

Poll Tax in Agriculture

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Abstract

Under the crisis constrains, the Romanian government tries to balance the budget, to stop the inflation and decrease unemployment, but its financial possibilities to do so prove to be much smaller than necessary. As far as agriculture is concerned, because of the strong connection of this branch to the European rural mechanism, the state intervention plays the key role in the protection and promoting the national production, in competition with other global producers. The taxation system still owes unexpected effects, influences the prices for the animal and vegetal production, the sales and the profits of this branch, in the context of included fluctuating profit particularities. Is poll tax a possibility or a necessity for agriculture?

Keywords: balance the budget, mechanism, taxation.

1. Introduction

In the United Europe, the social and economic construction targets to the increased consumption, and welfare of the citizens, and in this continental model of organization and functioning, the states are assuming responsibilities for the people protection, for achieving a better social and economic status.

This is not only a declarative discourse, but also a reality, under quantitative and qualitative aspects, European funds being directed to various issues of the sustainable development.

From this observation, we notice that the authorities and governments are expected to coordinate the macroeconomic efforts in order to fulfill the hopes of their voters, to materialize the principles of equal opportunities, and equitable distribution of wealth.

In this respect, in all Europe, and in our country too, about a half of population is not in full capacity of availing themselves the minimal provision for securing their life, and they need diverse programs for education and financial help.

The non competitive part of the society depends on the authorities provision of re-distributing to them cash welfare benefits (such as old-age and illness pensions, children, unemployment and handicapped persons benefits) and in-kind welfare services, such as health or childcare services.

The mechanism through the states transfers the public funds to the public needs, and indirectly sustains the resources used by the private sector, is based on its' budgetary functions, of re-directing, re-allocation, the taxes collected from the contributors.

The current budgetary practice in all countries, Romania included, show that it is much easier for the governors to raise expenses, than to collect incomes as to succeed this way a budgetary balance.

Moreover, in the Romanian crisis conjuncture, governors had to cut expenses, but the last year 7.9% inflation gave another shock to the rebalance process.

2. Materials and methods

Even more after the 1989 Revolution, Romania was committed to align itself to the standards of a modern contemporary state, fulfilling all the attributes of a competitive budgetary management.

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The economic analysis is meant to find out the probable causes of the decline, with special attention on the Romania case, because most of the countries succeeded to grow during last year, being reported in 2010 a 4.4% GDP world progress, while our country had a decline of (-)1.9%, being ranked on position 206 in this top [1].

The overall image of the 2010 results shows many developing countries recording positive growth index: small countries like Qatar had 19.4% GDP growth, while countries like China, with 10.10% GDP growth continue to surprise the whole world with its achievements.

For European Union, the last year 1.7% growth may seem modest, but EU is counting a steady large share in the global balance (in 2010 more than 20% of the monde GDP, with increasing perspectives).

If in 2007, the global output raised 5.2%, and in 2008 the same index was 3.8%, we notice that after 3 years of struggle, the global result came back and more, with hopes of surpassing the decline for a longer period.

How much agriculture contribute to this evolution, we can deduce from watching the share of agriculture in the GDP: in global GDP, agriculture was 6%, in EU GDP, it was 2.1%, in Qatar counted 0.1%, in Germany was 0.9%, while in Romania, it was 12.4% in 2009 [2].

The methods of economic sciences serve here finding the most convenient solution for the favorable evolution of our economy, improving the fiscal tools instrumentation.

3. Results and discussion

The ideal of wealth for the nation and its citizens is not new in the economic analysis, and it was re-taken by all the famous representatives of the scientific thinking.

A cited root for the doctrinaire approach of the fiscal policies, required for enriching the national budget is the classic English school, represented by Adam Smith and David Ricardo.

In the very well known masterpiece "The Wealth of Nations" [3], Smith showed that "In every state dependants ought to contribute to the state expenses, so it comports with their facilities in a best way, meaning proportionally to their income, that they use under the protection of the state".

This taxation, proportionally to incomes, was named poll tax, and it was widely used in all states, on historical periods of time. Also, in developed countries, where the taxation is higher for higher incomes, the welfare contemporary system became most developed, on the basis of a corresponding financing from the contributors.

We want to emphasize that the classic argumentation upon the tax system was elaborated in the XVIII-th century, when agriculture was the main and most important economic branch, and the figures that we gave above about the contribution of agriculture in the 2010 GDP do not mean the importance of this branch decreased, on the contrary: its importance remains crucial, and the qualitative aspects of all economy are more diverse and significant.

Although the taxation was a millenary tradition in all countries, and the fiscal policy has been demonstrated as necessity for the normal functioning of the economy and society and it was imposed by laws in democratic societies as well as in autocratic societies, still, the fiscal evasion persists, as a human behavior of fighting for the individual and private property, pushing to the extreme the liberal human right of producing and possessing property, of freely disposing of the personal labor against any type of theft.

The poll tax critics raised the problem of a possible connection between increasing unemployment and the state possibilities to pay more subsidies for those laid off.

Indeed, the rich budget of a big state can afford to help the unemployed with higher sums, because the living standard in a developed country is higher, and individual expenses are the same. On the other hand, keeping the unemployed helped, could avoid their emigration, which is a major risk for the quantitative and qualitative resources of a business environment.

So, instead spending more on recruiting from abroad, governors could choose to preserve the already existent labor, paying the so called technical unemployment indemnity, or partly-unemployment risks compensations, until the critical moments of the business are surpassed.

