

Trilateral policy studies are carried out by task forces which include some non-members. "Impact meetings" are hosted by the Commission to generate press coverage of the task force findings. The Commission has begun to publish a quarterly journal *Dialogue* which reports on task force findings, major speeches, and the progress of the Commission's policy recommendation. Sklar points to the Winter 1980 issue of *Dialogue* as an indication the Commission is "entering its maturity".

**S**KLAR'S BOOK is illuminating, relevant, and exhaustively documented. Since it is about the power structure of one third of the world only, it could give us cause not for despair but for hope. It is, after all, a constant struggle for these cooperating elites the keep economic and nationalist rivalry under control, in spite of the fact that a stable world economy far outweighs their competing interests. There are the unruly guys like Nixon, and the Cold Warriors. More important, there is the larger number of people who take democracy seriously.

The sections of Sklar's book which deal with how elite policies translate on the domestic front are most chilling. We already know that multinational firms learned long ago how to use government interventions to

*'It is a mistake to ignore this analysis of power groups'*

their advantage (access to foreign markets, intricate export subsidies, finance for research, etc.). They have learned how to pursue low-cost policies (multiple sourcing, bureaucratized work rules) and let unions do much of their work for them in disciplining labour.

But in the report of the Trilateral Task Force on "Governability of Democracies", first made public in May 1975, the trilateralists appear to be saying: democratic societies cannot work where the citizenry is not passive!

In both Europe and the United States, all the traditional agencies of what political scientists call political socialization are seen as falling apart. People are no longer deferential... The value structure of society has changed, and new expectations have revolutionized political life... people begin to make political demands on the state. The result is an overload of inputs which cannot be met by governments.

The American section of the Task Force report, by Samuel P. Huntington, speaks of a "democratic distemper". The "excess of democracy" must be reduced. A functioning system requires "some measure of apathy and non-involvement".

In general, the trilateralist authors call for "balance", and to restore this balance, they make a number of controversial proposals to restrict the freedom of the press, cut back education, endorse government aid to parties, lower expectations, and so on. This is clearly a part of the strategy called "the politics of less" which is being practised right now in my own country, Canada.

It seems to me as much a mistake for us to ignore this (Marxist!) analysis of power groups in the West as it was in Marx an error to ignore the primacy of the Land Question. I unreservedly recommend Sklar's book for reference and careful study.

## U.S. should not back official land grabs

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**P**RESIDENT Reagan has defended the new government of El Salvador against charges that it was not implementing "land reform" fast enough. It would be more appropriate to question whether the United States should coerce other countries to expropriate and redistribute land. Our State Department pressured the previous government of El Salvador to redistribute land as part of the defense against the threat of a leftist takeover. Changing the ownership and management of land is not just a political matter, however; it also has profound economic effects.

Expropriating and redistributing land disrupts agricultural production because of uncertainty about who will reap whatever is sown. The new owners will have problems in obtaining credit and making all of the new managerial decisions.

It provokes delay and resistance by the old owners, which extends the interval of disruption and may result in deterioration of land and equipment. If adequate compensation is paid, the old owners can strengthen their control over other parts of the economy. Old owners, extracting what they can from the land and the wealthy, losing faith in the security of any investment, will try to move capital out of the country quickly. As the new small farmers slip into bankruptcy, a few intelligent and aggressive families will once again acquire control over vast acreage. If the old landowners have used their compensation to strengthen their control of banking and commerce, however, they can easily whipsaw any farmer who must borrow from them to plant a crop and then rely on them to market it.

Land reform is important both for efficiency and for fairness. Rather than restricting our view to expropriation, it is useful to list the objectives and then look for the legislative devices that might achieve them. Land reform should encourage security of tenure for the tiller immediately so that this year's crop can be planted and harvested. It should also give certainty to the owner that he can retain the title as long as he wants and then sell it at a free market price, so that he will treat the land with respect and invest to improve future productivity.

Ideally, the policy would exert steady pressure toward these objectives, rather than permitting the country to slide to the brink of bankruptcy or revolution before a paroxysm of reform can occur. Finally, it would be desirable if the land reform were consistent with capitalism.

This may seem like a tall order, but in fact the legislation for such a reform would be easier to write than the legislation that is

necessary for a typical expropriation. The technique is to change the tax system in such a way that it will push decision makers unremittingly in the appropriate direction.

The specific alternative that should be considered to reform land ownership without expropriation is a tax on the value of land of the sort advocated by Henry George. The price of agricultural land in a free market depends on the economic rent that prospective buyers expect to obtain from the land. Economic rent is defined as the net income from the land after deduct-



ing the value of other inputs including labour, seeds, fertilizer and a market return on the tools and other capital investment. A tax on the value of land also can be treated as a tax on the highest rent expected from the land. If such a tax is levied at a high enough rate, it will force owners to use land in the most profitable way.

Although a tax on land value nudges the land tenure system in a favourable direction, it avoids the coercion and disruption that always accompany the expropriation and redistribution of land. It also places more manageable burdens on the administrative apparatus than does a wholesale redistribution of land titles with inevitable controversies over who is forced to sell and who is entitled to buy. Even the indirect effects of a tax on land value are favourable, moreover, because the revenue could be used as a substitute for some of the more burdensome conventional taxes.

It is probably too late to implement a meaningful tax on the value of land in El Salvador. That country is stuck with an inept solution (manufactured in Washington) to a serious problem. That the solution is coming unglued even before it is in place should not surprise those who can recall the fate of land reform in Iran or Vietnam.

Nevertheless, it is clear that our State Department acts irresponsibly when it pushes other nations off the cliff of "land reform" defined as expropriation. That effort could more profitably be expended on promoting a reform that is consistent with capitalism.

● This article first appeared in *Chicago Tribune*.

### EL SALVADOR'S 'LAND REFORM'