

THE AGRICULTURAL TAX IN SOCIALIST ETHIOPIA: A PRELIMINARY EVALUATION OF THE TAX SYSTEM

Lesane Work Deme*

ABSTRACT. The article, as the title indicates, is a preliminary and general evaluation of the taxation system in Ethiopia's agriculture. The necessity and objectives for the existence of the land-use fee after the nationalization of the land are stated in the article. The article examines the incomes from agriculture by farm households in the various administrative regions of the country and analyses the agricultural income tax and its effect on the socialist transformation of Ethiopia's agriculture. General methods and approaches to use the taxation system as an instrument for the country's agricultural development are also suggested.

In the proclamation about the regulation of the use of rural lands, [5] every individual farmer, state farm and peasant production cooperative has to pay tax for using the land. The tax is small (a farmer who is a member of an agricultural commune will pay 3.00 Birr, other farmers 4.00 Birr, and state agricultural organizations 3.00 Birr per hectare annually), but under the present economic conditions of Ethiopia, where agriculture's share is around 60% of the Gross Domestic Product is necessary and expedient. In the present conditions of Ethiopia's economic development, the payment of tax for the use of the land is based on the obligation of every farmer to contribute his share to the funds necessary for the fulfilment of the social, political and economic programmes of the government for the development of the rural population. The proclamation does not differentiate between farmers who farm the land privately or cooperatively; communal farms, however, are in a better position. If the peasants engaged in cooperative farming were taxed less than the communal farmers, there would be an attraction, however slight, towards cooperative farming, because the peasant is used to relate his labour to the amount of that part of his income (especially money) which goes to the payment of taxes and dues.

In Ethiopia the ownership of the land already pertains to the whole society. The relationship between the farmers and the public, *a propos* the land as an object for cultivation, is expressed in the payment of the land-use fee. The existence of the land-use fee or land rent in Ethiopia after the nationalization of the land is based on the fact that the land as an object of

* Member of the Ethiopian Commission for Higher Education.

ownership belongs to the state, and that in the meantime its cultivation is carried out, except on state farms, by peasant cooperatives, tribal communes and individual farmers. The state, as owner of the land, should also collect an additional net income in the form of differential rent, but this is not done at the moment. In contradistinction to the private ownership which existed before the Revolution and which revealed the exploitation of the peasants by the feudal lords and landowning bourgeoisie, the land-use fee now reflects the relations of production between the society and those who farm the land, expressing the economic realization of state ownership over the land.

It is evident in Ethiopia that, because of natural conditions, that is, limitation of arable land and differences in fertility and location of the land, unsuitable areas as well as those within average or good yields are farmed. Higher yields from better land naturally lead to the formation of additional surplus product and additional net income. The additional net income thus obtained is not necessarily connected with the quality of the work of the individual farmers or cooperatives, but with the higher productivity of labour which is a result of the higher fertility and more favourable locality of the land. Obviously, peasants on average and good farms, other factors being equal, are in a better position with respect to the remuneration of labour. On the other hand, the peasants who farm the lands below average natural conditions, and their local society, face a different situation. According to the proclamation for the regulation of income tax from rural lands, every farmer has to pay income tax. Since there is no defined untaxable minimum, there is no exemption of farmers who cultivate lands under unfavourable natural conditions. The imposition of income tax in agriculture, without the proviso of a minimum income not subject to taxation, does not conform to the socio-economic requirements for the development of the country towards socialism. And since, in the practice of taxation in the country, there is an exempted minimum income for those engaged in other sectors of the national economy, the absence of an untaxable minimum in agriculture will lead to the increase of the differences between the urban and rural areas. In the development of Ethiopia towards socialism, part of the income tax from the net product in agriculture should be used for material incentives in the state and cooperative farms, and for the attainment, as far as possible, of equal or comparable economic conditions in the country.

The income tax from agriculture is as follows: from an annual gross income upto 600.00 Birr: 3.00 Birr; from 600.00 to 900.00 Birr: 4.50 Birr; and from 900.00 to 1200.00 Birr: 6.00 Birr. For incomes of more than 1200.00 Birr, the tax is calculated on the basis of the farmer's bookkeeping. For incomes of more than 1200.00 Birr, the tax is calculated from the net income by deducting from the gross income all inputs for production, including depreciation of property. For state farms and cooperatives under jurisdiction with gross incomes of more than 1200.00 Birr, the tax is 50% of the net product [5], irrespective of the magnitude of the net income.

