

## WHY LAND TAX?

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**There is a finite amount of land on earth.** Land, and the rights to everything contained within it, therefore, cannot be treated in the same way as other things in our global marketplace. Most other things, such as toothbrushes, cake, and dry cleaning services, can be reproduced and replaced to an almost infinite number. Land cannot be reproduced. No entrepreneur can break into the property market by way of progress or ingenuity – it is fixed. This is what we call a “**natural monopoly**”.

### **There are also many other natural monopolies**

Limited licences for fishing or driving taxis are natural monopolies because of the artificial scarcity imposed on the market by the licence issuer. Some basic essential services are impractical to duplicate. Do you want to connect to electricity grid A or electricity grid B?

We don't have “premium” police, firefighter, or ambulance service options. The same applies to water, gas, and electricity distribution, and rail networks. These natural monopolies are best held by the government on behalf of the people, which is best placed to ensure access, reliability and affordability for all.

Intellectual property rights create a monopoly which hinders human progress by limiting access to information with the potential to improve our lives. After all, there is no free market without free information. It allows rights holders (who are not the original creators) to profit from suppressing innovation and creativity rather than encouraging it. An extreme example of this includes pharmaceutical companies hiking up the price of drugs which they have exclusive rights to produce, hindering access to life-saving medicine. We need to find ways to reward human ingenuity and creativity that does not reduce our potential to improve our society.

**Thank the stars, we have a system in place to address this massive distortion in our economy and make things fair for all of us: our tax system.**

In order to make sure our tax system is fair, our Governments attempt to measure the value of everything we have and everything we create in our economy. Of course, measuring the true value of everything is a monstrous task, (and a big part of the reason why people don't like economists!). After all, who can measure the true value of an hour's work, a tree, or a song?

While it is relatively easy to measure the market price of goods and services such as toothbrushes or dry cleaning services, it is harder to accurately account for *unintended* value creation or destruction (what economists call “**externalities**”) such as waste dumped into a river (negative externality) or a train line being built to a region (positive externality). An important question to ask when thinking about our tax system, therefore, is, “**who is benefiting from value not being captured by our current tax structure?**”

Because our land forms a natural monopoly (there is a finite supply), the value of land and natural resources is mostly created by high demand. However, demand is created by our community at large, not those individuals or companies that own the land. Landowners get the benefit from the externality of population growth. Land price also increases by local amenities created by the community, such as roads, electricity, transport and town centres. Even by volunteers planting trees in a park. This aspect of land value is created by all of us who pay taxes, yet landowners accrue unintended benefits of these community projects in their sleep. **At Prosper, we firmly believe that our tax system needs to be reformed to capture this portion of land value and redistribute it to those who created it.**

As our populations increase and technology develops, people, or organisations who control the land take the gains. Despite falling costs and vast improvements in the quality of many consumer goods, people increasingly struggle to place and keep a roof over their heads. The most basic necessities are getting further out of reach. Natural monopoly lies at the heart of this story. We seek to ensure that the evolution of human progress is broadly shared.

**We advocate for comprehensive land value taxes so that the person who benefits from the extra value (the landowner) pays their fair share of tax.**

In Australia, our runaway land prices are some of the highest in the world and continue to increase at a pace exponentially greater than average incomes. This is a result of decades of bad land and housing policy alongside the commodification of the housing market. Housing affordability is approaching a crisis point in our cities. It is harder and harder for us to find jobs near the places we can afford to live.

At Prosper, we believe housing is a human right, not a privilege. It's time to change the system so that access to land and housing is easier and more accessible for all Australians.

Our tax structures are like the steering wheel of our spaceship planet earth. They have the capacity to keep us on track. For example, a tax on the emission of carbon can reduce global warming and a tax on the consumption of cigarettes can improve health in the community. So a key question that Prosper asks is, ***is our tax system steering us in the direction we want to go?***

**Ultimately, our tax system should reward effort, encourage entrepreneurialism, and protect our natural environment from over-exploitation.** If we capture the rising value of land and other scarce resources, we can replace taxes that damage the economy. Taxes on the number of staff you employ, or on transactions and trade have no place in a thriving society. We could also let people keep more of their income and business earnings.