

As implied above, the ILT should replace all *recurrent* property taxes hitherto imposed by the same government. These include not only "land tax", but also any so-called fire levies or ambulance levies that amount to *de facto* recurrent taxes on property. The ILT should be allowed to be negative, so that it gives some compensation to that minority of property owners whose sites are devalued by planning decisions.

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3. Twelve baskets

If the ILT is to be attractive to politicians, it must turn a comprehensive range of infrastructure projects into net revenue earners. Rational property owners will concur with this requirement, because projects that earn more revenue than they cost are likely to proceed, so that property owners are likely to get the associated uplifts in land values. For property owners, the fact that *some* of these projects could have been funded by other taxes is a red herring for three reasons. First, the ILT allows *more* projects to be funded. Second, a project that could have been funded by other taxes still represents a net gain to property owners if it is funded by the ILT. Third, when projects that would have been funded by other taxes are instead funded by the ILT, those "other taxes" can be reduced, and property owners in their capacity as general taxpayers can expect to share in the benefit of that reduction.

4. A mutually profitable investment

From the viewpoint of property owners, the ILT is an investment, and the uplift in property values is the return on the investment. This return is already "net of tax" because the market takes the ILT into account when valuing each site. So the ILT cannot render the investment unprofitable.

From the viewpoint of the government, the cost of a public project is an investment and the consequent increase in ILT assessments is the return on the investment. The higher the marginal ILT rate (or the fraction of sites subject to ILT), the greater the number of projects that will pay for themselves through uplifts in site values, hence the greater the number of projects that will actually proceed — and the faster the rate at which old taxes can be reduced or abolished, thanks to the surplus revenue caused by projects whose benefit/cost ratios are higher than the minimum for a self-funding project.

there was no academic tenure: professors who failed to do the bidding of their paymasters could be fired without process or redress

Very conveniently, property owners also have an interest in increasing the number of projects that proceed and the number of old taxes that can be reduced or abolished. Of course there are only so many projects that would pass a cost-benefit test, and only so many old taxes to abolish. So, as the ILT rate is increased, there comes a point beyond which property owners are losing more through higher ILT than they are gaining through infrastructure and tax cuts. This confirms that from the viewpoint of property owners, the taxation of uplifts in land values *can* be too high. *But it can also be too low*, as the current infrastructure crisis clearly shows. Somewhere in between there is an optimum — for which every rational property owner should be campaigning.

Unfortunately the behavior of property owners to date has been less than rational. But before we can tell that story, we must explain a bit of theory.

5. Assets ain't assets

Rivers of blood have been spilled over the ownership of the "means of production" because these "means of production" are spoken of as a single category, whereas in fact they fall into *two* categories:

- *Assets that taxpayers can neither create nor destroy nor move out of the taxing jurisdiction are land-like assets.*
- *The rest — that is, assets that taxpayers can move and/or destroy and/or refrain from creating — may be called (for want of a better analogy) house-like assets.*

By this terminology, *house-like* assets used as means of production include not only fixed structures, but also industrial and commercial equipment (fixed or movable) and stock in trade. The great classical economists from Adam Smith (1723–1790) to Max Hirsch (1853–1909) called such assets **capital**. Because the production of capital



adds to the total wealth of humanity, and because the **profits** from capital are an *incentive* to produce it, humanity gains from the private ownership of house-like assets and the private retention of profits derived therefrom.