Individual farmers and communal farms with a gross income of more than 1200.00 Birr are taxed progressively on the net income as shown in Table 1.

TABLE 1

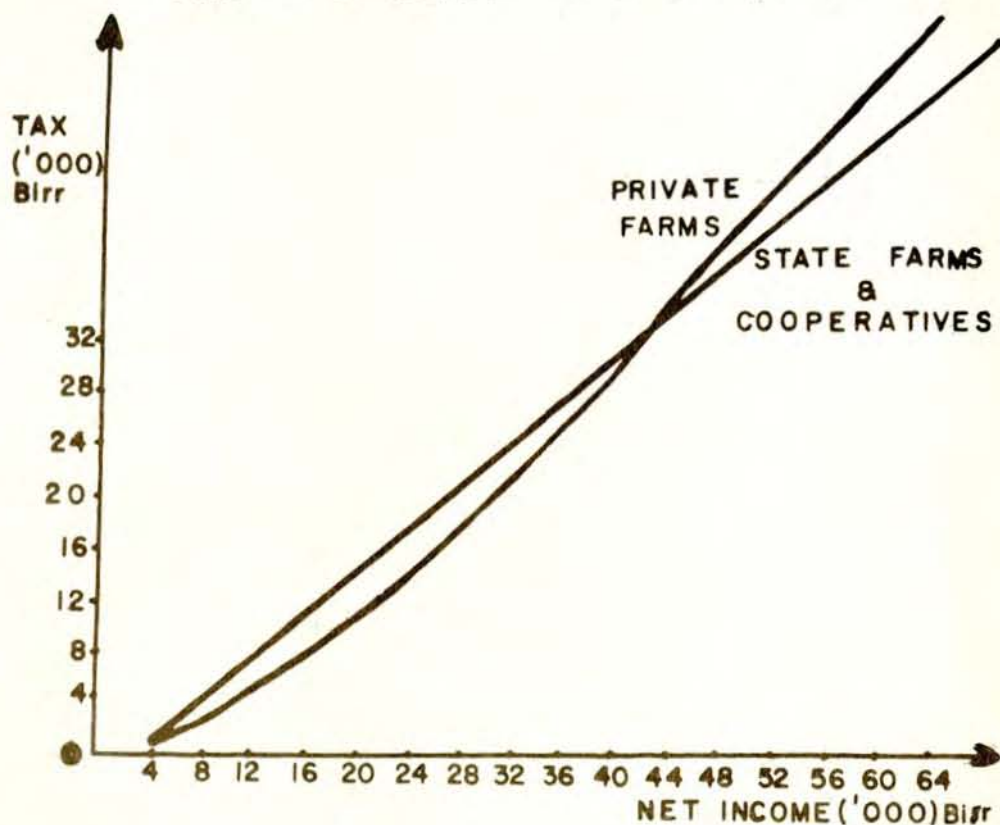
No.	Annual Taxable Gross Income	Tariff of Taxation over All Additional Income (%)
1	More than 1200-3000 Birr	10
2	More than 3000-6000 Birr	15
3	More than 6000-9000 Birr	20
4	More than 9000-12000 Birr	25
5	More than 12000-15000 Birr	30
6	More than 15000-18000 Birr	35
7	More than 18000-21000 Birr	40
8	More than 21000-27000 Birr	50
9	More than 27000-33000 Birr	60
10	More than 33000 Birr -	70

Source: "Negarit Gazeta" Proclamation No. 77 of 1976, Addis Ababa, 4 January 1976.

The progressive taxation of private and communal farms up to 70%, while state farms and cooperatives are taxed only 50% of their net incomes, at first glance suggests to the mind that the latter are in a better position than the former. But if we illustrate the size of the taxations graphically, the picture becomes clear; private farms are in a more favourable position than the others up to a definite magnitude of the taxation. This has an important significance in view of the possibilities at present and in the near future for the development of agriculture in the country. Even though production inputs do not grow at the same rate as growth in production, the following graph is drawn by deducting one-third from every taxable gross income as production expenses, in conformity with the practice in the country (production expenses in agriculture are estimated at such an amount [1,p.255]).

