CALIFORNIA

Landowners are not above the State law . . .

The Mason legacy

By Bert Brookes

IT WAS in 1975 when Eugenie Mason decided that enough was enough. Since 1929, along with many other citizens of California, she had received no income from her holding of 6 per cent bonds issued by the El Caminho Irrigation District. Not a cent of interest; not a dime off the capital. And after four decades of litigation and lawsuits, the District authorities were still stalling.

With drastic action clearly called for, Mrs. Mason sought the aid of California's Attorney-General – and the final phase of a marathon battle to establish a basic principle in the State's tax laws had begun.

The fight-back against official chicanery and legal gobbledegook had begun for Eugenie Mason as far back as the early 1930s, when the leading role had been played by her husband, financier J. Rupert Mason, an acknowledged expert on California's irrigation law.

But the struggle acquired a new dimension in 1936 when Rupert Mason began to realise the extent to which the California Irrigation District Act owed its origins to the philosophy of Henry George.

Mason well knew that, under the Act, any Irrigation District in California (of which there were some 120) issuing State bonds to finance an irrigation scheme was required to service the bonds by making an annual levy on the value of the land benefiting from the scheme.

He knew, too, that this annual levy made it unprofitable for the owners to hold such land idle.

But he had never fully realised two other important facts.

● **First,** that in adopting such a scheme for financing public works – one based on "benefits received" – California, among all the states of the world, stood virtually alone. A study of vast land reclamation projects all over the world – in Italy, Spain, Peru, Chile, the Philippines, China, Egypt, Greece, Java and Australia – showed Mason that, in hardly any case, was the cost of public improvements charged upon the benefited land as in California.

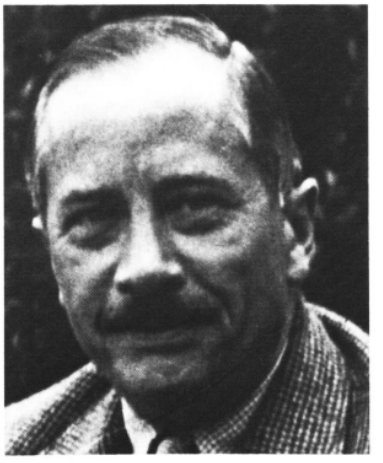
It was as if California had determined, in some form, to follow the thinking of one of its most illustrious citizens.

● **Second,** it rapidly dawned on Rupert Mason that it was this very process of levying a charge on land values that made the price of land in the Californian irrigation districts lower than corresponding land elsewhere. It was this levy, entirely on its own, that made land in California more easily available to small farmers and home seekers than in other states of the U.S.A.

In a flash of insight, he saw that California would still be a sleepy, semi-arid land of vast Spanish-style estates – as Spain is to-day – had it not been for the "land-tax" provisions of California's irrigation laws.

THIS SUDDEN perception of the full significance of Henry George's teaching had a dramatic effect on the 50-year-old Californian. He joined other prominent Americans in pressing for land-value taxes to replace State sales taxes. He met advocates of land-value taxation from Britain, Denmark, Australia and other countries. And in 1949 he became President of the International Union for Land-Value Taxation and Free Trade.

But well before his full awakening to the potency of land-value taxation, Rupert Mason had made his name in defending the Californian irrigation law. Since the 1890s, there had been a succession of attempts, by powerful interests, to kill or emasculate the law. In 1895, for example, landowning interests had attacked land-value taxation as "communism and confiscation under the guise of law". It had taken a decision of the U.S. Supreme Court to confirm that the irrigation law of California was constitutional.



● Rupert Mason

But the landlords and speculators had kept up the pressure. Their big chance came with the 1929 economic crisis when property values dramatically slumped. At that time, many country mortgages in California were held against land in the irrigation districts (which covered five million acres) and the mortgage interests appealed to the State courts, and then to Washington, to have the land-value levies take second place to the mortgage interest payments.

In both venues they came up against J. Rupert Mason. He fought them all the way to the Supreme Court, eventually emerging triumphant with a favourable Supreme Court ruling in 1935.

But the mortgage interests had still not finished, and some years later, after a number of changes in the Supreme Court's composition, they tried again. This time they achieved some success, the Supreme Court ruling that States could set aside local government bonds in favour of mortgages if such action were sanctioned by a Federal court.

Since then, recorded Mason bitterly in 1959, "the federal courts have imposed 'death sentences' on valid, binding and unpaid local government bonds".

But in one of California's irrigation districts – that of El Caminho in Tehama County – Rupert Mason was able to continue the fight for the interests of the bondholders and for the landowners to pay their rightful dues. The El Caminho authorities had defaulted on their bonds in 1929 when, according to the Red Bluff Daily News,[1] property values in the district plummeted below the land debt. But even though these land values subsequently recovered (and now stand at about four times the total levies due on them) the District authorities still made no move to collect the dues and pay off the bond debts.

THE CASE was still proceeding at the time of Rupert Mason's death in 1959 and might then have disappeared under a cloud of legal dust – but for his wife Eugenie. A bondholder herself, she decided to fight on and, moreover, to call in the State Attorney-General when, after a further frustrating 16 years, the negotiations with the El-Caminho authorities broke down.

Mrs. Manson's cri-de-coeur to the Californian Attorney-General proved a master-stroke. The State lawyers filed suit in September 1976 and, before the year's end, had obtained a judgment from the Tehama County Superior Court ordering the irrigation district to pay their debts to the bondholders.

