

Report on My Week in the USSR

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Background

I organized a conference that was held in New York in August, 1990, on the topic of "Concepts and Procedures for the Social Collection of Rent in the Soviet Union." This conference was attended by about twenty Western scholars, six from the USSR and one each from Hungary and Czechoslovakia. At the conference, the scholars from the USSR encouraged me to visit their country, so I decided to spend Thanksgiving week doing that.

The persons who provided the most assistance for my trip were Alexander Meyendorff, who was primarily responsible for my schedule, and Mikhail Bronshtein, the economist and member of the USSR Supreme Soviet who suggested that I obtain endorsements from prominent Western academicians for the ideas with respect to land and rent that I would be taking to the USSR. With help from Bill Vickrey and Mason Gaffney, I drafted a letter that received endorsements from thirty persons before I went to the USSR and at least three others afterward.

Sunday, November 18

I arrived in Moscow shortly after 2:00 p.m. and was met at the airport by Bronshtein and his assistant, Elena Perepelitsina, who served as a translator for us. They took me in their chauffeured, Supreme Soviet car to Meyendorff's home for tea, and then to the flat of Rene Lastovka, a Czechoslovakian economist with whom I had arranged to stay.

Driving past Red Square, I noticed that it was surrounded by old, red brick buildings and asked if it had been called Red Square prior to the Revolution. I was told that it had. And all these years I had thought that "Red Square" meant "Communist Square."

Monday, November 19

I was collected in the morning by Victor Shcheglov, Head of the Department of Economic and Social Research at the Central Scientific Research and Design Institute for Town Planning. Victor, who had attended the New York conference, drove me in his car to his Institute. At the Institute, the Deputy Director of Research, Yuri Bocharov, introduced me to a gathering of about 30 members of the staff. In his introduction, Bocharov mentioned that Soviet researchers had been discovering Henry George, and that he himself found George's discussion of the land problem particularly relevant to the issues that the Soviet Union would be facing.

Through an interpreter, I presented ideas from my paper, "Integrating Land Value Taxation with the Internalization of Spatial Externalities." The questions afterward suggested that my audience had a good understanding of the issues I discussed.

After the seminar, Natalie Reznikova showed me a land allocation plan for the city of Irkutsk that had been developed with the use of a computer model. She demonstrated an understanding of the relevant optimality conditions, and acknowledged that, while such models might be necessary for planning public utilities and siting public buildings, one should expect a free market to be superior to a model in determining the pattern of land use, provided that externalities are internalized.

Igor Portyansky then showed me an interactive computer program he had developed for estimating the rental cost of urban activities from their characteristics. He was about to leave for three weeks at the Rockefeller Center of Dartmouth College.

After lunch at the Architects Club, Shcheglov, Bocharov and I visited Vladimir Leksin, a Department Head at the Institute for Systems Studies of the USSR Academy of Sciences. Leksin and I quickly established that we had the same understanding of issues of land and rent in the USSR. When I mentioned that I had written a paper titled, "Should Land in the USSR be Rented or Sold?" he asked if he might publish it, sight unseen. I said that I had sent it to Leningrad, to someone else who had asked to publish something of mine, but Leksin said that in the USSR multiple publication is accepted.

One of the points I brought up in our conversation was that several economists who declined to sign the letter I circulated had expressed a concern that renting land would lead to an oppressive bureaucracy that would stifle efficient land use. Leksin's response was, "You must be sure to mention that your ideas will create a large bureaucracy. It will make your ideas very popular here." I trust that he was being ironic.

Both Leksin and Bocharov encouraged me to return to the USSR for longer visits to their institutes.

Tuesday, November 20

Victor Shcheglov picked me up again and drove me to an institute that I know only by its initials, TSEMI, where I was met by Mrs. Mariana Vitt, a specialist on rent. Her supervisor, Mr. Gorfman, translated as I spoke to six or eight professionals in his office. Again, the persons with whom I spoke gave evidence of a great deal of understanding of what I said and asked very pertinent questions.

Gorfman mentioned that Allen Kneese had visited a week or so earlier and had explained the equivalence of pollution charges and salable permits. I expressed a strong preference for charges over permits, but I was not able to articulate a defense of this preference. The next night I wrote a letter to Gorfman explaining that instituting salable permits was analogous to the first generation selling all the land and pocketing the proceeds. If one wishes to fix the quantity of pollution while being fair to all generations, the way to do it is to require the holders of permits to pay an annual charge equal to the market bid for the use of a permit, just as with land.

That evening I was treated to a performance of Mesina's *Werter* at the Bolshoi Theater.

Wednesday, November 21

A car from the V.I. Lenin All-Union Academy of Agricultural Sciences (where I was scheduled to speak in the afternoon) picked me up and delivered me to my first appointment, which was at the Institute of World Economy and International Relations of the Academy of Sciences of the USSR. There I addressed about a dozen researchers, all of whom were sufficiently fluent in English that I did not need a translator. These researchers were concerned with agriculture, so I emphasized the agricultural aspects of my ideas.

I said that the desire of farmers to have land they could call their own could be reconciled with the framework I offered, through the idea that the part of rental value due to nature should be shared equally. An individual who wished to use no more than his share of what nature offered could claim his share of rent in kind. Collective farms could be granted free use of land of an amount equal to the shares of their members.

Someone asked, "Suppose that there are two identical plots of land, side by side, and one is used for agriculture while the other is the site of a factory. Should the same amount of taxes be collected from the two sites?"

My answer was that, if there were any negative externalities from the factory, or any added costs of public services (larger electric lines, larger

sewers, traffic congestion, etc.), then the factory should be required to pay these costs. But if the factory was simply more capital intensive, that was not an adequate reason to require more taxes to be paid.

