



## Mikhail Gorbachev (1931- )

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*"Natural rent must be a part of public revenue – what they don't earn but rather what they simply receive from the nation, from nature."*

*"Americans have a severe disease — worse than AIDS. It's called the winner's complex."*

*"With Yeltsin, the Soviet Union broke apart, the country was totally mismanaged, the constitution was not respected by the regions of Russia. The army, education and health systems collapsed. People in the West quietly applauded, dancing with and around Yeltsin. I conclude therefore that we should not pay too much attention to what the West is saying."*

*"Democracy is the wholesome and pure air without which a socialist public organization cannot live a full-blooded life."*

If you were to ask Mikhail Gorbachev to summarise his life in less than 10 words, he couldn't do much better than "I rescued an empire then accidentally blew it up".

It's a mighty task to encapsulate the life, achievements and failures of this pivotal 20th century figure, but here goes: he served as General Secretary of the Communist Party of the Soviet Union from 1985 until 1991, and as the first (and last) president of the Soviet Union from 1988 until its dissolution in 1991. Perhaps because he was the only general secretary in the history of the Soviet Union to have been born during the Communist rule, he made an astounding number of attempts (many unsuccessful) to reform Russia, the Soviet Union and the whole bureaucratic and political system that ran them. Along the way, he made historic peace overtures and ended the Cold War.

But Gorbachev had an even greater opportunity that is unique in the annals of history – to save Russia for the Russians. The entire lands and natural resources had not been privatized and, with the dissolution of the USSR looming, the greatest group of geoist minds ever assembled flew in to convince Gorbachev of his golden opportunity to collect the economic rent of land as the natural source of public revenue. Gorbachev had the chance but blew it big time, but let's set this thing up.

Mikhail Sergeyevich Gorbachev was born into a humble peasant Ukrainian-Russian family in 1931 and suffered the sort of special challenges and hardships which often mould a determined character – that is, if those hardships don't kill you first. As an infant, Gorbachev experienced the Soviet famine of 1932–1933 and recalled in a memoir that *"In that terrible year [1933] nearly half the population of my native village, Privolnoye, starved to death, including two sisters and one brother of my father."* And the political system was just as brutal to young Gorbachev – both of his grandfathers were arrested on false charges in the 1930s and his paternal grandfather was sent to exile in Siberia.

Gorbachev was ten years old when the Nazis invaded the Soviet Union in 1941. His father was drafted into the Soviet military and Gorbachev spent four years living in a war-torn country and considered himself lucky to have survived that horrific conflict.

After the war, Gorbachev's father continued his work as a combine harvester operator with his mother also laboring in the fields. The razor-sharp young Gorbachev was an excellent student in school during the day and worked hard helping his father with the harvester after school and during the summers. At age 14, Gorbachev joined the Communist League of Youth and became an active member.

Gorbachev's restless inquisitive spirit compelled him to break free from the limitations of a rural backwater and he went for broke, applying to none other than the prestigious Moscow State University where he was accepted in 1950. He studied law as well as pursuing an interest which was to prove fateful for his stellar political career, for it was here that Gorbachev perfected his speaking and debating skills. Also at college Gorbachev met another student, Raisa Titorenko, who was to be the great love and support of his life.

He graduated in 1955 with a degree in law. While he was at the university, he joined the Communist Party of the Soviet Union and soon became very active within it. His relentless rise to the summit now began in earnest.

Crucially, Gorbachev was in the right place at the right time, attending the important twenty-second Party Congress in October 1961. Gorbachev made vital connections here and was promoted to a senior agricultural post in 1963, after which he worked hard to gain advanced tertiary qualifications in agriculture by correspondence. Important party members now recognised that his star was on the rise.



In 1970, he became one of the youngest provincial party chiefs in the nation, after which he helped reorganise the collective farms, improve workers' living conditions, expand the size of their private plots, and give them a greater voice in planning.

His achievements were now under closer scrutiny by party powerbrokers, and Gorbachev was soon made a member of the Communist Party Central Committee in 1971. Three years later, in 1974, he was made a Deputy to the Supreme Soviet of the Soviet Union and Chairman of the Standing Commission on Youth Affairs. He was subsequently appointed to the Central Committee's Secretariat for Agriculture in 1978 and in the following year was promoted to the Politburo, the highest authority in the country, receiving full membership in 1980.

What were the special qualities which catapulted someone from such an underprivileged background into the stratosphere of the Soviet hierarchy, at a time when the Soviet Union rivaled the USA for world domination?

One factor was undoubtedly the rare (within the Soviet Union) set of opportunities to travel abroad, profoundly affecting his political and social views in the future as leader of the country.

Rather than being brainwashed by ubiquitous Soviet propaganda, Gorbachev's childhood experiences had convinced him that the system needed profound restructuring. Gorbachev learned that he had to make some hard and unpopular decisions when he had the power to make them stick, such as his

restriction on the manufacture and distribution of alcohol, especially vodka.