It can be seen from the graph that the farms which are taxed progressively up to 70% will pay a higher tax than the state and cooperative farms only when the net income roughly overpasses 37,500.00 Birr. Since the average income of the population engaged in agriculture does not exceed 380.00 Birr per annum, (see Table 6), the progression in the taxation system will not have a wide practical application. With this in view, it is necessary to start progressive taxation in the scale of the tariff at a lower sum than 1,200.00 Birr. It should, however, be noted that, within the progressive taxation itself, the gap of 3,000.00 Birr between each taxable income does

The Taxation In A Graphic Form



not conform to the economic conditions of the country — especially the agricultural economy — where the difference in the annual incomes of the population is smaller. With the progressive taxation starting from incomes lower than 1,200.00 Birr, and with a narrower gap between each taxable income, there will be ensured the collection of a greater sum of taxes at the disposal of the state for the socio-economic development of the country, and there will also be an effective progressive taxation of the various social groups with different incomes. However, the direct tax revenues of the government from the agricultural sector, as shown in the following Table 2, shows a trend of growth which may be attributed to growth in agricultural production, especially in the public sector, and in agricultural incomes by all sectors, due to the recent rise in the price of agricultural products as well as better administration of the system of taxation.

TABLE 2
Government Direct Tax Revenue from Agriculture in Million Birr

Direct Taxes	1973/74	1974/75	1975/76	1976/77 *	1977/78 *
Land Tax	5.2	2.4	11.8	16.0	13.0
Tithe on Land	1.7	0.6	0.5	—	—
Agricultural Income Tax	11.3	10.4	9.7	18.0	12.0
Total	18.2	13.4	22.0	34.0	25.0

* Budget estimates.

Source: "Statistical Abstract 1977", Central Statistical Office, Addis Ababa, p.167.

In principle, progressive taxation under the various stages of the transition period to socialism should stimulate the material incentive of the peasants. But in order to have an equitable distribution of the additional net income, it is necessary thoroughly to study and classify the plots of land in the various regions of the country, and in due course to change the unified proportional taxation for the whole territory with differentiated tariffs of taxation for the different localities. This will cause some difficulty in making estimations of the magnitude of the differential income within the gross income, because there does not exist at present objective criteria and scientifically sound methodology for the determination of the tariffs of taxation. It is not elucidated to what extent the productivity of individual cooperative farms is due to different natural conditions, to what extent due to unrealistic prices or the existing somewhat irrational structure of production and to what extent due to bad organization of work in the agricultural economy [6, p.136].

We have stated above that individual farmers are in a better position than the state and cooperative farms up to a definite magnitude of the taxation of the net income. We can exclude the state farms from the picture, since they normally have the biggest net income because of cultivation of large-scale farms with the investment of significant capital; and we will present the situation of individual and cooperative farms in connection with the taxation of the incomes and the prospects for their development.

The size of the arable land, the fertility of the soil, the percentage of the land-use fee, taxes and dues, the number and composition of the members of the farm households, the degree of development of the market economy in the region, the level of the standard of living are some of the factors which

influence the magnitude of the consumption of agricultural products by a farm household. In the country, until the nationalization of the land, the number of tenants among the farming population was very high, and the land was subdivided into very small plots. The taxes and dues from the land comprised up to half of the income from the farm, and the part that was left to the peasant and his family was often not sufficient for normal feeding. According to one study [1, pp.37-41] carried out in four administrative areas in two provinces, where the peasants according to ownership consisted of three groups — full owner, part-owner and tenant — the percentage of consumption of the various agricultural products was as shown in Table 3.

TABLE 3

Percentage of Consumption of Agricultural Products

Administrative Area	Seed	Consumed	Sold	Rent
Debre Tabor	7.844	74.403	17.149	0.604
Gonder	9.762	66.352	21.594	2.290
Welisso	11.735	50.743	19.118	18.401
Ambo	13.710	47.311	4.551	34.437
Average	10.710	59.703	15.603	13.931

The data are worked out from Table 6 in "Readings on the Ethiopian Economy", edited by G.J. Gill, Addis Ababa University, Addis Ababa, November 1974, p.40.