Seeing that the questioner was not satisfied, I added that, for labor to be productive, it was essential that there be a large amount of capital with which the labor could work. Thus the Soviet Union would be trying to attract foreign capital, and attracting foreign capital had much in common with courting a woman. When courting a woman, you must persuade her that you will not abuse her once she is committed to you and finds it costly to leave. In the same way, potential foreign investors want to be assured that their investments will not be taxed excessively before they decide to invest. There was a smile of understanding.

Foreign investment, I added, is an international commodity like oil. If you do not want to pay the prevailing price, you will not be able to get any. If you insist on taxing it, the tax will be added to the price. If you refrain from taxing capital, the value of not having to pay taxes will be incorporated into the rent of land, and social collection of the rent of land will yield more than it otherwise would.

I had been under the impression that there would be a car to take me to my next appointment, which was for 2:00 at the offices of the Supreme Soviet, but I was mistaken. Since it is very difficult to find taxis in Moscow, I asked for and was given an expert escort on the Metro by one of the young researchers. But it was necessary to make two transfers, and the final destination was about a quarter of a mile from the Metro stop. I arrived, breathless, at about five minutes after two.

At the offices of the Supreme Soviet I was escorted to the tenth floor, where a reception had been prepared. There I talked with Valentin Vologzin, Chairman of the Economic Reform Committee of the Supreme Soviet, Bronshtein, and two other members of the Committee.

Talking through the interpreters, I made the central points that I had made in other presentations. At first, the body language of the three others than Bronshtein suggested that they were closed to my ideas, but as the meeting progressed they seemed to become literally more open. The point about the similarity between attracting foreign capital and courting a woman went over well.

I left the five letters I had brought for Moscow addressees with Bronshtein, and he agreed to see that they were delivered.

I was supposed to arrive at the V.I. Lenin All-Union Academy of Agricultural Sciences at 4:00, but due to a combination of the car being delayed, heavy traffic, and rain, I did not arrive until 4:27. I was told that the room full of people who had gathered to listen to me, some of them coming from considerable distances, had been sent home about 3 minutes earlier. I decided to make the best I could of the situation and had a discussion for about an hour with the Director of the Institute, Vasili Boyev, and two of his deputies.

Boyev told me that one of the persons who had come and left had wanted to publish something of mine, so I left another copy of "Should Land in the USSR be Rented or Sold?" for that purpose.

As with my earlier discussions, I felt that the people I spoke with had a very good understanding of the economics of the issues I was discussing. They found my remarks startling and fascinating, not entirely absorbable on first hearing, and worthy of further consideration.

Thursday, November 22

Bronshtein picked me up at 6:00 a.m. for my 7:25 flight to Leningrad, and on the way to the airport he said that he would like to have the New York conference be the first in a series of annual conferences held alternately in the USSR and the US, on the topic of rent.

I was met in Leningrad by the Director of the Leningrad Town Planning Institute, Igor Nerush, and his assistant, Tatyana Roskoshnaya, who translated for us. (Nerush had attended the New York Conference.) On the ride in from the airport, I learned that Leningrad is built on a river delta and therefore has many canals. It is also filled with beautiful stately buildings.

Using Tatyana and an English teacher as translators, I spoke to about thirty members of the staff of the Institute. Their reaction was quite similar to that of the others with whom I had spoken. After my presentation I was taken to the Leningrad facility of the Architects Club for lunch.

We went back to the institute and talked about practical applications of the ideas I had been promoting. I left the letter for the Mayor of Leningrad with Nerush. The Institute had been given the assignment of assessing all the land in the Leningrad region for tax purposes. I mentioned that Ted Gwartney, an appraiser and assessor who had endorsed the letters, would be leaving his current job on November 30 and might be available to help them. Nerush quickly wrote a letter to Gwartney inviting him to make a proposal.

I was taken to the Architects Club again for dinner, and then on to the train station, where, in extremely cold weather I boarded a train for Tallinn.

Friday, November 23

I had hoped that in Tallinn I would see Ivar Raig, an economist and member of the Supreme Soviets of the USSR and Estonia who had attended the New York conference. However, Ivar was in Paris seeking to represent Estonia at the European Conference on Security and Cooperation. (The Soviet Union succeeded in having the Baltic delegations removed.) In his absence, Ivar had arranged for his assistant, Feya Ryaim, to escort me in Tallinn.

Feya took me to tea with Valter Aasmäe, whose title I am unable to supply because his business card is printed only in Estonian. After lunch with Feya, Valter drove us to Saku, where I spoke to a group that was convened by Arvo Sirendi, the General Director of the Scientific Producing Association for Estonian Agriculture. The reception to my ideas here was much cooler than it had been in Moscow and Leningrad. Estonians were strongly attached to private ownership of land and to returning assets to the families that had owned them prior to the Soviet take-over of the Baltic states. I countered with the idea that it was important to distinguish between land and capital. The nation has an obligation to return appropriated capital, when it is able, to those who bought it from those who made it. But no one made the land. Thus no one has a claim to land with the validity of some claims to capital. To accept claims to the ownership of land is to deny the claims of all future generations to equal shares of what nature provides. Furthermore, leaving rent in private hands requires a government to raise revenue by taxes that burden an economy. My Estonian audience listened politely, but I seemed to have little impact on them. I decided that a paper written particularly for Estonia was needed and stayed up until 1:00 a.m. writing on my laptop computer an eight-page, single-spaced paper titled, "Comments on Rent and Economic Reform in Estonia."

Saturday, November 24

Feya took me to her husband's office, where I printed out for Ivar a copy of the paper I had written the night before. Then I took the ferry to Helsinki, from where I flew to New York the next day.