

Report on the May 1991 Trip by American Advocates of Land Value Taxation
to the Soviet Union

Nicolaus Tideman

Introduction

With support from the Schalkenbach Foundation, the Henry George School of New York and the Center for Study of Economics, four American advocates of land value taxation, namely George Collins, Steven Cord, Ted Gwartney and Nicolaus Tideman, traveled to the Soviet Union in May, 1991.

The trip had a dual origin. Mikhail Bronstein, a member of the Supreme Soviet of the USSR who had attended the August 1990 Schalkenbach-sponsored conference on Social Collection of Rent in the Soviet Union, was eager to have American advocates of land value taxation address his colleagues on the Economic Reform Committee of the Supreme Soviet. On behalf of the Committee, he invited Cord, Gwartney and Tideman to stay in Moscow for two days at their expense, if they could finance their transportation. Separately, Collins had been in correspondence with people he met at the August, 1990 conference. He obtained an invitation from Igor Nerush, Research Director at the Leningrad City Planning Institute, for a three-day stay in Leningrad for Collins, Gwartney and Tideman, and also an invitation from Ivar Raig, a member of the Estonian Parliament and leader of the Rural Centrist Party there, for a one-week stay in Tallinn, the capital of Estonia. Since he was to be in the Soviet Union for the rest of the trip, Collins arranged to be in Moscow and participate in that part of the trip as well. (He stayed at the flat of Yuri Bocharov, Research Director at the Moscow Institute of City Planning, who has been traveling in the U.S., partly with modest assistance from the Schalkenbach Foundation and the Henry George School of New York.)

The trip can be divided into four parts: 1. All four participants in Moscow. 2. Collins, Gwartney and Tideman in Leningrad. 3. The same three Tallinn. 4. Tideman's return to Moscow.

Moscow I

Cord arrived on Saturday, May 11 and spent most of Sunday on a tour of Moscow, personally guided by Elena Perepelitsina, who is an assistant to Bronstein and was the principal organizer of our time in Moscow. Collins, Gwartney and Tideman arrived Sunday. Cord, Gwartney and Tideman were put up at the Estonian Hotel, which adjoins the Estonian Embassy in Moscow and is located about half a mile from the Kremlin. (As a member of the Supreme Soviet representing Estonia, Bronstein was able to arrange for his guests to have the status of guests of the Estonian government.)

Monday morning the four of us were given a guided tour of parts of the Kremlin. In the afternoon we had an exchange of views with about half a dozen members of the Economic Reform Committee of the Supreme Soviet, with a variety of researchers in attendance as well. Each of us made an opening statement of about five minutes, and then we replied to their questions and comments. A couple of weeks later when Tideman had occasion to ask Bronstein of the meeting, he said that it seemed to have a beneficial effect on the views of at least one important member of the committee.

On Tuesday we visited the Moscow City Planning Institute. We held a seminar for about thirty staff members at the Institute. Each of us spoke for

five or ten minutes, and then we responded to their questions and comments. After our seminar, we were given demonstrations of two computer programs that were being developed to assist in the assessment of land. The first one was being developed at the Institute. For the second demonstration we traveled to the Institute of Control Sciences and were given a demonstration of a quite sophisticated system that is being developed by Igor Portyansky, who operates a consulting business through an organization called the Center for Independent Analysis. While at the Institute, Tideman encountered Dr. Pavel Chebotaryev, who was familiar with some of his work on voting theory and invited him to visit the Institute to talk about that during his subsequent visit to Moscow.

Following the visit to the Institute of Control Sciences, there was a reception at the home of Victor Shcheglov, a researcher at the Moscow City Planning Institute who had attended the August, 1990 conference. At about midnight that night, Collins, Gwartney and Tideman boarded a train for Leningrad.

In his additional two days in Moscow, Cord had a meeting with the Moscow City Council.

Leningrad

Collins, Gwartney and Tideman arrived in Leningrad on the morning of Wednesday, May 15, and were met by researchers from the Leningrad City Planning Institute. We had a conversation with about half a dozen members of the staff of the Institute, and then we were taken on a visit to the City Hall, where we met with Vitaly Vasilev, the President of the City Council, and with Sergei Belyaev, a member of the City Council and Chairman of a district council. In the afternoon we were given a tour of Leningrad, and in the evening we were treated to a performance of selected ballet pieces.

