

# LAND and LIBERTY

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COVER PHOTO: Estonian politician Ivan Raig, a member of the Supreme Soviet of the USSR who wants to break away from socialism and the Soviet Union. But where's the guiding philosophy? Story: Pages 83, 84, 85, 86, 87.

# GIGANTIC TEST

THE republics of the Soviet Union are at a historic cross-road. Mikhail Gorbachev - although he probably does not know it - is offering them the chance to leapfrog the market economies of the West.

Marx has been ditched into the dustbin of history, but where do the Soviets go from here? Back to a system built on the errors of the 19th century? That would be an absurdity, yet the proposals built into the Shatalin 500-day plan would do just that.

At the heart of the problem is the question of land ownership. Gorbachev has spotted the flaw in the Shatalin plan, which proposes to sell land. Gorbachev wants the people to pronounce their views through a referendum. He is on record as believing that society should retain ownership of its natural resources, and that users should pay rent for the right to hold and use the sites.

*The man who almost single-handedly ended the cold war is right!*

To transfer ownership of land to a minority of citizens is to execute - in one fell swoop - the tragedy that befell West European nations in the 17th and 18th centuries.

In the USSR, this would mean an intense dislocation of the social and economic system. It would almost certainly undermine the efforts of the reformers to dismantle the collectivist state.

TO GO down the Gorbachev route would be to establish a society which would pose a serious threat to the economies of the West.

The fiscal road to reform would give the Soviets enormous advantages at the cutting edge of the whole exercise - the production and marketing of commercial products in the international markets.

The price structure for Soviet goods would eventually create serious problems for western exporters - which would rebound to the advantage of the consumer.

This is why.  
Taxes on labour, capital and consumption curtail production and people's living standards by dis-

torting the structure of prices. This is because these taxes can - and are - passed on to consumers in higher prices.

*"Capitalist" governments delight in employing this perverse restraint on the wealth-creating process!*

Now visualise a giant - hitherto slumbering - economy coming on to the scene in which the major portion of its exchequer revenues were raised through the rent it charged for the use of land.

As all economists from Adam Smith onwards have acknowledged, this tax cannot be passed on in higher taxes. Soviet products would enjoy a considerable price advantage in the world's markets. They could undercut the prices required by western manufacturers who have to cover both their cost of production and the taxes on labour and capital.

Price-conscious consumers would look on the Soviet products with favour: which would accelerate the process of development within the USSR, and present a major competitive threat to the West.

UNFORTUNATELY, the East Europeans risk committing a carbon copy calamity. They are emulating the western system down to the last ridiculous detail.

Look at the West German government, which is considering plans to turn the whole territory into an "enterprise zone." The idea is to give tax incentives to investors, to replace socialist subsidies.

Fine: unless the deal is rendered worthless by allowing the benefits to be capitalised into land values. This is what happened in the "enterprise zones" of Britain, where the main beneficiaries have been the landowners!

If Gorbachev gets his referendum on the sale of land, his citizens had better do some serious economic thinking before they cast their votes.