

**"Múrar bókaþjóðarinnar" -- original English version, by Ian Watson
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Icelanders are ordering more and more packages from abroad. In 2003, Íslandspóstur's Tollmiðlun department, on Stórhöfði in eastern Reykjavík, processed 44,000 "einfaldar tollskýrslur," the forms delivered to individuals receiving shipments from abroad. In 2004, Tollmiðlun processed 58,000; in 2005, 92,000; and the number looks set to increase somewhat further in 2006. Of these packages, a little over one-third come from the online retail giant Amazon, and approximately one-quarter are books. More precisely, in 2005, 35,800 of 92,000 packages were from Amazon, and through the first seven months of 2006, 15,000 of the 57,000 einfaldar tollskýrslur were for book packages.

What is interesting and surprising about these figures is actually how few Icelanders order books from abroad. Less than one book package comes from abroad every year for every ten Icelanders. I started researching this article by asking friends of mine, generally multilingual folks whose shelves at home are full of books in many languages, how they bought their books. I found that most of them buy a lot of books during trips abroad. They carry them back to Iceland in their luggage. As one person joked to me, "The most influential book stores in Iceland are at Heathrow and Kastrup airports." Do they order books shipped by mail to Iceland? Rarely. And I am like them; I almost never order by mail either.

Why not? Well, let's say you ordered a book which cost 1.000 kr. on Amazon before shipping. On each book package, Tollmiðlun levies 14% VAT, calculated on the full price (purchase cost plus shipping cost). Then it adds a 450 kr. service fee for its work. Your 1.000 kr. book will cost you 2.308 kr. by the time it reaches your door. Mail deliverers collect the tax from you, so if you're not home when they arrive, it will also cost you a trip to the post office during business hours. The process always delays the book by a day or two at least.

So you can see why ordering foreign books by mail is a last resort rather than a regular custom. Take me as an example. I buy plenty of books online -- but almost always have them sent to friends and family in Europe or America who I am about to visit, or who are about to visit me. I also make a point of going to bookstores when I'm in a foreign country. I carry my books back to Iceland in my luggage. This all takes advance planning, valuable time abroad, and luggage space, and makes for heavy lifting. But my interviews suggest I'm normal. Many of us are willing to go to this trouble. We don't have to pay for shipping to Iceland. We don't have to pay VAT. We don't have to pay the 450 kr. administrative fee. And we never have to pick the books up at the post office.

Though what we are doing is legal, it is not very efficient. We are not so different from the black marketeers who I used to meet crossing borders in eastern Europe in the 1980s and early 1990s. They bought a few shoes or some shampoo in one country, hauled the goods in their luggage, and resold them in another country at prices that undercut the regular import system. When people have an incentive to buy and sell like this, it's a sign of an inefficiently organized market.

Icelandic shoppers are known for needing things right away, and for not being particularly price sensitive -- the stereotype is that we always buy now and worry about the bill later. (Some would say that the stereotypical Icelandic consumer's view of pricing is that if you aren't suffering, well, you must be taking advantage of the rest of us.) So if Icelanders are hesitant to fork over the cash to buy books, preferring to import them on the grey market, things must be really out of whack.

The problem

When I was a university student, in America, I read a lot. I visited the library often, I ordered the books it didn't have on interlibrary loan, and I bought used books cheaply.

These days, I work at one of Iceland's universities. I meet students and faculty who want and like to read in English. Some know other foreign languages too. Their problem is that they cannot afford to get the books that would interest them. If a book isn't in the Icelandic library system, and many books aren't, the cost of buying it is very high. Ordering a book by interlibrary loan isn't much of an option, since it costs about the same as buying the book outright.

This is not just the students' problem, it's my problem too. Since moving to Iceland five years ago, access to foreign books has been one of my few big complaints about living here.

I decided to write this article partly as a consumer service. I wanted to help people who like or need to read foreign books, myself included. I was also just curious about the market for foreign books in Iceland. I wanted to trace the whole life cycle of foreign books in Iceland. I wanted to figure out how the market worked, and what was good or bad about it. So I visited new bookstores, used bookstores, student bookstores, libraries, Kolaportið, Góði hirðirinn, and the Tollmiðlun department

at Íslandspóstur. I checked out many websites, as well as the piles of books at Reykjavík's recycling stations. I annoyed all my friends by asking them questions about where they buy non-Icelandic books.