In Debre Tabor, where from the surveyed households the ownership over the land is 93.21%, consumption is high (74.4%), whereas in Ambo, where the ownership was 35.20%, consumption is low (47.3%). From the Table, there can be seen the relationship that, with the increase in rent, there is a reduction in consumption and also a tendency towards reduction in the part of the harvest that is sold. The proportion of the harvest used for seed, however, increases in inverse proportion to the other data. One of the factors that determines the amount of the seed needed is the fertility of the soil for the cultivation of the various crops.

We may assume that, after the nationalization of the land, consumption of agricultural products by the peasants who were tenants and part-owners increased because of the abolition of rent and because of the new ability to satisfy normal nutrition needs. For example, according to the estimate made of short-term nutritional targets by the United Nations Food and Agricultural Organization, the consumption of calories in the country for 1970 was

only 83% of that required for health [1, p.44]. In addition to this, it should be noted that there will be an increased production consumption of agricultural raw materials for the expansion of certain branches of the manufacturing industry. Thus, in order to expand agricultural production, the state should use financial and economic mechanisms to encourage the formation and expansion of state and cooperative farms. Conditions based on material interests that will encourage the peasants to work cooperatively and make efforts to increase production should be available. One of the most important mechanisms in this respect is the method of taxation in agriculture.

An estimate of the average agricultural production by a farm household in the various administrative regions of the country is shown in Tables 4 and 5. From Table 5 it can be seen that the highest income is in the province of

TABLE 4
Average Size and Plots of Farming Households in Ethiopia, 1971

Province* (now Administrative Regions)	Number of Farming Households	Average Cultivated Area per Household (hectares)	Number of Fields Total	Average per Farming Household	Average size of field (hectare)
Arssi	143400	2.9	457800	3.2	0.9
Bale	82660	2.0	286540	2.3	0.9
Gondar	272595	2.2	777570	2.9	0.8
Gamo Gofa	128865	1.0	288755	2.2	0.5
Gojam	257095	1.3	708920	2.8	0.5
Harerghe	253180	1.6	611809	2.4	0.7
Illubabor	138220	1.3	395260	2.9	0.4
Kefa	250340	0.7	820070	3.3	0.2
Shoa	761640	1.8	2048755	2.7	0.7
Sidamo	357100	0.5	762000	2.1	0.3
Tigray	246446	1.0	759568	3.1	0.3
Wellega	300040	1.4	1176310	3.9	0.4
Wello	297885	0.7	664125	2.2	0.3
Total	3489466	1.4	9657482	2.8	0.5

* The Table shows only the fields cultivated during the statistical observation, which varies for the different provinces between 1968-1971. The data do not include Eritrea nor certain other regions.

Source: Land Area and Utilization, Volume V, Central Statistical Office, Addis Ababa, February 1975.

TABLE 5

Estimates of Agricultural Production per Farm Household in the Various Administrative Regions

