

The Economics of the Single Tax

A Rebuttal to a Previous Article in Criticism of the Single Tax

By Raymond V. McNally *

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Of Brooklyn, New York; a director of the Robert Schalkenbach Foundation. New York.

IN these days of unbalanced budgets and crippled industry, the problem of taxation assumes alarming proportions in view of the direct relation between taxes and the production of wealth. In fact, the unbalanced budgets spring in large measure from the disastrous effect that taxes have on production. Most taxes tend to restrict production by increasing the cost of doing business. Even the income tax which is less objectionable probably than other taxes (although it undoubtedly limits the individual accumulation of capital) because it does not bear directly on production, is a charge on the earnings of labor and capital and does not distinguish between earned and unearned incomes. It is based on the "ability-to-pay" theory; but while this theory may be supported from the standpoint of philanthropy, it cannot be supported from the standpoint of justice. Justice demands that one should pay taxes only in proportion to the services rendered him by society. These services can be measured accurately in no other way but by the value of land because they are reflected in the value of land. This statement may appear abstruse to the reader but it will be made clearer to him a little later.

In spite of the acuteness of the problem that faces the entire civilized world, the one and only tax that, in my opinion, can be supported on the grounds of justice and economic expediency is generally overlooked by most people. I am referring to the Single Tax. It calls for the abolition of all taxation except that on the value of the bare land¹ or on land rent.² It is the only tax that does not restrict production or diminish the earnings of capital and labor. In fact, it tends to increase production and to increase the earnings of capital and labor by destroying speculative land rent. It is this speculative rent which in checking production is the fundamental cause (other contributing causes admitted) of the recurring paroxysms of industrial depressions. While it must of course like other taxes be paid out of the wealth that is produced, it does not constitute a burden on industry because it merely diverts into the public treasury what industry now pays to private landowners while at the same time relieving industry of all other taxes. In effect, it is no taxation at all for it merely renders to society what society has itself created.

1Land, in the economic sense, is the whole material universe outside of man and the products of his labor. It includes farm lands, timber lands, coal lands, mineral deposits, forests and wild animals therein, water, sunlight, the air we breathe, building sites, business locations and rights of way.

2 Land rent is what land is worth for use, or, in other words, is the excess of its productivity over that of the least productive land in use.

The layman will naturally inquire, "If all of this is true, why is this method of taxation not adopted?" For two reasons. In the first place, it is so simple that it escapes the attention of most people, including many economists and public financiers, who in this complex age are searching for complicated remedies to cure an apparently complicated social disease the symptoms of which are unemployment, low wages, cut-throat competition, etc. They are incapable of imagining that a situation which is apparently so involved can be due to a single fundamental cause and so like the incompetent physician concentrate on treating symptoms instead of making an effort to eliminate the cause. In the second place, there is strong opposition to the Single Tax on the part of many of those economists and public financiers who have given some thought to the matter. While it is undoubtedly true that part of this opposition may be attributed to deep-seated prejudices due to personal interests, I believe that most of it can be traced to hastily formed opinions based on a limited study of the subject and to misconceptions of fundamental economic principles. However, the various arguments that have been presented by critics over a period of many years since Henry George first electrified the world with his proposition, do not stand the test of critical analysis. All of them, in my opinion, have been adequately refuted. Nevertheless they continue to prevail, and therefore students of taxation should form their own opinion after they have studied both sides of the question.

Of interest, then, I believe, will be a consideration of the critical analysis of the Single Tax by Dr. Edwin S. Todd in a recent article³ which contains not only some of the stock arguments against the Single Tax but which approaches the question from a slightly different angle. Let us subject his remarks to a careful examination. It is impossible of course to attempt in a single article to explain the entire economic basis of the Single Tax or to demonstrate in minute detail the inadequacy of all of the argu-

* The Tax Magazine, issue of July, 1934, p. 346 et seq.