

NATURAL RESOURCES AND THE SINGLE TAX

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In trying to ascertain how much economic rent was due the community from natural resources, I encountered the following dilemma: If, on the one hand, the landowner were taxed only for the value of the natural resources on his land, he could have them extracted before sufficient time had passed for the community to collect their value in taxes. If, on the other hand, the resources were taxed only as they were extracted, then the owner could just leave them in the land, thereby paying no tax. In addition, if such tax were levied uniformly per unit output, it could be passed on to the consumer much as gasoline taxes are today. This dilemma, of course, does not arise with ordinary site-value taxation, since value of location cannot be "extracted."

One solution to this problem, which I describe below, is, I believe, close to what Henry George would have come upon had he addressed this question directly. As with land-value taxation, we must first identify the value of a natural resource. Then we must determine a tax which will ensure that the community recovers the full value of the resource.

No one will deny that by the time a natural resource is transformed into an object of commercial value, it has a well-defined price determined by the market place. From this market price and from the cost of all phases of the production necessary to realize the object from naturally occurring materials, including their extraction and transportation, a value can be placed on the natural resource in the land. This value - let us call it the natural value - will of course depend upon the location, quality, ease of extraction, etc. of the resource. It is this market-determined value of the unextracted resource, well-known at any given time to extractors, processors and manufacturers, which must determine the size of the single tax on natural resources.

Turning now to the single tax owed by the owner of land containing natural resources, we have only to recall that the value of the land arises from the existence of the community and hence that the return from the land, the rent, belongs to the community. Immediately we encounter a significant difference between site-value rent and resource-value rent: the latter consists of two parts. The first part is much akin to the rent arising from site value. The landowner has control over a gift of nature with a well-defined value. This value times the rate of return will give the rent independent of the use the owner makes of his privileges of ownership. As with site-value taxation, this tax cannot be passed on to the consumer.

The second portion of resource-value rent arises directly from the fact that resources can be extracted and removed. The rent, therefore, must also include the natural value of the resources removed from each piece of land. As indicated above, this value is the difference between the current market value and the current extraction costs.

The rent of any piece of land is, therefore, the sum of (i) the rent arising from site value, and (ii) the rent arising from resource value. The latter is in turn a sum of (a) the rent arising from the value of the natural resources in the land, and (b) the rent arising from the natural value of the resources extracted and removed. In calculating (iib) one should use the cost of the most efficient method of extraction available so as to penalize more costly processes which could otherwise artificially reduce the natural value of the resource. (It will require some skill on the part of the assessor's staff to determine natural-resource value. But how much more beneficial it will be to the public to have its tax people highly trained in productive capacities rather than in the complex income-tax law.)

Considering the impact on our environment of the wasteful extraction and use of our natural resources, the above tax on natural resources has two distinct merits: (i) the first part (a) of the tax would greatly reduce the pressure on land containing natural resources, much as site-value taxation greatly reduces the pressure on land with location value. (ii) In addition, the second part (b) of the tax penalizes rapid and wasteful extraction of the resources. With these pressures off, and with the accompanying diminution of the economic struggle for survival, which dominates nearly all political and economic thinking at present, perhaps mankind can sit down at last to determine his destiny and that of this planet in a manner in which all those who have suffered, rich and poor alike, can find solace.