Adm. Region Crop	Arssi		Bale		Gondar		Gamo Gofa		Gojam		Harerghe		Illubabor	
	kg	Birr	kg	Birr	kg	Birr	kg	Birr	kg	Birr	kg	Birr	kg	Birr
Teff ¹	124.4	50.74	112.1	42.12	479.4	233.95	96.0	34.24	315.0	124.61	44.1	24.92	140.8	58.69
Barley	1271.0	261.05	808.5	114.56	224.7	75.09	90.1	23.67	136.3	30.29	29.5	9.16	33.2	11.37
Sorghum	127.4	25.01	5.5	1.54	241.7	77.75	198.7	56.17	116.2	25.18	829.2	241.05	148.0	41.84
Maize	315.5	57.58	337.6	79.98	31.0	9.28	338.3	66.81	54.3	13.21	256.2	70.94	639.2	142.22
Wheat	361.0	97.04	324.7	79.88	79.5	34.19	29.3	10.39	52.7	16.92	13.1	5.45	9.6	5.63
Millet	—	—	—	—	142.1	45.71	1.6	0.45	157.6	34.15	0.4	0.12	25.4	7.18
Wesera ²	—	—	—	—	36.5	15.70	—	—	—	—	0.4	0.17	—	—
Horse Beans	70.6	15.53	18.1	5.45	90.4	26.06	9.4	2.83	55.5	13.81	12.4	3.89	26.7	8.04
Peas	91.1	21.86	128.2	43.31	96.5	29.84	5.9	1.99	34.7	11.66	11.7	4.05	66.6	22.50
Chick Peas	12.3	4.57	0.3	0.11	98.7	31.75	1.1	0.41	3.0	0.81	—	—	0.5	0.19
Lentils	1.5	0.51	0.2	0.08	6.2	2.14	0.5	0.21	1.6	0.63	0.3	0.12	—	—
Haricot Beans	12.5	4.30	—	—	6.3	1.79	6.1	1.74	—	—	9.4	1.93	0.1	0.03
Gwaya ³	—	—	—	—	1.9	0.59	1.8	0.76	6.5	2.55	0.2	0.08	—	—
Nug	2.8	1.13	2.6	1.03	44.8	15.90	—	—	46.0	16.83	—	—	2.5	0.99
Linseed	63.0	13.70	57.8	16.11	2.3	0.80	—	—	12.8	3.17	0.1	0.06	—	—
Sesame	—	—	—	—	9.9	7.75	—	—	0.3	0.23	—	—	0.4	0.34
Groundnuts	—	—	—	—	—	—	—	—	—	—	3.3	—	—	—
Ensete ^(a)	6.1	—	64.0	—	—	—	137.4	—	—	—	—	—	19.7	—
Coffee	3.4	13.97	—	—	—	—	15.1	62.06	0.1	0.41	26.9	96.30	27.4	85.49
Chat ⁴	4.0	16.44	—	—	—	—	—	—	—	—	105.0	375.90	—	—
Gesho ⁵	2.4	9.86	—	—	—	—	0.5	2.06	—	—	0.2	0.72	—	—
Total ^(b)	—	593.29	—	384.17	—	608.29	—	263.79	—	294.16	—	834.86	—	384.51

TABLE 5 (continued)

Adm. Region Crop	Keffa		Shoa		Sidamo		Tigray		Wellega		Wello	
	kg	Birr	kg	Birr	kg	Birr	kg	Birr	kg	Birr	kg	Birr
Teff ¹	120.0	52.94	250.0	115.18	15.0	9.42	129.8	58.92	16.0	7.37	111.2	45.50
Barley	34.6	9.74	258.3	67.86	37.0	10.55	115.8	34.07	95.1	24.98	113.1	31.67
Sorghum	60.2	17.96	152.2	35.39	13.5	4.36	174.2	51.53	143.0	40.43	185.1	48.13
Maize	254.6	51.94	215.8	51.12	149.4	37.35	29.4	7.14	24.1	5.71	47.2	10.23
Wheat	10.9	6.11	173.7	61.58	2.7	1.02	88.4	35.82	72.6	25.74	35.0	11.55
Millet	9.5	2.83	—	—	—	—	102.2	30.23	83.9	23.72	—	—
Wesera ²	0.2	0.07	—	—	—	—	12.7	5.15	10.4	3.69	0.4	0.13
Horse Beans	23.0	7.67	133.4	40.19	1.8	0.71	27.5	7.87	25.4	7.56	38.9	11.58
Peas	17.1	7.96	68.3	23.07	3.0	1.06	13.6	4.52	24.8	8.38	33.0	9.47
Chick Peas	—	—	54.5	20.25	—	—	41.8	12.46	6.7	2.49	7.2	2.68
Lentils	—	—	14.6	6.18	—	—	2.5	0.69	—	—	5.7	2.02
Haricot Beans	1.4	0.40	6.5	1.85	8.3	3.26	0.8	0.23	6.5	1.85	3.1	0.77
Gwaya ³	0.1	0.05	9.6	4.06	—	—	5.9	1.62	0.1	0.04	2.4	0.85
Nug	0.2	0.06	13.4	5.32	—	—	5.9	2.34	33.5	13.30	0.2	0.08
Linseed	—	—	1.8	0.70	—	—	6.9	1.25	1.3	0.51	2.1	0.80
Sesame	—	—	—	—	—	—	9.5	8.03	0.7	0.59	—	—
Groundnuts	—	—	—	—	—	—	—	—	—	—	—	—
Ensete ^(a)	96.7	—	25.8	—	42.9	—	—	—	0.5	—	—	—
Coffee	21.6	71.71	0.5	2.06	31.6	70.47	—	—	31.0	127.41	—	—
Chat ⁴	1.2	3.98	0.1	0.41	—	—	—	—	—	—	—	—
Gesho ⁵	—	—	8.0	32.88	—	—	—	—	—	—	—	—
Total(b)	—	233.42	—	468.10	—	138.20	—	261.87	—	293.77	—	175.46

¹ *Eragrostis tef*² Barley and wheat³ *Lathyrus sativus*⁴ *Catha edulis*⁵ *Rhamus prinoides*

(a) Price not available

(b) The sum is only for statistically surveyed Households

Source: Land Area and Utilization, Vol. V, Central Statistical Office, Addis Ababa, February 1975, and Statistical Abstract 1977, Central Statistical Office, Addis Ababa.

