

Automatic Land Valuation in Morelos, Mexico

AMONG the many economic injustices which brought on the recent revolution in Mexico, probably none was more flagrant than the undervaluation of real estate for taxation. This undervaluation was not uniform, but was confined to the property of the wealthy, such as the great rural estates and the new subdivisions of town lot speculators. Cases were not uncommon where the lands of a great ranch were assessed for taxation at only a tenth of the value of adjoining lands of similar quality belonging to small farmers. As for urban lands, the valuable vacant lots of Mexico City were assessed at the trifling values manifested by their owners, simply because Jose y Limantour, the Minister of Finance, was in partnership with the land speculators and occupied the costly technicians of the *Catastro* (land office) exclusively in making valuations of the cheap lots of the suburban towns.

In the reign of President Madero, the reform governors succeeded in revaluing the great ranches of the estates of Guanajuato and Chihuahua, but the landowners resisted the payment of taxes on the new valuations until they were suspended on the accession to power of the reactionary Huerta. To the surprise of those who imagined that Carranza was a real liberal, nothing was done during his six years of power for the revaluation of real estate. But this failure to correct an economic abuse of the old regime was in harmony with the rest of his policy; for Carranza was really a feudalist and prater of democracy with the sole object of attaining to political power in a popular revolution. Carranza's betrayal of the economic ideals of the revolution and his delivery in 1915 of a prostrate nation to the tender mercies of a horde of unscrupulous adventurers masquerading as reformers, had plunged Mexico into such a plight by 1920, when he fell, that it will take years of skillful nursing to again restore the country to normal health.

Before the revolution, Morelos was the banner agricultural State of Mexico, in proportion to its size. There were 18 great sugar estates and refineries, which yielded \$10,000,000 annually of sugar and alcohol, while 10,000 small farmers raised great herds of livestock, besides grain, vegetables and fruit. But ten years of destruction by marauding bands changed all this prosperity, and by 1920, when the Zapatista rebels of Morelos finally laid down their arms to the National government of De la Huerta, Morelos was a ruin with all its sugar refineries wrecked, its villages burned and its fertile pastures as barren of livestock as the Desert of Gobi. The State government could only be kept going during 1920 and 1921 by subsidies from the Federation, and it was perhaps this desperate need that impelled it to take in September of 1921 a bold and radical step that marks a new era in Mexican fiscal legislation.

The new measure is entitled "Law of Land Assessment and Valuation," and it comprises two parts: the first com-

prises 39 articles and deals with the organization of boards of assessment in each town and the classification of real estate; and the second comprises arts. 40 to 57 includes a new departure in valuation methods as may be seen by the following synopsis of the typical articles:

ARTICLE 40. The occupation of private real estate is declared a public utility when the value manifested by its owner is less than the commercial one. The only means to fix this difference in value, for the purpose of this law, is the offer which a third party may make to buy the property at a price 10% greater than its manifested fiscal value.

ARTICLE 41. Anyone wishing to buy a real property can do so by petitioning the governor of the State and offering to pay the manifested fiscal value of it, plus 10%, accompanying his petition with a deposit of double the annual tax.

ARTICLE 46. If the owner wishes to sell the property, the petitioner will be notified to complete his deposit, to the price offered.

ARTICLE 47. When the deposit is completed the governor will review the brief of the petition and, if all requisites of this law have been satisfied, he will notify the State legislature to make the expropriation and deliver to the owner his manifested value and to the petitioner a deed to the property.

The 10% extra paid by the petitioner above the manifested value will be retained by the State treasury. In case the requisites of this law have not been fulfilled the deposit made by the petitioner will be confiscated by the State and the petitioner will be fined, in addition, 5% of the value of the property, which fine will be applied to its future tax account.

ARTICLE 48. If the owner of a petitioned property wishes to retain it, he may do so by accepting the increase of 10% in its fiscal valuation and paying to the State a fine, equal to double the annual tax on the new valuation, besides his current taxes. Of this fine the petitioner will receive half, as a reward for his service to the fisc, and the balance will be retained by the State.

Both in Australasia and Paraguay the government was long ago given the power to purchase real estate at its owner's manifested valuation (plus a small percentage), in case this was considered too low. But this power has been seldom exercised, simply because the fisc had neither the funds nor the organization required for trading in real estate on a sufficient scale to enforce this sanction. The famous Art. 27 of the Mexican Constitution of 1917 conferred the power of compulsory purchase of real estate (at its fiscal price, plus 10%) in the government for the purpose of "public utility." This power is now being used by the National Agrarian Commission for acquiring private lands for the purpose of endowing Indian villages with *ejidos* (reservations) but Morelos is the first State to use it for securing accuracy in assessments.