I think it will not surprise most readers that I find foreign book prices in Iceland too high. Part of the problem is that book buyers don't know how to save. Some people complain about the high price of books bought from Amazon or Mál og Menning, but forget that the same books sell for much less at Bóksala Stúdentá (more on this below). But the biggest problem is that the market for foreign books in Iceland is organized in a way that, at every turn, works against Icelandic consumers, Icelandic libraries, and perhaps even Icelandic booksellers. So this article is also a call for reform. We need to change the VAT system for foreign books. We need to strengthen Icelandic libraries, and not just by throwing money into book purchasing. We need to encourage Iceland's used book stores to sell online. Until things change, we will keep hurting our whole society by making it so hard for Icelanders to read and learn.

Yes, it really is a problem

Some friends have suggested to me that Icelanders, deep down, think that high book prices make sense. "You don't understand, Ian, books are status here," an Icelandic friend told me. She was trying to suggest that Icelanders accept high book prices because books are luxury goods, symbols of success, tokens of conspicuous consumption. Other people tell me that only a fraction of Icelanders read foreign books. Others tell me that the age of the book is over.

I disagree. The days are long gone when studying foreign countries and reading books in foreign languages was something reserved for the lucky or the rich. Foreign books are not status symbols. They're not luxury goods. They're essential investments.

It's not just a small part of Icelandic society that buys foreign books. Maybe you're an Icelandic computer specialist who wants to get the latest guide to a new piece of software to help your company with a project. Or you're one of the seventeen thousand university students in Iceland and you want to write a thesis that's a little better than average. Or you're one of the foreign spouses that more and more Icelanders are bringing back home from abroad. An Italian woman, for example; you've just found out you're pregnant, and you want to read about what to expect during the next nine months -- in your native tongue. Or you're the Japanese husband of another Icelandic and you want to make sure that your children grow up able to speak and read both languages.

As for the idea that books are not important any more, even the starriest-eyed information age prophets agree that printing information on paper, information you can hold in your hand, flip through with your fingers, and read in bed or on the bus, is still one of the most effective ways of communicating with people.

Buying new books in English

Imagine you have just heard about a great book that you really want to buy to help with a project you are working on. Icelandic bookstores don't carry it and it's not listed in Gegnir (the library catalog) either. You go to Amazon to learn more about the book and you see that it is selling new in the U.S. for \$20, or 1.400 kr. You could order the book directly from Amazon. After 630 kr. in shipping, 284 kr. in VAT, and a 450 kr. þjónustugjald, it would cost you 2.764 kr., plus perhaps a trip to the post office during business hours.

This is a lot of money -- it's almost twice the American price. You might wonder if you'd save by ordering through an Icelandic bookstore. You troop down to Mál og Menning on Laugavegur to ask for a quote. When I did this the other day, I was told that the book would cost me 2.795 kr., plus a trip to the bookstore to pick it up. This is more than ordering it straight from Amazon.

Enter Bóksala Stúdentá. Especially if you live in Reykjavík, your best strategy would likely be to special-order the book through them (www.boksala.is, then click on "Sérþöntun" for special orders). Like any bookstore, Bóksala Stúdentá consolidates their overseas orders into large shipments (500 to 20.000 kilos). This reduces the shipping cost of a single book to a fraction of its value. Also, as a bookseller, Bóksala Stúdentá gets a discount from book wholesalers. The reason Bóksala Stúdentá has especially good prices is that they pass more of this discount on to you than Eymundsson or Mál og Menning.

I checked with Bóksala Stúdentá and asked them to quote a price for this same example, a book selling on Amazon for the equivalent of 1.400 kr. Under most circumstances, it would cost you only 1.776 kr., plus either a trip to Bóksala Stúdentá to pick up the book or 550 kr. for shipping. In

the relatively rare worst case -- if Bóksala Stúdenta couldn't get the book at a price lower than Amazon's -- Bóksala Stúdenta would charge 2.550 kr. This is still less than the cost of ordering from Amazon or Mál og Menning.

