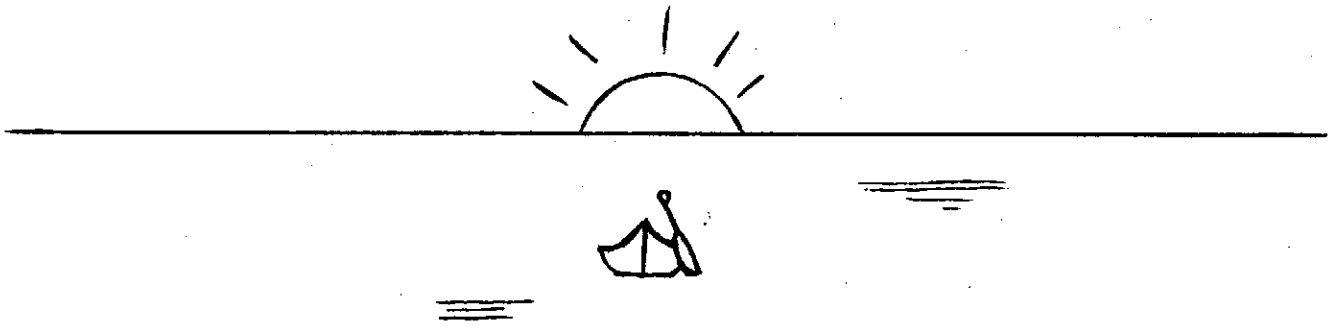
Latifundia in Gitche Gumee



A scientific study of despoilment of land and people in Michigan's Upper Peninsula

Chapters 1 and 15 of a forthcoming
book entitled *The Prime Principle*

by

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Foreword

This booklet includes two chapters out of twenty-four (or more) in a book soon to be published, called *The Prime Principle*. The chapter "Latifundia in Gitche Gumee," which concerns Michigan's Upper Peninsula, is a case study of one important aspect of man's continuing progress toward a scientific solution to his socio-economic problems.

In this increasingly complicated world, more and more men and women are becoming specialists in ever-narrower fields. Although present-day academic education supposedly scans all knowledge, it really does not. Many areas are missed entirely. This booklet, as well as my soon-to-be-published book, covers a field that has been missed in nearly all academic education today — Land Economics.

Because of this gap, or shadow in our knowledge, a generalist such as myself can, by using a narrow scanning process within the scientific method, become more knowledgeable in parts of certain specialized fields than the supereducated specialists themselves — that is, in the parts of the shadowland that they have missed. Some of these fields are Economics, Sociology, History, Political Science, Law, Ecology, Government, Anthropology, and Religion.

Not always, but usually, the specialist receives his narrow education in an inductive rather than a deductive manner. That is, he moves up the "pyramid" inductively toward a general principle in his particular field. Each field is loaded with facts, and as the student gathers specialized knowledge, he climbs inductively from each tier to the next more general one until he reaches the top of the pyramid. Along the way, he misses some general principles because of cultural directives: that is, orders from the culture not to look.

But the main reason for the specialist not having complete knowledge even in his own field is that he does not generally make enough use of the scientific method: that is, he does not use to a sufficiently high degree the basic step in the scientific method — making and testing hypotheses.

The hypothesis is a quick way of getting to the top of the pyramid to an assumed principle. Then, moving downward deductively, the scientist can save time by sorting out the facts, retaining only those that he needs.

By making hypotheses about what we think "exists" or about what we think is a repeating natural phenomenon, we narrow our search in one respect, but also enlarge it to cover an infinite universe. Science is like that. It, or rather the natural laws discovered and proved by scientific experiments, work at any place and at any time. Science has no political boundaries, no in-groups, no out-groups.

The first hypothesis I made in my search for a solution to man's socio-economic problems was not quite at the top of the pyramid. It started at the second tier down from the top, derived from Henry George's Single Tax on land values. (Many Single Taxers are still working on that tier, or on just part of that tier.)

From there, I went up one tier to the prime principle at the top of the socio-economic pyramid: "To each according to the value created." I derived this principle partly from my experiences in industrial engineering, and partly from my belief in Land Value Taxation.

