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DISINHERITING THE JET SET (II)

Real Estate Investors to be Discouraged

The climate for the accumulation and investment of private capital in the USSR is becoming increasingly unfavorable. The campaign for restrictions on the inheritance of property has now moved from the pages of a small-circulation intellectual newspaper (Literature and Life) to the impressive forum of Izvestia (7 August 1959), thus demonstrating that it has solid backing in the government, and therefore in the Party.

Until two years ago the well-to-do Soviet citizen was able to invest his capital either through the State loans, which gave him the chance of acquiring still more in a lottery, or in the state savings bank, or in real estate. But in April, 1957, Khrushchev suddenly repudiated 260 billion rubles worth of loans,<sup>2</sup> with a vague suggestion that in 20-25 years time, repayments might possibly start again. Naturally, the bulk of the Soviet new class is already of an age which takes a purely academic interest in events at about the 1984 mark, and it is shrewd enough to realize that the fate of the State loans might conceivably overtake savings bank deposits at some future date, should the Kremlin decide that the game were worth the candle.

This situation undoubtedly gave a considerable impetus to the property market, which for many years has been the scene of lively trading, particularly as regards sites on the outskirts of the big cities, where the new class tycoon likes to have his dacha. But Soviet investors have also been quick to see the advantages of letting accommodation in a country of desperate housing shortage, where key-money on a two roomed flat may bring in up to 10,000 rubles,<sup>3</sup> and a normal rent for a modest house is 1300 rubles a month,<sup>4</sup> or more than 150% the wage of an average worker. A good illustration of the magnitude of the business is provided by Ivanovo<sup>5</sup> a relatively small<sup>6</sup> town east of Moscow, where a million rubles in rent were earned by dacha owners during the summer of 1958 alone.

<sup>1</sup> "Property and its Admirers", by Vl. Nemtsov.

<sup>2</sup> Background Information, "Khrushchev and the State Loan", 10 April 1957.

<sup>3</sup> Trud, October 15, 1957.

<sup>4</sup> Izvestia, 9 August 1956.

<sup>5</sup> See appendix below, p. 1.

<sup>6</sup> Less than half the population of Munich.

The irony of the present position is that in its efforts to overcome the lack of housing, the state itself has contributed to the emergence of the new rentier class. It provided long-term loans, building materials (at a handsome profit), and even labor to those it considered to be both dacha- and credit-worthy. Whereas under Stalin, the latter were only a small and ideologically select group, new categories of householders are now appearing, including store directors, officials of industrial cooperatives, heads of catering, building and domestic service organizations, as well as lawyers with private practices. These newcomers to "dacha society" are suspected by Izvestia of harboring sordid financial motives, and their descendants, "brought up in an atmosphere of acquisitiveness, are types who are not very desirable for the future of our community."

The newspaper makes it plain that it has nothing against dachas as such (its editor's father-in-law has at least one, after all) but it urges that they should be modest little affairs. In fact, the basic cost at present often amounts to hundreds of thousands of rubles and Izvestia justifiably comments:

"Let us not be naive, such dachas are built mainly to invest capital. They can always be easily sold, and in addition, they can bring in unearned income."

As an establishment newspaper, Izvestia is no more opposed to unearned income than to dachas. What it fears is the corrupting effect that inheritance may have on the sons and daughters of the new class.

"From an early age the children have it driven into their heads that they are the owners of the dacha, they are the heirs, while those other boys and girls are not at all fitting company: they don't have their own dachas..."

What is perhaps even more serious from the regime's point of view is that dacha-owners seem to develop a distaste for the mass indoctrination of their children. As Izvestia says:

"There are serious grounds for alarm: property ownership is visibly contrary to the normal upbringing of the young citizens of the future communist society." By way of example, it is pointed out that children of this class are unlikely to be sent to a pioneer camp. If so, it seems still less probable that they would voluntarily be sent to the boarding schools, which, in theory at least, are eventually to become the main form of secondary education.

Izvestia repudiates the idea that the proposed reform of the inheritance laws is motivated by sordid financial considerations. "We are not collecting kopecks," it writes, "and therefore there are no grounds for interfering with the rights of heirs, if they are not contrary to the principles of the socialist system. But should we encourage investment of these or other savings in property, art collections or other valuables with the object of providing materially for relatives who are fully able to work, and who are orphaned after the death of an adroit businessman?<sup>6</sup> Do we need rentiers - people who live on unearned income?"

<sup>6</sup> Kommersant in the Russian - a distinctly pejorative term.



The honest answer to the latter question is obviously in the affirmative. To take only the most glaring example, if those who are prepared to use risk capital were to continue to invest it in housing, clearly the Soviet accommodation problem would be solved long before the date at which the state alone could complete the task. But dogma prevents any such conclusion, and its arguments are reinforced by the crassly ostentatious behaviour of some individual members of the jet set. Izvestia cites the case of the son of a famous composer who:

"enjoying the income from royalties, can permit himself the luxury of one car after another, has no job, and is notorious for actions obviously contrary to Soviet morals. And there are not a few such cases!"

The paper specifically denies any desire to eliminate inheritance as long as socialism lasts, but leaves open the possibility of abolishing it under communism. What it asks for is the "reasonable limitation of unearned income, which encourages a dependent attitude to life particularly in the young, and is therefore pernicious." Describing royalties accruing to heirs as "legal, but morally alien", Izvestia is perhaps hinting that the new civil code should provide for royalties to cease on the death of the author. Consequently publication would become somewhat cheaper for the state, providing a material incentive for the change, in addition to its ideological desirability.