Buying used and "exotic" books

However, Bóksala Stúdenta special-orders only books that are in print, and mostly just from Britain and America. They don't special-order used books. They don't consolidate shipments from countries like Italy, Poland, or Japan. And not everyone lives near their store. So there is a whole class of purchases on which Bóksala Stúdenta cannot save you money. If you want to buy a used book, or a book in a less common language, or if you live in Kópasker, your best option is usually to have the book shipped directly to you, gritting your teeth and paying Íslandspóstur for the VAT and þjónustugjald.

I had hopes that ShopUSA (www.shopusa.is) would be a way of letting Icelandic consumers enjoy the benefits of consolidated shipment on individual purchases. But ordering from ShopUSA is generally even more expensive than ordering directly from Amazon (3.072 kr. for the new-book example I gave above; the killer is having to pay twice for shipping).

Because direct orders cost so much, any person or library who wants to bring into Iceland a single copy of an unusual or out-of-print book has to pay a premium to do so. And anyone who lives outside Reykjavík is at a disadvantage. Our book tax system penalizes those of us who have special interests, speak unusual languages, or live in unusual places -- despite the fact that it is surely in all of our interest to encourage each other to develop special talents, learn unusual languages, and live all over the island.

The irony is that finding used and obscure books on the Internet has become easier and easier. In the last ten years, a revolution has taken place in the used-book market in America and Europe. Booksellers place their inventories on the Internet, using sites like abebooks.com and amazon.com. With just a few clicks, customers can see if the book they want is available used, compare prices, and order by mail.

What is especially unfair is that when an Icelander or an Icelandic library wants a single copy of one of these esoteric books, they have no choice but to order directly. Unless you leave the island, you simply cannot buy the Polish version of *What to Expect When You're Expecting*, or a used copy of an obscure novel from New Zealand, by any other means than ordering it yourself by mail. Sure, you could borrow it from abroad via interlibrary loan, but this often costs as much or more than just buying the book.

Buying used is not just something that you *have* to do if the book you want is out of print -- it is also a good alternative to buying new. A book selling on Amazon new for \$20 might be available used for \$3, or about 210 kr. But Icelanders are effectively locked out of this market by the combination of high shipping costs and fees. After 630 kr. in shipping, 116 kr. in VAT, and a 450 kr. þjónustugjald, that 210 kr. purchase winds up costing 1.406 kr., plus that trip to the post office again. ShopUSA, again, is no help -- you'd pay 1.441 kr. It's only a little more expensive to buy new through Bóksala Stúdenta. Or, for only about 450 kr., you could order the used copy sent to an American friend where it will wait until your next trip to the States.

Is VAT on foreign books worth collecting?

The quickest way to help Icelanders buy more books would be to change the VAT system. Now, I don't think it's morally wrong to collect sales tax on foreign book purchases. And every individual charge has its individual justification. But added together, they create devastating disincentives for anyone thinking of ordering a single copy of a book through the Internet. We pay very high shipping charges. We must pay sales tax not only on the purchase price of the book but on the very high shipping charges too. Then we are then required to pay the administrative costs of collecting the tax, which are usually higher than the tax itself. Then we usually have to make a trip to the post office. As a recent "Víkverji" column in *Morgunblaðið* (12 August 2006) made clear, most people don't understand how this process works before they go through it themselves. So another cost of the system is the unpleasant surprise for first-time Internet orderers who didn't realize they have to pay the 450 kr. þjónustugjald.

It is sad that we inflict this system on ourselves despite the fact that it doesn't really create much revenue for the state. Although I wasn't able to get precise statistics, a good estimate is that Íslandspóstur processed 24,000 individually imported book packages in 2005, creating 24 million kr. in

VAT revenue (calculated on the Amazon book package average of 990 kr.) and 8,4 million kr. in þjónustugjöld (at the earlier rate of 350 kr. per package). Processing and collecting fees on books required approximately two full-time employees at Tollmiðlun plus paper, ink, and a certain amount of letter carriers' and postal desk clerks' time. Let's guess that the costs involved were 10 million kr. This means that the net state revenue from these overseas book orders in 2005 was about 22 million kr. From this 22 million crowns, one then has to subtract the time that Icelanders spend dealing with the system (waiting at home for the postman or going to the post office), evading it (by buying books on trips abroad that they would order by mail were this easier), and the opportunity cost of having two healthy adult laborers spend their time collecting VAT who could otherwise be working elsewhere.

