

Infrastructure Reimbursement



A [district council](#) might decide to invest additional money outside of the [Earth Dividend](#) for a new bridge, school, museum, rapid transit system, or other infrastructure to improve their community. Debt is illegal outside of a [sovereignty](#), so typically this will be financed through a [consumption tax](#) approved by a 2/3 plurality of the affected [dominion](#).

But there is a problem. Infrastructure will increase the desirability of the community and raise [ground rents](#). However, since the distribution domain is [Federation-wide](#), an insignificant portion of those increased rents will come back to the community. In effect, the community is paying for the infrastructure twice; once through the consumption tax and a second time in increased rents.

Returning rents back to the infrastructure's locality solves the problem. However, distribution theory shows [local distribution to be unjust](#), creating very rich and very poor communities as it stifles immigration and mobility.

Collection and distribution of rents at the [federation level](#) is the basis of [land-based capitalism](#). Yet, failure to solve this problem of "paying twice" for the infrastructure virtually destroys local incentive for community improvement.

As a remedy, reimbursement of local infrastructure by the [VIP Treasury](#) solves two problems:

1. Encourages community development.
2. Provides another way, besides royalties on [intellectual property](#), for the Treasury to inject new currency into the economy, rewarding both mental and physical labor.

The [Fluid Model of Land Value](#) shows how investments in infrastructure are the most powerful way to generate community revenue. Similarly, the [Henry George Theorem](#) shows how investments in needed (or soon to be needed) infrastructure always generate more revenue than it cost. Infrastructure is the very basis of growth.

But how is needed infrastructure distinguished from boondoggles? It is not prudent to automatically reimburse infrastructure without regard to its effect on land value. The Treasury will repay infrastructure under the following conditions:

1. Infrastructure is shown to raise [location value](#) in subsequent years, independent of other factors.
2. Payments are equitable (between all such projects throughout the Federation) and based on an objective formula.
3. Formulas include weighting based on distance from infrastructure and time from infrastructure completion that are based on the type of infrastructure.
4. The amount of repayment is a function of the total increase in federation land value, the intellectual property minimum distribution, and the amount of new currency that must be injected to stop [deflation](#).
5. Payments cease after a cutoff of 150% of the initial investment (100% rebate + 50% premium).

Initial funding for the infrastructure determines how it is paid back. If the infrastructure was funded by a [consumption tax](#):

1. Funds up to 100% are returned to the individuals paying the tax in proportion to the taxes paid.
2. The up to 50% premium, if any, is distributed equally to all citizens of the dominion.

Although it is illegal for non-sovereign governments to have debt, infrastructure can be funded through the sale of bonds that do not constitute government debt.

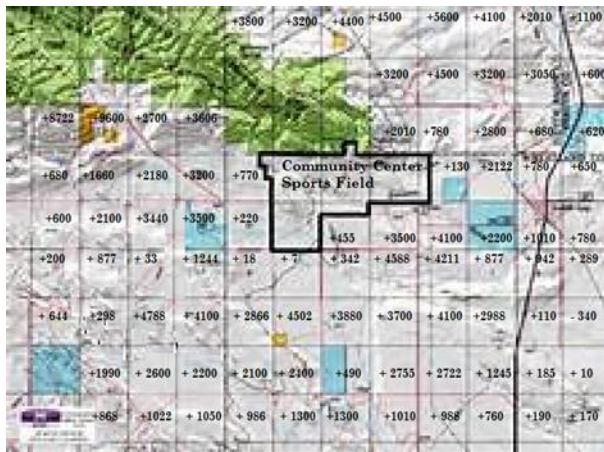
1. The bonds are private speculations that the infrastructure will increase land value sufficiently to return 150% of the original investment.
2. If bonds are used to finance the infrastructure, all reimbursements go to the bondholders.
3. Depending on demand for these instruments and project potential, speculators might require a non-reimbursable premium from the local dominion to issue the bonds.

For example, \$20 million is needed to build a bridge. The investors hope to get a return of \$30 million, but a sufficient land value increase is not likely, given there already is another bridge over the same river only a mile away. The investors demand a \$3 million risk premium from the local dominion, which raises the money through a consumption tax.

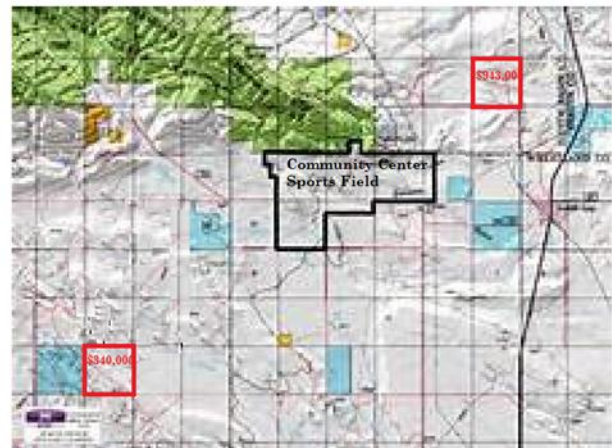
Premiums are still an improvement over the community paying full cost for the infrastructure.

To determine the increase in location value from new or improved infrastructure, the rent increase or decrease in all nearby properties is fed through statistical and other objective computer analysis. Frozen, modified, or trebled ground rents paint an accurate picture of the improvement's impact.

Notice, in the second graphic, the lack of information available to an assessor attempting the same computation using just two land sales during the computational period. This second graphic is shown for comparison purposes only.



Change in self-assessed value of every property from project approval to completion and signoff



Only 2 sales of nearby properties from project approval to completion and signoff

Dominions register projects for reimbursement with the VIP Treasury and [Land Management](#). Accounts of taxpayers or bondholders will receive reimbursement over the years. Infrastructure will be paid over a minimum of 10 years, unless the 150% limit is reached first. The time will likely be extended if there are years with little or no deflation to counter. [This is unlikely.](#)

The taxpayer reimbursement basis is determined by consumption tax transactions. This is automated and transactions are never viewed by persons unless the reimbursement basis is contested.

Each project is organized into a distribution account tree where ownership of the total distribution adds to 100%. Each distribution account tree is assigned a

percentage of any distribution, such that the percentages from all trees add up to 100%.

Percentages are based on objective formulas and change with time. Whenever the VIP Treasury makes a distribution, it is routed through the trees. Reimbursement trees are public information.