Such, however, is the snailpace of U.S. legal processes that it was not until 1982 that the inevitable appeal was heard.

The appeal court upheld the judgment and ruled that the El Caminho Irrigation District should proceed to assess the land values in its area in order to pay off the sum – estimated at over $2.4m – which it owed to the holders of its unpaid bonds.[2] This ruling was finally confirmed by the California Supreme Court in March 1983.[1]

With the Supreme Court's decision, after eight separate lawsuits since 1938, the Masons' long struggle has been crowned with success. A special accountant is now being appointed by Tehama County to supervise the assessments in the El Caminho District.

For Eugenie Mason, the result is a complete vindication of the dogged stand taken by her husband and then by herself over that almost interminable forty years.

She told *Land & Liberty:* "To me, it has been a truly historic saga and the most important decision of the Californian courts. It sets a vital precedent in land tenure and shows that landowners are not above the State law."

Certainly, throughout California today, there will be many holders of local government securities, as well as small farmers and home-owners, who would gladly drink a toast to the State's land-value irrigation law – coupled, of course, with the names of Rupert and Eugenie Mason.

REFERENCES

1. *Red Bluff Daily News*, 30 June, 1983.
2. *Sacramento Bee*, 28 October, 1982. (The *Sacramento Bee* is the newspaper on which Henry George worked at the time of writing *Progress and Poverty* in the 1870s. He was given much support at the time by James McClatchy, the newspaper's founder.)

● LAISSEZ-FAIRE
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able so land prices rose and intensification became necessary for survival", write Bowers and Cheshire. "Up corn and down horn" has been "the traditional reponse of British agriculture to prosperity".

Land economically suited to low cost, labour intensive livestock production has been claimed for high cost, capital intensive arable purely because non-cost-effective investment has been foisted upon the taxpayer and the consumer.

Likewise, the outer margin of agriculture has trampled over much wild scenery.

The Common Agricultural Policy has added its own brand of influence. The import levy system requires that livestock farmers buy by far their largest imput, feedstuffs, at European rather than cheaper world prices. The benefit of price support is thus partially cancelled and relative to cereal growers, for whom they are a new, captive market, they are rendered far less competitive land users.

Pig, poultry and egg producers do not even have the benefit of price support – only access to subsidised capital. They have been forced into "factory farming", cutting costs ruthlessly by specialising and spreading overheads.

OFFICIAL statistics demonstrate the changing fortunes of the farmer and his suppliers.

The Annual Review of Agriculture shows that while the real value of gross output rose slightly between 1972 and 1980, the farmer's share of it (net income) declined by half. Only cutbacks in farm expenditure have allowed some of the slippage to be clawed back since.

The farm workforce as a whole has suffered a more long-term decline. Whilst real gross output held its own between 1962 and 1982, the farmer's and labourer's share of it fell from 42% to 32%. Depreciation of capital equipment, interest on borrowings, and inputs other than feedstuffs (such as machinery, fertilisers and farm maintenance) claimed 35% in 1962, but 45% in 1982.

Between 1970 and 1982 the real value of farmland and buildings rose by 65%.

Why, in view of these facts, are agricultural economists so convinced of the importance of government intervention for the farm workforce (as distinct from landowners and supply industries)?

Prof. Britton explains them away as part of the universal process of capital/labour substitution. "It certainly cannot be concluded that the trend is reversible ... low cereal prices will not induce cereal growers to abandon the combine-harvester and go back to the employment of large gangs of hired labourers using scythes". Rather, "farmers would be looking even more anxiously for ways of cutting their costs per unit of output", which means further intensification.

Like Vernon Richards, he is striking at thin air. Body does not deny that the relative importance of farm labour in developing economies must decline in the long run. He merely asserts that the mix of farm labour and agricultural capital has been deliberately altered by government policy.

As for falling cereal prices, Body argues that the effect would be to expand the more labour intensive livestock sector and reduce the arable sector, and not to cause arable to become more labour intensive.

Britton also misses the point when he looks at the possible effect of free trade on the finances of a small, present-day dairy farm. It is the effect on the relationship of the two major farm sectors that matters. Like Prof. Wibberley, he is noticing the possible contraction of dairying at its external margin, but overlooking its expansion on the land most suited to it, which has been pre-empted today by cereals.

That the arable/livestock ratio would fall remains unchallenged. The implications for the size of the farm population are obvious, unless the real gross output of agriculture were to plunge drastically.

The experience of two world wars suggests that this would not be the case. The value of output hardly changed despite massive government support. All the extra resources went into growing the cereals no longer cheaply available from abroad.

The opponents of laissez-faire had better swallow their incredulity.

REFERENCES

1. Temple Smith, 1982. See *Land and Liberty*, May June 1983.
2. *Agriculture: The Triumph and the Shame – An Independent Assessment*, June 1983, Centre for European Agricultural Studies and the Centre for Agricultural Strategy.
3. *Financial Times*, 20 December, 1983.
4. Methuen University Paperbacks, 1983.
5. 'China Comparison' *New Society*, 6 January, 1983.
6. Bowers and Cheshire, p.79.
7. "The arable farmers ... who [now] have land that is not fitted for cereal crops ..." (Body, p.123).
8. Bowers and Cheshire, p.134.