On Thursday morning we went back to City Hall for a meeting with Anatoly Sobchak, the Mayor. Upon hearing that Gwartney was an appraiser, Sobchak asked for Gwartney's help in appraising the land in Leningrad for tax purposes. Later we were taken to the nearby town of Pushkin, where we were told of that town's efforts to classify land for tax purposes. We could see that assessing land for tax purposes in the Soviet Union is at present a much different thing than assessing U.S. land, because there is no market for land in the Soviet Union. Enterprises and activities that use land can be asked to pay for what they use, but there is no objective market standard by which the size of the charges can be justified. One consequence seems to be that Soviet valuers of land tend to use a relatively small number of categories of land value. Late in the afternoon we had a second meeting with Sergei Belyaev, at his district headquarters, and in the evening we were treated to dinner at the home of Alexei Belinskii, a department head at the Institute. While we were at Belinskii's house, we agreed on a statement of the significance of our visit to Leningrad, which Igor Nerush, who had invited us, was eager to have. A copy of the statement is attached.

On Friday our day began with a tour of the Hermitage Museum. After lunch there was a meeting with about twenty researchers from a number of institutes. The widespread interest in taxing land was apparent. Gwartney was asked, if at all possible, to return from Tallinn and provide people in Leningrad with additional help in designing assessment systems. Knowing that we were to be treated to dinner at the Architects Club, Tideman arranged to have an

invitation extended to Leonid Limonov, who had made some very interesting comments at the seminar. It turned out that Limonov was a mathematical economist at the Leningrad Institute of Economics and Finance and the chief economic adviser to the City Council. Tideman sat beside him at dinner and exchanged many ideas with him. Limonov supplied a proposal for a Leningrad Free Trade Zone, requesting Tideman's comments on it. Late that night we boarded a train for Tallinn.

Tallinn

Collins, Gwartney and Tideman were met at the train on Saturday, May 18, by Vallo Saar of the Estonian State Land Department. He booked us into Tallinn's Olympia Hotel. On Sunday we were given an tour of the historical center of Tallinn, followed by a visit to a private farm about 20 miles away. We saw from the schedule that had been prepared for us that it was planned for Collins and Tideman to speak on Monday and Tuesday, so we arranged for Gwartney to fly back to Leningrad early Monday morning. While he was there he gave further counsel to researchers at the Institute regarding the assessment of land. He also spent some additional time with Sergei Belyaev, developing an approximate land value map of the district that Belyaev represents.

On Monday and Tuesday Collins and Tideman gave all-day seminars sponsored by the Estonian State Land Department. About twenty persons attended. On Monday, Collins spoke on the case for land value taxation (LVT) in terms of equity; Tideman then spoke on the case for LVT in terms of efficiency. On Tuesday, Collins spoke on the experience of places that have significant taxes on land, and Tideman spoke on the other components of economic reform that must accompany the taxation of land to achieve an efficient economy. On both days more time was spent on questions than on our initial presentations. On both Monday and Tuesday Collins and Tideman were joined at dinner by Ivar Raig, who is extremely enthusiastic about introducing LVT in Estonia.

Wednesday morning Gwartney returned from Leningrad by train. For most of the day he conducted a seminar on the assessment of land, continuing the series Collins and Tideman had started. In the middle of the day Collins and Tideman had a meeting with Raig and about eight other members of the Estonian Parliament. The meeting was followed by lunch with Raig and Juhan Telgmaa, the Chairman of the Parliament's Commission on Rural Life. That evening we were treated to a concert of organ music at a historic Tallinn church.

On Thursday we spent the day at the Estonian State Land Department. The head of that department, Tombet Tiits, has been extremely interested in and supportive of our work. After hearing Tideman's comments on a draft of a land tax law for Estonia that his department had prepared, Tiits asked Tideman to develop an alternative draft. Tideman's draft of the law, and a long commentary on the draft, have now been sent to Tiits.