Adding to the cost of the system are the errors and bureaucratic absurdities that the process inevitably spawns. Íslandspóstur has to sort thousands of packages, very quickly, into those which are subject to VAT and those which are not, and they naturally make mistakes.

I once had to battle with Tollmiðlun to free my American tax forms from imprisonment (the free instruction book is rather thick, the package looked official, they thought it was a book I'd ordered, and sent me their standard letter asking me to produce an invoice). Another time, I had to struggle to release some used CDs. I'd lent them to an American colleague, and she mailed them back to me in an official-looking company envelope. Tollmiðlun only let me have them after I got my colleague to send a fax declaring that I had not paid anything for them. I still do some editing and research work for this company, and I constantly have to remind my colleagues there to hand-address any books they send to me to work on, so that Tollmiðlun won't mistakenly stop them.

In another case, I received an unexpected gift from an old friend: a book from Amazon. Gifts under 7.000 kr. are exempt from VAT. This book cost 1.015 kr. including shipping, and was correctly marked as a gift. But Tollmiðlun missed the gift mark, made out an invoice for 492 kr. in VAT and þjónustugjald, and sent the package to my door. I might have caught the mistake, but I wasn't home when the package arrived. My elderly neighbor, thinking she was doing me a kindness, signed for the package, paid all the charges, and asked me to pay her back. I did, and still haven't found time to try to get my money back from Íslandspóstur.

Let me make it clear that I don't blame the staff at Íslandspóstur for these mistakes. Having seen Tollmiðlun's operation with my own eyes, I am sure they do their best. But I do blame the system, which makes these mistakes inevitable and saddles all us consumers with the costs.

I agree that the state has to earn revenue. But collecting VAT on imported books seems like one of the very worst ways to do it. The system wastes consumers' time and doesn't actually bring in much money. And it gives Iceland a reputation as a cumbersome place to do any sort of knowledge-based business.

Three alternative book VAT policies

In this section I'll present three alternative ways of changing the VAT system to reduce the cost of ordering single books from abroad.

The zero option. The simplest and also most drastic approach would be to entirely eliminate Iceland's 14% VAT on books, whether purchased abroad or domestically. This would also knock out the 450 kr. service fee on book packages, since there is no reason to charge a service fee if no service is needed. The price of the \$20 new book in the example would go down from 2764 kr. to 2030 kr.; of the \$3 used book, from 1406 kr. to 840 kr. This is not really such a radical idea. Hörður Einarsson's one-man legal crusade in 2001 succeeded in reducing VAT on foreign books from 24,5% to 14%, but Iceland still has the third-highest VAT on books in Europe, after Denmark (25%) and Slovakia (19%).¹ Britain, Ireland, Poland, and Norway have zero VAT on books, as do a number of countries outside Europe. Most other European countries charge just 4-6% VAT on books.

[Indeed, last week, the government announced that it planned to include books among the items whose VAT will soon drop from 14% to 7%. However, since the biggest problem with VAT on foreign books is the cost of collecting VAT rather than the VAT itself, reducing VAT to anything short of absolute zero would be of limited help to purchasers of books from abroad.]

Reducing VAT on books to zero would make mail-order much easier. It would also allow Icelandic bookstores to compete better with bookstores abroad. When Icelanders prefer to bring home foreign books in their luggage, this bodes ill for Iceland's book retailers. Bookstores are more than places to buy books: they are places to learn, explore, bump into friends, and travel vicariously. We don't want them to disappear. Surely more of us would buy locally if prices were 14% lower.

¹ See <http://www.ipa-vie.org/statistics/vat.html>.

(Without VAT, Bóksala Studenta might be able to reduce the price of that \$20 book from 1.776 kr. to 1.558 kr.)

The exemption option. Another approach, which would preserve more state revenue, would be to exempt from VAT assessment all incoming packages from abroad whose value is less than (say) 7.000 kr. I choose 7.000 kr. because it is the same level as the exemption for gifts, but any reasonable figure would do. Many countries use this kind of exemption already (for example, the limit is 2.400 kr. in Britain and 4.850 kr. in Czechia, in both cases reckoned on the cost of the product *before* shipping). Exempting all packages below a minimum value would reduce gross state revenue, but it would also eliminate the cost of processing the packages which create the least revenue for the state. It might actually save the state money.