Khrushchev pointed out when he proposed the moratorium on the State loans that:

"Soviet man does not live to accumulate personal wealth."

Nevertheless a number of the élite have succeeded in amassing some remarkable fortunes, and they and their offspring may soon have occasion wryly to remember his words.

r.r.g.

## PRESENT INHERITANCE LAWS SEEN IDEOLOGICALLY UNSOUND

Literatura i zhizn

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by T. Iyeshukov

... Extensive literature exists on questions of Soviet inheritance law. In the work of V.I. Serebrovskiy, Ocherki Sovetskogo Nasledstvennogo Prava (Outline of Soviet Inheritance law) issued by the publishing house of the Academy of Sciences USSR, it is stated that "the greater the growth and development of socialist property, ... the greater the growth and consolidation of personal property."

Proceeding from this, the author asserts that in our circumstances "personal property cannot be used as a source of exploitation of another's work for the purpose of speculation and profits."

This is true, insofar as the implements and means of production belong to the state. However, personal property sometimes turns into a source of profit. In three rayon soviets of the city (Ivanovo), I was given the names of dozens of private landlords who rent "cots" to students or young workers, receiving 75-100 rubles a month from each. The proprietress of one such house on Pochtovaya Ulitsa "takes in" up to 1,000 rubles a month for her cots.

In the summer of 1958 alone, approximately one million rubles was paid by business enterprises and trade union organizations to proprietors of Ivanovo's suburban dachas.

In substantiating his thesis that personal property must necessarily be strengthened in the period of transition to Communism, V.I. Serebrovskiy refers to M.I. Kalinin, who in a letter to the voters in 1946 pointed out that "a constant strengthening of the socialist state, the growth of its material and cultural wealth, and the improvement of the work of all its agencies will lead to a further increase in the welfare of the individual Soviet man and to the development of his intellectual and moral qualities."

But Mikhail Ivanovich Kalinin did not assert anywhere or at any time that the growth of prosperity of Soviet man was equivalent to a strengthening of private property. If a worker in a combine receives an apartment in a new building, if a new streetcar line is constructed in the workers' settlement where she lives, if she receives a trip to a vacation home, and if the working day is shortened by one hour, then she can truthfully say that living has become better. She feels her prosperity growing.

The increase of state appropriations for pensions, for the construction and maintenance of schools, hospitals, vacation homes, children's institutions, boarding schools, clubs, libraries - this is the way to increase the prosperity of the "individual Soviet man."

This was discussed in sufficient detail from the rostrum of the 21st Party Congress. That same combine worker knows that Soviet laws secure her right to work, her right to living quarters, and her right for security in old age; she does not daydream, like the characters in old novels, about some unexpected



inheritance.

A senior notary of the city gave us the names of dozens of Soviet citizens who have voluntarily refused inheritance because they are fully provided for by the state and do not desire to use goods accumulated without their participation.

Quite a few patriots are found who give the inheritance which they have received to the state as a gift. Recently the Foreign Juridical Board (Inyurkollegiya) sought the heir of a deceased French textile manufacturer in Ivanovskaya oblast.

"I will take the inheritance, but I do not want to live like a parasite. I will transfer my rights to the inheritance to the Soviet state," declared Comrade T.

An old Communist who entered the party in 1912, Sergey Konstantinovich Papustin, in telling of the above incident, added, "The man is not a party man, but he has the consciousness of a Communist." We have more and more people with Communist consciousness. But, unfortunately, there are also examples of the exact opposite.

People's courts and notaries, in granting some citizens the rights to an inheritance, often ask themselves, "Is it not time to introduce amendments in our civil legislation concerning inheritance?" Limits on the size of inheritance might be considered for example. In a decree of the All-Union Central Executive Committee of 1918, the total value of an inheritance, both fixed and movable property, was limited to 10,000 gold rubles. This same figure remained in the Civil Code of 1922. Only in 1926 were all limits taken off.

Comrade Kalinina, a judge in Frunzenskiy Rayon, said, "We have encountered cases like the following. There was a dispute over an inheritance of 500,000 rubles. One asked oneself, 'Will the heir of such a large sum work or learn a skill, when the interest alone from a continued investment of this sum will amount to 15,000 rubles per year?'..."

The question of dependents is also controversial. We have a country of workers. The state looks after every person who has honestly worked for the general welfare. Soon the pension minimum will be raised to 500 rubles.

The following fact is interesting. A 26 August 1948 decree of the Presidium of the Supreme Soviet USSR established a limit of five rooms for each citizen who plans to buy or build a new house, but legal practice does not recognize such a limit for heirs. If a proprietor was somehow legally able to construct a house of 10 or 12 rooms, his heir will receive it intact, without any kind of limit.

Soviet agencies give permission for new construction only to those citizens who do not have houses. Heirs, however, according to law, are able to receive a second or third house. No kind of limit is provided for in these cases.

Our people are moving irrepressibly toward communism. In work and in the struggle for the fulfillment of the Seven-Year Plan, new ethical norms, befitting Communist social relationships, are evolving. Those legal officials are right who declare that contemporary legislation concerning inheritance hampers the education of our people in the Communist spirit. We would like to think that readers will respond to these questions and express their own opinions.