

Soviet land reform realism

A NEW law which will allow individual citizens to lease land will prove to be one of the most far-reaching of the recent Soviet reforms.

The law, passed on Feb. 28 by the Soviet parliament, has been described as a "compromise". It will not allow explicit ownership.

Land will be granted to people who want to carry out small-scale farming, build a cottage or engage in a traditional craft-based industry.

People will be allowed to pass land on to their children, but they will not be allowed to break up their holdings.

Individuals will have to pay a land tax or rent, to be fixed by the parliaments of the republics according to the quality and size of the plot.

The details remain to be worked out, and news reports have said nothing about the possibility of individual holding of urban land. But in essence, the scheme is sound. Soviet politicians have shown a grasp of fundamental issues which Western politicians

and economists have consistently ignored.

The Soviet scheme acknowledges that individuals should have security of occupation, whilst accepting the principle that since the land belongs to the community, the value of the land - its rent - should be returned to the community.

As it stands, however, the scheme presents a major problem: without a market in land, how can the rents and taxes be set at a level which accurately reflects the value of each site?

Where sites are undervalued, there will be a tendency for an unofficial market to develop; where sites are overvalued, holdings will not be economically viable.

The lack of a free market in land might not be an insuperable problem if, at the outset, potential owners were invited to bid for land by some kind of auction system, and holdings subsequently given up were then offered for open tender.

The absence of an established

valuation profession in the Soviet Union is a problem. If the scheme is to function efficiently, a crash training programme is going to be required.

The new land laws could have a beneficial impact far beyond the boundaries of the Soviet Union. Sooner or later, private land holding, subject to payment of a tax or rent, will be extended to urban land.

Rent from these sources would then, before long, leave the Soviet government in a similar position to that of Hong Kong, which, deriving considerable revenues from its Crown leases, is able to allow capital and labour to operate under a low tax regime.

Has the Soviet Union, perhaps unwittingly, taken the first step towards turning itself into a tax haven? If this were to happen, the country would quickly become a magnet for capital and labour - to the extent that, to retain their competitive position, Western countries would be forced to take notice and follow suit.

← From Page 31

an economy organised to permit the first but not the second.

It would not be any kind of mixture of "capitalism" and "Marxism"; such a concoction would be rather like being slightly pregnant, because, in the final analysis, Marx's Labour Theory of Value allows no place for markets.

From what has been said, it should be clear that, so far as economic organisation is concerned, capital and production should be privately owned and controlled. Markets deliver the goods that people want, which include many things that bureaucrats can never even begin to imagine.

Yet the private appropriation of the rent of land is something

which ought not to be tolerated, because the rent of land is created by society as a whole. The community dimension must be applied to land, which, in reality, belongs to the people. "Landowning" is, in any case, no more than a "bundle of rights" and a legal fiction.

So far as economics is concerned, the most important of these rights is the landowners' claim on rent. In this connection, it is of interest that, in Britain, the Sovereign holds the land on behalf of the nation, and freeholders are precisely that: "holders".

Formal public ownership of land is not required to put matters to rights, since the important thing is what happens to the rent. As much of the rent as the community desires can be

collected through the tax system.

The rent of land could, indeed, be the main source of public revenue.

The allocation and use of land is, on the whole, probably best left to the market, with an effective planning system to enable the community to intervene as it desires - which is, in any case, much more easy to achieve if a system of land value taxation is in operation.

Moderate levels of land value taxation are levied in a number of countries, and experience indicates that the higher tax, the greater the benefit and the more widely distributed the economic opportunities. The Hong Kong system of Crown Leases has, to some extent, achieved a similar result and is a major reason why the colony has prospered.