

Land problem to remain big thorn in side of 'new' Russia

By DAVID REDFEARN

•This analysis is based on extracts from TOLSTOY, a book to be published by Shephard-Walwyn Ltd. In the final decades of his life, Leo Tolstoy campaigned vigorously for the adoption of land-value taxation in Russia.

TO APPRECIATE the scope and significance of the changes now in progress in the U.S.S.R., it is necessary first to form a general impression of how exploitation was achieved under one-party government in the unreformed socialist State. Our witnesses are Mikhail Gorbachev, President of the Soviet Union, and Konstantin Simis, a barrister forced to emigrate on account of his too enthusiastic defence of political offenders. Let Gorbachev have the first word:

"Many Party organizations in the regions were unable to uphold principles or to attack with determination bad tendencies, slack attitudes, the practice of covering up for one another and lax discipline. More often than not, the principles of equality among Party members were violated. Many Party members in leading posts stood beyond control and criticism, which led to failures in work and to serious malpractices.

At some administrative levels there emerged a disrespect for the law and encouragement of eyewash and bribery, servility and glorification. Working people were justly indignant at the behaviour of people who, enjoying trust and responsibility, abused power, suppressed criticism, *made fortunes* and, in some cases, even became accomplices in - if not organizers of - criminal acts¹.

Simis' description of the way of life of the ruling *élite* is one of people living in a world apart. Their housing, naturally of superior quality, was, he wrote, isolated from that of the common people. Their salaries could be as much as 30 times the official minimum, which the average for manual and office workers failed even to equal. Their salaries, however, were no measure of their actual standard of living; for their needs were catered for in the Kremlin stores, inaccessible to others, and much of their purchasing was done with vouchers, paid for at about one-third of their face value.

As if all this were not enough, they were entitled to fringe benefits on an ascending scale according to rank, culminating, for *Politburo* members,

in country palaces, lavishly staffed, equipped and provisioned free of charge.

Since, however, an official stood to lose all this if he were to lose his post, there was a standing temptation to use the post for the acquisition of the private and unassailable fortune hinted at by Gorbachev. Here is an extreme example from Simis:

"For several years, agents of Shevarnadze's [sic] Ministry for Internal Affairs shadowed all the leading functionaries in the Party and state *apparatus* of Georgia, as well as their families, and much compromising evidence was gathered. For instance, the trade in the highest posts in the Party and state *apparatus* had become so blatant that an underground millionaire, Babunashvili, was able to order for himself the post of Minister of Light Industry.

"Babunashvili headed an illegal company which produced and marketed fabrics, but his ambition was satisfied neither by his multi-million-rouble income nor by his business activities, and he decided that he wanted to cap his career by combining in himself both sides of Soviet organized crime: by being the corrupter (underground business) and the corrupted (government)"².

Here alone is the potential for considerable resistance to reform. But resistance from these quarters would be negligible compared with that to be expected from what has come to be known as the military-industrial complex. Professor B.P. Pockney of the University of Surrey, in a recent analysis³, has given an estimate of its size and power. The complex comprises over 14 industrial ministries, which produce consumer goods as well as armaments. For example, the tools that make sprinklers for agricultural machines also make parts for bombers.

The military budget for 1991, despite the beginnings of *perestroika* or "reconstruction", rose to 94bn roubles; but this did not include some elements of civilian budgets that were going to be

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devoted to military uses. For example, part of the budget for the Ministry of Railways was to be spent on transporting troops. As a result, somewhere between twenty and forty-five per cent of the national budget is for military purposes.

There are between five and five-and-a-half million men in the Red Army and the K.G.B., and the uniformed forces are supported by somewhere between 20 and 50 million civilian workers. This compares with the U.S.S.R.'s total labour force of 120 million. The Soviet economy, in other words, is on a permanent war footing, with all that this phrase of poignant memory implies for the living standards of the population at large. Professor Pockney's assessment is amply confirmed in a book by Eduard Shevardnadze⁴, well-known as a former liberal-minded Foreign Minister.

What is it that makes possible an effort on this gigantic scale? It is, of course, the very size of the Soviet Union. If each constituent Republic were responsible for collecting and spending its own revenue, none of this would be happening. Such a situation probably represents the present limit of the Republics' ambitions; but a single step in this direction would be enough to sound the alarm bells within the military-industrial complex and the armed forces themselves.

Resistance to *perestroika* from these quarters would be caused, not so much by any change in the economic system, or extension of the political rights of the individual citizen, as by the threat to the Union posed by a new federal treaty that extended the rights of the Republics.

WHAT, first of all, is this *perestroika*?

According to Gorbachev himself⁵, it involves primarily the improvement of the economic situation by the granting of independence and powers of self-financing to hitherto officially controlled enterprises. This is the beginning of the "market economy".

Then there is more *glasnost* or 'openness', coupled with greater involvement of the workers themselves in the production process. In the social sphere, it means more popular participation in government, and increased concern for "the culture of every individual and society as a whole".

