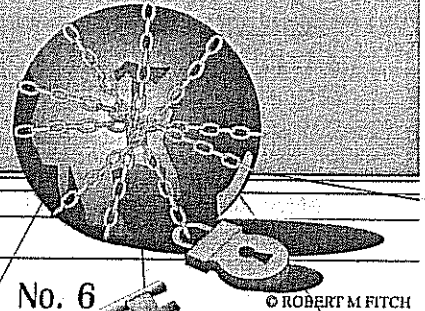


# GROUND SWELL

A BI-MONTHLY PUBLICATION OF  
COMMON GROUNDS-USA



NOVEMBER-DECEMBER 2011 / \$3.00

VOLUME 24, No. 6

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## FINANCING INFRASTRUCTURE THROUGH "VALUE CAPTURE"

By H. William Batt, Ph.D., Albany, NY

(On Nov. 14, 2011, Dr. Bill Batt of the Central Research Group, Albany, NY and of the Center for the Study of Economics, Philadelphia, testified before the New York State Assembly Transportation Committee. His testimony is reprinted below and copies were distributed to committee members. He also cited various studies (which GroundSwell does not have room to reprint but are available from him on request). Citations of other materials on Value Capture include the University of Minnesota, Lincoln Institute, The Infrastructurist, Urban Land Institute, Rick Rybeck, World Bank, and the American Journal Economics & Sociology.)

The most equitable and efficient means of financing infrastructure is "Value Capture."

Value Capture taxes the added increment of value that results in the area benefiting from the infrastructure investment. It taxes it to pay off the bonds that were floated to finance the project.

The method is equitable because the value is created by the public and not by the titleholder to any parcel site. It also assures that the parcel site will be used to the full extent that its site value warrants. A titleholder is thereby induced by the added tax burden to develop his property parcel to the full extent that its value warrants – this in a way to recover his increased carrying costs.

The method is efficient because there is no excess burden or deadweight loss incurred. This is the lost productivity that otherwise arises when other means are employed to pay for the projects.

Consider a concrete example: I am citing my Northway study done fifteen years ago. Transportation Planners and Engineers can point to numerous projects that have been financed by such means.

This approach works for the finance any kind of infrastructure development. It was used for the California Irrigation system. It was used for parts of the Tennessee Value Authority basin.

The University of Minnesota has a special center for the study of Value Capture. I helped plan a conference this past summer with leaders there; I represented the school of economic thought that is responsible for the theory of this approach, following the ideas of Henry George. I am also an invited reader /editor of the new professional journal: Journal of Transportation and Land Use.

The beauty of the design is that the added increment of land value in the area benefiting from the investment is at least equal to the capital cost of that investment. Many times the benefit far exceeds the cost of the project. In fact if the project doesn't at least return a commensurate benefit, it shouldn't be undertaken.

We have many cases, in New York and elsewhere, of "Bridges to Nowhere." But this is what we want to avoid.

The unity of the investment formula; that the value of the benefits generated are equal to costs, is something that for many years was theoretically true but couldn't be proven. Now with higher mathematics and computer power, we can show that this is so. It is known as the Henry George Theorem, and is now part of the canon of Public Finance instruction. Some of our best economists have written on the subject: Joe Stiglitz and Bill Vickrey among them. I brought a book back into print last year on this subject: *The Self-Supporting City*, by Gilbert Tucker. There are several other books I can mention: *Wheels of Fortune* by Fred Harrison, and *Taken for a Ride* by Don Riley, both books published in London.

I would be happy to work with people interested in pursuing this further; there are many more materials I can point to, and have written some myself. In fact, I presented testimony before the Oregon State Legislature last year on this very subject. I have already provided the coordinator of the Transportation Committee with a copy of that material.

(Dr. Bill Batt may be emailed at [albanygeoist@gmail.com](mailto:albanygeoist@gmail.com).)<<

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### HOW THE FEDERAL GOVERNMENT CAN EASILY REDUCE THE DEFICIT

While Actually Reducing Taxes for Most Americans & Promoting  
Economic Development

By Dr. Steven Cord, Columbia, MD

The Federal Deficit is huge and growing out of control, threatening the nation's future, but fortunately two provisions of the original U.S. Constitution as well as the 16<sup>th</sup> Amendment offer an easy remedy. They permit the federal government to levy a land-assessment tax that can accomplish these three goals:

- (1) Reduce the Deficit.
- (2) Reduce taxes for most voters.
- (3) Promote economic development

To begin with, there is Article 1, Section 9 of the Constitution: "No...direct tax shall be laid, unless in Proportion to the Census...." This authorizes a federal land-assessment tax since it is a direct tax and could be in proportion to the decennial census. As it happens, all other Deficit reduction taxes would impair the national economy.

Article 1, Section 2 of the U.S. Constitution reads: "...direct Taxes shall be apportioned among the several states... according to their respective (continued on page 13)