My primary hypothesis was, and is, that all socio-economic action among men and the environment is automatically controlled to the extent that the

prime principle is followed, and more specifically on the next lower tier, to the extent that Land Value Taxation is used.

The Chapter list for my book *The Prime Principle* tells the story of the places where I looked for evidence of Land Value Taxation or its absence, and of course indirectly for evidence supporting the prime principle. Like reading a mystery story, I found it fun to search, and thrilling to see the clues appearing in areas where I had never been before. I went to written records, to books, and to the knowledge of specialists. Unknowingly, they had recorded data that I, knowing what to look for, found. And what I found was this: to the extent that Land Value Taxation was followed, the prime principle was served.

"Latifundia in Gitche Gumee" shows the negative effect of low land value taxes in the Upper Peninsula of Michigan. It shows how there is poverty in spite of rich resources, as those resources, owned by outsiders, flow out to non-creators of value. There is much evidence presented – I think overwhelming evidence – of the correlation between low land value taxes and poverty.

But evidence of the negative effect of low land value taxes does not come solely from the land of Gitche Gumee. Similar evidence can be found throughout Latin America, in Africa, and in the sands of the Middle East's oil fields. But if what I claim is true, why have not others drawn the same conclusions from this evidence – from these detailed facts? I have explained one reason: no one has made an hypothesis requiring a world-wide and time-wide search in so many fields of knowledge. And I have hinted at another reason: the Land Cultural Directive. Is man so conditioned that he is afraid to look? It was just a short five hundred years ago that men were afraid of the Inquisition. Today it is not fear of physical punishment but fear of ridicule. Let us consider a statement that Chairman Paul Douglas and three other members of the National Commission on Urban Problems made in their minority report to the Congress and to the President of the United States:

> But what has fundamentally held back the spread of the idea has been the relatively wide diffusion of land ownership among the people of the community. We do not have the same concentration of ownership that prevails in Britain with its feudal remnants or in Latin America. Our homestead acts instead diffused the ownership of farm lands except in areas such as California. Some of this is now becoming urban and suburban land with an attendant skyrocketing of values. The intense and praiseworthy desire of families to own their own homes has not only helped to make the original owners more independent but it has also helped their children and grandchildren to levy tribute on those in future generations who are born into the world without land. And, finally, there are the pervasive land speculators who correctly see these values rising and foresee that an expanding population and a more productive technology will inevitably lead to a heightened bidding for the factor of production whose quantity remains relatively fixed and constant.
>
> There are powerful forces which have operated and will continue to operate against any lucid consideration of the issues involved.
>
> We feel that this pall of silence should not continue and that by speaking out now it is possible that we may generate at least a little added consideration of this crucial and relatively ignored subject.[1]

Is it possible that there is a Land Cultural Directive which, in effect, says "hear no evil," "see no evil," and "speak no evil" about the land tenure system that we follow? Other cultural directives give us our religious practices—even our food preferences and our hair styles. Today, at a rapidly accelerating pace, we are overturning some of these directives and charting new pathways through the confusions and complexities of life in our modern world. Shouldn't we at least look at the cultural directive that tells us to grab all the land and natural resources we can and make a profit at the expense of our neighbors? Shouldn't we think about it before we condemn future generations to feudalism, exploitation, and poverty? Shouldn't we listen to the voices of history and science? I say we should. Won't you look, think, and listen with me?

1. National Commission on Urban Problems, *Building the American City*. Report to the Congress and to the President of the United States. House Document No. 91-34 (Washington, 1968), page 396.

1 Introducing the Prime Principle

Everything in Nature works according to laws. Rational beings alone have the faculty of acting according to The Conception of Laws, that is according to principles, . . .
— Kant

This book presents the hypothesis that only one main, or prime, principle governs all economic interaction. By following this principle rather than opposing it or disregarding it, as we partially do now, all of our socio-economic problems can be solved, including wars, depressions, poverty, unemployment, and all other related subproblems. The prime principle is:

"TO EACH ACCORDING TO THE VALUE CREATED"

How could it be otherwise? If an economic system requires values created by one individual to be given to a non-creator, would not this be an injustice? A continuous imbalance of values not returning to their creators but going to non-creators would result in an increasing pattern of injustice.

