Local to Global Dimensions of Ecotaxation, Land Value Taxation and Citizen Dividends

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Private interests by and large pilfer common property. - Winona LaDuke

Concerned world citizens are wringing their hands because Rio Earth Summit objectives for sustainable development have fallen far short of the goals established in 1992. Frequently the United States and other industrialized countries are blamed for insufficient political will in committing finance resources to developing countries and to environmental repair programs. But with taxpayers in the 'developed' world on the verge of revolt, where is the money to come from?

We have arrived at a time of great struggle and opportunity to reconstitute democratic governance on the basis of a new vision and mandate concerning individual and common property rights to earth. Private property rights advocates and common property rights advocates will appear to be in numerous arenas of confrontation and conflict until the proper balance can be struck.

Ward Morehouse, a director of the program on Corporations, Law and Democracy, has put forth a call for broad based public debates on the theme of democracy and property rights. Morehouse has found interesting parallels[1] between the International Declaration on Individual and Common Rights to Earth propounded by the International Union for Land Value Taxation and Free Trade in 1949, and Native American environmental activist Winona LaDuke's call for a Common Property Constitutional Amendment. The amendment would affirm that there are resources that are common property and no individual interest has the right to destroy those common properties whether it is air, water, ocean, fish, or forest.

In a fall 1996 speech in Boulder, Colorado, LaDuke noted that while the Fifth Amendment protects private property by asserting the right not to have it taken or confiscated by the government, there is no corresponding preservation for common property under the Constitution. "The absence of that protection means that common property is by and large pilfered by private interests," she concludes.

The Economists' Statement on Climate Change with its attached monumental compilation of signatories (2,509 as of March 1, 1997) concludes that "The United States and other nations can most efficiently implement their climate policies through market mechanisms, such as carbon taxes or the auction of emissions permits. The revenues generated from such policies can effectively be used to reduce the deficit or to lower existing taxes."

This policy recommendation has relevance beyond the particulars of global climate change. It provides the beginning point for a broad based consensual framework for a set of principles and policies that can integrate common heritage protection goals with market economy incentives. The growing use of so-called 'ecological taxation' policies shows promise of a similar alignment of vision and values.

J. Andrew Hoerner of the Washington has compiled the most comprehensive listing of ecotaxation policies in the United States, D.C. based Center for a Sustainable Economy.[2] "Harnessing the Tax Code for Environmental Protection: A Survey of State Initiatives" identifies and categorizes 462 such provisions and provides a short description, the tax rate, base and a legal citation for each.

"Environmental tax measures in the states have been adopted in a haphazard and uncoordinated fashion," says Hoerner. "States have only scratched the fiscal, environmental, economic, and social goals. Given the chaotic status of environmental taxation, states have an opportunity to reap considerable benefits by simply adopting the best practices from other states."[3]

Making the polluter pay for the abuse of natural resources is just a short step away from making the user pay for what is taken from common heritage resources. Resource taxes work somewhat like a rental or interest payment for the use of assets that are owned by all of us, ranging from the broadcast spectrum to the air we breathe.

In the United States, the federal government owns and manages over 650 million acres of public land. These areas contain huge amounts of valuable natural resources that should not simply be given away or sold at low costs to private interests. In their 1997 book[4] *Tax Waste, Not Work,* associates of Redefining Progress delineated proposals for revenues from user fees for the following:

- Increase recreation fees to pay for park maintenance.
- Raise grazing fees on public lands.
- Rent or auction the broadcast spectrum.

- Impose higher user fees on the inland water system.
- Charging market rates for electricity sold by federal Power Marketing Administrations;
- Establishing charges for airport takeoff and landing slots to ensure that the scarce resource of public airspace is put to best use; and
- Charging more substantial royalties and holding fees for hardrock mining on federal lands.

Arising from ecotaxation approaches to environmental concerns is an emergent new perspective on public finance policy that has the potential for a clear synthesis of objectives that formerly appeared to be polarized. With big government approaches, conflicts over public funds from competing interests were exacerbated. Environmentalists often appeared to be anti-business and anti-labor, as these constituents experienced environmental regulations as added costs and burdens.