Harerghe (834.86 Birr), and that lowest in Sidamo (138.20 Birr), and for the whole country the average gross income from agriculture is 380.00 Birr¹. The estimate for the consumption of cereals in the four regions, as shown in Table 3, is on the average 59.7% of the product, and for the region with the lowest number of tenants it is 74.4%. According to another estimate for the production and consumption of agricultural products in the whole country for 1973 (Table 6), the average projected consumption is 65.5% of the product, and for cereals alone it is 60.9%, which is near to the average in Table 3.

TABLE 6

Estimates for the Production and Consumption of Agricultural Food Products for 1973

Crop	Projected Production		Projected Consumption		
	Area (‘000 hectares)	Yield	Production (‘000 tons)	kg. per year	%
Teff	2101.9	700	1471.8	1053.1	71.6
Wheat	806.3	765	616.9	318.1	51.6
Barley	1582.1	903	1429.7	590.4	41.2
Maize	1298.4	1164	1406.4	938.5	66.7
Sorghum	1779.6	905	1610.4	1081.4	67.1
Ensete	475.0	1000	475.0	475.0	100.0
Pulses	1022.2	716	731.6	680.5	93.0
Oilseeds	516.6	586	309.0	83.6	27.1
Potatoes	35.0	5230	183.0	101.0	55.2
Sweet Potatoes	32.0	4473	143.1	73.6	51.4
Fruit and Veg.	97.6	3306	322.7	274.3	85.0
Pepper	208.6	498	103.9	93.5	90.0
Total	9865.3	20246	8803.5	5363.0	65.5

Source: [1, pp. 34-35].

We may assume that in the coming years the cultivated land per farm household will not increase significantly, because of the limited possibilities for the development of further arable lands and because new plots will primarily be farmed by the landless, among other reasons; we may also assume that the average consumption of a farm household will grow to the level of the Debre Tabor region of 75%². We can then calculate on a consumption of about 285.00 Birr, and the remainder for a farm household will be about 95.00 Birr. With this sum the peasant has to cover expenses for himself and his family for needs other than food and his tax obligations. What remains will not be sufficient for investment to expand the reproduction processes of the agricultural economy. In the present conditions of the country's economy, agriculture (all sectors of the agricultural economy) contributes more than 60% of the Gross Domestic Product³. And because

of this, more resources for the development of the national economy have to be available from it. In this respect, an important prerequisite to increase the income from agriculture is the establishment of modern state farms. An indicator for the possibilities in this direction is the fact that, according to FAO's estimate of 1970's production of sugar-cane in large-scale farms with modern technology and techniques of production, the average world production is 53,100 kg per hectare, while for Ethiopia it is 157,900 kg per hectare — almost three times more than the average for the world. This crop is important as an example of what can be achieved in Ethiopia's agriculture, given proper inputs and efficient farm management [1, pp. 47-48].

In general, the methods of obtaining more resources from agriculture for the development of the rural areas and the economy as a whole are:

- (1) by fixing the size of the income tax and the spread of each taxable income tariff group on the basis of the incomes of the peasants;
- (2) by changing the taxation system according to the economic conditions of the country, so that the greater burden falls on private capitalist elements;
- (3) by determining a minimum income exempted from taxation on the basis of certain profitability according to the economic possibilities of the country, so as to effect the material stimulation of agricultural production;
- (4) by stimulating expanded reproduction, and by that means obtaining more resources. In this method, the taxation of cooperatives should be divided into two groups, that is, the net income should be taxed differently in the part which is for distribution among the members of the cooperative and that which is used for the expansion of production;
- (5) by imposing taxes on the important fixed capitals in conformity with their modernization, so as to increase the resources from the agricultural sector at the disposal of the government, and at the same time to ensure their effective and rational utilization;
- (6) in the proclamation for the formation of cooperatives, it is indicated that the production cooperatives will pay their members according to the quantity and quality of work performed and that they will have their own internal regulations. In order to control the reduction of the taxable net income through inflation of the

fund for "salaries and wages", it is necessary to determine, in due course, the average remuneration of labour by the state, so as to control the taxable incomes and at the same time to have a similar scale for the payment of labour.