Is it not apparent that in individual exchanges of economic values equal values must be exchanged? Is it not also apparent that in transactions between groups and groups, groups and individuals, governments and individuals, all exchanges must be exchanges of equal value? How else can there be economic justice? Is there any other way?

We must not confuse the equality of values required in a just economic exchange with the differences in values created by different individuals, groups, and governments. Values created vary even for a single individual in his many creations of value. They vary between individuals performing similar tasks. They vary within a group's creation of economic value, and between groups. They vary within a government and among governments. Every creative effort is unique, and most often unequal in value to every other creative effort.

Economic justice is the exchange of equal values. In advanced civilizations, goods and services are not exchanged directly. Instead, symbols of value are used. These take the form of money or various sorts of credit vouchers. Economic justice is accomplished in the free marketplace by the use of value symbols in different denominations, just as in early civilization different measures of corn seed were exchanged for goods and services, and even the grains themselves were exchanged for small units of goods and services. In the free marketplace they assured equal exchanges of value.

The total values created must equal the total values received. It is an old Euclidean axiom that the whole must equal the sum of the parts. In the case of values, no more and no less can be allocated and distributed than were created. Even if allocation is different from creation, the totals must be the same.

But to have justice, in each individual instance each value created must return to the creator of that value.

The distribution of values created in the production process. As the end products or services approach the ultimate consumer, there is a parallel but opposite flow of value symbols back to the creators of the values in the products and services. These values are always created by the three major factors in production—labor, capital, and land—regardless of who owns or controls these factors. Under our economic system, the return flow of value symbols to labor in the form of wages is always less than the values created by labor. This is also true of the return flow of value symbols, as interest, to capital. Landowners, however, receive, as rent, almost all of the values that accrue to land in accordance with natural law.

The values that are not returned to labor and capital are generally given in the form of taxes to a fourth recipient—government; local, state, and national. Government also receives a very small portion of the values accruing to land, by the minute land tax included in our property tax. Ironically enough, government—that is, society—creates the values in land but not those in labor or capital.

In our bookkeeping systems, the flow of values to labor is clear and distinct, but the flow of values to the owners of land and capital is fogged. This is because the recipients of the value symbols are not separated into landowners and capital owners. In fact, the separate recording of the relatively large flow of values to landowners is nearly non-existent.

The ambiguity in speaking of capital and land has given the appearance of unequal exchanges of value between labor and capital, which leads to continuous but unnecessary conflict between these two factors of production. Thus, in today's world of poverty with increasing progress, we have not only this unnecessary conflict between labor and capital, but we also have a condition in which societies—governments—take values from those who created the values, while individuals take values created by society. The prime principle, although followed in many areas of economics, is consistently violated in other areas, causing our economic system to malfunction.

There are necessary exceptions to the use of the prime principle. We all recognize the obvious necessity of parents giving economic values to their children, but we also realize that for the children's best interest that support must be reduced as they reach adulthood. The same exception is recognized for the case of elderly parents and other relatives. These voluntarily given values are only a partial violation of the prime principle.

There is also society's case of the handicapped. Here we give values in the form of welfare to noncreators of value. But at the same time we recognize, without realizing the role of the prime principle, that we degrade the handicapped if no opportunity is given to them to create values too, in order to help pay their own way. Thus, even when we violate the prime principle, we recognize the dignity and the inner felt worth of each individual, and try to the best of our ability to allow the less able to serve too. In any event, we should recognize that welfare is a social problem, and that the economic values carefully distributed in this area must come from socially created values rather than from individually created values.

The task is complex—the rule simple. With the tremendous increase in value creation and exchange, the problem of economic interaction is extremely complex. Throughout history, men have searched for simple rules. They have tried many methods, looking for ways of achieving prosperity with justice. The story of the rise and fall of civilizations, of nations, and of cities, both in the past and today, is filled with evidence of our never-ending search for economic justice.

One man who searched for such justice was Han Wen Ti, Emperor of China in the second century B.C. Although China under his rule led the world in prosperity, Han Wen Ti knew that his people deserved a better life. Here is his cry of anguish;

> . . . . for many years there have continually been no good harvests. Moreover there have been visitations of floods, droughts, sickness, and epidemics. We have been very much worried because of them. We are ignorant . . . and do not yet understand just what is to blame. We have been thinking: is there some fault in Our way of government or is there some defect in [Our] conduct? Is it that [We] have not obeyed the Way of Heaven or have perhaps not obtained the advantages of Earth, or are the affairs of men in great discord, or have the spirits and divinities been neglected [so that] they have not enjoyed [Our offerings]?

