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Prof. Vladimir Mayevski, Chief
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Institute of Economics
Russian Academy of Science
Krasikova Ulitsa 27
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Dear Prof. Mayevski:

I learned from Simon Winters, the Director of the Social Science Forum at the Henry George School of Social Science, that during a recent visit to New York, you reviewed economic conditions in the new Russian Republic and in other republics of the former Soviet Union before an American audience at the Henry George School. While outlining the many complex problems your government must confront, you said it is imperative that changes be made to remedy the severe inefficiency of Russia's huge collective farms and to make it possible for the Russian people to share the benefits from their vast natural resources. You went on to say, "We don't know how to do this. We are aware of Count Leo Tolstoy's proposal that Russia adopt Henry George's principles of land value taxation to solve some of our social and economic problems. We seek your help and guidance. I personally would appreciate a specific outline of how to implement a policy whereby most of the rent of the land was collected and used for the people so that our new law was implemented in a practical, productive way."

In response to your request for practical assistance, I am sending the enclosed booklet, which contains translations into Russian of four items.

The first item in the booklet is a distillation of the essence of Henry George's *Progress and Poverty* into just a few pages. I hope this brief introduction to Henry George will be helpful to you and others who want a condensed account of the economic and philosophical foundations of social collection of the rent of land.

The second item is my paper, "Using Tax Policy to Promote Urban Growth." This is a paper that I presented at a conference in St. Petersburg a year ago, on urban planning in the new social and economic conditions. It develops the reasons why a city will be most prosperous if it finances public services from taxes on the possessors of land, according to the value that land would have if it were not improved.

The third item is another paper of mine, "Efficiency and Justice in Land Relations for a Reformed Russian Economy." In this paper I develop further the philosophical and economic reasons for taxing land. One of the points I make is that when the rental value of land is collected socially, infrastructure can be financed without burdening the

population, simply by collecting the increase in the rental value of land that results from its provision. In this paper I also discuss the integration of privatization with tax reform.

The fourth and final item in the booklet is Steven Cord's "Evidence for Land Value Taxation." This is a compendium of studies of the economic effects of taking taxes off of buildings and placing them on land, in the United States and Australia. These studies have uniformly shown that economic growth is greatly enhanced by even a slight shift of taxes from buildings to land. It stands to reason that a complete removal of taxes from production and replacement with taxes on land would have an enormous effect in promoting economic growth.

Along with the booklet, I am enclosing a copy of a letter that was sent to president Gorbachev by 30 prominent American economists, urging that collection by governments of as much as possible of the rental value of land be incorporated into the reform of the Russian economy.

To the extent that the Russian government allows the value of using land to remain in private hands rather than collecting it for public purposes, it will have to levy more taxes on productive activities. The right of those who produce to be rewarded according to the value of their efforts will be denied, and the incentive for people to engage in productive activities will be undermined. But every government needs revenue. Experience has shown that when taxes are shifted from labor and capital to land, enterprise is spurred. The productive energies of a society are liberated.

Both Mr. Winters and I are very interested in providing you and your associates with any other information or assistance that we can. If you think we can be of further assistance, please let us know. For the sake of all of us, we wish you well in the effort to fulfill your mandate to transform the old Soviet Union into a prosperous association of free democratic states.

Sincerely,



Nicolaus Tideman
Professor of Economics