Carlos Morales-Schechinger

Carlos Morales-Schechinger joined IHS, the Institute for Housing and Urban Development Studies at Erasmus University in Rotterdam, The Netherlands, in 2008. This international institute attracts students from all over the world, mostly from developing countries. Some IHS programs are sponsored jointly with the Lincoln Institute.

Previously Morales was a part-time lecturer at UNAM, the National Autonomous University of Mexico. He has been collaborating on a regular basis in seminars and courses organized by the Lincoln Institute throughout Latin America for the past 12 years. He lectures primarily on land value capture instruments, land and property taxation, and land-based preventive policies as alternatives to informal settlements.

He has held various government posts, including director of land policies and instruments in Mexico's ministry for urban development, where he designed and implemented an ambitious program on land banking; and as director of cadastral policy for Mexico City's government, where he managed an extensive fiscal reform of property taxes. He also held posts in both public and private banks in Mexico, dealing with property valuation, mortgages, property administration, and loans for large urban developments and for local governments.

He holds a bachelor's degree in architecture from UNAM, a diploma in local government finance from the University of Birmingham, UK, and a Master of Philosophy in urban studies from the University of Edinburgh, UK. Contact: c.morales@ihs.nl

LAND LINES: *How did you become involved with the Lincoln Institute?*
CARLOS MORALES: My first introduction was in the early 1980s when I attended an Institute-sponsored international conference in Cambridge that related to my work for the government on urban land policy. The ideas I learned about were put to direct use two years later when I worked on a reform to increase the supply of serviced land in medium-sized cities and to subsidize sites and services for low-income households in Mexico. In the early 1990s, when I was working for the government of Mexico City on an ambitious property tax reform, I attended another Institute conference on property taxation.

From 2000 onward, I participated in many education activities organized by Martim Smolka through the Program on Latin America and the Caribbean. Around 2004 the Institute started a joint venture with IHS and I was one of the visiting lecturers hired by the Institute to teach in those programs. I was later invited to join the IHS staff full-time as the manager of this joint venture.

LAND LINES: *How do you compare the effectiveness of institutions such as IHS and the Lincoln Institute?*
CARLOS MORALES: I believe they are complementary. The Institute is a leader in research and education on land policies, with an international focus on Latin America and China. IHS is recognized for its education and capacity building on urban management and development for a worldwide audience, focusing on developing and transition countries. IHS courses are open to students from all regions, but most come from countries in Africa, Asia, and Central and Eastern Europe. Through its joint venture with IHS, the Lincoln Institute is able to reach out to those from many more countries in an efficient way.

LAND LINES: *Conveying fundamental knowledge about land policy and urban management to practitioners is not an easy task. What have you found is the most effective approach?*
CARLOS MORALES: Using a combination of two things is important: the profile of the lecturer and the appropriate pedagogy. Lecturers should have experience both as practitioners and as academics to be able to answer questions that are relevant to practitioners, especially when the answers imply moving away from their comfort zone and facing some kind of change.

The ultimate purpose of social science is precisely to change reality, not only to understand it. Consultancy brings academics close to practice, but it does not confront them with the moral commitment of implementing policy or the ethical responsibility for making policy work on the ground. Experience in direct practice is crucial. The Institute's programs in Latin America employ lecturers with this profile, and they have proven effective in addressing issues such as the impacts of taxation and regulations on land markets and in choosing instruments for capturing incremental land value, both of which are hot topics in the region.

Regarding pedagogy, practitioners tend to be skeptical about theory. They regard it as impractical, and they want to test it to be convinced. Using examples of policies implemented in other cities is very useful. Some students from developing countries do not accept cases from more developed countries, arguing that their governance structure is too different. Others prefer cases from diverse situations because in spite of contextual differences they aspire to better development opportunities for their own countries. A lecturer should have an arsenal of many different cases to examine when questions rise.

Doing simulation games is also a very effective technique. Games involving role playing where participants compete against each other are the most useful for understanding land markets and helping solve problems. Role playing is revealing even when participants fail to solve problems since it prompts them to question

what happened. I have seen how participants who experience failure in a game begin to cooperate and design clever regulations on their own. Another strategy is to assign participants roles contrary to their beliefs or experience. For example, government officials playing the role of pirate land developers learn about the substantial amounts of money the poor must spend just to access land.

