

RUSSIA FOR THE NEW LAND BARONS?

THE COLD WAR may be over, but a *new* war is now being waged against Russia. The stakes are high: the land and natural resources of the largest unprivatised territory in the world, is ripe for the Last - and Biggest - Land Rush in history.

Employing blunt instruments, Western governments and their financial agents are trying to force the Yeltsin government to privatise land. Their companions in this ideological war include western investors, whose threat is a simple one: without the freehold title to land, they will not invest technology and hard currency.

The argument that the investors need the security of freehold title to land is spurious - not a single investor in Hong Kong owns the freehold of the sites on which his skyscrapers are erected!

Not deterred by the facts, Sweden's land use office has even announced that it is preparing a law for land privatisation, because the existing land-use system in Russia is anarchic - a curious criticism, given the chaos in western land markets!

So will a new breed of land barons move in on Russia? Not if the civic leaders of towns like the once top secret Sasnoviy Bor (pop: 63,000) have anything to do with it.

NOT SO LONG AGO I would have been shot for pointing my camera at the atomic power station in Sasnoviy Bor, which celebrates its 20th anniversary next year.

As Soviet towns go, it is an attractive settlement, located on sand-and-pine an hour's train ride west of St. Petersburg, along the Gulf of Finland.

Last May, responding to President Yeltsin's decree, the city council decided to sell freehold titles to its land. Then Victor Barov, a council official, attended a seminar addressed by

advocates of the philosophy of American social reformer Henry George. They outlined the dynamic benefits associated with the abolition of all taxes and using land-rents to finance government services.

Barov briefed his council, which immediately decided to reverse its privatisation policy. In future, land leases can be bought, with an annual rent payable to the town. But there are problems in the way of this strategy, not least the development of a market which can accurately measure the value of sites. It is, however, only a matter of time before the market prices are established.

SASNOVIYBOR is suffering the grief felt by most towns in Russia today. Most of the postwar towns were built around a single factory or the exploitation of a natural resource. In Sasnoviy

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Bor's case, 60% of employment is in, or associated with, the atomic power station.

With a fragile ecological hinterland that is not suitable for agriculture, the only other money-spinner that can be nurtured is a lively construction industry, which the town plans to break up and privatise.

Some privately owned single-family houses are already under construction: next year the home-owners will acquire leases to the sites, and pay rent to the council.

Meanwhile, however, how can the council plan for the future? It is peering into a dark void. Its budget is 900m roubles, and the town generates an income of 12bn roubles, but analysing the existing statistics would

be meaningless.

This year, for the first time, enterprises were obliged by federal law to pay a land tax. The council undertook a crude valuation of the land, and hopes to raise 25m roubles (though some of the bosses of land-rich state enterprises are telling the council to ask Moscow for the money!). Next year, if the same tax applies, the council hopes to raise 50m roubles.

The council regards Yeltsin's land tax as low, and it wants to shift to a system under which enterprises pay rent for the land they occupy, under the terms of the leases which are being prepared. Land is not in short supply: vacant sites are available for firms that want to locate in the town.

ECOLOGY is uppermost in the minds of the citizens of Sasnoviy Bor. They want their town to be sanctioned by the federal government as the centre of an eco-polis, supported by a Georgist tax structure to attract job-creating firms.

But would the rental income generated in the area be sufficient to finance the town's needs? Would this socialised-rent strategy support an environment-friendly policy? More questions than definitive answers: we had to explain to Mayor Valeriy Nekrasov that economists had betrayed the market economies, for such questions could not even be adequately answered in the West. For now, he had to accept on good faith that the proportion of income mopped up by the land market in the form of rent would, indeed, be sufficient to pay for necessary social services.

The mayor found this reassuring, and he made it clear that they would continue with Georgist ideas for evolving the social and economic infrastructure of the town.