

A HISTORIC trip to the USSR by four advocates of land-rent taxation may boost the chances of success for President Gorbachev's perestroika.
IAN BARRON reports

PLANS to expose the Soviet Union to the fiscal policies of American social reformer Henry George were advanced by a four-man delegation that visited the USSR in May.

The trip resulted from initiatives that were taken at a conference in New York last summer. This was convened to study the way in which land-value taxation would facilitate the transformation of the socialist system into a market economy grounded in equity and efficiency.

Lectures in Moscow and Leningrad and in Estonia, one of the Baltic countries, have resulted in invitations to establish a series of Henry George schools, says George Collins, the Director of the Henry George School of New York.

On returning to the US, Mr. Collins told *Land and Liberty*: "There was enthusiastic interest in the proposals to collect rent as the primary, if not the sole, source of revenue .

"Victor Shcheglov, of the Moscow City Planning Institute, told me, 'I like Henry George. His ideas make sense and they are just'. He wrote a proposal in which he said his aspiration was to establish a series of schools in the Soviet Union similar to ours in the US. But first he has proposed a revisit by western Georgists in the Fall, to provide training in both Georgist economic philosophy and land appraisals.

"The chairman of the Agricultural Committee of the Supreme Soviet said that land rent collection would be just what he needs as head of a collective farm in Siberia which now has to pay most of what they earn to the central Government in Moscow".

But before the Georgist model of the economy can be implemented, the Soviets have to establish a system for measuring the annual rental value of the land. This is where Ted Gwartney, another member of

Georgists' mission to USSR is successful



• Ted Gwartney

the delegation, may make a fundamental contribution. He has offered to resign from his job as an assessor in California and work in the USSR.

Funding for that project will have to come from the West, and an application has been submitted to the Lincoln Foundation.

Its president, Mr. David Lincoln, told *Land and Liberty*:

"Gwartney is preparing a proposal for the Lincoln Foundation outlining a programme to begin the training of Russians in appraisal and valuation techniques".

THE ACADEMIC in the delegation was Nicolaus Tideman, a professor of economics who has worked hard to establish contacts with politicians, civil servants and university economists in Eastern Europe.

Prof. Tideman provided the theoretical insights into LVT when the Americans met members of the Economic Reform

Committee of the Supreme Soviet in Moscow.

Practical experience of property tax reform was provided by Steven Cord, whose campaigns have resulted in a dozen cities in Pennsylvania switching to a two-rate tax, in which the burden is shifted from buildings and on to land values.

It was during their visit to Leningrad that Ted Gwartney was invited to help in appraising the city's land by the mayor, Anatoly Sobchak. As a pilot study of what was involved in turning the market into a tool for assessors, Gwartney worked with politician Sergei Belyaev, developing an approximate land value map of the Leningrad district that Belyaev represents.

The team also visited Pushkin to study that town's attempts to assess land for tax purposes. Reports Prof. Tideman: "We could see that assessing land in the Soviet Union is a much different thing than assessing US land, because there isn't a market in land.

"Enterprises and activities that use land can be asked to pay for what they use, but there is no objective market standard by which the size of the charges can

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enigma of our times that manufacturing processes cheapen all the time, but poverty always marches with progress. He said that the cause of this is that the amount of wealth distributed to landownership always increases out of all proportion to that distributed to labour and capital until labour and capital can no longer unite on land to create wealth, and industrial depression follows.

He defined capital as "that part of wealth which is set aside for the production of more wealth or wealth in course of exchange". It includes buildings, plant, machinery, tools, stock, transport, agricultural boundary fencing and walls, agricultural estate roads and drainage, and of course "stock" includes livestock, seeds and manures.

The farmer grows the grain; the miller manufactures it into flour; the warehouseman stores and packages it, and distributes it to the retailer. Once produced to the customer, it becomes wealth in his hands but ceases to be capital, because it is no longer "in course of exchange".

Henry George wanted a welfare state within a free enterprise society. He divided government into two parts; political and social. Political government would today consist in the defence of the realm and the sea and airways; maintenance of a civil police force and the courts of justice, and suchlike matters and would be reduced to the absolute minimum necessary



• The site in Sheppey, Kent, where the butterflies will miss out

to maintain the common right of the public and the right of the individual to enjoyment of the Sovereign's peace and the laws of the land.

Social government would consist in doing for mankind the things which it is not practicable for mankind to do except on a collective basis, such as irrigation and drainage, local and trunk roads, railways, ports, aerodromes, education, public health generally, hospital treatment, libraries, registries, welfare of the aged and infirm and provision of open spaces and recreational facilities.

He recognised that for any sovereign State to provide such facilities would require great expenditure and that revenue would have to be raised to pay for them.

In his monumental speech delivered in 1882 at Delmonico's Restaurant in New York, Henry George is reported by the *New York Times* to have said: "I pro-

pose to abolish all taxation which falls upon the exertion of labor or the use of capital or the accumulation of wealth, and to meet all public expense out of that fund which rises, not from the exertion of any individual, but from the growth of the whole community".

He claimed that there are ultimately only three possible sources of revenue: rent for the use of land (excluding buildings); wages for labour (including salaries and directors' fees), and interest paid for the use of capital. He wanted to take rent as the sole source of revenue.

We have seen how, in Kent, landownership has been able to profit a thousand times from "the growth of the whole community".

A single tax on all landed property, charged on the occupier, whether freeholder or tenant, is borne by the freeholder alone or proportionately with any other person claiming under him who can exert a profit-rent against an assignee or under-tenant.

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be justified. One consequence seems to be that Soviet valuers of land tend to use a relatively small number of categories of land value".

IT WAS then on to Estonia for Collins, Cord and Tideman, where they instructed the politicians on the virtues of LVT as a tool for jump-starting the ailing economy.

An important day's session took place at the Estonian State Land Department whose head,

Tombet Tiits, proved to be extremely sympathetic to the fiscal reforms advocated by the Americans.

After hearing Tideman's comments on a draft of a land tax law for Estonia that his department had prepared, Mr. Tiits invited the American professor to develop an alternative draft - which he did.

In his report to the New York-based Robert Schalkenbach Foundation, which had partly funded the Soviet trip, Prof. Tideman states: "There is widespread interest in the Soviet

Union in taxing land. Some of that interest comes from people who understand the importance of not taxing buildings.

"Even without our encouragement, some implementation of taxes on land can be expected to occur. But those who are interested in taxing land care very greatly for the insights and support that Americans are able to offer.

"And our contacts in the Soviet Union can be expected to increase the extent to which land is taxed and to result in better land tax methods".