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RUSSIAN LESSONS

To find a fully civilized people we must find a people among whom exchange or trade is absolutely free, and has reached the fullest development to which human desires can carry it. There is, as yet, unfortunately, no such people.—*The Science of Political Economy*, by Henry George, Book I, Chap. V.

Why should not civilized men rifle the products of farm or mine or mill as soon as they appear? . . . It needs no economist to tell us that if in any country the products of a living civilization were treated as the Bedouins treat the products of a dead civilization, the swift result would be fatal to that civilization—would be poverty, famine and death to the people individually and collectively. This result would come utterly irrespective of human law. . . . The moment producers saw that what they produced might be taken from them without their consent, production would cease and starvation begin. . . . As to pierce the heart and divert the blood that has been produced from the natural course of its distribution is to bring about the death of the physical organism most swiftly and certainly, so to interfere with the natural laws of the distribution of wealth is to bring about a like death of the social organism. If we seek for the reason of ruined cities and dead civilizations we shall find it in this.—*Ibid*, Book IV., Chap. II.

Since the Revolution in 1917, Russia has passed through stages of trial and error with the present organization of its industrial life as the result. The land and all natural resources are the declared property of the State; all manufactures are owned and operated by the State; all houses are State owned with the exception of peasant homes and the house that one may own as a contributor to a co-operative housing scheme, although never sell for more than he has contributed in payment. Trade is wholly in the hands of the State, excepting that peasants have free disposal in the open market of the produce remaining after the State has taken its requisitions and paid a fixed but nominal price. This in brief is the economic structure as it stands to-day. The living standards it supports are very lowly. Far from prosperity or abundance, the impression of city life is one of general scarcity and privation in the matter of food and clothing—not the poverty that appals in countries outside Russia by its contrast with plenty, which points to a gross and remediable injustice in the distribution of wealth—but a state of want that all alike seem to share. The newly arrived visitor who gets that impression is however reassured by the more experienced traveller or by his Intourist guide-interpreter (if he cannot speak with other Russians) that there has been a vast improvement in living standards in recent years and that, at any rate, "conditions are infinitely better now than they were under Czardom."

The first act of the new Bolshevik Government was to declare all land, forests, waters and the wealth hidden in the bowels of the earth to be the property of the State. But this decree, so distinctive and so fundamental for the future building of society, did not stand alone. The livestock belonging to landlords and richer

peasants was confiscated and divided. Factories and industrial plants were nationalized. The gains from trade and exchange were treated as banditry. So started the fatal confusion between property in land and property in things which is responsible for the calamities that have come upon Russia since. The country is governed in effect by a body of doctrine which, never mind by what "ism" it may be described, has changed from time to time as it came in conflict with elemental human impulses and the working of the moral law. The lesson has been learned only to be forgotten and taught again. The State turned upon the peasants and by military expeditions sought to enforce the delivery of corn. The bread war continuing till 1921 ravaged the country with more ruin in its train than had the counter-revolutionary armies who, with the shameful aid of the Allies, had sought to put Russia again under the yoke of landlordism.

It was as a result of State action confiscating crops and other produce for the feeding of the towns that the peasants brought agriculture to a standstill and famine stalked the land. The situation was saved in 1921 by Lenin's famous New Economic Policy legalizing private enterprise and private trading. Three years after, Russia had more of food and other commodities than it has had since. The general prosperity it brought about enriched some few more than others and the "nepmen" in the towns as well as the "kulaks" in the villages were treated as the worst enemies of the State, regardless of the possibility that they had become comparatively wealthy not from trade and commerce as such, but from the advantages they enjoyed as occupants of land in favoured situations. Instead of appropriating the rent that so naturally arose, the Government decided to smash the whole system of private enterprise, and smashed it was to the utter ruin of all who had engaged in it. That was after the death of Lenin in 1924, and whether Lenin would have acted so swiftly and remorselessly in destroying the New Economic Policy after it had been a means to an end, as his successors acted, is open to question.

In 1928 the Five-Year Plan took the stage. It was more than a boldly conceived policy of creating large-scale manufacture and the building of vast State enterprises, planning and speeding up industrial output. It aimed at the socializing of all industry and agriculture and "liquidation" of all so-called capitalist and bourgeois elements including the last remnants of private trading. The peasants had to be persuaded, impelled or driven into large collective farms, giving up and merging their separate holdings with their primitive methods, and cultivating the land instead with the tractors and modern machinery which the new State factories were turning out as fast as possible. The gruesome events that accompanied this process of changing the face of Russian agriculture, especially in the uprooting of the "kulak" or comparatively well-to-do peasant (by a very modest standard of well-being), is the theme of much that has been written about Russia in later days. What belongs more to this story is the attempt of the Government again to come down on the peasants, whether collectivized or still independent, for arbitrary requisitions of corn and other produce. Again the peasants responded by stopping production and Russia experienced the frightful famine of 1932-33, not the result of natural blight or drought, but the result of robbing the labourer of the fruits of his labour.

It is little wonder that to-day the whole of Russia is on rations and that visitors remark the queues at the food shops, although it may be true enough that the immense concentration upon the ambitious engineering and other projects has contributed to the present shortage of consumable goods. But in 1927 there were no food

cards, nor the rationing that has set up the two scales of prices for most of the necessities of life.