This approach would be great for individual consumers ordering one or two books by mail. Bookstores would likely oppose it, because it would allow consumers a discount that booksellers would rarely be in a position to take advantage of. However, booksellers already have advantages of their own in the market. And it is especially on small orders that the playing field needs to be levelled. A low-value mail-order package exemption would broaden Icelanders' access to knowledge while preserving VAT revenue from all other books. It would also be a good method, in this monopoly-prone land, of giving consumers an out if the big booksellers raise prices unreasonably. While this approach would mean that bookstores would receive fewer special orders for single books, bookstores make little money on such orders. The heart of their business is books that they sell in larger numbers, like *Da Vinci Code* or *International Marketing*, and their advantage here would not be affected. Customers who don't like to use the Internet, or don't have a credit card, or just want extra service, would still have the option of ordering single titles through a bookstore.

The point-of-sale option. A quite different approach would be to try to collect VAT at the point of sale rather than the point of entry into Iceland. This would mean permitting foreign businesses, such as Amazon, to collect Icelandic sales tax on behalf of the state, thus removing the need for Iceland to have a special, expensive administrative procedure to collect it on entry. VAT levels would stay the same, but the 450 kr. service fee on each package and the labor costs of collecting VAT would disappear. This approach may not be practical yet, but it is worth watching.

Indeed, Amazon.co.uk already collects VAT from book purchasers within the European Union, using its computer system to calculate the rate in effect in the purchaser's home country. The United States took the opposite approach in 2001, by deciding not to enforce the collection of state sales taxes on Internet purchases where the buyer is in one state and the seller in another. Iceland, meanwhile, has chosen to collect VAT on purchases made elsewhere and to do it by the brute force means of stopping packages as they come into the country. These are simply different methods of dealing with the difficult and controversial problem of whether and how to collect VAT on Internet purchases from other countries or tax jurisdictions. (Global business and taxation experts have discussed the issue heatedly.²) The American decision reflected a feeling that the European method would create wasteful bureaucracy (by forcing millions of sellers to program rules from hundreds of tax jurisdictions into their computer systems), while the Icelandic method would cause tremendous logistical costs and delivery delays.

There are pros and cons to each of these three VAT reform options, but something really needs to change. Books are a capital investment in Iceland's future, not a necessity like food. It is incredibly inefficient to saddle readers with an incentive to bring back books in their luggage in return for only a few million crowns in government revenue. We are hurting people who live outside Reykjavík, who read used foreign books, and who read books in any foreign language besides English.

Let's exempt libraries from VAT on books

I was shocked when I found out that public and university libraries have to pay VAT on the books they order. Shouldn't we fully exempt all libraries from VAT and þjónustugjöld on imported books (and maybe on Icelandic books too)? Why should we hinder books from coming into the country when they are meant for an institution which serves the public? Why should we make libraries, whose budget already comes largely from the state, pay tax back to the state on their book purchases, as well as even more money to cover the paperwork involved? Don't we want to make people smart -- not just encourage them to watch TV? How can we justify the fact that we are keeping the library at the Agricultural University in Hvanneyri from buying 14% more books on sheep husbandry and hay-making, and from putting the administrative costs of paying those taxes to better purposes?

² I learned much from an article by Roland Paris, "The Globalization of Taxation?", *International Studies Quarterly* 47 (2003): 153-182.

Let's get more foreign books into public circulation

Icelanders don't only buy foreign books, they also borrow them from the library. Guðni Elísson recently published a provocative article in *Lesbók Morgunblaðsins* (1 July 2006) lamenting the small amount of money that the University of Iceland puts into book purchases, while Jón Ólafsson (*Lesbók*, 18 August 2006) has called for closer attention to which books are chosen. Increasing book purchasing budgets would be wonderful, but I want to suggest that Icelandic libraries can make better use of the foreign books that are already here on the island, in two ways: by encouraging more book donations, and by cataloging more books.

Many people in Iceland own foreign books that they no longer read, and that would be more valuable in the library system. Judging from Landsbókasafn's annual reports, Icelanders do donate foreign-language books to libraries -- but far too few in my opinion. The recent donation of more than 6.000 German books from the Goethe-Zentrum library set a fine example (although I have never understood why the collection was given to Bókasafn Hafnarfjarðar instead of Landsbókasafnið). Icelandic libraries have also received several large donations from abroad, including two donations, each several thousand volumes, of mathematics and anthropology books from retired professors in Britain and America. Although book donations can sometimes create as much extra work as extra value, I am convinced that the country should -- and can -- encourage more of them.