With ecotaxation based on the "polluter pays" principle, industry and individuals have an open range of choices to modify and adapt their behaviors to minimize the amount of tax paid. Human creativity can be brought to bear in any number of ways to solve environmental problems. With the payment of increased user fees for limited natural resources, resource users may very well discover ways to do more with less of these resources. With decreased private profits from natural resources, private finance could flow more readily into recycling operations and renewable resource technology development, yielding a win for both needed new environmentally sound private enterprises and the public at large.

Perhaps the greatest potential that ecotaxation has for synergizing various private sectors, social and environmental objectives is that rather than draining the public purse, this approach fills it. With the increase in public funds coming from ecotax dollars, corresponding cuts can be made in the taxation of both business and labor. Tax shifters ask, why not develop a socially useful tax system that would tax those things we need less of and untax those things of which society wants more?

One of the items that this brand of tax shifters agrees we need more of is purchasing capacity and economic equity for wage earners. In the U.S., tax shifters are now pointing their fingers at the payroll tax, which has been increased seven times since 1980 and is the greatest tax burden for most families. Although reform options now in the public dialog fail to account for these high taxes on labor, tax shifters say that if tax reformers are serious about helping working Americans and small business while enabling people to move from welfare to work, then the payroll tax must be addressed.[5]

Undoubtedly, the tax shift vision gives a powerful, coherent, rational underpinning and therefore a restored legitimacy to the field of public finance. Individuals should be able to keep more of the fruit of their efforts, but should pay for the costs that they impose on others. Since tax shifters also advocate drawing increased public revenue from resources already owned in common, all citizens could come to receive direct dividend payments similar to the Alaska Fund oil dividends (of $1000 and more) distributed each year to residents of that state.

Tax Pollution, Not Paychecks could be the next reform slogan for America's Northwest. The Seattle based Northwest Environment Watch (NEW) has put forth one of the most brilliant tax-shift proposals in a recently released book entitled *Tax Shift* by Alan Thein Durning and Yoram Bauman. Replacing most of the existing tax codes in the Northwest with taxes on pollution and other environmental ills would prevent hundreds of premature deaths, safeguard the environment and raise economic output by at least $5 billion, say the NEW researchers who have analyzed how a revenue-neutral environmental tax shift would affect the Northwest states and British Columbia.[6] The proposal would untax 'goods' such as paychecks and profits and tax 'bads' such as pollution, resource depletion, sprawl, and traffic jams.

NEW is frontrunner among the tax shift think tanks in the promotion of yet another form of tax shifting - a shift within the property tax itself. An important distinction not yet grasped by other tax shift proponents is that the traditional property tax is actually two conflicting taxes rolled into one; it is a tax on the value of buildings and a tax on the value of the land under the buildings. The NEW scenario shifts taxes off buildings to encourage upkeep, maintenance and quality housing stock and replaces this with a stronger tax on land values that encourages compact development and contains sprawl. The entire 27% of the property tax would be shifted onto land values only.

The NEW report concludes that their proposed tax shift for 1996 for the Pacific Northwest - British Columbia, Idaho, Oregon, and Washington - would have encompassed 84% of provincial, state and local revenue. It says:

> The tax shift would have eliminated almost two-thirds of existing taxes on retail sales and corporate and personal income. Pollution, hydropower, and land value taxes would have yielded the most revenue.

Perhaps the Northwest tax shifters will be looking to Pennsylvania for some guidelines on their proposed major property tax shift towards land value taxation. Sixteen cities in 'Penn's Woods' have opted for the so-called "split-rate" tax which enables localities to reduce taxes on buildings, thereby giving property owners the incentive to build and to maintain and improve their properties, while increasing taxes on land values, thus discouraging land speculation and encouraging infill development. This revenue neutral shifting of the tax burden promotes a more efficient use of urban infrastructure (such as roads and sewers), decreases the pressure towards urban sprawl, and assumes a broader spread of the benefits of development to the community as a whole.[7]

A recent study by University of Maryland economists, Wallace Oates and Robert Schwab,[8] compared average annual building permit values in Pittsburgh and 14 other eastern cities during the decade before and the decade after Pittsburgh greatly expanded its two-rate tax. Pittsburgh had a 70.4% increase in building permits while the 15 city average decreased by 14.4% of building permits issued.

The City of Harrisburg, considered the second most distressed in the U.S. fifteen years ago, has reversed nearly three decades of very serious previous decline. The number of vacant structures, over 4200 in 1982, is today less than 300. With a resident population of 53,000 nearly 5,000 more city residents are now employed. The crime rate has dropped 22.5% and the fire rate has dropped 51%.

