

Land-like assets include *sites* (not buildings), other natural resources (which cannot be created by human effort), and statutory monopolies and limited licenses (which can be created only by governments, not by taxpayers). Returns on land-like assets, net of the demands of labor and capital, are known as **economic rent** [1]. From the viewpoint of taxpayers, land-like assets cannot be *produced*, but can only be *acquired*. Acquiring an asset that cannot be produced adds nothing to the total assets of humanity. While the economic rent received from a land-like asset may be partly contingent on the application of labor and capital, it cannot be justified as an "incentive" to apply that labor and capital, because it accrues to the owner *as owner* even if the labor and capital are applied by other parties. So the standard argument justifying the private retention of returns on house-like assets is *not applicable* to land-like assets.

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unemployment!

But *holding taxes on land-like assets* have none of these ill effects provided that the taxes take no more than the economic rent, which is *not* an incentive for production. Such taxes do not impede commerce by penalizing transactions. And they cannot impede production of assets, because they apply only to assets that cannot be produced by the taxpayers. If the government raises revenue exclusively from *holding taxes on land-like assets*, it minimizes inflationary tendencies, allowing the central bank to minimize unemployment.

Needless to say, *the ILT is a holding tax on land-like assets.*

7. Quick! Hide the loaves and fishes!

The campaign for holding taxes on land-like assets reached its zenith in the writings and speeches of the American classical economist Henry George (1839–1897), who advocated the public appropriation of almost the entire rental value of land in lieu of taxes on labor and capital [2]. When George rose to prominence, economics was just becoming established as a separate academic discipline. Landowners were well represented on the trustee boards of prestigious American universities, whose endowments, moreover, consisted chiefly of land grants. And there was no academic tenure: professors who failed to do the bidding of their paymasters could be fired without process or redress.

The counter-attack was swift, massive, decisive, and ridiculously indiscriminate. *The language of economics was deliberately corrupted so as to conflate land with capital, economic rent with profit, and acquisition with production*, thus obscuring the advantages of a selective tax on land-like assets [3]. The **fallacy of composition** — that what is good for the part is good for the whole — was accepted as a valid argument whenever the part in question was a landowner. By calling itself **neo-classical** economics, the new pseudo-science masqueraded as the successor, though in fact it was the usurper, of the classical tradition. Within a generation it became the new orthodoxy.

A consequence of the fallacy of composition was that **macro-economics**, in which profit is a cost of production and the rent of land is a surplus, was displaced by **micro-economics**, in which rent is a cost of production and profit is a surplus. Thereafter, those who wanted to reduce economic inequality by redistributing the "surplus" would attack private *profit*, not private economic rent; in other words, they would be *socialists* and *communists*, not mere "Georgists". The consequences for property owners in Russia, China, and eastern Europe were rather worse than those envisaged by Mr. George.

But even where the capitalist system of land ownership remained intact, property owners suffered because the neo-classicists opposed not only the full implementation of

6. Taxes ain't taxes

A **holding tax** is a periodic tax on ownership of an asset — in contrast to a **transaction tax**, which applies to (e.g.) *changes* of ownership.

All transaction taxes impede commerce. All taxes on house-like assets reduce the incentive to produce capital. These effects hinder production and therefore raise prices and feed inflation, increasing the so-called **natural rate** of unemployment, which is defined as the minimum unemployment rate that causes sufficient downward pressure on wages to yield stable inflation. Central banks fight the inflationary tendency by raising interest rates (or otherwise restricting credit) in order to discourage consumption and hiring, thus maintaining unemployment at the dimly-named natural rate. So when the government decides to raise revenue from transaction taxes or taxes on house-like assets, the central bank responds by creating



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