

Toward a Financially Stable Future: What Russia Must Examine in The U.S. Experience

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(Editor's note: Mr. Dodson prepared the following article for publication in a Russian newspaper in relationship to the Congress on Land relations and the rational use of natural resources, Moscow, April 1996. Extracts follow:)

This is the Russian spring, your window to establish public policies that will pull you toward a financially stable future. Reaching that goal requires embracing a labor theory of property, which means simply that just law is law that protects the right of people to keep what they produce with their own labor. And, if they own tools or equipment or industrial plants or buildings — things they either produced themselves or purchased from others (including the government), then the incomes they earn by using this property ought to be exempted, or largely exempted, from taxa-

tion.

Notice, however, that land does not fit into this definition of property. No person can claim to have produced land, nor is the rental value of any particular parcel of land the result of any person's efforts. A leasehold or title deed to land is a form of license, a grant of a monopoly over the use of a location or land containing natural resources. Common sense has suggested to me that the recipient of such a monopoly license ought to compensate his or her fellow citizens for the privileges received. Where land is concerned, this means that just law requires government to collect the annual rental value by means of taxation.

If you allow the latent landed interests to prevail in Russia, all that you have endured in your struggle to help your people will have been in vain. Let me explain why this is so.

In creating the *American System*, the framers of the United States constitu-

tional democracy compromised principle in order to forge a national government. They needed a national government with sufficient revenue-raising power to give the Old World powers pause before attempting the reconquest of North America. ... The private appropriation of the rental value of land, had already become part of the great land grab mentality that brought the destruction of the indigenous tribal societies of the Americas.

Thomas Jefferson ... could look out over the North American continent to a seemingly endless and bountiful frontier. In less than a century, however, tremendous internal population growth combined with massive immigration to reduce and finally eliminate the frontier. Beginning in the 1870s, immigrants and newly-freed African-Americans increasingly found there was no room left for

continued on page 12

July-August 1996, GroundSwell, Page 11

continued from page 11

them unless they had sufficient money to buy or lease land from others. Tens of millions of landless people surged into urban slums and company-owned mining towns to toil at the bottom of the economic pile. With each passing generation, control over the land and the nation's natural resources has become increasingly concentrated. ... For us, the land question remains unresolved. Our society is now extremely stressed because so much land is controlled by so few, who return to society only a fraction of the full ground rent. People who must work harder and harder for less and less are demanding change. ...

My message to the Russian people is that ... unless the land question is resolved, until all the people and not a few (or even many) individuals share equally in the fund of land rent, the Russian Republic will not prosper. Your national debt will continue to escalate, and external bankers and creditors will impose programs of austerity, forcing you to produce cash crops for export rather than food crops for your people. A few will prosper, even become rich, but only at the expense of the majority.

Champions of the American System want everyone to believe we are practitioners of free enterprise capitalism, that any person can rise above his or her condition at birth to achieve whatever they set out to do. ... What has emerged in the United States — and what is certain to emerge in the Russian Republic

unless you act deliberately and soon — is not capitalism but agrarian and industrial landlordism. A small number of people will gain control over the land and natural resources of Russia and charge everyone else for access and use. Those who now earn their incomes by providing goods and services will divert financial reserves into acquiring land, stocks, precious metals and currency. The Russian economy will have become a full partner in the group of nations dominated by speculations and cyclical periods of boom and bust.

Russia will avoid these destructive consequences by incorporating into its system of law, the following principles: (a) publicly-held lands offered for private use are leased to the highest bidders, with the ground rents adjusted periodically based on market data; (b) privately-held lands are taxed an amount equivalent to what the annual ground rent would be; (c) houses and other structures are taxed as lightly as possible, including at the time such structures are sold from one party to another; (d) that other forms of license, such as radio and television frequencies, are offered for lease to the highest bidders in the same way as leases to land are awarded; and (e) that revenue earned from the sale of goods or income derived from services are taxed as little as possible. Combine these measures with sound monetary controls and balanced budgets and the Russian Republic will, indeed, realize its full potential as leader and reformer among the world's nation-states.