Proposed Government of Canada Budget

Based on Rent Recovery

Frank de Jong *served as leader of the Green Party of Ontario from 1993 to 20010 significantly raising the profile of the party, (achieving 8.3% of the vote in 2007). Since 2000, he has been an international speaker and writer promoting the classical economic theory, that governments should be financed by capturing economic rent (revenue without a corresponding cost of production) in lieu taxes on business, incomes and sales (as popularized by American 19th century economist Henry George).*

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In lieu of taxing incomes and consumption, this government budget levies land, natural resource use, access to public infrastructure and pollution so that those who use, abuse or restrict access the commons compensate society for the privilege they enjoy;

This alternate budget is based on a revenue-neutral shift of taxes from earned income to unearned income, thus unburdening the productive economy and recovering a portion of the economic rent that is generated by the use of the commons;

Those who enjoy access to community-built and tax-supported amenities and infrastructure are required to remit to government a percentage of the economic rent collected as compensation for the access granted;

And those granted permits to emit pollutants remit to government Pigouvian taxes as deemed appropriate by legislators;

Conversely, those who contribute back to the commons -- the businesses and individuals who forgo opportunistic income to conserve, protect or restore ecosystems -- be financially compensated by government.

Alternate Revenue Sources

The government could eliminate all taxes on incomes, business and consumption by instead collecting:

1. The economic rent that accrues to land and natural resources;
2. The economic rent from privileged access to community assets;
3. Pigouvian taxes on pollution, resource depletion, and currency speculation.

(Economic rent is the difference between a fair profit and a windfall profit. It exists because of the hard work and ingenuity of the community and should therefore accrue back to the community, as represented by the government.)

Present 2010 revenue stream	Proposed revenue stream
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• Personal income tax: $110 b	• Oil economic rent: $43 b
• Corporate income tax: $26 b	• Land value rent: $50 b
• Other income: $5 b	• Tobin Tax: $20 b
• Goods and services tax: $26 b	• Other resource rent $26 b
• EI premiums: $17 b	• Infrastructure access $43 b
• Other revenue: $26 b	• Pigouvian taxes: $28 b
Total revenue: $210 billion	**Total revenue: $210 billion**

Resource rents

- **Conventional oil: $32 billion**
- **Tar sands oil: $11 billion**
- **Natural gas: $6 billion**
- **Land: $50 billion**
- **Trees, fish: $10 billion**
- **Minerals, aggregates: $10 billion**

Infrastructure rents

- **EM Spectrum: $10 billion**
- **Internet: $2 billion**
- **Stock markets: $20 billion**
- **Patents, quotas, licenses, billboards: $5 billion**
- **Air rights: $6 billion**

Pigouvian taxes

- **Roads, parking, docks: $10 billion**

- **Towers, wires: $4 billion**
- **Noise, light, odours: $1 billion**
- **Landfills: $2 billion**
- **Coal: $6 billion**
- **Water: $5 billion**
- **Tobin Tax: $20 billion**

Fees on Use and Abuse of the Commons

CARBON EMISSIONS: In Canada, natural gas, coal and oil are combusted with minimal compensation to Canadians for the privilege of polluting, resource depletion or to cover the costs of climate change. Charges on CO2 emissions (not a CO2 tax) -- equal to the economic rent generated by each type of fossil fuel – collected by the government of Canada would best encourage efficiency and alternatives.

Canada produces 1.8 million barrels of conventional oil per day (Alberta produces 66%, Saskatchewan 16%, offshore Nova Scotia and Newfoundland 14%), and 1 million bpd from the tar sands. Two-thirds of Canadian production is exported to the USA. An average barrel of crude oil will produce a minimum of 317kg of carbon when consumed; roughly three barrels of oil produce one tonne of CO2.

To level the playing field with conservation and alternatives, the federal government could collect the economic rent that accrues to each type of oil at point of entry into each province and when exported. Conventional oil production costs about $30 per barrel, generating about $50 per barrel of economic rent or **$32 billion** of economic rent. Tar sands oil costs about $50 per barrel generating about $30 or economic rent or **$11 billion**.

Canada consumes 92.9 billion cu m of natural gas per year, releasing 45% less CO2 per BTU than coal. Collecting the economic rent on natural gas CO2 emissions would generate **$6 billion**.

(Canadian CO2 emissions in 2006 were 544,680,000 tonnes. A $100 per tonne carbon tax (around $33 per barrel of oil, plus charges on coal and natural gas) would generate $55 billion for the federal government, not a including levies on exports.)

PUBLICLY OWNED FORESTS: To compensate Canadians for the use of forests and to encourage resource-efficient, value-added, labour-intensive production and incent non-extractive uses of forests (reduced labour costs), the Canadian government could collect the economic rent on forest land generating **$5 billion** annually.