According to the proclamation for the formation of service cooperatives, three of their functions are (1) to provide loans at reasonable interest, and (2) to supply agricultural instruments and (3) to service tractors for the cooperatives [4]. The financial resources for this can be membership fees, the savings of the peasants, the taxes for the various services and the profits from trade. But because of the undeveloped nature of agricultural production, on which the income of the service cooperatives also depends and therefore their ability to finance and supply the peasant associations with the means of production, it would be more effective if the state took over this responsibility in the initial stages of the establishment and development of the production cooperatives. To accelerate the process of attracting the peasants to form or join cooperatives and at the same time to increase agricultural production, it is essential, as Lenin has written, that "the small peasants should be guaranteed, on certain terms, the free use of part of the agricultural machinery belonging to the big peasants" [3, p.590]. In Ethiopia, agricultural machinery is nationalized and are under the control of the state. Nevertheless, already one of the grievances of the peasant associations is that the rent for the utilization of tractors is very high [2]. The government has to facilitate the utilization of the tractors and other agricultural machinery according to the economic possibilities of the peasant associations. The government has also to collaborate with the peasant associations by providing economic and organizational aid for the introduction and expansion of modern technology and techniques of production in the agricultural economy.

The development of agricultural production and the socialist rural transformation in Ethiopia requires the corresponding development of industry, especially those branches of industry which process agricultural raw materials and those which produce means of production for agriculture. The accomplishment of this role of the state is of essential significance. At the national economy level, it is only the government that can coordinate the various economic activities and take the necessary measures for the stimulation of the factors that accelerate development and abolish or limit those that slow down development.

CONCLUSION

The existence of a land-use fee after the nationalization of the land is based on the rationale that the land as an object of ownership belongs to the state and in the meantime, with the exception of state farms, its cultivation

is carried out by peasant associations, tribal communes and individual farmers. The land-use fee reflects the relations of production between the society and those who farm the land, expressing the economic realization of state ownership over the land. The state should use financial and economic mechanisms to accelerate the country's agricultural development into socialist ways of production, and to obtain the necessary resources from this sector for the overall socio-economic development of the country. In this respect the agricultural income tax has to conform to the economic realities of the sector taking account of the factors that will encourage the growth of production. In general, the system of taxation in agriculture during the various stages of the transition to socialism should contribute to the liquidation of capitalist elements and stimulate the material incentive of the peasants, especially in the formation of production cooperatives. In order to effect a more equitable tax system, it is necessary to classify the various plots of land throughout the regions of the country, and in due course to change the unified proportional taxation for the whole country into differentiated tariffs of taxation for different localities.

NOTES

- 1 The sums are the result of the total of cultivated plots in the statistically surveyed regions, multiplied by the average yield of a given crop per hectare in the country, divided by the number of farm households in the regions. The result is multiplied by the wholesale prices in the cities of the administrative region; when no prices were given in the region the average for the country was used. The statistical observations of the households and the cultivated land were carried out from the end of 1968 up to the middle of 1971. The prices are those of 1976.
- 2 The assumption that consumption will increase to 75% is based on the following reasons: (1) the abolition of the high land rent after the nationalization of the land; (2) the need for normal nutrition and increased consumption of calories per head of population, as compared to previous consumption, and (3) because the unemployed population in the rural areas and the number of the members of a household are almost the same in all administrative regions.
- 3 According to the estimates of the Central Statistical Office, the share of agriculture in the Gross Domestic Product for the years 1970-1976 is around 50%. This is so because, in the practice of the calculation of the GDP, the value of the non-material production spheres of economic activity (such as transport, communications and services) is included in it. For transportation and services which comprise part of material production, data are not available. But if we exclude from the calculation the value of services (banking, insurance and real estate, public administration and defence, ownership of dwellings, educational services, medical and health services), the share of agriculture represents 60% of the Gross Domestic Product.

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