How has this been brought about? Or is it that the salaries of the officials are perhaps too lavish, or that useless activities are perhaps too many? How is it that the people's food is scarce and lacking?

Now when the fields are measured, they have not decreased, and when the population is counted, it has not increased, [so that] the amount of land per person is greater than in ancient times. Yet there is very much too little food; where does the blame for it lie? Is it that Our subjects devote themselves to what is least important, whereby those [persons] who injure agricultures are multiplied? [Is it due to the fact that] they make wine and lees, thereby wasting much grain, and that masses of food are given to . . . domestic animals? I have not yet been able to attain the proper mean between what is immaterial and what is important. Let [this matter] be discussed with the Lieutenant Chancellor, the marquises, the officials. . . . Should there be anything that might be of assistance to Our subjects, let them apply themselves with all their minds and think deeply [about the matter]. Let them not hide anything [from Us].[1]

1. Pan Ku, *The History of the Former Han Dynasty*, Volume One, First Division. Translated by Homer H. Dubs, with Jen T'ai and P'an Lo-chi (Baltimore: Waverly Press, Inc., 1938), pages 261-262.

People today have tremendous advantages over a man like Han Wen Ti, with his tremendous heart and efforts. We can benefit from the thinking of thousands of generations that have preceded us. Also, we have the advantage of being able to use the scientific method in our search for economic justice. We need not search as men enthralled by the beauty and romance of the past. It is so much easier to work as scientists, using man's store of accumulated knowledge to check our hypotheses.

Thus, this book will start with the hypothesis that there is one prime principle in socio-economics. We will search for evidence to support our hypothesis. We will search for evidence that when the prime principle has been followed, civilizations advanced; and that when the prime principle was disregarded, civilizations crumbled.

The amount of evidence in support of our hypothesis is astonishing—evidence from history, as well as statistics and facts from today's world.

However, presenting evidence to support our hypothesis does not complete the scientific method. The evidence merely makes the hypothesis highly probable. In addition, this book makes predictions based on this probability. For more conclusive proof, more facts must be gathered to check these predictions. Man's hope of progress toward economic justice should be high, for already the leaders of the conflicting economic systems in our world are approaching an expression of the prime principle.

15 Latifundia in Gitche Gumee

Latifundia (in Roman history): great landed estates.

> Whenever there are in any country uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural right. The earth is given as a common stock for man to labor and live on. If for the encouragement of industry we allow it to be appropriated, we must take care that other employment be provided to those excluded from the appropriation. If we do not, the fundamental right to labor the earth returns to the unemployed.
>
> — Thomas Jefferson

The straits that separate Lake Michigan from Lake Huron, spanned by the engineering marvel of the Mackinac bridge, also separate, as the Rio Grande does, poverty from prosperity. The Upper Peninsula of Michigan, commonly called the U.P., is a land of latifundia, where only a few people own most of the land; the Lower Peninsula is, like most states in our country, fairly prosperous. In our study of the fifty states (Chapter 14), we found that Michigan ranked ninth in internal personal income per capita. Michigan has achieved this high rank despite the fact that the 7,600,000 people in the Lower Peninsula are supporting, at least partially, the 305,000 in the U.P.

The irony of the situation is that the U.P. is, as one mine union official has said, one of the richest spots on earth. The U.P. has copper, silver, and iron ore. True, much of the easiest-to-get-out ore has already been mined. But, according to the brochure of one iron mining company, with a new process and at planned production rates, the reserves from just one mine are expected to last until the year

2040. Based on information given by the Chairman of the Board of a leading copper mining company, an article in the September 22, 1966, issue of the *Detroit Free Press* was headlined: MINE OK'D FOR HUGE NEW U.P. COPPER LODE – CENTURIES OF WORK ASSURED.