FISH: The Canadian government could collect **$5 billion** of economic rent to compensate Canadians for granting companies and individuals the privilege of the removing publicly owned fish from Canadian waters. (The UN could collect the rent from fishing in international waters.)

LAND: As a disincentive to suburban sprawl, farmland loss and an incentive to build walkable neighbourhoods, 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 *http://www40.statcan.gc.ca/l01/cst01/econ02a-eng.htm*, generating approx $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.

MINERALS & AGGREGATES: To compensate Canadians for granting mining rights of publicly owned non-renewable resources, and to encourage conservation and incent renewable alternatives, the Canadian government could collect the economic rent plus levy a depletion royalty on minerals and aggregates generating **$10 billion**.

Fees on Access to Community Assets

AIR RIGHTS: The Government of Canada could apply charges on aircraft over-flights and on airport runway slots to compensate Canadians for noise, visual distraction, pollution, and land loss. At approx. 6000 flights per day in Canada, multiplied by 365 days, times 300 people per flight, at a fee of $10 per person could generate over **$6 billion** annually.

BILLBOARDS: To compensate Canadians for visual intrusion the federal government could collect the economic rent generated by billboard space. Estimating 20,000 billboards in Canada at average of $5,000 per billboard per year could generate **$100 million** annually. (Billboards are banned in Vermont, Alaska, Hawaii, Maine.) http://www.newrules.org/environment/rules/billboard-bans-and-controls

EM SPECTRUM: The electromagnetic spectrum in Canada is in high demand for cellular phones, digital television, wireless Internet, and broadcasting. Canada could follow the lead of NZ, the UK and the US and use periodic spectrum auctions, which could net an estimated **$10 billion** in economic rent for government. *http://www.cwirp.org/files/CWIRP_spectrum.pdf*

INTERNET: The internet and web have many features of a commons, and could be referred to the “internet commons”, and the economic rent that internet companies now collect from public telecoms, private ISPs, web domain names, belongs to the public and should be collected by the government. Domain name registration grants a monopoly on words and letters, some of which are very valuable and accrue significant rent. The economic rent from the one million domain names registered in Canada, private ISPs and telecoms could generate an estimated **$2 billion**. *http://www.cira.ca/home-en/* A further Pigouvian charge for email by the sender, as small as 0.01¢ per email (that is: 1¢ per 100 emails) would have little impact on legitimate business or users, but would have a significant impact on spam.

STOCK EXCHANGES: Canadian stock exchanges generate wealth for investors because of the industriousness of the Canada population and the exploitation of publicly-owned resources. Some of this wealth could accrue to the federal government on behalf of its citizens. E.g., the TSX, for February 2010: traded 7,124.7 million shares worth $92,991.2 Million. A 1% tax would have yielded $930 Million. Canada’s stock exchanges could be levied **$20 billion** per year, based on less than a one percentage charge of the volume of exchanges.

QUOTAS, LICENCES, PATENTS: Controlled access to the Canadian population granted to pharmaceutical and other product patents, taxi licenses, milk and meat quotas, are exclusive privileges that could carry charges to governments equivalent to the economic rent generated, rather than one time internal sales and auctions. The federal government share of this rent could be **$5 billion**. The federal government could also collect the rent on bank Seignorage privileges, corporate charters, utility franchises, professional licenses.

Pigouvian Taxes

COAL: Canada consumes around 60 million tonnes of coal per year; complete combustion of 1 short ton (2,000 pounds) of this coal will generate about 5,720 pounds (2.86 short tons) of carbon dioxide. A Pigouvian tax of $100 per ton of CO_2 would generate $**6 billion**.

ROADS, PARKING, DOCKS: Canada has 900,000km of roads. A levy per kilometer driven on the 38,000km of federal government maintained roads would help incent alternatives to cars and trucks. A charge of $0.02 per km of road travel for cars and light trucks and $0.10 per km for heavy trucks could generate **$10 billion** annually. A levy for parking on federal land and use of federal docks could generate additional revenue.

CELL PHONE TOWERS, HYDRO AND TELEPHONE WIRES: The privilege of causing visual distraction and electromagnetic pollution could carry a fee payable to governments, with the federal government share estimated at **$4 billion** annually.

NOISE, LIGHT, ODOURS: The community could be recompensed by applying charges on excessive lighting, intrusive odours and noise from roads, industry, aircraft, watercraft, leaf-blowers, chainsaws, clubs and restaurants. With revenue shared municipally, provincially and federally, this could generate **$1 billion** for the federal government.

