

Answering the Land Question – in the Nick of Time

Most Ukrainians, like all but a well-placed few in the former Soviet nations, are facing dire economic times. A city like Lviv, which managed to retain its stature as a cultural center through the days of Soviet repression and misdirection, feels itself in a tighter spot than ever before. Ukraine's people are worried enough to have replaced Leonid Kravchuk, the popular President under whom Ukraine became independent, with Leonid Kuchma, who advocates closer ties with Russia. Energy has become so expensive (one part of the devastating aftermath of the Chernobyl disaster) that fuel for heating is severely rationed.



Nic Tideman

The economic giants of the West, meanwhile, have been long on advice about the magic of the marketplace, but rather stingy, all in all, with their investment capital. One strong reason for this is the continuing uncertainty regarding the disposition of land ownership in the post-Soviet nations. Prof. Nicolaus Tideman notes the caution with which this question is considered: "Many Russians strongly support the idea that individuals should not own Russian land, because private ownership alienates what ought to be the common heritage.... On the other hand, many others say that only a system that turns land over to individuals... can provide the freedom and economic growth that Russia so desperately needs." A system of land tenure based on public collection of rent, either through a leasehold system or a land value tax, "has the potential to resolve the great controversy that exists now... regarding land relations."

Thus, interest in Georgist economics in Russia, Ukraine, Estonia, *et al* is not a matter of theoretical nicety but practical

need, and those who are spreading the word about it have been pressed to address the fine points of implementation as specifically as they possibly can. This is the task that has been undertaken by Professors Nicolaus Tideman and Steven Cord in many cities throughout Russia – and at the school's seminar on July 18th.

Prof. Tideman's paper is a concise survey of the current state of scholarship regarding the public collection of land rent, specifically addressing the unique economic concerns faced by city governments in the post-Soviet states. It is unambiguous in its recommendations concerning assessment procedures, the legal definition of the rent of land, and the process by which assessments should be adjusted for inflation. It details the sequence by which other taxes may be reduced or eliminated, and discusses the economic effects of such shifts.

Perhaps the single most important aspect of this paper is its steadfast reliance on the forces of the market. Tideman stresses that "There is a good reason to have the greatest possible coverage for the rule that rent will be paid for the use of land... When rent is not paid and the opportunity cost of land is forgotten, there is a strong tendency



Steve Cord

for land to be wasted." Thus, even government agencies should pay rent for the land they occupy, so that the community can have the clearest possible understanding of market-driven patterns of land use.

Likewise, Tideman urges that people who cannot pay the rent they are assessed be dealt with in ways that do not distort the market. The poor should be aided, not by lowering their rent but by establishing a subsidy budgeted for that purpose. "The social collection of (continued on page six)

Officials of Lviv, Ukraine who participated in the seminar Land Rent as Revenue



Anatoliz Kopata

Anatoliz Kopata, Deputy Mayor, **Hostislav Brusak**, Director of Socio-Economics; **Lubov Maksimovich**, Finance Director; **Andriy Levyk**, Secretary of City Administration; **Bohdan Shevohuk**, Personnel Director; **Iryna Podollak**, Information Services Director; **Vasil Shovka**, Communal Services Director; **Borys Kolos**, Director of Regional Development; **Roxanna Senyshyn**, **Andriy Yekmovyvh**, Interpreters



George Collins

Nick of Time... (from page two)

rent should be separated from the question of who is to receive social support." Poor people could be further protected by allowing each citizen an exemption equal to the land rent for a one-person apartment at the edge of the city. People who could not afford their rent could thus have a place to go, and avoid further indebtedness.

The post-Soviet environmental predicament is well-known, and must bear on whatever economic programs are to be devised; Tideman recognizes this in his rent-collection model and, as always, seeks guidance from the market. The cost of "negative amenities," such as pollution, should be incorporated into the land rent assessment and charged to the user. Also, deposits could be charged in certain areas to make it unprofitable to abandon heavily degraded land without having paid the proper pollution cost.

But not all external effects of land development are negative; Tideman also holds that the creation of "positive amenities" that raise land value, such as "high-density commercial centers," should be paid for by the community, to the extent that they raise the value of the surrounding land (or charged to the extent that they deplete the value of surrounding improvements).

Prof. Cord's paper focused even more minutely, on "13 Alleviations of Special-Case Hardships to Accompany GCLR (Government Collection of Land Rent). Actually his paper discussed broader issues, such as the phasing-in of rent collection and the gradual curtailing of other taxes — but it is clearly designed to lay to rest questions of "hardships" thrown up by detractors.

One such point, that recognizes the uniquely ambiguous flux of post-Soviet land relations, considers the potential for a too-sudden increase in housing costs were the community to start collecting the full rental value of land. The reason for this, Cord writes, is that "the legal owner of the land may be the government, but the actual owners of the land rent are the tenants [who are] using the land and enjoying its advantages." These tenants, whose wages — particularly in these inflationary times — are quite low, are not accustomed to paying market levels of rent for their dwellings and would have no means to do so (not until their wages and tax burdens were reached by the economic benefits of public rent collection). Prof. Cord advocates assessment of the total land value in every case, but rebates to families who cannot handle the sudden changes. Cord also suggests that local governments pay the moving costs of people

cause they find themselves living or working on suddenly high-rent land.

Although there are precious few such learned advocates as Tideman and Cord making the case for public collection of rent, that case is gaining considerable momentum in Russia and some of the post-Soviet Republics. Many students leave courses at the Henry George School with an almost aesthetic sense of the intellectual grandeur of George's theory. The delegation from Lviv left the July 18th seminar fired with the very real possibility of a way out of their deepening state of fiscal chaos. ☒

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- Prof. Nicolaus Tideman