In addition to its mineral resources, the U.P. has 1,723 miles of beautiful Lake Michigan and Lake Superior shoreline, 4,300 inland lakes, and 150 waterfalls. There are millions of acres of woodland available for growing pulpwood, abundant water for industry and the production of hydroelectricity, 13 ocean-connected harbors (of which 4 are developed), and the world's busiest ship canal.

In our study of history, we have seen latifundia in Rome, in ancient China under the "gentry," in Japan following feudalism, and in Latin America. And today, here in the United States, we have latifundia close at hand – right next door to a different and far more successful land tenure system.

History of latifundia in Michigan's U.P. Like Latin America, Michigan's U.P. was grabbed at first not by the poor and the wretched but by the bold and greedy, who fought each other for nature's loot. They did not plan to establish homes and make communities. Like the conquistadors of Peru and Mexico, they intended to ship riches to the east.

Of course there were battles lost – mines closed down and reopened and closed again. The forests were stripped for timber. Mining land and forest land and sections of shoreline were grabbed, and as the weaker landowners succumbed to their rivals, to ill fortune, or to mismanagement, the assembling of smaller land parcels into larger land areas took place. Land values rose and production slowed – and poverty worsened.

We can see history repeating itself, even in the name of the mining town Laurium, named after an ancient Greek silver mine. The landowners owed far more than just a name to history, however. The owners of copper ore owed much of their wealth, perhaps unknowingly, to craftsmen of the Bronze Age, to the scientists Volta and Ampere, to Benjamin Franklin, to Edison, to Bell – to all who helped to develop dreams that resulted in the use of copper. Through the year 1925, 7.8 billion pounds of copper were taken from twelve U.P. mines. The reported dividends during that period totaled $291 million. Similarly, the owners of iron ore were in debt to the world society of the past—to the people of the Far East and the Near East, to the Scotsman Watt and the Englishman Stephenson, to Andrew Carnegie and Henry Ford and many others—for the development of dreams that led to the use of iron and steel.

The U.P.'s green forests were stripped by lumber barons. The timber was used to build homes throughout the United States, and to make furniture in Grand Rapids and later in Chicago. Recently, one member of a civic information center in the U.P. told me that he does not mind the outward flow of money from iron and copper, but he does mind the loss of virgin forests. One lumber baron, he said, took millions of dollars east before he died. His wife donated $5,000 to an already existing library as payment for part of a room and a plaque in her husband's memory.

The United States government and the State of Michigan encourage latifundia. In the 1850's, the St. Marys Falls Ship Canal Company was given 750,000 acres of land by the federal government, through the political efforts of Senators Cass and Felch of Michigan, and against the concerned efforts of Henry Clay. This "revenue sharing" of the federal government, given to the State of Michigan and then to the canal company, was payment for the first ship canal connecting Lake Superior and Lake Huron. Since the canal cost $999,802.26 (in 1855), the cost of the land was only $1.33 per acre. This 750,000-acre tract of land, which became the private property of the canal company, was located as follows:[1]

39,000 acres in the iron ranges
147,000 acres in the copper region
564,000 acres in five Lower Peninsula timberlands

As under any system of latifundia, rebellion seethes. Perhaps it is an exaggeration to speak of rebellion, but there has been violence between the mine operators and the unions in Michigan's U.P. And there are today a number of people who feel a hatred they have "inherited" from the past – a hatred that is hidden in humor as they, loyal American citizens, jokingly call themselves "communists."

Only a few of these people actually see the ore owners and the timberland owners and the lakeshore

1. Harlan Hatcher and Erich A. Walter, *A Pictorial History of the Great Lakes* (New York: Bonanza Books, 1963), pages 263-266.

owners as land barons, and call themselves peasants and serfs. This is perhaps intended as an exaggeration, but it indicates a deep understanding of reality, gained partly from personal experience of events —some recent and some during the depression years —and partly from knowledge of an even earlier time when their families were forced by economic circumstances to emigrate from northern Europe.

The people who came to the U.P. had fled from oppression under a system of feudalism that was shifting to latifundia. Their ancestors had been members of peasant political parties that worked for the abolition of landlordism in the Scandinavian countries. These immigrants brought the same spirit to the American Midwest as did the poor landless peasants, who, over one hundred years earlier, had fled from England, Scotland, and northern Ireland to crop our thirteen original states with the strongest opposition to tyranny the world had ever seen.