LANDFILLS: Charges on garbage dumping to compensate Canadians for lack of product stewardship, plus charges on disposable packaging and products to encourage repair, reuse, recycling, could generate **$2 billion** per annum for the federal government.

WATER: Water is a precious resource granted essentially without fees in Canada. A levy per litre of water-taking from ground and surface water could encourage water conservation. Municipalities bill their customers around .001/litre for water. A federal government levy also of $0.001 per litre would encourage water conservation from ground or surface water and generate **$5 billion** to the federal government if the 5 trillion litres worth of permits issued in Canada are used.

TOBIN TAX: On March 23, 1999 the Canadian House of Commons in Ottawa passed Motion M-239 "That, in the opinion of the House, the government should enact a tax on financial transactions in concert with the international community." A 0.05 % levy on currency exchange transactions would limit the damage from excessive exchange rate volatility and raise significant revenue. With global foreign exchange revenues over $1.3

trillion per day, estimated global revenue from the Tobin Tax is in the range of $150 to $300 billion per year. Canada's share: approximately **$20 billion**.

Additional benefits

a. Resource rental capture dampens boom-bust economic cycles by removing the incentive to speculate on land, resources and monopoly access of community assets.

b. Collection and compliance costs of economic rent recovery are a fraction of those of the present range of taxes. The difficulty of evading rent charges, compared to the ease of evading labour, business and sales taxes, will shrink the underground economy.

c. Reducing dead weight taxes on production and labour maximizes economic efficiency and invigorates the economy. Since speculation and monopoly ownership will become less attractive, capital will instead move to productive enterprises, reducing liquidity shortages and reducing the severity of recessions.

d. Regularly collecting the capital gains component of energy, land and natural resources rather than taxing jobs makes labour more affordable. Untaxing earned income is politically popular.

e. This fiscal policy is immune to political opposition since government would only be collecting the unearned uplift in land and resource values resulting from the provision of additional services and publicly financed infrastructure.

f. Infrastructure projects (transit, sewers, roads, educational facilities, hospitals) become self-financing when the resulting increase in the land values is captured for this purpose.

g. Collecting economic rent domestically makes resources and land unattractive to both foreign and domestic speculators.

h. Funding government by collecting the unearned increment that accrues to land and resources doesn't raise their cost, but it does creates a revenue stream to government that allows for reduction of other taxes.

i. When the unearned increment that accrues to land and finite resources is captured for the public purse, their use is not discouraged since the tax cannot be passed on. To the contrary, economic rent capture encourages resources to be put to optimal usage since holding these assets out production for speculative purposes becomes uneconomical.

Compensation and Reimbursement

Those who contribute back to the commons should be monetarily compensated or reimbursed.

a. Farmers and landowners who remove land from production to provide ecological services like carbon sequestration, water and soil conservation, or provide habitat for wild plants and creatures could be compensated for their loss of commodity revenue and rewarded for their non-commodity service.

b. Northern communities with economies dependent on crown lands, which reduce or modify extractive activities to provide ecological services like carbon sequestration, wildlife habitat, water, soil or biomass conservation could be compensated for their collective loss of commodity revenue.

c. As a direct benefit from the recoup of windfall profits from publicly-owned sources all citizens could receive an equal share of the economic rent generated in Canada in the form of a Citizens Dividend. This would offset the resource costs of basic living expenses and help reduce or eliminate poverty.

Summary:

Green Economics, or Ecological Fiscal Reform, expands on the core idea of tax shifting, how the GPC should advocate moving taxes off labour, business and consumption and instead generate government revenue through fees and levies on the use and abuse of the commons.

Greens seek to encourage the efficient and sustainable use of common wealth, and encourage local, value-added and sustainable ways of engaging in enterprise, yet that the tradition of taxing incomes, businesses and consumption has the effect of damaging the environment, reducing employment, burdening businesses and investors, and artificially increasing the prices of needed products.

Instead the GPC should advocate levies on natural resource so that those who use, monopolize or despoil our common wealth and reduce everyone else's access to and benefit from our common heritage, are obliged to reimburse society for this privilege.

Further, that the GPC could propose a revenue-neutral tax shift that distinguishes between earned and unearned income, and moves the tax burden from the former onto the latter. Also, the GPC could suggest that individuals, institutions and businesses that enjoy access to community-built and tax-supported amenities and infrastructure be required to remit fees in the amount of the economic rent to government as compensation for the privileges granted.

Also, individuals, institutions or businesses granted permits to emit pollutants should be required to remit to government Pigouvian taxes as deemed appropriate by legislators.

Finally, the GPC could further propose that those who contribute back to the commons be financially compensated by government. Companies and individuals who forgo opportunistic income to conserve, protect or restore ecosystems should be reimbursed for expenses.