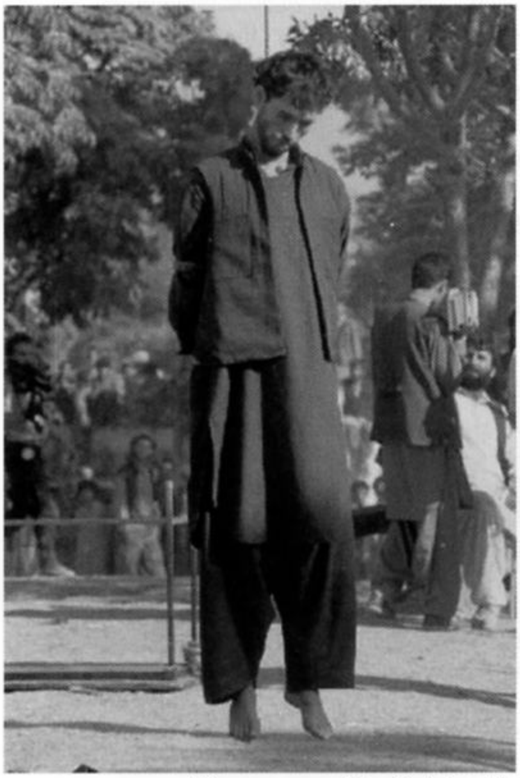
George's system, but *all* reform in that direction, however modest it might be. In particular:

- They opposed Thomas Shearman's "Single Tax", which was a straightforward land tax calculated on "land price";



The consequences for property owners in Russia, China, and eastern Europe were rather worse than those envisaged by Mr. George

- They opposed the Ralston-Nolan Bill (U.S. House of Representatives, 1920), which would have imposed a federal tax of a mere 1% per annum on "the privilege of holding lands, natural resources and public franchises" with a threshold of $10,000 (a princely sum in those days);

- They opposed the concentration of local property taxes on land values alone, preferring to tax the combined values of land and buildings, and sometimes even claiming that the separate valuation of land was not possible [4].

In each of these cases, the neo-classicists defeated a measure that would have enriched property owners by encouraging the provision of infrastructure. More generally, the neo-classical conflation of land with capital undermines *any* system of taxation that distinguishes between the two — including the ILT.

If property owners had known what was good for them, they would have concentrated their efforts on:

- making a moral-philosophical case, or even a practical case, for the sharing of publicly created value (e.g. uplifts in land values due to public infrastructure) between public and private partners, as opposed to the complete retention of publicly created value by the government; and

- ensuring that any system for financing infrastructure through uplifts in land values was implemented in such a way that taxpayers were protected against losses in the *transition* to the new system (as they are in the design of the ILT).

They might also have considered that, as owners of the most important class of economic assets, they had an interest in being able to get the right answers to economic questions, to which end it might help if the science of economics were allowed to remain a science.

But they were not that smart.

8. Seven plagues (and one remedy)

Two consequences of property owners' *unenlightened* self-interest have already been mentioned:

- **The infrastructure crisis:** Public projects and services of which the benefit would exceed the cost are stalled because of the alleged difficulty of meeting the cost.

If the benefit exceeds the cost, how can it be difficult to cover the cost? The excuse is absurd; but it is the "logical" consequence of the neo-classical dogma that land values, which capture the benefit of so much public *expenditure*, should not be a substantial source of public *revenue*.

- **Unemployment:** Failure to raise sufficient revenue from holding taxes on land-like assets necessitates other taxes that raise prices and feed inflation. Central banks counteract the inflationary tendency by raising interest rates in order to create unemployment, which exerts downward pressure on wages.

Needless to say, those who are unemployed are not engaged in projects that enhance property values. Neither are they likely to be bidding up prices at property auctions. Low wages have a similarly depressing effect on spending power, hence property values.

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Further consequences include the following:

- **The rat race:** Unemployment weakens the bargaining position of employees, driving down their wages and conditions. Poor prospects in one occupation drive some employees into other occupations, where they *increase the competitive pressure on employees* in those other occupations, driving down *their* wages and conditions, and so