

The Land Question in Mexico

by E. S. HANSCH

A LITTLE publication has recently made its appearance that may have come to the attention of some Georgists. The editor is a Mexican businessman with maternal U.S. American ancestry. He calls his newsletter the "Mexican-American Bulletin";* it is published in Mexico City, in English.

The November 1, 1963, letter contained an excellent analysis of Mexican economic conditions. Of its six pages, the first four could easily have been written by a Georgist.

The first part described in some detail the contrived intervention in Mexican industry by the government, and the unfortunate situation resulting from it, with constantly increasing necessity to greater and more far-reaching government regulation and control of the economic life. Even the U.S.A. is being blamed — and perhaps quite rightly — for encouraging the Mexican government in its present interventionist policies, and in general no particular benefit is seen coming from the Alliance for Progress in Latin-America. Free trade on the American continent is greatly hampered by many governments on this hemisphere following similar interventionist policies in their respective countries, so that it will not be easy to cause these restrictive policies to be abandoned in favor of freer trade.

The author, who seems to have a good grasp of economics, also realizes the disadvantage at which the agricultural part of the Mexican population finds itself.

Solutions suggested by him do not include the so-called "ejidos," or free, or common, land, some of which has

been taken from large landowners. He maintains that these "free" lands cause a serious distortion of the pricing mechanism in the economy. In his words:

"The disastrous agrarian reform which came after the revolution of 1910 with its motto: 'The land should belong to those who work it,' did not give the land to the peasants; instead, a communistic system was imposed, under which the 'ejido' (community) owns the land, and it is lent to the peasants, but cannot become their property. This land cannot be bought or sold, it has no market value; there is, therefore, no economic calculation possible based on the value. The land is worked in uneconomical small plots, it cannot be developed however great sums of capital are sunk into it by the government, because it has no private owners who relate the value of their land to the value of their production.

"The land cannot be worked at optimum efficiency, until it is considered as a factor of production, that is to say, as capital. And no one can consider it as capital until it exists in private property, and acquires a price in the land market."

The problem is well stated, but the age-old error is maintained in the proposed solution that land must be equated to capital.

Capital is wealth, produced by human effort. It is that part of wealth which is used to produce more wealth. Land is not produced by human effort, it was created for all to use.

The pricing mechanism of the free market is in no wise impaired when government collects the entire economic rent as revenue. This either has

not been done in the case of the ejidos, or else the plots are uneconomically small. But fragmentation of landownership is not necessary under land value taxation. However, the tax must be assessed according to the economic value of the land, not its sales price. And further, improvements must be relieved of taxation. When this is done, title to the land can be retained by the owner without harm to the community.

Taxes on land values to the extent

of the full economic rent will eliminate the vicious speculation in land, and prevent the increment in land values going to private owners as unearned income. Taxes on improvements stifle industry. These economic axioms are valid for any country, including, as Georgists sorrowfully know, the U.S.

*The Mexican-American Bulletin is available at Apartado Postal No. 15049, Mexico 15, D.F., Mexico from the editor Señor Hugo Salinas Price. There is no charge.

Jamaican Revaluation to Continue

THE revaluation of land in Jamaica, West Indies, which was described in detail in the October, 1960, HGN, was proceeding steadily through the Island's 14 parishes, with the first six having been completed, when in 1962, it was abandoned owing to the defeat of the People's National Party.

According to encouraging news in the Jamaica Gleaner, this revaluation program, based on taxing the unimproved value of land, is to be resumed under direction of the Ministry of Agriculture and Lands. It will begin in St. Elizabeth, the parish where it was left incomplete when the new party came into power.

Several instances of inequality in the proportion of taxation were brought to the attention of the authorities as the program got under way, but the government recognizes that no system of taxation has yet been devised which will satisfy everyone and cause hardship to none. Many complaints arising from imposition of the unimproved-value tax were thought to have been due to a lack of knowledge on the part of the taxpayers of the provisions

of a relief law which would have served their purposes.

This Land Taxation Relief Law is due to expire in 1969, but may become permanent with a provision that at any time after a valuation period taxpayers would have the right of appeal for relief. Taxpayers who had not appealed previously would be allowed an extended period of six months in which to apply.

This would mean that any relief granted would apply to the current valuation roll and when a new valuation was compiled the situation would be reviewed so that taxpayers could benefit from any change in their circumstances.

It has been recognized that such corporate communities as the popular Kingston resort area will present peculiar difficulties. Therefore sample valuations will be made in urban areas to provide information on the basis of which a special formula can be worked out for the glamorous shore areas. But while the government has decided that this revaluation should be resumed, the whole program must await staff reinforcements and qualified assessors.