The methods of obtaining supplies from the peasants have since 1933 been amended and the change is significant. The share of the produce delivered to the State is now definitely fixed at a given amount per hectare being an average for each district, and the amount varies district by district according to the varying productiveness of the land. The State pays a nominal price for these deliveries and thus in effect imposes a tax in kind. However imperfect the assessment to this contribution may yet be, it is the beginning of the realization that there is every virtue in taxing rent and none in taxing wages. The new decrees further prohibit very emphatically any other requisitions; and after payment of this tax and other dues, the cultivators are assured that the rest of the produce belongs to them for free disposal and sale in the open market. Thus again, out of trial and error, and meanwhile to that extent private trading has been legalized. The right of property in the products of labour has been restored, providing the stimulus now seen to be so desirable for ensuring the continued production of wealth.

There are other lessons to be learned. The idea that all wages should be equal was abandoned in the days of the New Economic Policy. It was resumed again with the Five-Year Plan and later abandoned with emphatic denunciation of Stalin himself, who pointed to its absurdity, throwing a veritable bombshell at the doctrine. The visitor to-day to a factory like the great hosiery mill in Leningrad will discover, on inquiry, that wages range from 80 roubles to 800 roubles a month; or visiting one of the large factory kitchens like those in Moscow, he will see workers segregated in three groups, the ordinary workers, having one kind of meal, the "shock brigaders" who set the pace in the factory, served with a better meal, and the technicians and experts placed apart with superior service still. Factory managements contribute to the prices of these better meals. Here is differentiation in another form not expressed in different money wages paid, but in various prerogatives handed to the trusty and diligent man, such as title to bigger rations of the price-controlled commodities, or for the shock brigaders their reserved seats in the theatres.

The State derives its revenue from the "turn-over tax," the name that is given in the budget to the profits of the State enterprises, from the graduated personal income tax, and among other sources from the special agricultural tax on the collectives measured in so many roubles per hectare and roughly taking into account the different productivity of the land in different regions. That last-named tax has undergone several changes while the powers that be have thus groped toward some appreciation of the law of rent in the same manner as they have adjudged the amount of corn which the peasants have to deliver at a fixed price.

But in the main we see a revenue derived from pure State monopoly with selling prices arbitrarily fixed at one end and wages arbitrarily fixed at the other. The profit made on the goods sold at market prices as fixed by the State may be three to five times as much as the profit made on the minimum prices at which goods can be bought with the help of the ration card. The price policy and the rationing system taken together constitute a rigorous system of indirect taxation, the consumer being heavily hit when his purchases exceed the quantity allotted on the ration card, while those consumers who in their misfortune are given no ration cards at all are subject to the heaviest taxation. In the matter of municipal finances, the local budget is made up partly by State subventions out of the proceeds of income tax and "turn-over tax" collected in the district, and partly

from the profits of municipal undertakings. In Leningrad and Moscow, for example, a very large proportion of the revenues is contributed by the street tramways, making the users of the trams the taxpayers of the city. Those who must make most use of the service because of distance between dwelling and workshop pay most. Others who live near their work and usual places of amusement are freed both from the weariness of travel and the burden of the tax. In effect the tramways so run for exacting profits are a disguised means of obliging one class of citizens to make a present to another class of what is equivalent to the rent of land. It is a practice familiar enough in cities outside Russia, where also the principles connecting the land question with taxation and the public revenue should be better understood.

Quite another feature of the Russian picture and that which is most observed is the immense effort directed to the building of new factories and houses and other construction, like the new underground railway in Moscow. The first Five-Year-Plan concentrated upon capital investment in the so-called heavy industries, and with an equal military tempo the second Five-Year-Plan is now taking care of the light industries for multiplying the production of goods to be consumed. At the base of all this expansion is the fact that no landlord barriers stand in the way, such as would hold up or penalize all such schemes in other countries where to the owner the price of land must first be paid. One of the most instructive documents met with in a study of Russian conditions is the pamphlet on the "Reconstruction of Moscow," by M. Kaganovich, the Chairman of the Moscow Soviet. It deals with the practical problems of city administration, water supply, drainage, housing, transport, etc., and in regard to town planning this paragraph occurs:—

"It should be said that the old City Duma attempted to plan and re-arrange the city. But nothing came of it, firstly because of the limited outlook and scope of the work of the Duma itself and, secondly, because it came into conflict with the owners over ever petty little site. The Duma desires to widen a street, but the private landowner will not permit it; and every dispute was submitted for the decision of His Majesty the Czar. The revolution has put an end to those obstacles. We are able to plan and re-arrange a city as we please in accordance with the given economic situation."

Here is the keynote to the Russian situation and the whole promise of the new State that is being built up. "We have put an end to those obstacles." It is an enormous fact. The question is what course future development will take and what will be built on the secure foundation of the public right to land. Already there is recognition in a tentative way of two great principles. One is that individuals owe some return to society for the occupation of specially productive land, as is witnessed by the varying assessment of the agricultural tax according to varying fertility; the other is that society is not robbed if the producer is rewarded in proportion to his individual contribution in the production of wealth. Economic laws more imperious than the most absolute dictatorship compel obedience, and if Russia is going the road of that evolution, its people are destined to lead the world.

A. W. M.

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