Letters

It has long bothered me that in all the oceans of printed matter about taxation there are mere driblets on what seems to me to be the most natural and obvious tax revenue—land rent.

In school some of us liked to aim spitballs at the teacher—maybe a general bombardment of missiles at some of our "teachers" would be worth while now. I am planning some condensed spitballs in the form of letters to newspaper editors. Hope some more kids join in the fun.

THEODORE BUEHLER
Alma, Wisconsin

On page eight of the February HGN appears the statement "a hopeful sign is that oil and gas natural resources will pay a heavier tax." Presumably reference is to the perennial proposal to decrease the "depletion allowance." I see nothing in this proposal for Georgists to cheer about.

The depletion allowance is a deduction from income before computing income tax. Generally speaking this deduction is proportional to the *amount of oil produced*. Thus cutting the depletion allowance would be equivalent to a tax increase based on the production of wealth, and not on the value of privately held natural-resource land. It would not even have the merit of "directness" that is ascribed to a tax on *net* income. Such a measure could not be expected to affect monopolization of natural resources, but *could* be expected to increase the prices of oil products to us consumers.

It may be worth while to point out that the depletion allowance (which applies, at varying levels, to *all* mineral resources) is based on the misconception that minerals in the ground are "capital." It then follows that removal of such minerals decreases the value of the owner's "capital." So does depreciation of buildings and machinery. So, the reasoning goes, if depreciation is deductible for income tax purposes, why not depletion? And indeed, why not? Is this particular affront to our intelligence any more monstrous than the income tax itself?

PAUL S. NIX, JR.
Summit, New Jersey

Mr. Nix is right when he says that "the depletion allowance is based on the misconception that minerals in the ground are 'capital.'" It is for this reason that it is encouraging that an effort is being made to decrease the depletion allowance. This may represent a step toward recognizing that oil and other minerals in the ground are different from capital, on which depreciation is allowed.

As for the allowance—and the tax —on "amount of oil produced," this may be the best way to handle oil and minerals even under a complete land value tax system. There is no accurate way to ascertain how rich a piece of land is in subsoil assets, or for how long it will be economically feasible to extract these assets. The customary arrangement—whether with a private owner or with a government that has retained mineral rights—is to pay a moderate rental for prospecting, *plus* a royalty on the oil or mineral extracted.

As for the ingenuity of tax dodgers, Mr. Nix scores another point. The recognition that the oil depletion allowance should be reduced is only *one* step in the right direction. Much more remains to be done.

R. C.