

Georgist bid to rewrite Russia's Land Code

HORSE TRADING over Russia's Land Code has now started. The Code was rejected by 120 votes to 20 by the Council of the Federation, which represents the regions. It had been passed by the Duma on May 22 and was sent to the Council for a preliminary review on June 25. A panel of lawyers and representatives from the Duma and the Council met to examine the Code. The main political dispute is over whether to permit the buying and selling of farmland. But one of the Deputies, Dr.

Vyachislav Zvolinsky, said that he would insist on a revision of the Code based on the proposals that had been outlined at the May 21 congress which had been organised by the Duma and the London-based Land Policy Council.

Dr. Zvolinsky became angry as he opposed proposals that would privatise the rent of land. He slammed down a three-page critique of the Code, which summarised the benefits of the rent-as-public-revenue, and declared: "I am insisting on this

position."

Dr. Zvolinsky gave a lesson on the benefits of switching public finance to the rent policy. He drew a graph to explain this thesis, which had been presented to the May 21 congress by Dr. Mason Gaffney, professor of economics at the University of California.

The Code is now being referred to a Conciliation Committee composed of six representatives from each of the Duma, Council and the Federal Government.

Land: uniting behind the third way

A GLIMPSE of what is in store for Russia surfaced in a key report to the Habitat conference in Istanbul in June. The United Nations document concluded that structural adjustment programmes imposed by the International Monetary Fund were a main reason for the deterioration in the social fabric of the world's cities. These programmes, which include the privatisation of land and natural resources, have increased poverty, homelessness and unemployment in more than 50 countries that borrowed from the IMF, reports the UN.

At a Duma congress in the Parliamentary Centre, Moscow, on May 21 my colleagues and I issued a similar warning to the Deputies who were about to give the third reading to the Land Code. We analysed the plans to privatise land and natural resources. We believe

these will drive Russia into an economic abyss.

The Land Code was passed on May 22 and has been sent to the Council of Federation. It is not expected to survive criticisms from both the socialists or the pro-IMF faction that backs Boris Yeltsin. Thus, Russia may have one last chance to pull back from the edge.

THERE IS an approach to property rights that guarantees equal treatment for everyone. This is represented by a political philosophy that has always been resisted by the all-powerful landlord class. Past advocates included Leo Tolstoy in Russia, Winston S. Churchill in Britain and Sun Yat-sen, the first president when China turned into a republic. They warned of the risks of property rights to land that excluded the majority of citizens. Their warnings

went unheeded; 1917 was one outcome.

Today, the conventional model of property rights is being foisted on Russia by the West. But the fact that the Land Code took so long to pass through the Duma is testimony to the sound instincts of the Russian people. Their gut feeling is that land is a social asset. But the Yeltsin/IMF axis, which favours the treatment of land as an exclusively private asset, is gaining the upper hand. Why? Because the consequences have not been correctly analysed. Even people who are traditionally hostile to market economics have failed to expose the major flaw in western market economics. For example, former Gosplan boss Yuri Maslukov, chairman of the Duma's economic committee and an adviser to Gennady Zyuganov, complacently stated in an interview with *The Guardian* (London) on June 1: "The

West is not imposing any models of development on us. The IMF has an elaborate group of criteria which it applies to countries like Columbia and Peru in the same way it applies them to Russia”.

Those criteria are not neutral, as Russia will now discover. Moscow will be told to apply the IMF's structural adjustment programme. And that, warned Dr. Michael Hudson on May 21, will produce an even deeper social tragedy. Dr Hudson, who has earned a living as a balance-of-payments analyst for Wall Street institutions, has studied the impact of IMF policies on countries that have fallen into its clutches. He has no doubt that the rouble will now be savagely depreciated, along with the living standards of employees, so that Russia can start to repay its debt to the IMF.

