

95%: TAX PLAN NOW BEING DRAFTED FOR RUSSIA

PRESIDENT Boris Yeltsin is coming under increasing pressure to consider the adoption of a new strategy for public finance.

Pyotr Filippov, head of the President's Analytical Centre for Social and Economic Reform, has pulled together a team of Moscow officials to draft a law which will be submitted to the newly-elected Duma.

That bill will call for the collection of the rent of land, paving the way for a drastic reduction in taxes on wages and profits.

Mr. Filippov, who was chairman of the Privatisation sub-committee of the previous parliament (which the president closed down, with the aid of tanks) is determined to promote the rent policy. But he is also convinced that, to overcome bureaucratic control over land, it is necessary to give "private ownership" rights to the possessors of land.

Aware of the historical problems of "landowners" agreeing to fund the needs of the community out of the rent of land, I asked Filippov: what proportion of the annual rent was he seeking to capture for the public's benefit. He replied without hesitation: "95%!"

The commitment came after a tax-reform conference on December 18, which was co-organised by Filippov's think-tank and the London-based Centre for Incentive Taxation. During his speech, the bearded Mr Filippov said that the most important task facing Russia was reform of taxation and the budget. He attacked the right-wing nationalist leader, Vladimir Zhirinovskiy - whose party, the "Social Democrats", had won more votes than the president's supporters during the October election - as offering no more than slogans. And, he insisted, a pivotal policy for the new Duma was the introduction of rental payments for land.

LAND & LIBERTY

Mr Filippov told his audience of law-makers and government officials that ideas about the land rent as public revenue were widespread in Russia at the beginning of the century, following the influence of Henry George. "The ideas were not developed and applied properly," he declared, "because there existed a social class that was not interested in implementing

THE LONDON based Centre for Incentive Taxation - backed by The Russian Fund, money voluntarily donated by Georgists worldwide who are determined to enable Russia to explore the rent policy as a serious option - is now assembling a team of experts to work with Russian academicians to prepare a report on tax reform for the Duma (Parliament). Said CIT director Fred Harrison:

"Prime Minister Chernomyrdin has told specialists in the Academy of Sciences that they should ignore western solutions, and come up with a home-grown policy. At present, now that the Chicago monetarists like Yegor Gaidar have thrown in the towel, the Russian government has no coherent reform strategy. The rent strategy is a natural one for Russia, and we will provide all the expertise necessary to deepen understanding of the policy."

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the policy. They have their representatives in congresses and parliaments and they are able to influence the decisions and to resist the implementation of the idea. Only some small countries managed to implement the idea, including Hong Kong and Jamaica. Russia has the unique situation," he said, and he emphasised the need to pursue non-traditional approaches to public policy.

DOUBLE ISSUE

Mr. Filippov drew attention to the fact that three Nobel prize-winning economists were among western experts who had recommended rent-as-public-revenue to Mikhail Gorbachev. Mr. Filippov reproduced the Gorbachev letter in one of the bulletins published by The President's Analytical Centre.

The rent policy, he said - echoing an analysis contained in one of CIT's Russian pamphlets - could be considered as a strategic move forward for a market-based economy.

A representative from the tax collection authority in Moscow said they opposed a reform of the tax system. He argued that "if we introduce the land tax, we will be bankrupt". Inflation, he insisted, was a more pressing problem. And he stressed the need to use taxes that were easy to collect.

I took the opportunity of pointing out to the audience that they should be talking about a revenue-raising policy that was most convenient for the people who paid, and ought not to be searching for policies that made life easy for the taxman.

TO ADVANCE the rent policy, Mr Filippov has formed a working group to frame a coherent policy and strategy for enlisting the support of both the federal government and the Duma.

His efforts are supported by the deputy minister for economics, who said it was important to discover the link between inflation and tax policy, "because so far there are contradictions between these two things".

Valeri Norkin, a senior consultant to the Moscow City Council, said that the council had been criticised for raising the rents of apartments, but he insisted that "at the same time people would be happy if rents remained with the community".

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