

Owners Block Land Tax Hike

TheIU's 28th conference in Argentina took place as a dramatic political tussle unfolded between land owners and the government of the province of Buenos Aires. As delegates discussed the theory of land taxation at the conference, land owners launched a ferocious campaign to block a quorum assembling at the government offices in La Plata.

The tactics worked. The week-long campaign, including two massed demonstrations, brought to a halt the law-makers' attempt to approve a tax increase on the rents of farmland.

Governor Daniel Scioli, who is rumoured to be planning a run for the presidency, was accused by landowners of wanting to re-distribute

income. He told local TV: "We are working towards a fiscal system that allows for permanent investment in education, public health, road construction, housing, sewage and drinking water. That is the context of today's debate".

But a last minute lobbying blitz by landowners in this top grain-producing province thwarted the governor's plans. He wanted land to be reassessed so that the paltry tax currently paid by owners could be upgraded.

Farmers claimed that some of them would be forced to sell their land if the tax was increased.

Provincial agricultural minister Gustavo Arrieta said the tax increase was justified. "Rural land values have not been re-valued for 15 years while urban real estate values have been re-

adjusted six times over the last 10 years".

The successful campaign against the land tax affirmed in a practical way many of the statements by speakers at theIU conference which was co-organised by the Public Budget and Financial Administration Argentine Association and the Institute for Economic Studies. The event was filmed and the speeches will be available on-line.

Governor Scioli called the land owners bluff on May 31. He signed a decree ordering land re-valuation, paving the way for the provincial legislator to pass a Bill increasing taxes paid for land. Farmers threatened strikes including using road blocks to thwart legislation.

The land tax would put more money in owners' pockets: see page 2.

Land Tax Endorsed at World Bank Conference

IU General Secretary Alanna Hartzok attended the 2012 annual World Bank conference on Land and Poverty in April. She reports that plenary speaker Paul Collier stressed the importance of funding infrastructure out of the rents of land.

Collier, who is Director of Oxford University's Centre for the Study of African Economics, declared that "government needs capacity to monitor, then can discourage the speculators and subsidise the pioneers. Other problems [to get infrastructure like rail networks] is to piggy back on natural resource extraction, this then subsidises [infrastructure]. Railways should be financed from rents of natural resource extraction".

"Enormous Rents"

Collier is an advisor to the World Bank. He told the conference in Washington: "the taxation of land appreciation offers huge scope for financing the cost of urban infrastructure. But the default option is for the costs of urbanisation to be socialised, while the benefits are captured by private land owners. Clearly this is not the way to go. There are enormous rents on rising land value. Such big money should not go to corrupt politicians but these rents should be socialised".

How Taxes Come Out of Rents—Study Reveals Impact of Export Tax

Argentina's farmers have long complained about a 35% export tax on their produce. The losers, however, are not the tenant farmers but the land owners, according to a study by two economists at the National University of La Plata.

Dr. Horacio Piffano and Dr. Adolfo Sturzenegger calculated the impact of the export tax on rents. They discovered a remarkable decline in values as a result of having to pay the tax.

Their study, *El Impuesto Inmobiliario Rural* (2011), found that the export tax was paid through lower rents charged to tenants.

Dr. Sturzenegger told theIU in an interview that they wanted to determine what would happen if the government abolished the export tax and raised the revenue with a 35% charge on the annual rental income of farmland. They discovered that rents were depressed because of the export tax. But if that tax was abolished, rents would rise by almost 140% (*see table*). The best land, used for growing soya,

would rise in value from \$339 a hectare to about \$814. But what would be the net effect on the rental income of farmers? Dr. Sturzenegger said that they would retain more rental income under the land tax than under current arrangements.

Farmland values have skyrocketed, rising from \$3,000/ha to \$17,000, in spite of the export tax. "This is a price close to land values in Ohio," said Dr. Sturzenegger. This was the result of two factors. First, farmers anticipate the abolition of the export tax and have factored the effect into the sale price of land. Secondly, the fertile land in / Buenos Aires province is close to the ports, meaning lower shipment costs than are borne by farmers in Ohio.

Currently, the land tax is a low 6-7% of rent. "We applied the Ricardian dichotomy. In Argentina, more than 50% of rural

production is by tenant farmers. The owners just get the rent. The land tax falls on the owners of land. He stressed that the export tax had the effect of lowering production. The land tax was not distortionary and so production would rise. But land owners, while opposing the export tax, also reject their proposal to replace it with a 35% charge on the rent

Impact of 35% Export Tax on Rents (US\$/Hectare)

Land Use	Current Rents (Buenos Aires Province)	Estimated Rents without Export Tax
Soya	339.2	814.7
Maize	280.1	561.63
Wheat	196.2	478.2
Sunflower	247.1	545.5
Cattle	63.5	152.4

of land. The two academics have not received support for their proposal for the tax shift. "Central government tries to neutralise projects like this," said Dr. Sturzenegger. This was because of the influence of landowners "who say they want to be treated as any other entrepreneur and not pay a special tax on the rent of their land".

Hartzok Confers with a World Bank Director

While attending the World Bank conference, Alanna Hartzok had an hour-long private meeting with one of the Bank's Executive Directors and two of his chief advisors. She was given suggestions regarding possibilities for education and training about land value taxation within the Bank.

Servicing theIU's Members

At the IU Executive Committee meeting March 2012 I was appointed as the Membership Secretary. In that capacity I want to advise you about the situation of the International Union as I see it.

