

LAND and LIBERTY

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FRONT PAGE PORTRAIT: Social reformer Henry George (1839-97), whose philosophy offers the most comprehensive solutions to contemporary global problems.

Time to trust your people

THE economies in what used to be the USSR are in a shambles. No amount of western aid will rescue their industries until they understand the processes of the market.

This is poignantly illustrated in the countryside, where food-production appears to be in a terminal condition of sclerosis.

The politicians — and their advisers — still think that, to kick-start activity, the peasants need a pile of money. It is at this point that hands are thrown in the air: for most peasants have not been able to accumulate their own capital.

Not having savings in the bank does make it impossible for farmers to buy land (or purchase long leases). But the view that this is a problem reveals that the Soviets still have a long way to go in understanding the nature of the problem before them.

Having money in the bank is not a necessary condition for energizing the economy. That they continue to think that it is a first step, indicates that they have not yet plumbed the significance of the Law of Rent.

WE HAVE proposed that, in the Soviet Union, the allocation of land should be determined by how much rent users are willing to offer.

In the absence of prices (market signals) auctions would alert the state and its agencies (which possess the land) about the expectations and abilities of prospective users.

The rent that prospective users would offer the community would not have to be paid in advance; it would be generated out of each year's production — the true economic surplus from the labour of the workers after their occupation of the land.

It is true that, in the West, people are prevented from obtaining land

because they do not have money to buy the rights of occupation. But that obstacle need not be of any relevance in the Soviet Union, which could establish a rational system in which new users of land were not penalised for not having money in the bank.

The deciding factor should be ABILITY. If prospective users believed that they are best qualified to put land to good use, they would offer the highest rents — money that they would pay to the community AFTER they had sold their produce in the markets.

NOTHING will happen until a "market" in land is created. This is an unavoidable issue, and the Soviet economy will continue to be depressed until this fundamental step is taken.

The controversy is about the nature and structure of the market. Western economists continue to fail to supply the correct advice.

Given the problems, the only solution, one that can resolve the difficulties quickly, and with the minimum of disruption and the maximum of benefits, is based on the competitive bidding of rents.

The erstwhile Soviets are having difficulty grasping the implications of our model because they are still locked into the old error of thinking that people's wages are paid out of capital.

In fact, as Henry George argued, people — if free — produce their own wages out of current activity. So there is no need to worry about past difficulties: free the people, and they will get on with the job of generating wages — and rent.

That is the challenge for the East European republics: will their leaders now realise that, if they create the conditions of freedom, the people can be trusted to generate the incomes that they — and their communities — need?

COMMENT by the Editor

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