From the early 1980s, his rise seemed unstoppable. Within three years of the deaths of Soviet leaders Leonid Brezhnev, Yuri Andropov and Konstantin Chernenko, Gorbachev was elected General Secretary by the Politburo in 1985. At the summit of the Politburo, he was its youngest member at only 54 years old in an institution that had been dominated by old military men.

Strongly believing that the Soviet Union needed massive liberalization in order to revitalize both the Soviet economy and society, Gorbachev immediately began implementing reforms and paved the way by getting rid of the worst of the Old Guard.

He initiated his new policy of *perestroika* (literally 'restructuring') and its attendant radical reforms in 1986 in an attempt to overcome the economic stagnation by creating a dependable and effective mechanism for accelerating economic and social progress. According to Gorbachev, *perestroika* was the "conference of development of democracy, socialist self-government, encouragement of initiative and creative endeavor, improved order and discipline, more *glasnost* (freedom), criticism and self-criticism in all spheres of our society. It is utmost respect for the individual and consideration for personal dignity." Nice idea, Gorby, but it never took off as intended.

Gorbachev's other big idea was the aforementioned *glasnost* in 1988, which gave new freedoms to the Soviet people, including greater freedom of speech. This was a radical change, as control of speech and suppression of government criticism had previously been a central part of the Soviet system.

Let's cut to the chase – how much geoist insight did Gorbachev possess? Well, although he's got the geoist gig in our journal, it must be said that he never really 'saw the cat', despite a few select quotations that might indicate otherwise.

He was, it should be said, prepared to make a few hard economic decisions. His primary goal as General Secretary was to revive the Soviet economy after the stagnant Brezhnev years. In 1985 he announced that the Soviet economy was stalled and that reorganization was needed, but it lacked geoist vision and was long on motherhood statements about technological solutions but short on actual economic reform. The Law on Cooperatives, enacted in 1988, was perhaps the most radical of the economic reforms during the early part of the

Gorbachev era. For the first time since Lenin's day, the law permitted private ownership of businesses in the services, manufacturing, and foreign-trade sectors.

Amongst all the other uncoordinated political and bureaucratic reforms set in motion, chaos took hold and the economic policy of Gorbachev's government gradually brought the country close to disaster. By the end of the 1980s, severe shortages of basic food supplies led to the reintroduction of the war-time system of distribution using food cards that limited each citizen to a certain amount of product per month.

Gorbachev had introduced policies with the intention of establishing a limited market economy by encouraging the private ownership of some areas of Soviet industry and agriculture. However, the still-cumbersome Soviet authoritarian structures ensured these reforms were ineffective and the shortages of goods available in shops grew worse. The goal of *perestroika*, however, was not so much to end the command economy but rather to make socialism work more efficiently to better meet the needs of Soviet consumers. The elimination of central control over production decisions, especially in the consumer goods sector, led to the breakdown in traditional supply-demand relationships without contributing to the formation of new ones. Thus, instead of streamlining the system, Gorbachev's decentralization caused new production bottlenecks.

Dark clouds were forming on Russia's horizons as *glasnost* hastened awareness of the national



sovereignty problem. The free flow of information had been so completely suppressed for so long in the Soviet Union that many of the ruling class had all but forgotten that the Soviet Union was an empire conquered through military force and consolidated by the persecution of millions of people, and not a union voluntarily entered into by local populations.

Gorbachev played an active part in these uprisings, although nobody predicted how rapidly they'd explode out of control. Throughout 1989 he had seized every opportunity to voice his support for reformist communists in the Soviet-bloc countries of Eastern Europe and, when communist regimes in those countries collapsed like dominoes late that year, Gorbachev tacitly acquiesced in their fall. As democratically elected, noncommunist governments came to power in East Germany, Poland, Hungary, and Czechoslovakia in late 1989–90, Gorbachev agreed to the phased withdrawal of Soviet troops from those countries.

But amidst this rush of events and upheavals that were becoming chaotic, Gorbachev wasn't watching his back. The Communist hard-liners who had replaced reformers in the government proved undependable allies, and Gorbachev and his family were briefly held under house arrest from August 19 to 21, 1991, during a short-lived coup by the hard-liners. After the coup foundered in the face of staunch resistance by Russian President Boris Yeltsin and other reformers who had risen to power under the democratic reforms, Gorbachev resumed his duties as Soviet president, but his position had by now been irretrievably weakened.

The coup was the end politically for Gorbachev. On 24 August 1991, he advised the Central Committee to dissolve, resigned as General Secretary and disbanded all party units within the government. Shortly afterward, the Supreme Soviet suspended all Party activities on Soviet territory. In effect, Communist rule in the Soviet Union had ended — thus eliminating the only unifying force left in the country.

Entering into an unavoidable alliance with the man holding all the cards, Yeltsin, Gorbachev supported measures to strip the party of its control over the KGB and the armed forces. On Dec. 25, 1991, Gorbachev resigned the presidency of the Soviet Union, which ceased to exist that same day.