WHY DO WE fear the Land Code? Because it threatens the return to Russia of the landlordism that hamstringing the capitalist economy. For contemporary evidence, we do not have to look further than the financial crises that stretch from the bust of the savings & loans industry in the US (cost to the taxpayer: \$100 bn) to the collapse of the credit unions in Japan (where taxpayers are adopting civil disobedience tactics to prevent the government using their money to pay for the bust of the 1980s “bubble”). *These financial crises were generated by land speculation.*

Russia deserves better. And for historical reasons the best possible market economy *can* be erected in that country. For the Soviet Union removed that exploitative land monopoly which Churchill condemned as “the mother of all monopolies”. The pro-IMF faction in Moscow wants to restore that land monopoly. The pro-communists are no better: they want to prevent land speculation through bureaucratic and legal controls over the use of land, which are equally damaging to the efficiency of an economy in which resources need to be reallocated smoothly, quickly and for the best price that can be achieved in a competitive market..

The third option is one that harnesses the dynamics of the entrepreneurial market, maximises incentives for the individual and enshrines in gold the welfare of the community. This is achieved through *the private possession of land linked to the social sharing of the rent of land*. One benefit: abolition of the taxes on labour and capital which damage private

enterprise.

This unique equation guarantees optimum economic efficiency with social justice. It was the land-and-tax-led strategy for transforming the Soviet economy recommended to Mikhail Gorbachev: 30 American economists and property specialists put their names to the programme. Among them were three Nobel prize winners (Franco Modigliani, James Tobin and Robert Solow). No-one listened.

AT THE May 21 congress, my colleagues warned that they feared the worst if the Land Code was not amended. These are people who are not given to hysterical predictions. Among them are a former US Attorney General (Ramsey Clark), a 15-year-term judge of the English High Court (Sir Kenneth Jupp MC), three American professors of economics (Mason Gaffney, Nic Tideman and Kris Feder), a risk analyst at Fannie Mae, one of the largest US mortgage institutions which lends \$150 billion a year (Ed Dodson) and owners of urban and rural land in Britain (Ron Banks and Dr Duncan Pickard).

But they believe it is still possible to rescue Russia. All it would take is the insertion of one paragraph in the Land Code:

People with rights to exclusive, legal possession of land have a duty to pay an annually assessed Social-Rent Charge for the resources of nature, public services and the locational benefits that give value to land, as determined under market conditions and equal to the economic rent of land.

This clause is justified by the principle that people should pay for the benefits they receive. We adhere to the

principle every day in the labour, capital and consumer markets. But landowners developed power to exempt themselves: hence their ability to accumulate the vast unearned fortunes which have traditionally financed their anti-social behaviour.

By including this principle into the Land Code, three major achievements would flow to the benefit of the people of Russia.

- Economically: by raising the bulk of public revenue from the rent of land, a new market-based development model would emerge. The people of Russia would be free to step outside the ideological prism that blinkers the IMF.
- Ecologically: paying for the use of resources is the single most effective way to encourage people to conserve and preserve the natural habitat.
- Socially: the people of Russia would be united once again behind a strategy for economic and social renewal.

Nicolai Ryskov, a Prime Minister of the Soviet Union during Mikhail Gorbachev's reign as President, opened the May 21 congress. He is now leader of the Power to the People bloc of Deputies in the Duma. Welcoming delegates to the Parliamentary Centre, he said: "The problem is of extreme importance, which is why the Duma approved the conference. Land relations are a vital problem for Russia. In the history of mankind land has always been the most important issue and other problems were directly or indirectly connected with land. "We are rich in land. We can't say God did not give enough land to us. Among the reasons that resulted in the two revolutions of February and October 1917 was the fact that land relations were not solved. "In the opinion of our modern leadership we have to buy and sell land without limitations. But those who are dealing with land have a different opinion. They say that the free buying and selling of land will cause problems in the country, so it is possible to say that society is divided into two parts because of the land problem. "There is not one approach only. The fact that they haven't started to buy and sell land is because there is strong resistance from the population. We do know history, how our former generations were dealing with the land. But of course we would like to know the position of our experts and foreign specialists who have come today." He said that there were different approaches to the land policy in the Duma. While according the most important role to their specialists, he said that it would be silly to neglect an understanding of the foreign experience.