As can be seen from the quoted articles, Morelos has introduced the two new ideas in the Australian system which were needed to make the latter eminently practical.

The first provides that any citizen may purchase real property at its assessed value plus 10%; and the second allows the owner to save his property by accepting the increased valuation and paying a fine, as a penalty for undervaluation. Thus every fiscal value is exposed to the scrutiny of everyone looking for real estate bargains, and every landowner is impelled by the constant danger of loss to correctly value his property.

However, Art. 48 of the Morelos law is defective in two respects. First, it gives the extra 10% of a land sale to the State instead of the landowner and thus violates the Constitution; and second, the liability of the petitioner to a 5% fine (in addition to the loss of his deposit) in case of any failure to observe the technicalities of the law will be apt to discourage anyone from petitioning, because the risk of loss will be greater than the probable gain. When these defects are eliminated, the Morelos law will be the best yet devised to insure the rapid and automatic valuation of real estate.

Simultaneously with the assessment law, Morelos issued a new revenue law, in which the tax on real estate has been increased from a rate of $5\frac{3}{4}$ to $8\frac{3}{4}$ mills. While this new rate is still absurdly low, nominally, as compared with those prevailing in the United States, it will practically mean more than a doubling of former-taxation owing to the greater fiscal valuation to be secured by the new assessment law. Once a correct valuation of real estate is secured, it will then be easy for the State to abolish its medieval taxes on buildings and on commerce and industry, and increase the rate on land values. When this last device is applied no one can longer afford to hold land inactive, and the present depleted population of Morelos will soon be augmented by adventurous immigrants from other States willing and able to soon restore its former economic prosperity.

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Will the Landlords Bankrupt the Country

THE heading of this article may not interest the casual reader because the landlord has had little consideration in the economic makeup of our daily lives, except as a collector of rents. Yet no one pulls harder and more persistently at our purse strings than does this individual.

In order that a clear understanding may be obtained of the subject matter in hand it is necessary to look at the present status of the country and the conditions that did exist in past years, as it is only by comparison that we are able to establish a true basis.

Forty years ago it was possible for a man earning \$9.00 per week to take care of the needs of his family, and lay aside a few dollars a week to provide a nest egg to take care of himself in the sunset of his life. I have known men of no greater income than this to rear a large and respectable family. In the time I speak of above potatoes sold for about 30c. to 35c. per bushel, eggs were 9c. and 11c. per

dozen, meat was 7c. to 18c. per lb., a good home could be rented for \$8 to \$12 per month. We were threshing wheat with a flail, and did most of the labors of life by methods that today would be considered crude if not laughable in comparison with the up-to-date methods now employed.

A great many readers of this article no doubt recognize these facts at a glance, because they have lived through this period. Few, however, have stopped to question why it is that all of the benefits that have come to civilization through the arts and sciences in the production and distribution of wealth have added very little to the welfare of the producers. Wages have increased, that is true, but as this only has the tendency to increase prices it is equivalent to raising yourself by the boot straps, as the saying goes. While the producers have received some benefit it is nothing in proportion to the advance of civilization. It is obvious that a man earning \$9.00 per day is not as well off as his father that earned only \$9.00 per week forty years ago.

Now you will ask by what sleight-of-hand does this transformation take place, and what means must be adopted to right the situation? This is a very natural question and it has a very natural and simple answer. We are living in a country where every few years we have the opportunity to make laws and vote on questions that relate to the well-being of all the people. I dare say that the great majority vote without thinking, and elect men to office to represent them that have not made a study of economic questions. These men stand exactly in the same light as one assuming the position of a physician without having made any study of the human body. The laws they enact and try to enforce are only hodge podge measures. Society is left to figure out a way to abide by them or evade them,

It is necessary for every government to raise revenue to pay for the service it renders to society, and rightly it should, but the method used determines to whom shall go the benefits of the progress of civilization. At present the revenue of the country is being raised, as it has most always been, by taxing the necessities of life, fining men for being industrious, and from taxing a package of chewing gum to everything an individual may possess, providing he does not obtain the service of some clever accountant or attorney to help him evade the laws that he in part is responsible for.

In the meantime the rent of land has doubled and trebled (and even more in some instances) so that within the last year or two an ordinary apartment of five rooms that formerly rented for \$25 to \$30 a month in a large city is now \$75 to \$80. Do not misunderstand that this applies only to residence property, because the increase has affected every part of our business, manufacturing and social fabric. The landlord always has absorbed most of the advantages of civilization which are capitalized at least six years in advance of population, and they will not reduce rents that now absorb a very large portion of the earning power of the country.

So long as we allow some to appropriate as their own