As if Gorbachev's life wasn't already that of a tragic Shakespearean character, there was another whole dimension to this saga, and here we must examine Gorbachev's economic understanding, or lack of. Economics, besides a bit of market reform, was

never his focus but when the Soviet Union was collapsing he was the target of the most concerted education attempt by leading geoists in history. This is because Russia was in the unique position of not having privatized its land and natural resources and so reforms could be immeasurably more easily implemented. And if given this chance, Russia's subsequent economic progress could be a shining model for the world.

And so, on the initiative of economist Nicolaus Tideman (leading American geoist who visited Oz a few years ago), 30 prominent economists signed a letter dated November 7, 1990, advising Gorbachev to capture land rent to smooth the transition to a market economy. All but two of the signers were Ph.D. economists and many of them extremely prominent. Three of the signers, Franco Modigliani, Robert Solow and James Tobin (of Tobin Tax fame), had been awarded the Nobel Prize in Economics. One other signer, William Vickrey (noted geoist), was subsequently awarded that prize. Other signatories included leading American geoists Mason Gaffney, Lowell Harriss and Ted Gwartney.

Here are a few choice quotes from this brilliant open letter:

*"But there is a danger that you will adopt features of our economies that keep us from being as prosperous as we might be. In particular, there is a danger that you may follow us in allowing most of the rent of land to be collected privately.*

*It is important that the rent of land be retained as a source of government revenue. While the governments of developed nations with market economies collect some of the rent of land in taxes, they do not collect nearly as much as they could, and they therefore make unnecessarily great use of taxes that impede their economies - taxes on such things as incomes, sales and the value of capital.*

*All citizens have equal claims on the component of land value that arises from nature.*

*A public revenue system should strive to collect as much of the rent of land as possible, allocating the part of rent derived from nature to all citizens equally, and the part derived from public services to the governmental units that provide those services.*

*A balance should be kept between allowing the managers of property to retain value derived from their own efforts to maintain and improve property, and securing for public use the naturally inherent and socially created value of land."*

Yet this A-team of geoists who did their best to lobby Gorbachev's economic advisors were overwhelmed by a massively-bankrolled neoclassical push from Western interests to privatize Russia's natural resources, including land. Gorbachev didn't so much act, but failed to act in the short time he had before his downfall. After this, Boris Yeltsin presided over perhaps the biggest giveaway of natural resources in the world's history – the monumental disaster that is Russia today is the direct outcome of neoclassical economics prevailing.

Let's extend some understanding and forgiveness towards a man who basically meant well – no-one could deny that he was distracted by cataclysmic events. Perhaps he will be remembered for another set of achievements that is undeniably magnificent. Mikhail Gorbachev brought much peace to a world badly in need of it.

In contrast to his controversial domestic reforms, Gorbachev was largely hailed in the West for his 'new thinking' in foreign affairs. During his tenure, he sought to improve relations and trade with the West by reducing Cold War tensions. He established close relationships with several Western leaders, such as Helmut Kohl, Ronald Reagan, and Margaret Thatcher who famously remarked, "I like Mr. Gorbachev; we can do business together."

In 1985 that Gorbachev announced the suspension of the deployment of SS-20s missiles in Europe as a move towards resolving intermediate-range nuclear weapons issues. Later that year he proposed that the Soviets and Americans both cut their nuclear arsenals in half. The next year Gorbachev made his boldest international move so far, when he announced his proposal for the elimination of intermediate-range nuclear weapons in Europe and his strategy for eliminating all nuclear weapons by the year 2000.

But it was in 1989 that one of the defining moments of the 20th century occurred, when East Germans were suddenly allowed to cross through the Berlin Wall into West Berlin, following a peaceful protest against the country's dictatorial administration.

Rather than resorting to the usual Russian military crackdown, Gorbachev stated that German reunification was an internal German matter.

In recognition of his outstanding services as a great reformer and world political leader, who greatly contributed in changing for the better the very nature of world development, Gorbachev was awarded the Nobel Peace Prize in October 1990.

Gorbachev's subsequent years have been a complete anti-climax – perhaps even sad and a bit pathetic. After his resignation and the dissolution of the Soviet Union, Gorbachev did try to remain active in Russian politics but all attempts were flops. During the early years of the post-Soviet era, he expressed criticism at the reforms carried out by Russian president Boris Yeltsin – as well might anyone witnessing the great fire sale of Russian natural resources!

Following a failed run for the presidency in 1996, Gorbachev established the Social Democratic Party of Russia, a union between several Russian social democratic parties but resigned as party leader in 2004 after internal bickering. In any case, it was a dud party that was shunned by a nationalistic Russia yearning for its empire back. Gorbachev subsequently tried and failed to get 2 other parties off the ground, but he should have seen that he'd run his political race and it was time to do the retired statesman act.

Gorbachev, our little journal salutes you as a world leader who made important political reforms, even if they spiraled out of control. But that letter, Gorby, that letter!? Did that powerful geoist letter giving you the keys to Russian prosperity ever get plonked on your desk? I suspect that some evil neoclassical villain gave orders that the letter be intercepted and destroyed, and that this villain at this very moment is sitting in a darkened room slowly stroking a white cat.

*Next issue: Australian jurist, royal commissioner, historian and legal scholar, Rae Else-Mitchell*