Critics also claim that a larger share from the budget taken from the rich and then allocated to social purposes in a populist policy, meant to install the social peace and to grab votes for the politicians.

It may be so, but the society can only survive in the mechanism where unprofitable actions are taken, in order to generate competitive resources: raising children, using elder people to easy tasks, health caring ill persons, or even preventing the general known health problems, all these ground the skilled and competitive labor economy demands.

Ungrounded are also those opinions about the reducing of taxation and financial support for people with disabilities, who depend on their families (if they have one) and the re-directing of public money to them, because such social cases definitely do not like their marginalized position on the labor market and the low income they get compared to the average salary, and it is natural they aspire to higher incomes, they could get being employed.

Specialists, economists and public remain in an unsolved dilemma, sometimes turning to polemics, when it comes to the best fiscal system applicable in each country.

Assuming that the authorities do intend to reward the citizens with the most harmful taxation system, they will create mutual advantages for contributors and beneficiaries in the applied fiscal system.

Giving an extension to Adam Smith' opinion, recommendations have been made by specialists for smaller countries, like Romania and its neighboring countries to use the flat taxation for the first decade of the third millennium.

The explanation for having benefits out of the flat 16% flat tax on revenues links its roots to the Supply Side economics as well, with its offer diversification and expansion.

In this direction, the flat tax would have brought a taxation decreasing, entailing a multiplication of small and medium enterprises, which enlarged the fiscal basis (more contributors with less tax each), and resulting more incomes for the central budget.

Proposed for the USA in the last century, but not regulated there, the unique tax for incomes was regulated Eastern Europe after 1994, (Estonia being the first country).

In Romania, a 16% flat tax has been regulated since 2005, as the result of the government tentative to rebalance the budget, to lower the deficit and to collect more money.

Our country practically had not much choice, from the point of view of the market competition, since most of its neighbors adopted this system: Serbia

14%, Slovakia 19%, Ukraina and Russia 13%, Bulgaria 10%, Ceck Republic 15%.

The expected effect of the flat taxation was a sort of dumping tax facility, meant to attract foreign investors, to cut down the evasion, to increase the number of contributors, ending with a higher volume of money collecting.

The current situation of our country displays a Supply Side theory which failed into the deepest recession: during the last 2 years our economy was dragged back by a continuous decline of economic activities, the number of bankruptcies exploded, the number of firms decreased; considering the rate of growth, Romania was in 2010 among the lowest countries of the world (rank 206 in the hierarchy after the GDP evolution).

The Eastern and Balkanic Europe flat tax experiment proved that qualitative features of taxation owe a heavy importance: if we presumed that all the incomes had the same response, we were wrong, because different types of incomes should be taxed different.

Also, the quality features differentiate the taxpayers according to the type of activity they carry out, and the specific impact on each branch or activity has not been closely studied, simulated or tested.

Moreover, the principle of equity evoked by unique taxation does not bring the same effect for firms and business people, and the simple arithmetic of it was explained long ago by classics, which showed the differentiation between taxing a poor farmer, and taxing with the same share a rich landowner.

David Ricardo [4] said in his "On the Principles of Political Economy and Taxation", 1817, that the same percent counts different for the contributor, according to his wealth and working results: for a rich man, the same share counts less than for a poorer one.

Even if his observation was made in the early times of the industrialization, when agriculture was predominant in all economies, the taxation principles observed in the agriculture are perfectly valid for the younger economic branches and activities.

Another problem when it comes to taxes is the share of each production factor (example: worker's labor, entrepreneur's skill) into the final merchandise, and profit, and according to this, what authorities mean to tax: all factors globally,

or may be each of them; should be work encouraged for the employed, for the employers, or for both parties?

The flat tax was assumed by the authorities to be the cheapest way to administrate the tax-collecting; but in our country, the number of fiscal bureaucrats is now higher than in 2004, although the logistic aspects of administration have improved.

Also the previewed transparency and the elimination of exceptions from taxation remained entirely in the idealistic plan: contracts with governors remain secrets (or owe secret clauses), and facilities were given to the heaviest market players.

4. Conclusions

Our analyses evoked the classic influence because of the fact that it was built on the agriculture economy, where this prime and most important sector dominates.

Also, the relevance of the principles detached from the agricultural economy study are remarkable, they are a mirror of the current monde-economy as well.

This proves the commitment of the government to long term effects of the economic strategy of our country, as an important member state of European Union, and the ongoing re-structuring of the national economy, in the convergence process.

In this line, the authorities proceed to balance the budget by cutting expenses and also by finding ways to raise the incomes; the measures taken last year, of increasing the VAT up to 24%, and also the excises, seem not to be enough, to rebalance.

Because of the persisting deficit, the measure of giving up the flat tax system, in favor of the poll tax on incomes looks like the most suitable solution.

As small and medium farmers are concerned, the poll taxation could have benefic effects on raising their production [5]; the agriculture clustering will not be affected, because such clusters are extended on larger areas, often including more countries, and for this reason they are able to behave similar to corporation, making savings in one place, and re-allocating them in others, most profitable.

Another benefit of poll tax system could be a small salary rising for the lowest ones, encouraging work, and in Romanian agriculture the salaries are low; moreover, in agriculture, many incomes are not permanent, but they are temporary, fact that creates an even lower remuneration situation.

This is why we consider that a progressive taxation in agriculture could create major benefits, for balancing the budget, could improve the status of the poorest farmers, and surely could create a better policy mix together with the supporting production programs, with continuing founding the national agriculture, up to a higher level of competitiveness.

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