

Chances for a "Model East Europe"

By ROBERT MAJOR

THE eastern half of Europe is Soviet-dominated, so it may seem premature to write about its future new order. But it is hardly conceivable that a hundred million people in these ten countries,* desiring to be free and to belong again to Western culture, shall be oppressed forever. We don't know how and when the present regime will fall, but the politicians and economists of the Western powers, with those exiled from East Europe must have their program and plans ready for the day of liberation. Only thus can an anarchy in these countries, following liberation, be averted. There is no gradual transition from a totalitarianism to democracy—from a Communist economy to one with private business and partial economic freedom. We Georgists, too, must try to play our part in rebuilding Eastern Europe, in creating there an economic system free of the defects of both Communist and pre-Communist systems.

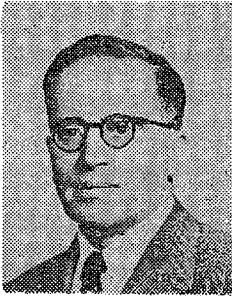
The task is difficult for among all these countries only in Hungary was there a Georgist movement of any importance. Since our movement has made such seemingly slight gains in America, England and other Western countries, critics might ask how we can hope to achieve results in places where our ideas are almost unknown. There is, however, a good reason for optimism.

Economic life as it functions in the West, is, with all its defects, still capable of raising the general living standard. Here the resistance of vested interests and the apathy of the masses makes deeper reforms almost impossible. In a liberated East Europe, very probably, there will be at the beginning no functioning political and economic system at all. People will live in a vacuum, hating the Communist system but equally opposed to the return of the pre-Communist system. This could provide a unique opportunity for laying the foundations of a more just and practical economic system.

Great Changes Have Taken Place

Even in the case of a peaceful change, however, many conflicts and difficulties will arise in forming a new system without destroying productive capacity and causing new hardships to the population. There will be first, the problem of agriculture, with a considerable part forcibly united in the Soviet-cooperatives—the other part divided in such small parcels and crushed with such heavy burdens as to make them almost incapable of efficient production. Furthermore, an industrial capacity will prevail,

*The three Baltic states, Poland, East Germany, Czechoslovakia, Hungary, Rumania, Albania and Bulgaria.



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increased far beyond the natural resources of these countries, and built with no regard of costs, foreign competition or consumers' demands. Since all emphasis has been on heavy industry, the production of vital consumers' goods has been neglected. There are millions of new industrial workers, many of whom will lose their jobs but who cannot return to the land. There is also a depressing housing shortage, with old buildings badly dilapidated. Trade with the West is almost non-existent, having lost its customary buying and selling markets, and domestic trade is also disorganized. What will become of all this when the political police and the Soviet army cease to back the present unnatural conditions?

The question of future land division must remain an enigma, since no one knows what land area will correspond with the demands of the farmers' prosperity and the nations' potential interest. While the big estates cannot and must not be restored, it is not probable that the present minute farms will satisfy the demands, in these corn-producing territories, for domestic and foreign consumption. The peasants cannot be deprived of their land, but neither can they again be forced into highly integrated productive cooperatives. Radical changes must be made step by step, without ruining individual producers and without petrifying once and for all, a certain land division. The difficult, but not insoluble problem, is to devise a land ownership flexible enough to correspond to the still unknown and ever-changing demands of economic efficiency.

Necessity for a Practical Plan

Our proposition could be of inestimable value here, by introducing a land value tax of a low percentage and increasing it slowly to the height of the economic rent, at the same time diminishing the other land taxes. This would eliminate, without undue pain, the least efficient farmers and the least efficient sizes and forms of the holdings, and would automatically force others to exert all their invention and thrift in their own interest, without penalizing them with higher taxation if their production increases. Reformers in Hungary, before the war, held up as a model, Denmark's highly efficient system of small farming. As the Danish pattern is largely built on the system of land value taxation, this proposition should have a national appeal.

By extension, of course, the same cautious application of land value taxation could be applied not only to the agricultural territories of these eastern countries, but to their residential areas. As real estate begins increasingly to be assessed according to its pure land value, more and more investments would be freed of taxation and a greater impulse to obtain private construction activity would result. This seems to be the only alternative to costly public construction for the few at the expense of all others.

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We cannot expect, with government expenses at their present height, that a "single tax" system according to our principles can be a feasible proposition for a long time to come. But we can expect, especially in East European industry, that the more taxes, duties on imports, production, turnover, profits and salaries could be alleviated by the collection of the pure land rent, the better the industry would in all these countries adapt itself to the changed conditions. The transition from a wholly collective ownership to a partly private one could then finally be achieved.

We know of course that all this would have widespread implications. With Eastern Europe liberated, a passionate debate would arise over what should be retained in public ownership and what would be restored or given away as private property. Problems of principle and practice would be endless. In many cases former owners are unknown or dead. Public ownership and state interference had proceeded very far even before the war. Immense new plants and hitherto unknown branches of industry were built and created by the government which never have belonged to private owners.

The social problem, according to the noted Hungarian Georgist, Dr. Pikler, is a tax problem. This calls for the clearest conceptions

concerning taxation. In applying our proposition these countries would have at least one guiding principle in their process of de-nationalization—that the land of the country, together with its raw materials, belongs to the community, while the products of work belong to the citizens.

When the extremely unjust and anti-social Communist tax system, based on turnover and sales taxes, is abolished, it would be a senseless degradation to reinstate the old, biased and corrupt tax system. The political emigration centers of the world are New York and London. The opportunity afforded to us, to make our philosophy known in these centers, is one which history seldom offers. We must seize it with great intelligence and accept the challenge to help East Europe achieve an equitable economic system.