

ECOLOGICAL FISCAL REFORM

by Frank de Jong, Toronto, Ontario

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EFR, the cornerstone of Green Party economic policy, is just the fancy name for tax shifting, just another way of saying Tax Bads, Not Goods. Greens call for shifting taxes off of what we want, like jobs, profits, green tech, and onto what we don't want, like pollution, resource waste, and inefficient land use. Tax shifting tells businesses and consumers that going green saves money.

From a Green Party perspective, the Ontario tax structure is mostly regressive: \$20 billion from incomes taxes, \$15 billion from 8% retail sales taxes, \$9 billion from business taxes. Taxing jobs is regressive for two reasons: it discourages businesses from hiring people, and it taxes green collar jobs equally to grey collar jobs. Taxing consumption (RST) is regressive since it taxes green consumer items (like recycled paper, hand tools, bicycles, compact fluorescent bulbs) equally to grey items. Business taxation, too, is regressive since 1) it hurts the economy and 2) it penalizes both green production and grey production equally.

Traditionally taxes are considered progressive if they redistribute income and regressive if they don't. But to address the ecological crisis we must redefine progressive to also mean green and regressive to include grey thinking. So if taxing incomes, profits or consumption is regressive, where would a Green government raise the money with which to provide services? Following the logic of green economic thinking, we would shift taxes away from incomes, profits and consumption and onto progressive taxation of resources, land and pollution. Government revenue should come from land levies and natural resource depletion charges.

The basic theory is that governments should tax "un-earned" income, not "earned" income, i.e. resources, not labour, and that taxes should be applied as early as possible in the production process to impact the maximum number of choices that can be made to conserve the resource and to green the final product.

Depletion taxes would be applied to oil, gas, coal, minerals, metals, aggregates, water, and trees. If resource use taxes were levied to double the cost of resources used in Ontario it would generate \$15 billion, equivalent to what the 8% retail sales tax raises now. For example, doubling the cost of oil from \$35/barrel to \$70/barrel, and the price of natural gas from \$0.24/m³ to \$0.50/m³, would raise revenue that otherwise would come from job-killing income taxes, and at the same time reduce pollution and encourage conservation.

Inefficient use of land (sprawl), southern Ontario's worst ecological problem, would be addressed by shifting the source of part of government revenue to site value taxation (SVT), and off of incomes and business taxation. SVT is applied only to the land, not the use of the land or to the buildings on it, thus encouraging more efficient land use and not hurting businesses and the economy. A mill rate, applied

to the Ontario land base, could be set to generate \$29 billion/year, equivalent to what income taxes and business taxes now bring in.

A total tax shift in Ontario would raise the cost of land and resources, but the tax burden on the average person or average business would not change since jobs, profits and consumption would no longer be taxed. A tax shift of the entire \$44 billion provincial tax burden would cause only minimal, temporary disruption to Ontario's \$501 billion economy, but would effect multiple benefits to pollution, sprawl and technological choice. Border Adjustment Taxes would protect importers and exporters. Peripheral benefits of resource taxation over sales taxes are that they are far simpler to apply and much harder to evade since there are far fewer points of taxation. Also, resource and site value taxation would reduce the size of the underground economy, increasing fairness for all.

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