

GEORGE IN THE NEWS...

The following article, "El Salvador's Land Problems," by Professor William S. Peirce of the Economics Department of Case Western Reserve University, appeared in the March 9, 1983 issue of the Chicago Tribune. Excerpts of the article are being reprinted with permission of the paper, c 1983.

"President 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 U.S. 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."

"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 deducting the value of other inputs including labor, seeds, fertilizer and a market return on the tools and other capital investment. A tax on the value of land can also 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 values nudges the land tenure system in a favorable 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 are favorable, moreover, because the revenue could be used as a substitute for some of the more burdensome conventional taxes."

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