On Friday we traveled to the town of Tartu, which is about 110 miles from Tallinn and is the site of Tartu University, Estonia's principal university. We visited the Estonian Agricultural Academy, and after lunch we had a walking tour of Tartu and a visit to a state farm. Our visit to Tartu ended with a reception at Raig's home. Raig traveled back to Tallinn with us, and over dinner we exchanged ideas about the further promotion of LVT in Estonia.

On Saturday morning, May 25, Collins and Gwartney left for Helsinki by ferry, and in the early afternoon Tideman boarded a plane for Moscow.

Moscow II

Tideman was accommodated in the room in Yuri Bocharov's flat where Collins had stayed, and was extremely well cared for by Bocharov's wife, Galena, and his daughter, Sasha, who works as an architect and translator at the Moscow City Planning Institute.

On Sunday Tideman was taken on a tour of historic churches and other sights by Alexander Sagaidak and his sister in law, Elena Rogachova.

On Monday evening Tideman met with Andrew Pavlov, a student at Moscow University whose name Tideman had been given by Jeff Smith of the Institute for Geonomic Transformation in Santa Barbara. Pavlov proved to be very intelligent and very receptive to LVT.

Tideman spent Tuesday with Alexander Sagaidak and the director and assistant director of the All-Union Association of Agroindustrial Complexes, Amalgamations, Firms and Enterprises.

On Wednesday Tideman traveled with Victor Shcheglov, Sasha Bocharov and two of their colleagues to the town of Zvinogorad, about 40 miles from Moscow, where Tideman presented the case for LVT to the Mayor and members of the City Council. It seemed to the Mayor that only a very desperate city would offer not to tax the profits of those who invested in the city. Tideman explained that the added investment and higher land rents would make the strategy pay. The Mayor and City Council were concerned about the large amount of land in the city that was in the hands of government agencies, which would not expect to pay taxes on the land they use. Tideman suggested sending tax bills to all users of land, including the city park department. The Mayor said that if they did this they might be accused of hooliganism. Tideman responded with the suggestion that they at least compute the revenue they were losing, publish the figures, and invite representatives of the government agencies to discuss the question of whether they should pay taxes. They thought this was a good suggestion. In the afternoon we had a tour of the historic monastery that is in Zvinogorad.

On Thursday morning Sasha invited her father-in-law, Anatoly Epstein, over for a discussion. He is an economic geographer who works in town planning. He was quite interested in the theory of LVT. In the middle of the day, Elena Perepelitsina and Tideman went to visit Alexander Meiendorff and his wife. Meiendorff presented one of the papers at the August 1990 conference. He encouraged Tideman to incorporate in proposals for LVT estimates of the amount of money that could be raised and plans for other taxes that could be eliminated. After lunch Tideman met with several officials at the All-Union Research Institute of Agricultural Economics. There Tideman stressed the need, as Meiendorff had when he worked there, for rent collection in agriculture to generate efficient production and fair incomes for producers who work with different qualities of land.

On Friday Tideman returned to the Institute of Control Sciences for a discussion of voting theory with mathematicians there. It turned out that Faoud Aleskerov, the head of the research section where Tideman spoke, was also quite interested in LVT. On the following day he was scheduled to meet with members of the Russian Supreme Soviet to talk with them about taxing land.

Friday evening Tideman decided that before he left he should try to call together some of the Moscow enthusiasts of LVT, so that they could get to know

one another and plan some future activities together. This plan was complicated by the fact he was leaving on Saturday afternoon, and a large proportion of Muscovites from the professional classes spend their weekends in dachas (country houses) outside of Moscow. Tideman was able to gather together only four: Sasha Bocharov, Anatoly Epstein, Andrew Pavlov and Alexander Sagaidak. Tideman gave them the names of about 15 other Moscow supporters of LVT, invited them to think about other activities they might undertake (joint study, classes, public lectures, preparation of a detailed plan for LVT in the USSR), and asked them to choose a name for the organization that was to be formed. They will probably call themselves the Geonomic Transformation Network. Tideman left \$50 with Sasha Bocharov, so that if a bit of money would help promote LVT, they would have it.

Alexander Sagaidak and Sasha Bocharov joined Tideman for a farewell lunch at Elena Perepelitsina's flat, and then an official car from the parliament pool, arranged by Mikhail Bronstein, drove us to the airport.