not progressive, but rather regressive in its application.

While Yang has talked about making his VAT proposal progressive in some ways (such as applying it more progressively and at a higher rate on luxury products, with a lower rate or exemption applied to necessities), he has not shown this in his Freedom Dividend financing proposals explicitly. Perhaps the LVT would be a more efficient approach, as Yang claims that \$800 billion in VAT can be collected for UBI (in regressive tax form), while Canadian figures and analysis suggests that significantly more than that may be available for UBI from an LVT applied in the U.S. (in progressive tax form).



(Image from Andrew Yang’s presidential campaign website, October – November 2019)

Finally, Canada’s leading Georgist policy expert and a tax lawyer, Professor Francis Peddle, indicates that the Canadian land figures listed above are significantly undervalued due to a number of factors, including how land values are assessed and categorized in Canada.⁷ If a modest LVT is not applied and coupled with a policy of universal income security such as a guaranteed livable income and/or universal basic income, it could mean a significant lost opportunity for both Canadians and Americans.

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¹ From: https://earthsharing.ca/sites/earthsharing.ca/files/resource/canadian_gov_budget_based_on_rr_1.pdf

² Calculation by Richard Pereira of Earthsharing Canada’s proposal and figures.

³ Gary Flomenhoft, “Total Economic Rents of Australia as a Source for Basic Income”, Chapter 4; in Richard Pereira (ed.), *Financing Basic Income* (Palgrave: New York, 2017).

⁴ *Ibid.*, pp. 84-85.

⁵ Statistics Canada, [National balance sheet and financial flow accounts, fourth quarter 2019](#) [released 2020-03-13] and [National Balance Sheet Accounts \(x 1,000,000\)](#) [Q1 2019 to Q1 2020], accessed June 25, 2020.

⁶ *The Economist*, “Why Henry George had a point”, Apr 2, 2015: <https://www.economist.com/free-exchange/2015/04/01/why-henry-george-had-a-point>, accessed July 6, 2020.

⁷ Communications with Francis Peddle and Earthsharing Canada, June and July 2020 via email.

Communications with Frank de Jong, Francis Peddle and Statistics Canada, June 2020 via email (Statistics Canada Case #978373). Concerning Australia, the most recent figures demonstrate aggressively escalating land prices since Flomenhoft’s publication, with the *Australian Financial Review* writing in May 2020 that “Rural property showed its resilience as an asset class in 2019 with the median price of a hectare of farmland rising 13.5 per cent, despite drought, floods and bushfires, according to Rural Bank’s latest *Australian Farmland Values* report. This was higher than the 10.7 per cent recorded in 2018 and the strongest pace of annual growth recorded since the bank began compiling its report in 2015.” (Larry Schlesinger, May 5, 2020: <https://www.afr.com/property/commercial/farmland-prices-surged-in-2019-and-will-rise-again-in-2020-20200505-p54pw2>, Accessed July 7, 2020).