Playing the devil's advocate works well when discussing controversial concepts, as if the participants are in a land court. This is not a new technique except when played with a couple of twists. An example is determining the criteria for compensating eminent domain. In this game one team argues in favor of current use values and the other future use values. Background literature and practical information are provided for arguments on both sides. Practitioners from many places can relate to examples of regulatory takings, whether as expropriations in China, land restitutions in Eastern Europe, or the sale of building rights in Brazil.

Since participants have to defend a position with which they do not agree, they have to study and work harder. In many cases they end up changing their minds, or at least identifying new arguments to use later in debating their opponents in real life. At the end of a land court game the group acting as jury secretly votes twice, first on the team's performance as advocates and second on the conceptual arguments. When a team gets more votes than the position they defended, it is clear that more research on the issue is needed. What I like best is that the game does not impose a position on the participants, but it raises the level of debate.

LAND LINES: *What are the main types of resistance to concepts and ideas on land policy?*
CARLOS MORALES: Perhaps the concept most frequently resisted is how taxes and regulations are capitalized into the price of land. Resistance can come from an ideological standpoint (either left or right, both have arguments), self-interest (landowners do not readily accept sacrificing profit), or ignorance of how the capitalization concept works. As an educator I have a role to play in addressing the last challenge.

Even if theory is explained to practitioners, they remain skeptical if their experience contradicts the theory. Misunderstanding can come from referring to a tax on a commodity that is not as scarce as land, but it can also come from experience with land markets themselves. This happens when two policies with opposite effects are introduced together, for example, increasing densities and increasing taxes. The combined effect of these measures makes it difficult to understand the impact of each one. A simulation game can help isolate each impact. Practitioners need to experiment with each policy measure to better understand them both. I have noticed that they may nod with skepticism when you lecture them, but they give you a "eureka" smile when they reach understanding by playing a game.

LAND LINES: *How do you overcome resistance to topics such as value capture?*
CARLOS MORALES: A charge linked to the increase in densities is a way of capturing the incremental value of land and a source of funds to finance infrastructure, as São Paulo is doing when it charges for extra building rights. The discussion about how this policy impacts market price is controversial. Landowners oppose it because it reduces their price expectations, but developers favor it because it reduces land prices and the payments are returned in the form of public works. A similar situation happened in Bogotá when a tax on the increment in the value of land was introduced.

Both cases are useful references to explain land value capture in developing countries, yet more city cases need to be documented and disseminated, and some practitioners want examples from developed countries. This is not easy, because land value capture is a buzzword in Latin American circles, but not in most developed countries. This is not because value capture is not used in the United States or other places, but rather because it is assumed as part of the operation of the land market. It is the role of lecturers to point this out and open opportunities for sharing experiences among practitioners from both developed and developing countries.

LAND LINES: *Please comment on the difficulties of conveying taxation concepts to planners.*
CARLOS MORALES: Planners learn about property taxes if they are high enough to have an impact on decisions by landowners, developers, and land users, as in the United States. In developing countries these taxes generally are so low that they do not impact market decisions, so planners are not interested. When I play games that illustrate land markets to architects—who are often also planners—and they realize that the city is not going the way they expect, their most frequent reaction is to suggest more taxes and more efficient land markets. Seldom do they propose a traditional land use plan.

LAND LINES: *What in your opinion are the central concepts or ideas that could make the difference in the international debate on urban land markets?*
CARLOS MORALES: Pointing out that land value capture is a significant source for financing infrastructure and preventing slums can bring more stakeholders into a serious discussion. Ideas related to security of tenure, land registration, and titling in order to increase access to loans have been dominating policy, but results have not been as positive as predicted. Slums continue to develop and service provision is still lagging behind.

Policies that have to do with land taxation and property obligations—not just property rights—have more potential to improve the functioning of urban land markets. UN-Habitat and the World Bank adopted the earlier notions of security of tenure as a solution, but are now beginning to show interest in land-based urban development instruments. Land value capture policies will have an effect tomorrow, but with a political cost today because giving titles is cheap and appeals to short-term politicians. This is the challenge that should be faced in the international debate to ensure more effective and long-term land market reform.