In 2005 theIU received a substantial amount of money as a legacy from the late President of theIU Mr. Joseph Thompson, USA. At the IU General Business meeting 2006 the then elected President Senor Fernando Scornik Gerstein, Madrid, declared that the Executive Committee had decided to use annually only the interests of the legacy plus ten per cent of the legacy. That would allow the secretariat to operate smoothly and to support a few initiatives.

As the economic crisis began in USA in 2007 and soon spread to all 'western' countries with the result that funds gradually crumbled and interest became very low the Executive Committee decided to deviate from its previous decision and invest more money into projects that might spread the Georgist ideas to wider circles. That change of attitude was decided of two reasons:

1. The fear that the legacy would crumble away to no avail.
2. We had the opportunity to turn public awareness to the fact that the reason for the crisis was that what the classical economists called rent of land goes to few private holders of monopolies or privileges instead of going to the government and defray expenses to infrastructure

Report from Ole Lefmann, Membership Secretary

and institutions for the betterment of all citizens and their industry and business.

Good initiatives - films, books, UN-NGO work, world wide online study groups - were realised by IU-members whose projects were supported by the legacy, and we may believe that they have made important impact on the thinking of influential journalists, politicians and civil servants.

Unfortunately the administration of these projects diverted our attention from maintaining contact to the IU-members. We neglected regular information of news to the members and the need to collect annual membership fees.

Tasks that were previously undertaken by unpaid, honorary members of the Executive Committee and voluntary unpaid helpers are now regularly paid for, such as website, circulation of envelope mails; and since Barbara Sobrielo resigned in 2005 the role of General Secretary has been a paid job. That was also the case with the Treasurer from 2005-2010.

The Executive Committee needs to concentrate on:

- 1) the membership register,
- 2) *The IU-Newsletter* and
- 3) The IU Website www.theiu.org
- 4) The online PayPal paying system.

In future the IU-Newsletter will only be sent to paid-up members on e-mail -

unless they have asked for the paper version sent by mail - and to paid-up members without e-address. If you want the IU-Newsletter sent by mail, please respond to the Membership Secretary:

Ole Lefmann,
41 Coleraine Road,
London N8 0QJ,
United Kingdom,
or by phone to: +44 20 8881 7965
or by fax to: +44 20 8881 4429.

If you have changed your e-address within the past year, please send a message with your new e-address to e-address: ole.lefmann1@virgin.net

TheIU website

The IU website will be updated monthly or in urgent matters more frequent. Alanna Hartzok, General Secretary of theIU, is responsible for updates of the IU-website: www.earthrts@pa.net On the IU-website www.theiu.org, page 'Contact', you will find names of the Executive Committee members as per the Executive Committee meeting 14th April 2012.

PayPal subs

The online paying system PayPal will make it easy for members to pay their membership fees, thus avoiding bank charges. Details about the PayPal paying system are available from the IU-website www.theiu.org: go to the page Membership.

The Future of Money

The holistic approach to solving the world's problems is elegantly summarised in this book by one of the co-founders of the London-based New Economics Foundation.

James Robertson's service in the Cabinet Office when Harold Macmillan was Prime minister gave him an insider's view of power in action at the highest level.

Somewhere along that corridor of power he realised that change would need to be driven by people at large. So he reinvented himself as an independent advisor on economic and environmental change.

In *Future Money*, Robertson distils a lifetime's experience which included a period as a researcher for British banks. The book emphasises the need for new approaches to the monetary system. Drawing on anthropological and ecological insights, he stresses the need for change if our civilisation is to re-base itself on sustainable principles.

But the author goes beyond the confines of the monetary system to

James Robertson *Future Money: Breakdown or Breakthrough?* green books £14.95

New demonstrate that a reform paradigm also needs to integrate changes to property rights. In particular, he stresses the need to treat the rents of nature's resources as the source of public revenue, "if we are to address threats such as climate change, the destruction of species, deforestation and the man-made crises that register the way we are damaging our natural habitats.

The book stresses the need for reforms that are simple and understandable. So Robertson delivers a set of

proposals which, in a sane world, would be readily adopted by governments.

Ours is not a sane world. That's why we need to disseminate the wisdom in Robertson's synthesis to as large an audience as possible.

The Must Read Book

Stop Press

British Parliamentarian Caroline Lucas (Greens) has put a Private Member's Bill down for debate on the theme of land value taxation. The Bill requires the government to commission research into the merits of replacing the Council Tax and Business Rates in England with an annual levy on the unimproved value of all land, and to report to Parliament within 12 months on completion of the research.

Sign up for the Paine read-in

Anyone who has studied Thomas Paine and Henry George recognizes their shared common sense. The torch of liberty that fell when Paine died was picked up by George. Paine's pamphlet *Agrarian Justice* is an example of his far-sighted views on just social policy.

In these times of deep division within societies over the very nature or existence of rights versus privileges, the International Union is encouraging members to participate in an initiative by the US-based Thomas Paine Friends (www.thomas-paine-friends.org). Like-minded individuals and groups are invited to organize readings and discussions of *Agrarian Justice* during January (the month of Paine's birth) 2013.

Ed Dodson, President of Thomas Paine Friends, has prepared a PowerPoint presentation of *Agrarian Justice* to facilitate readings, which is available to anyone. He encourages everyone who can to help make this a global event. Ed is keen to hear from you to confirm your interest and keep him informed of your plans so that the initiative can be publicized as January approaches.