

FROM PROF. HARRY-GUNNISON BROWN

EDITOR SINGLE TAX REVIEW:

I have been puzzled to note lately, in the columns of the SINGLE TAX REVIEW, a discussion as to whether *protection* is necessary in the absence of the adoption of the Single Tax, a discussion in which the editor *seems* to have taken the affirmative side. Owing to the fact that I am only a new subscriber and did not see the beginning of the discussion, I may have misinterpreted the meaning of some of the statements made. But if I have not, I believe I can offer a perfectly logical criticism.

The argument for protection under present circumstances seemed to be, as I understand it, that American industries, *e.g.*, the manufacture of woolen cloth, need protection against foreign rivals *because the former are now taxed on their capital, such as buildings*, instead of being really free from taxation as it is urged they would be under Single Tax. This would be entirely true if the protected industries were alone so taxed. But it is not true if the tax on buildings, etc., is general. For, although such a tax may, indeed, make all home industries be so much less profitable, it is no heavier upon the wool manufacturing business than upon some other business—*e.g.*, the manufacture of structural material for bridges—which our business men would prefer to engage in if not diverted into the manufacture of woolen cloth by a tariff. In other words, if, under the Single Tax, the exportation of structural steel for bridges would be a cheaper method of getting woolen cloth than the making of cloth directly, this would also be true under *any form of taxation of industry* so long as it did not discriminate between the industries. To tax the two industries in question *both alike*, would leave the one which would be better under no taxation, still the better of the two.

To express the matter in a different way, let me point out that if, with no taxes, we could undersell foreign rivals here in woolen cloth, we could and would continue to do so if the woolen cloth business were taxed, provided the bridge material and other businesses were likewise taxed. If the other businesses remained untaxed, Americans might, indeed, only remain in the woolen cloth business by virtue of being allowed higher prices to make up for the tax, because they could escape it by going into some other business [See my Theory of Earned and Un-

earned Incomes, Ch. I, § 3, and Ch. II, §§ 2, 3, 4, 5]. But if they are equally taxed no matter what they go into, they will not therefore be driven out of the woolen cloth production—for they can do no better—nor will the cloth become scarcer and higher in price. The people in the business—including their employees—will simply have to take smaller returns. In other words, such taxes *simply subtract from earned incomes*. Likewise, any *inability* of the woolen cloth industry to stand alone against foreign competition, would be equally great, *even if all taxes on earned incomes were removed*. Woolen cloth making would, then, yield larger income than before. *But so would the business of making bridge material and all other kinds of business*. It follows that men could no more afford to produce woolen cloth in the one case than in the other and that, therefore, *in either case*, protection to the woolen cloth industry would divert men from a line in which the country was relatively efficient to one in which it were not. [See my Principles of Commerce, Part II, Chs. I, II, IV]. Such a tariff would put a new burden upon the better industries, *in addition to the undesirable internal taxes already levied*.

To conclude, if I may be permitted thus to attempt to mediate between the editor and his critics, I should say the editor is right if and so far as discriminatory taxes are meant; while his critics are right if the taxes under discussion are general and not discriminatory against any business as such, however undesirable these taxes may be in themselves.

HARRY G. BROWN