

LAND LAW: YELTSIN IS A HOSTAGE

THE FUTURE of Russia will be settled in the next 12 months, and that future will turn on what happens with the land. Politicians and intellectuals are confused, for the IMF and the World Bank are urging them to privatise. But their gut instincts tell them to keep land in state ownership.

The new wave of politicians in St. Petersburg frankly acknowledge their social and economic problems, which are visible in the sewerage-filled rivers and in streets designed to test the springs of tractors. This city is run down even by New York standards. But the leaders don't know what to do about it.



BORIS YELTSIN

"Privatisation" keeps the politicians awake at night, and radicals churn out pamphlets warning of the perils of private property without offering an alternative approach. The debate has been sharpened by Presi-

dent Boris Yeltsin's decree that the freehold of land should be sold. But city politicians know that their president is an ideological hostage of western bankers, because he needs dollars to bail out the collapsing economy.

City governments, therefore, face a dilemma: does a decree signed by the president supercede the law of Russia, which states that land is a social asset?

The gut feeling that land should not be privatised is supported by just one coherent alternative philosophy, imported into Russia by the advocates of Henry George, the American land reformer who had an ardent fan in Leo Tolstoy.

George, in *Progress and Poverty* (1879), explained how to set up an efficient market economy while reserving the rent of land to pay for public services. This model would be the perfect solution for Russia, today, but the West favours land privatisation.

I can report, however, that there are signs that the political struggle just might go in favour of the Georgist model.

At a conference organised by the Mayor of St. Petersburg in August, some of the top-level speakers used concepts that were recognisably Georgist. Key officials of the Research and Design Institute of Urbanism realise that western entrepreneurs could locate their investments on land leased from the state.

Progress towards a land-value tax

solution is beginning to move fast here in St. Petersburg. I return on Sept. 21 with US land assessor Ted Gwartney and Fred Harrison of the London-based Centre for Incentive Taxation to help the Institute of Urbanism to establish a course on land valuation. This means that St. Petersburg is establishing the tax-and-tenure infrastructure for leasing land to users in return for rental income, similar to what happens in Hong Kong.

In charge of the new course will be Tamara Chistyakova, director of Ecograd, a research centre within the Institute of Urbanism. She impressed me with her dynamism and awareness of the case for land-value taxation. I therefore have great hopes that St. Petersburg will blaze the trail: the City of Moscow, unfortunately, is hamstrung by interference from Yeltsin's federal government.

Russians are racing against the desperate need to invigorate the economy. St. Petersburg, in attempting to kick-start a market economy, is privatising small businesses - shops, hotels, soap factories: you name it, and it is for sale.

It's a different story with the big enterprises, where workers want to know what is in it for them. When the Berlin Wall came down, the political barriers were dismantled: the West now has the duty to make sure that it does not infect the former Soviet economy with the economic viruses that have destroyed millions of jobs in Europe and North America.

TOLSTOY IN RUSSIAN

DAVID REDFEARN'S new study of Leo Tolstoy as social activist is being translated into Russian. Political activists in Moscow who have read the English edition - published in London by Shephard-Walwyn - were delighted, for David Redfearn (pictured right) argues that Russia would have enjoyed a happier fate if the tsar had accepted Tolstoy's land tax-and-tenure reforms.

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