

Brazil plans land tax

PRESIDENT Fernando Cardoso has announced a rural land tax which he hopes will accelerate reform in his plans to redistribute land in Brazil, writes *Fred Harrison*.

A total of 80% of the country's farmland belongs to 10% of the population. About 49,000 landowners each hold an average 3,347 hectares, reports the Catholic Church's land commission. This compares with an estimated 4.8m landless families.

Landlessness is the prime reason why poverty-stricken families migrate to the Amazon rain forest where they cause ecological damage in their fight for survival. Cardoso wants more of them to resettle on fertile, under-used land in the South.

Announcing the controversial tax, the President declared that it was mainly aimed at owners of unproductive properties who will have to pay an annual tax of up to 20% on the value of their land.

"The tax-collection will be rigorous in the case of large unproductive land holdings," he said. "And it will put a stop to tax evasion which occurs in 88% of these types of land holding."

The President's proposal has now been submitted to Congress where, if it is passed, "we will be turning the page on 500 years of history of injustice ... which has resulted in one of the worst distributions of land in the world".

Tax rates will range from 0.05% on productive properties of up to 50 hectares, to 20% on holdings of up to 5,000 hectares which make use of less than 30% of their land.

Land considered unproductive may be confiscated after five years if the owners do not pay the new tax. The land would then be included in the agrarian reform programme.

IT REMAINS to be seen whether landowners accept this plan without resistance. From past experience we know that it is easy to apparently sub-divide large estates among family members so that lower tax rates apply. And unused land can be made to look as though it is in productive use.

But the most strenuous measure at the disposal of Brazilian landowners has been violence. According to the Catholic Church, 90 people have died since January 1995 as a result of conflicts over land.

The timetable also favours the landowners. A five-year timetable gives them adequate time to prepare counter-measures for the next presidential election. Meanwhile, according to the Minister for Agrarian Reform (Raul Jungman), receipts from the land tax would increase from \$300m in 1996 to \$1.5bn in the next two years.

According to Mr. Jungman: "all this money will go directly towards agrarian reform".

AMAZON INDIANS have a different view of their President's attitude to justice.

Although Cardoso promised to remove intruders from the tribal lands in the rain forests, the Minister of Justice has reduced

the size of one reserve by 200,000 hectares to preserve a number of ranches and five gold miner settlements.

The settlers pollute rivers and are accused of killing and raping the indigenous Indians. They were supposed to be expelled under the President's election programme, but Decree 1775 has facilitated the reduction in the size of the Makuxi reserve. Protests have now been lodged by OXFAM, Survival International and Cafod, the Catholic Development Agency.

■ According to the IMF, Brazil's public finances are in a "worrisome" state. The federal debt was 34% of GDP, and high interest rates mean that the burden is growing rapidly. The president has acquired a reputation for being astute at stabilising the economy as the prelude for a further push in the direction of free market economics.

Ecology gets rent treatment

A RARE attempt by an ecologist to relate the problem-solving properties of land-rent to the environmental crisis has captured the headlines in Washington State, reports *Paul Knight*.

Alan Durning cut his teeth as a researcher for leading US think-tank, Worldwatch Institute, before returning home to Seattle to establish Northwest Environment Watch, where he wrote *This Place on Earth* (Seattle: Sasquatch Books, 1996).



■ Alan Durning

Photo: PAIGERENEE PLYMERS

Drawing on material produced by San Francisco-based Georgist activist Clifford Cobb, Durning explains how governments that do not charge for the use of environmental services have contributed to the damage inflicted on nature.

Though discussion on the budgetary impact of a switch to the rent of natural resources is limited, Durning does demonstrate that environmentalists can make good use of the theoretical tools offered by land tax reformers.

He is incorrect to portray the fiscal system as having "no reason, no consistent rationale, no underlying principle or unifying form". On the contrary, there is a rationale behind fiscal policy - irrational though it may be - which must be exposed if governments are to undertake a radical restructure of fiscal policy.

He correctly states that taxes "penalize work, enterprise, and investment, aggravate inequality, and accelerate environmental decline". But that is the price the landowners are willing to pay to preserve their rake-off from rent.