Do State-Level Restrictions On Foreign Land Ownership Affect State-Level Land Prices and Agricultural Productivity?

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Do state-level restrictions on foreign land ownership impact agricultural land prices and agricultural productivity? Since 2023, several US states have passed restrictions on the foreign ownership of property within their borders. While data on the economic impact of these newer laws is limited, several Midwestern states passed earlier laws decades ago. This provides an opportunity to understand the potential impact of the newer laws. A new working paper by Nicholas Orlando examines how the older laws, which targeted agricultural land in the late 1970s and early 1980s, affected state-level land prices and agricultural productivity. These restrictions could lead to unintended economic impacts through several mechanisms. First, the restrictions could prevent those who value the properties most and are most interested in long-term investment from acquiring them. This could reduce long-run investment in productivity-enhancing technologies and lower land prices and productivity over time. Second, the restrictions could reduce the pool of potential buyers and lead to a land price decline. This decline could cause existing domestic owners to cease investing as much in productive technologies, as their expected future profitability falls. Examining Midwestern states that adopted both full ownership bans and acreage restrictions decades earlier, this study asks: do these restrictions have unintended economic consequences?

Three Big Takeaways from the Research:

- **Restrictions on foreign land ownership reduce state-level land prices.** Estimated impacts of foreign land ownership restrictions on land prices range from -$537 to -$1,008.

- **Restrictions do not appear to have much impact on agricultural productivity.** Across most model specifications, there is not much evidence of an impact on agricultural productivity.

- **The type of restrictions might influence the magnitude of the land price effect.** While estimated impacts of foreign ownership restrictions on land prices are negative in all models, they are larger for full bans than for acreage restrictions.

The laws passed in the late 1970s and early 1980s fall into one of two categories: laws that fully ban all foreigners from owning agricultural land, and laws that apply acreage restrictions on the amount of agricultural land foreigners can own. This study uses state-level data from 1960 to 2015 to examine the long-run impact of both of these types of restrictions. It uses state-level land price data from the USDA's National Agricultural Statistics Service (NASS) Quick Stats database, and state level agricultural Total Factor Productivity (TFP) from the USDA's Economic Research Service (ERS). The results show that most restrictions negatively impacted land prices. However, productivity is not significantly impacted. Understanding these mechanisms helps policymakers evaluate how restrictions might influence land prices and agricultural productivity, informing more nuanced policy decisions.

These findings have important contemporary public policy considerations. Given that the newer laws target broader property types than just agricultural land, including mineral resources and general real estate, there is the potential for these laws to cause unintended economic impacts in several sectors. First, by preventing those who potentially value the properties the most from purchasing them, these restrictions could mean that the properties may not be allocated to their most productive uses. This could lead to less investment in productivity-enhancing activities and lower economic growth over time. Additionally, given the potential reduction in property prices resulting from the smaller pool of eligible buyers, this could alter investment decisions for existing property owners. As they see the value of their properties decrease, they may forgo several economic activities such as investment in new technologies and hiring. Policymakers at the US state level will need to consider these potential economic consequences when weighing national security concerns, but also the broader economic impacts across sectors like agriculture, minerals, and real estate.

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Nicholas Orlando is a Research Specialist for the Challey Institute for Global Innovation and Growth. He holds a Bachelor of Arts in Global Affairs, with a minor in Economics, at George Mason University. He recently earned a Master of Public and International Affairs, concentrating in International Economics, from the University of Pittsburgh. Nicholas has a strong interest in global economics, having gained valuable experience working in Dubai and interning with the Austrian Economics Center. As a research specialist, he focuses on analyzing regional policies and their impact, sharing key insights with the public to support informed decision making.