Recently, at the invitation of Rich Nymoen from the Twin Cities chapter of Common Ground USA and Al Katzemberger from the Missouri chapter, I spent an afternoon staffing the Public Revenue Education Council booth at the National Council of State Legislatures’ Legislative Summit in Minneapolis. Perhaps the most memorable aspect of the experience was the fact that most of the attendees I talked to during the afternoon were legislative staff and elected officials from various African countries, including Ghana, Nigeria, and Kenya. As I understand it, NCSL has a policy of actively promoting attendance of international visitors to legislative summits, especially from less developed nations.

For me this provided a unique perspective on the concept of land value taxation. Like many, I have become accustomed to thinking about LVT and related policies in terms of their potential application to local government finance in jurisdictions within the United States. I had not considered the implications of trying to apply such a policy in the setting of an urban area in a lower-income country, such as those represented by the attendees I talked to. Apparently, LVT was not something that was really on their radar, either. Apart from the opportunity to pass our literature to a new and potentially receptive audience, these interactions led me to consider the additional hurdles that LVT might face were it to be applied in an African setting. Two come to mind, the first a more practical matter and the second having to do more broadly with politics and public finance.

As applied in the United States and other higher-income countries, LVT and its variants such as split-rate property taxation have encountered administrative issues, but these have mostly been limited to matters of accurate valuation of property and contestation of assessments by those who are likely to see an increased tax liability as a result. While similar issues are likely to be encountered regardless of where LVT is implemented, it is compounded by matters of administrative capability in lower-income settings, where local jurisdictions are less likely to have a well-developed civil service. Not only are skilled assessors and other types of real estate expertise in relatively short supply, but in many urban areas in low-income countries there is often a lack of secure property rights and complete records of land ownership and valuation, which are critical to the administration of an LVT-type system of finance. These are technical issues, and potentially surmountable ones.

The second issue is potentially more daunting. The three countries I mentioned before (Ghana, Nigeria and Kenya) all have significant proven deposits of mineral wealth—indeed, oil has been discovered in all three. When I asked the gentleman from Nigeria, who worked in the Federal Capital Territory, the state that contains the Nigerian federal capital of Abuja, where local governments get revenue to finance basic local public services like roads and education, he informed me that many states and localities receive significant amounts of money from oil revenues. In some ways this is not surprising, and could potentially be a powerful tool for helping non-resource-rich parts of the country develop. Indeed, one could make an argument that revenues from natural assets share a philosophical base with the Georgist tradition. Since natural assets have no natural owners, it seems sensible to suggest that their ownership should accrue to all the residents of the territory where they are found. This is not unlike the view that land rents should belong to all the citizens of a jurisdiction. However, revenues from natural assets do also have a downside. The Oxford economist Paul Collier, who has spent much of his career studying development in Africa, has documented a “resource curse” among countries that rely heavily on revenues from natural assets to finance government services. His arguments apply mostly to national governments, but they may apply just as easily to lower levels of government as well. The main thesis is that resource wealth leads to poor governance, particularly economic governance, which helps keep countries mired in poverty. With no need to resort to taxation in order to access public revenues, there is no need for officials to face accountability and scrutiny as they would if they had to tax their citizens in order to raise the equivalent amount of revenue. In the case of the countries just mentioned, there may be little incentive to adopt LVT, since potentially large pools of revenue may be available to finance whichever priorities they deem most worthy without risking a potential backlash from taxpayers. To an incumbent official, this may seem like a deal too good to pass up, even if they sympathize with the philosophical and economic underpinnings of LVT.

In the short run, these factors may conspire to limit the application of LVT in the places I just described. However, in the long run there may still be great potential. Even if natural resource wealth is harnessed properly and the revenues are used to promote development through the provision of basic infrastructure and services, which are often lacking in the large cities of these countries, the fact remains that these natural assets are often in finite supply and will likely be depleted at some point. Assuming these resources are used to promote development, they will likely accelerate the already-rapid urbanization that is taking place in many African cities. Population and income growth will lead to dramatic increases in land rents in most cities, as more and wealthier residents and firms compete for the same space in urban land markets. These land rents represent a long-term source of revenue that could conceivably replace natural asset revenues as the preferred method of financing local services when those stocks of natural assets are eventually drawn down. Perhaps this strategy wasn’t immediately apparent to the attendees I talked to. Necessity has not yet prompted them in that direction. I do hope that the literature we pointed them to will be read and the ideas seriously considered. They struck me as individuals who are genuinely concerned about the well-being of their constituents. I think the ideas we presented to them can help them achieve that objective, even if it requires some fundamental changes in local government finance and administration.

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