

EDITORIALS

Out of the frying pan...

The national press made a big thing of it when President Reagan sent in the troops to rescue the island nation of Grenada from a Marxist government nearly four years ago.

But less is being said about the wrong turns taken there since.

The so-called New National Party has been in power in Grenada since the Marxists were thrown out, only a few days after then-Prime Minister Maurice Bishop was killed in a coup.

Herbert Blaize has succeeded Bishop as Prime Minister, and for a year or two he had clear sailing as a result of strong economic aid from this country. We propped him up with \$49 million in 1984 — the first year of his dependency — but it is down to about \$8 million a year now.

More recently, however, for lack of a clear alternative to the Marxist blueprint, Grenada's economy has been going down hill.

Prime Minister Blaize, to his credit, proposed the abolition of some 18 different taxes, including a hotel tax, an income tax and a tax on business profits. But he and his New National Party chose to replace them with a monstrosity —

now popular in Europe — called the Value-Added Tax.

He imposed it at a horrendous level: 20%.

The trick to a Value-Added Tax, which is a modification of the simple sales tax, is to impose it gradually on successive transactions, so that money is drawn out of the economy each time raw material is sold and resold as it moves up the production chain.

Its chief advantage is that the government can get by with it — for awhile — because it is relatively painless, never quite falling on the consumer out in the open where it can be seen or felt.

But its disadvantage, as Prime Minister should have known (since economists have explained it often enough) is that a heavy tax on labor such as the Value-Added Tax is an inescapable drag on the economy.

Unemployment in Grenada is running now at something on the order of 20%, and shows signs of getting worse.

Do you suppose the President could get by with sending in the troops again?

The publisher of the Salem Observer is Richard Noyes who is also the president of the International Union for Land-Value Taxation and Free Trade.