We also need to catalog all the books in our libraries. The unification of all library catalogs into Gegnir, one computerized nationwide system, has been a big step forward for Icelandic readers. But we still have to finish entering all our books into Gegnir. Many libraries have quite sizable cataloging backlogs, including Landsbókasafnið and the library at Bifröst. Bókasafn Hafnarfjarðar recently announced on its website that it had catalogued about 100 titles per month from the Goethe-Zentrum donation; at this rate it will take more than five years to input the entire collection.

Cataloging our books, though expensive, is especially important because we live on an island. Every new title that is put into the system is a title that never again has to be sourced from abroad -- either by purchase or by interlibrary loan. Ironically, the books that usually receive last priority in cataloging are the ones that are not already in Gegnir. Putting a book's data into the system for the first time takes extra work, and only people who've finished a special training course and obtained a "skráningarleyfi" may make *new* entries in Gegnir. Not all library staff have this skráningarleyfi (for more on this and related issues, see www.alefli.is, the website of the Gegnir user's society), and many libraries have very limited funds, so they give priority to cataloging material whose data is already in the system. At Bókasafn Dagsbrúnar in the Reykjavík Academy, for instance, a huge pile of books not already in Gegnir sits waiting to be catalogued -- some day. This is a real shame, because it is exactly those books which are *not* already in Gegnir that add the most value to the country's library collections as a whole.

A final, if somewhat far-fetched, way to get more foreign books into circulation is to publicize lists of the contents of peoples' private libraries. This is not as thankless a job as it sounds, and it is perhaps worth encouraging on an island like Iceland where international interlibrary loan is expensive. It's become much easier with the arrival of tools on the web for creating and searching private catalogs (like the surprisingly popular www.librarything.com, where four people from Iceland are already registered). There are already some existing lists (one, covering Italian books, is at <http://www.hi.is/~maurizio/risorse.htm>). Those interested in trading books can join several other Icelanders at www.bookmooch.com.

Let's encourage online used-book sales in Iceland

The online used-book revolution has changed American and European bookselling, but it has not yet reached Iceland's domestic market. The only way to find a used Icelandic book is to look on the shelves in Kolaportið, Góði hirðirinn, or one of Iceland's few used book stores (mostly in downtown Reykjavík and Akureyri). Ari and Bragi, who run the fine used book store at the corner of Klapparstígur and Hverfisgata in Reykjavík, briefly listed some of their rarest and most expensive books on abebooks.com, but took them off after sales were poor. I predict, though, that pretty soon, someone will take the step of putting everyday used books online -- *Sjálfstætt fólk* and such, and student textbooks, and foreign books as well. All the technology is in place and the startup costs are very low.

Though used-book selling isn't a way to get rich, I think that at least one person in Iceland could probably earn their living letting people buy books online. The only thing that has to change is

that both book sellers and book buyers will have to get used to the idea of buying by computer.

Góði hirðirinn receives twenty boxes of discarded books *per day* from the collection points at Iceland's recycling stations. I wonder whether they might be able to sell some of them for more than the current 100 kr. if they put them online. Online sales would be a boon for people out in the small towns who would no longer need to make a trip to Reykjavík in order to buy used books cheaply. Whether you live in Kópavogur or Kópasker, you could order and pay online in a matter of seconds, and the book would show up in your mailbox a couple days later.

Let's not strangle our knowledge industries at birth

We often hear that we are (or should be) creating a "knowledge society" in Iceland (þekkingarsamfélag). But by making it difficult for Icelanders to buy books from abroad, we run the risk of strangling any industry that runs on knowledge. We starve ourselves of what we need to be competitive. We leave our students in intellectual poverty.

I think all of us here understand the consequences of life on a remote island in the North Atlantic. We appreciate Iceland's many advantages. We know too that Iceland's remoteness has disadvantages, like high shipping costs for books. As a society, shouldn't we be working together to compensate for our remoteness, rather than magnifying its effect? Shouldn't we open the gates and let the books in?