

WILL STALIN'S UNDER-CLASS HAUNT THE LAND?

EUGENE ALYOSHIN, 38, made his first million roubles organising rock concerts. With the money, he created the first private radio station in Kaliningrad, Baltic Audio Service.

State radio in this district (pop: 1m) broadcasts for three hours a day, which does little to reduce Kaliningrad's isolation from the rest of Russia, wedged as it is on the Baltic coast between Poland, Belorussia and Lithuania. Half the people live in Kaliningrad, formerly Königsberg in German Prussia. The city was captured by the Russians with the help of British bombing, which devastated most of the centre. The Russians sent the Germans back to Germany and brought in Russians and allocated factories for military production; there are still 300,000 in military establishments, an embarrassment to all.

Talking to the Chairman of the Association of Business Chiefs, it is clear that the smaller manufacturing companies can be privatised by, for example, converting electronic circuit boards to civilian use and retain 400-500 jobs. Larger factories which employ 10,000 workers making munitions have no chance of conversion and are kept going on a low wage subsidy. This way unemployment is not (yet) a problem, and new small companies can be formed gradually.

The City Council is about to give permission for the renting/installation of trading "kiosks" in the centre, following the example of St. Petersburg and Moscow; there will be three rental zones depending on the distance from the centre.

We spent over two hours discussing Henry George's land value taxation principles with 12 members of the City Council and the Land Planning Department. They are all keenly interested in land valuation, leasing and planning. So far the legislative

and constitutional situation is unclear, but everyone is trying to progress as best they can. So, just as the privatisation of all but the smallest companies and shops has not taken place, similarly the privatisation of land has not been agreed. This has not stopped a several hectare site on a prime location on the Baltic coast from being leased to an entrepreneur at a fixed rent per annum of \$8/9000 for 50 years. The developer told us that he



obtained the concession because he was the first and because he had made significant contributions to the City in other ways.

The council is desperately keen to encourage development, but we tried to persuade them to insert regular review clauses in leases so that future increases in land values can be captured for the community.

Since the people were not used to paying a tax on land values until 1992, and then only a few percent, many are inclined to vote for the privatisation of land. However, because the land has not been bought by those who occupy it or will be given it, they think it has no value. In reality they are in a unique position to give 'possession for use' but with the payment of a full economic rent as a tax. This would give

a big stimulus to the economic revival by cutting taxes on buildings, business profits and wages.

Never before have Georgists visited a country where opportunity and the reception of ideas have been greater. Enthusiastic town councils are in place. They have been largely cultivated in Kaliningrad by Professor Nicholaus Tideman, a theoretical professional Georgist from Virginia State University and Polytechnic Institute who has made many visits to Russia in the last two years.

In this follow-up visit with Richard Noyes, a New Hampshire state senator, I accompanied Prof. Tideman and had numerous opportunities to present Henry George's ideas more fully on a recording for radio, an interview for a new newspaper and two television interviews. Further visits are essential and there is an enthusiastic team there ready to arrange it. Kaliningrad is spurred to greater activity by its designation as a Free Trade Zone as from January 1993, and they believe they will be selected as one of five towns to experiment with their own tax system.

We are assured that communism has irretrievably passed away and that modernisation and working capital are desperately needed to save the country. Russia can overtake us if she takes the big step of socialising rent and creating a fair share society. If she privatises land, she will perpetuate the underclass created by Stalin.

Russians do realise the value to the individual of buying public property cheaply rather than renting, subject to regular reviews. Eugene Alyoshin bought the licence for his airwaves for a high outright price rather than rent with reviews. He will make his billion very soon at this rate!

* Dr. Smith is Director of a Manchester Venture Centre for the unemployed.