Gorbachev's statement of the aims of *perestroika* contains no treatment at length of that controversial subject, the tenure of land; but, when he comes to the question of agriculture, there is a passing indication of his opinion that rent should go into the public revenue:

"Today, we have large collective farms and sovkhozes [state farms] in many agricultural areas. Large work teams, sections and complexes

have been organized. They are somewhat divorced from the land, and this affects end results. Today, we must ensure a more solid and direct connection with the interest of the individual through collective, family and *rental contracts* within the framework of these collective and state farms. Then we will combine the advantages of a large collective economy with the individual's interests. This is exactly what we need. If we act in this way we can make impressive strides in solving the problem of foodstuffs within two or three years."⁶

Practice to date does not appear to have come up to his expectations; for there is evidently a widespread belief, encouraged by western politicians, that the private ownership of land is an essential element in the market economy. Private ownership of agricultural land is in fact being allowed in accordance with a law passed in December 1990 by the Congress of Russian People's Deputies; but it is ownership that is subject to restrictions. The buyer may not sell at all within ten years; and, when ten years are up, he may sell it only to the local Soviet, or council.

This measure, which in no way satisfies Henry George's and Leo Tolstoy's principle that economic rent is the only just source of public revenue, was greeted with enthusiasm by both traditionalists and reformers. Boris Yeltsin, President of the Russian Republic, described it as "historic".

Mikhail Gorbachev, on the other hand, had expressed, firmly but unavailingly, his opposition to any form of private land ownership whatsoever. Now his demand for a nationwide referendum on the subject appears unlikely to be satisfied.

A further threat on similar lines has become apparent in the disorderly fashion in which the transfer of public property to private ownership has been taking place. Luxurious country homes, for example, have been sold to senior officials at bargain prices, presumably land and all. If the buildings alone were sold and the land leased out, there would be no cause for alarm; but, otherwise, the preliminary steps towards a return to pre-1917 conditions have been taken.

Gorbachev has done his best to halt them by means of a presidential decree of the 12th August 1991, setting up a central agency, *Soyuzgosfond*, to regulate the terms of such transfers, and negotiate property claims with the Republics. This work needs to be done according to sound Georgist and Tolstoyan principles.

From one point of view, one would wish Gorbachev to retain whatever power he has left long enough to give land value taxation a start

throughout the Soviet Union. There would be an analogy here with Tolstoy's frustrated hope that the Tsar would use his despotic authority to introduce it, and then abdicate. On the other hand, Tolstoy would also have been pleased to see the first steps taken towards the dismemberment of the latest version of the Russian Empire. The two aims may not be immediately compatible.

With so much on Gorbachev's mind, it is hardly surprising that, when he delivered his televised New Year's address for 1991, he should have shown some weariness in admitting that: "1990 has been a year of difficult and important decisions - about ownership, power and land".

WORSE was to follow on the afternoon of Sunday the 18th August, when a group of eight emissaries from Moscow called on him at his holiday home in the Crimea to announce that there had been a *coup d'état*, and that he had been deposed and was under house-arrest.

The main instigators of the *coup* were Yazov, representing the army; Kryuchkov of the K.G.B.; Pugo of the Ministry of the Interior; Pavlov, Prime Minister and head of the bureaucracy; Baklanov of the military-industrial complex; Tizyakov of the immense state industries; 'farmer' Starodubtsev; and Gennadi Yanayev, representing no vested interest in particular, but chosen as a figure-head simply because Gorbachev had been ill-advised enough to choose him as his Vice-President.

Otherwise, it was a representative collection of men attached to those very organisations that have already been pointed out as under particular threat from the reformers. They miscalculated in two important respects.

In the first place, they had no attractive alterna-

tive to the future towards which the reforms were tending, but only a vague idea of returning to the familiar conditions of the past, which had suited them well enough, but left the majority out in the cold. As Gorbachev himself warned his captors: 'Look ahead', he said, "look two, three, four steps ahead". They had done nothing of the kind, and as a consequence had no conception of the popular opposition they were likely to meet.

Boris Yeltsin, President of the Russian Republic, formed a more just estimate of the temper of his people, when, learning of the movement of hundreds of tanks in the direction of the massively-constructed White House, headquarters of the Russian Parliament, he decided on passive resistance. A crowd of the order of 200,000 gathered to surround the threatened symbol of the new order, and up went the barricades. Yeltsin himself, with his confident bearing and a voice that needed help from no loud-hailer, called on the military not to fire on their own compatriots. This was where the junta had made their second miscalculation. Did they think they could carry out a repetition of the massacre at the Winter Palace in 1905?

Three young men were killed, more by accident than design, and became in the process Heroes of the Soviet Union; but senior army officers decided to obey Yeltsin rather than the junta, and began to withdraw their troops from the city. It was the beginning of the end. On Wednesday, August 21st, Kryuchkov telephoned one of Yeltsin's aides to tell him that there would be no attack; and a delegation was soon on its way to bring Gorbachev back from the Crimea.

The immediate consequences of the unsuccessful *coup* have been Gorbachev's resignation as General Secretary of the Communist Party of the Soviet Union, the confiscation of all its property, and the banning of its activities in the armed forces, the K.G.B., and all other law enforcement agencies. Seventy-five years of one-party rule have come to a decisive end.

Even more significantly, six of the fifteen Republics declared their intention to leave the Union. Not surprisingly, three of them are the Baltic countries of Estonia, Latvia and Lithuania; but none of these has the economic importance of the seceding Ukraine, the Union's granary.

The problem of this and other such specially endowed Republics calls for a solution in the way of a sharing of economic rent between the members of whatever form of federation is agreed on. The advice of the American Georgist team that has recently visited the U.S.S.R. could prove decisive here, if the relationship they have established with the Soviet authorities is maintained.

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