

80 RUSSIAN CITIES DECLARE FOR GEORGISM

EIGHTY Russian cities have resolved to reform the system of public revenue. They want to abolish taxes - and raise their revenue from the annual rental value of land.

This decision followed a 3-day conference in Moscow co-organised by the Union of Russian Cities - which represents the 100 largest administrative cities - and the London-based Centre for Incentive Taxation, our sister organisation, and prime mover of the conference.

A Co-ordinating Committee has now been formed to prepare a formal approach to the Supreme Soviet. The committee was created by Alexandre Krivov, the top civil servant in the Ministry of Construction and Town Planning, and Deputy Valery Kirpichnikov, who is President of the Union.

Leaders in the Supreme Soviet have already indicated to the town of Sasnovy Bor that they would look with favour on any request to alter the system of city public finance. The Union's overwhelming endorsement of this strategy now places the policy of rent-as-public-revenue on the larger political agenda.

OPPOSITION must be expected. The conference, on April 27 - 29, was addressed by Sergey Shatalov, of the Supreme Soviet's Committee for budget, plans, taxes and prices.

He said they had rejected this tax plan for several reasons. One was that it would raise prices (inflation, today, is running at over 2,000%). The other objection: the tax reform would make it difficult to integrate Russia into the world economy. American economics professor Nic Tideman, who is now in Moscow, has agreed to study the committee's objections and prepare a report.

But city officials displayed few

qualms about the plan, after listening to speeches by financier Ronald Banks, former Director of Lands in Hong Kong, Richard Clarke (UK), land assessor Ted Gwartney, New Hampshire politician Richard Noyes (USA) and, from Cape Town, real estate expert Peter Meakin. They were backed up by Bob Williams, representing the government of British Columbia, Canada.

THE RENT approach to public finance must be seen in the context of Russia's larger problems.

Decentralisation

Cities did not enjoy any local autonomy, during the Soviet era. Mr. Kirpichnikov is now campaigning for devolution of power from the centre. He warns that, although there was supposed to be a distribution of power between the tiers of authority, "in fact we still have the old centralised system in our country".

Control over public finance will be a key plank of the strategy to liberate cities from Moscow's bureaucratic control.

Economic Revival

The state of the economy is also crucially related to the land-rent strategy which advocates claim would accelerate capital formation and job creation. Said Mr Kirpichnikov: "The existing taxation system does not stimulate the economy, and the world experience shows that land relations can help a lot in this connection".

Sound Planning

Kirpichnikov was backed by Alexandre Krivov, who fears that newly rich businessmen, who earn large sums "through speculation", would buy the best land sites. The approach to payments for land was a serious problem. He did not know what kind of

civilisation would evolve in the post-industrial society, but he was sure that rental payments should reflect the impact of town planning.

OFFICIALS from 100 cities declared their support for the rent-as-revenue strategy, but the representatives of 20 cities had to leave Moscow before the vote was taken on the resolution. This left 80 cities to sign the declaration, the first major political endorsement of its kind in the postwar years for the fiscal philosophy usually associated with American social reformer Henry George.

The policy was last advocated in Russia by Leo Tolstoy. He failed to persuade the czar to adopt the Georgist programme, but his role in promoting this reform is now being studied again, in a new book - the Russian edition was published in Moscow last month - by David Redfeam.*

During the final debate, city officials demanded that the resolution should present a sharper account of the rent-as-revenue plan. One Moscow-based specialist who had studied land for two years - he has developed a computer model of the land market - insisted that the resolution ought to spell out the defects of the present tax and land-use system.

Sergei Averianov, a representative from Sasnovy Bor, emphasised that "the rent of land is sufficient to pay for the costs of running the city". A report on Sasnovy Bor - the 5-man study team included Prof. Mason Gaffney of the University of California and Dr. Francis Smith, Director of a Venture Centre for unemployed people in Manchester, England - was published and circulated to the cities.

*David Redfeam, *Tolstoy: Principles for a New World Order*, London: Shephard Walwyn, 1992, £9.95.