Harrisburg Mayor Stephen Reed has stated that the shift towards the land value tax system is 'an important ingredient in our overall economic development activities...(and) continues to be one of the key local policies that has been factored into this initial economic success here.'[9]

Mayor Anthony Spossey of the small city of Washington, Pennsylvania, population 15,000, likewise relates the many benefits of this form of tax shifting. He says, "The budget has really shown vast improvements.... We now have a capital improvements budget and have been able to do things we had not been able to do before."[10]

Recently in the Republic of South Africa municipal authorities in the newly formed Greater Cape Metropolitan Area made a major decision to move directly to land value taxation.[11] (Editor's note: There has been an unfortunate policy reversal since this article was written.) The Property Valuation Ordinance is being revised to allow for rating of land values only and to remove technical obstacles to revaluation of all metropolitan properties. Land value taxation currently plays an important role in the local tax base of other RSA cities as well. It is hoped that President Mandela may come to understand the importance of this policy approach so that it can be more broadly applied throughout South Africa and on the federal level as well. Although Mandela has stated his distrust of borrowing from international lenders, he has yet to fully comprehend the public finance and revenue generating potential of the land and resource base of his own country.

Land tenure and resource management systems, which had been established during the colonial era, were retained after countries in Latin America, Africa and Asia established democratic forms of government in mid-century.[12] They claimed vast amounts of formerly indigenous and native controlled forests, agricultural lands, minerals and water within their borders or permitted these resources to remain largely under the control of foreign powers. Under the guise of economic development, many began cashing in these natural resources at bargain basement prices, filling their own private coffers while the majority of their fellow citizens remained in conditions of abject poverty.

Meanwhile in the so-called developed world, the purchasing capacity of the family head of household gradually eroded to the point that two adults must now work full-time in the cash economy to provide for a family's basic living expenses. High land values have driven up housing costs.

Without access to raw materials and with declining purchasing capacity, individual workers, small business entrepreneurs, and entire governments have turned to pools of money available at high interest rates from local, national and international banking systems. But sound, secure, sustainable economies have not grown from such arrangements and the degradation of human and natural resources continues.

We are herein enunciating the guidelines for an integrated local-to-global public finance system based on the principle of the common heritage of earth's land and natural resources. It is through affirming the peoples rights to the value of earth's land and raw materials now controlled by the few that the many will be able to secure access to debt-free private property for homesites and sustainable, independent and fulfilling livelihoods.

The clarity of thought and integrity of values set forth in the tax shifting policy approach provides a compelling base for action for major tax reform on all levels. The goal is nothing short of a non-violent revolution required to free wage slaves and those now living in dire conditions of poverty and homelessness throughout the world. In order that the many may make a living, the few must stop making a killing.

Nearly all regions of the planet have sufficient land and natural resources and the human skills required to supply the basic necessities of all. As was clearly stated in the United Nations Habitat II Action Agenda endorsed by 183 nation state representatives in Istanbul in June of 1996:

> The failure to adopt, at all levels, appropriate rural and urban land policies and land management practices remains a primary cause of inequity and poverty. It is also the cause of increased living costs, the occupation of hazard-prone land, environmental degradation and the increased vulnerability of urban and rural habitats, affecting all people, especially disadvantaged and vulnerable groups, people living in poverty and low income people.

Reducing taxation on labor will increase purchasing capacity, lowering taxes on physical capital will lower the costs of life necessities, while charging for resource use via ecotaxation and land value taxation will yield the funding for investments in infrastructure, education, health and other public goods without the need to borrow from the elite controlled banking systems such as the International Monetary Fund and the World Bank.

The planet and all its resources, including land, water, forests, minerals, the atmosphere, electro-magnetic frequencies and satellite orbits are the common heritage of all and must no longer be appropriated for the private profit of the few to the exclusion of the many. As we place this fundamentally fair ethic within a fully established tax shift agenda, any person or group making use of more than their fair share of the earth's resources should pay full user fees for those resources to Common Heritage Funds, administered as a trust for all people, or to be distributed as direct citizen dividend payments from the local to the global level.

