INTRODUCTION

It is often assumed that government intervention is required to bring to fruition large-scale infrastructure projects, such as the construction of railway lines or sewerage systems. In particular, government involvement is believed to be necessary to provide the large initial capital outlays such projects require.

In *Wheels of Fortune*, Fred Harrison shows that large-scale infrastructure projects can be made self-funding and hence be completed without recourse to public funds.

Infrastructure projects almost always bring about a large increase in the value of adjoining land. For example, Transport for London estimate that the extension of the Jubilee Line of the London Underground that opened in 1999 increased land values by £2 billion in Canary Wharf and £800 million in Southwark. When such infrastructure projects are funded by government they therefore almost always involve a substantial transfer of wealth from a large number of taxpayers to a small number of property owners.

Demands that government should fund infrastructure projects often come from those who would benefit – either directly from, for example, cheaper public transport or indirectly from increased property values. Such demands may be characterised as rent-seeking – an attempt to use the political process to achieve an economic gain.

Hence, when MPs representing the outer London suburbs call for public funding of a project like Crossrail that would benefit their constituents by providing quicker journey times into the capital and increasing the value of their properties, such politicians are engaging in rent-seeking on behalf of their constituents by attempting to force taxpayers throughout the country to pay for a project that will disproportionately benefit their (often already wealthy) constituents.

Harrison argues that a fairer and more efficient means to fund infrastructure projects is to capture and use the increases in land values that they bring. Indeed, Harrison describes how the initial proposal for the Jubilee Line extension made by property owners at Canary Wharf involved funding the project with private finance put up against anticipated rises in property values. Had this option been pursued the entire project could have been completed at no cost to the public purse.

In this monograph, Harrison sets out a free market case for a form of land tax as a means of achieving the goal of self-funding infrastructure and ensuring that those who receive the benefits of such projects meet the costs. He shows the antecedents of the land tax idea in the work of the classical economists, notably Smith and Ricardo, and demonstrates how other countries, in particular Singapore and Hong Kong, have better utilised the value of land as the foundation for their economic prosperity.

Harrison does not shy away from the more challenging practicalities of a land tax. In particular, he addresses the problem of ascertaining the contribution of different phenomena to a property's value. Given that the value of any good, service or factor is not objectively given but is always a subjective judgement based on each individual's personal preferences, this must be the most important practical challenge to a workable land tax.

From a free market perspective it is also important that a land tax should not become yet another tax added to the already burgeoning tax burden. The introduction of a land tax must coincide with the repeal of a number of existing taxes – Harrison proposes that it replaces economically damaging capital gains and income taxes. It also has to be noted that any reassignment of the tax burden is likely to be highly politically controversial; those countries where land tax regimes work successfully have a long history of this form of taxation.

The key to the future of self-funding infrastructure, then, may be to construct (or allow to evolve) a regime of private property rights that allows the benefits of such projects to be captured and thereby prevents rent-seeking by relatively small groups of property owners at the expense of other taxpayers. There is strong empirical evidence presented in this monograph to suggest that a land tax could provide a way forward to such a future.

If this were to happen, the resulting change would not necessarily be akin to a tax, but more like the service charge for shared amenities that the owners of a shopping mall may charge those leasing individual units.

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