Worldwide ecotaxation can be based on principles of subsidiarity in terms of implementation. Clearly delineated collection authorities from the local to the global level can tax specific types of land resources. Towns and cities could draw their funding primarily from user fees for residential, commercial and industrial landsites; counties could focus on agricultural, pasture and forest land; regions and states might draw their funds primarily from water, mineral, and oil resources; global governing agencies established for purposes of peacekeeping and environmental restoration, protection, and monitoring could target fund collection from the electromagnetic spectrum, the sea, ocean mineral deposits, and geosynchronous orbital zones. Percentages of these resource rents could be channeled up and down the local-to-global range for flexibility and maximum fairness and efficiency. Citizen dividend payments from earth resource fees could be distributed at all levels.

The key to enacting such a fundamental and wide-ranging tax reform agenda is a critical mass mobilization of popular support. It would seem that the tax shift policy approach has the potential to unite the constituent necessary for significant political action. No doubt, this agenda will be carried forth in incremental stages as is in fact occurring now, with momentum building as positive, life-affirming benefits are realized from place to place.

Although the obstacles to creating a beneficent world order may at times appear insurmountable, energy and attention must be brought to focus on the required changes necessary to create a world that works for everyone. Proactive "Campaigns for the Earth"[13] in various forms and guises have already begun linking and enlisting citizens of the world in a great global effort for peace, justice and care of the earth.

I think it can be readily perceived that the call for common property rights by Winona LaDuke, for biodiversity covenants by Vandana Shiva and the goals of land rights and other social justice movements worldwide can be affirmed and furthered by the principles and policies of tax-shifting. Common property rights can be properly aligned with private property rights. Affirming the existence of common rights in land and natural resources creates a condition in society wherein individual economic interests can be advanced for all. The enigma of the misdistribution of wealth, which has for so long plagued market economies, thus can be redressed through the resultant broad-based sharing of the benefits of free market and private incentive systems.

Essentially, democratic governance can now be firmly established on the human right to the planet itself.

[1] From a March 9, 1998 email from Ward Morehouse to Alanna Hartzok.

[2] Andrew Hoerner, "Harnessing the Tax Code for Environmental Protection: A Survey of State Initiatives," available from Center for a Sustainable Economy, 1731 Connecticut Ave., NW, Suite 500, Washington, DC 20009.

[3] Ibid. p. 4.

[4] M. Jeff Hamond, *Tax Waste, Not Work: How Changing What We Tax Can Lead to a Stronger Economy and a Cleaner Environment*, includes writing by Stephen J. DeCanio, Peggy Duxbury, Alan H. Sanstad, Christopher H. Stinson with an introduction by Paul Krugman. April 1997, available from Redefining Progress, One Kearny St., 4th Fl, San Francisco, CA 94108 or email: <info@rprogress.org>.

[5] Ibid., p14.

[6] From "Tax Pollution, Not Paychecks, Would Help Economy, Environment, and Health," the Executive Summary from the book Tax Shift by Alan Durning and Yoram Bauman.

[7] Alanna Hartzok, "Pennsylvania's Success with Local Property Tax Reform: The Split Rate Tax," American Journal of Economics and Sociology, Vol. 56 No. 2, April, 1997.

[8] "Urban Land Taxation for the Economic Rejuvenation of Center Cities: The Pittsburgh Experience," by professors Wallace Oates and Robert Schwab of the Univ. of Maryland, 1992.

[9] From a letter from Mayor Stephen Reed of Harrisburg to Patrick Toomey, October 5, 1994.

[10] This statement is edited from a transcript of Mayor Anthony Spossey's presentation at the Tax Reform Forum held on May 2, 1997 at Shippensburg University, Shippensburg,, PA.

[11] Godfrey Dunkley, "Good news as Cape Town Chooses SVR," *Land & Liberty*, Winter 1997, p.11.

[12] David Malin Roodman, "Paying The Piper: Subsidies, Politics, and the Environment", Worldwatch Paper No133, December 1996, p.20 (from Worldwatch Institute, 1776 Massachusetts Ave., NW, Washington, DC20036, USA).

[13] For example, Foundation for the Earth, 2120 13th St., Boulder, CO 80302, USA or Global Awareness In Action, Inc., 14 Les Plateaux, Anse St-Jean, Quebec, Canada G0V 1J0 or Action Coalition for Global Change, 55 New Montgomery St., Suite 219, San Francisco, CA 94105 USA, email: <acgc@apc.org>.