The Swedes, the Norwegians, and the Finns found new hope and success in most northern parts of the Midwest, but not in the iron ranges of Minnesota and northern Michigan. In Michigan's U.P. (along with former tin miners from Cornwall), they found the same tyranny and the same oppression they had left behind in Europe, but tyranny with even more economic power—unbeatable economic power—for it was disguised and hidden under a legal system that the people respected.

But there is hatred today, and understandably so. One elderly government official, explaining his feelings to me, told of his father being trapped in a mine, his leg caught under a pile of fallen ore. He was rescued by a brave friend and hospitalized. He paid the $500 cost of the accident, the mine operator paying nothing. He then sued the mine operator and recovered the money, but lost his job forever. His name was blacklisted, and his son, too, could never get a job in the mines.

Land division in the U.P. There are fifteen counties in Michigan's U.P., totaling 16,437 square miles and (not) supporting a population of 305,000 persons. The following charts show how the land in the U.P. is divided between public and private ownership.

Chart 15-A

PUBLIC AND PRIVATE LAND OWNERSHIP IN MICHIGAN'S U.P.
TOTAL AREA: 16,437 SQUARE MILES (10.52 MILLION ACRES)

	Millions of Acres		Percentage	
Mostly private (small local public areas such as parks included		7.24		68.8
Government-owned				
State parks	.08		.8	
State forests	1.69		16.1	
National forests	1.51		14.3	
Total government-owned		3.28		31.2
Total		10.52		100.0

Chart 15-B

LAND DIVISION IN FIVE U.P. COUNTIES
PUBLIC AND PRIVATE SURFACE OWNERSHIP

	PRIVATE		PUBLIC Federal, State, County, Local		TOTAL	
County	Acres	%	Acres	%	Acres	%
Houghton	448,000	70.0	192,000	30.0	640,000	100
Gogebic	373,474	52.5	338,206	47.5	711,680	100
Iron	511,524	68.2	238,476	31.8	750,000	100
Marquette	906,007	75.7	291,184	24.3	1,197,191	100
Ontonagon	516,366	61.7	319,699	38.3	836,065	100

EVIDENCE OF LATIFUNDIA IN MICHIGAN'S U.P.

General. What statistical evidence do we have to support the claim that there is widespread latifundia in Michigan's U.P.? One important indication comes from data on the ownership of commercial forest-reserve land. Of the 7,240,000 acres of land privately held in the U.P., 982,437 acres (13.6%) are owned by six companies, under Michigan's laws on state-subsidized forest-reserve lands. This holding of so much forest-reserve land by so few owners is some evidence of latifundia throughout the U.P. However, three specific criteria are also used in this study to indicate latifundia.

1. Latifundia is shown by land ownership. Whenever a high percentage of land is owned by only a few persons (or companies), there is, by definition, a condition of latifundia. In two U.P. counties—Marquette and Ontonagon, both major mineral-producing counties—private land ownership was examined in detail. A parcel-by-parcel check was made, and the major "surface" landowners as tabulated on tax records were reported. Two more counties are presented with less detail, as summarized by county officials, and three additional counties superficially examined. It is considered that the information presented here is more than adequate to support the claim that too much land in the U.P. is in the possession of too few people; but if more proof is needed, it is simply a tedious matter of examining land maps, property records, and titles in great detail—a project that might be carried out by a college, perhaps with foundation financing.

2. Latifundia is shown by a high ratio of personal property to real property. Wherever there is a high ratio of personal property to real property (P/R), latifundia is indicated. Personal property is commonly considered as property not attached to land, and, in Michigan, usually includes commercial and industrial equipment and inventories. Structures are generally considered to be attached to the land in title as well as in actuality. But in the U.P., far more than in Michigan's Lower Peninsula, structures are often separated in title from the land, being built on leased land. The State Tax Commission defines such buildings, so located, as personal property, and tax records correspond.

In areas of low population density such as the U.P., which averages between five and thirty-five persons per square mile, there is very little "normal" personal property value compared to the huge quantity and "natural resource" value of the real property in land. Commercial and industrial equipment and inventories, normally considered personal property, are small. They occur only in the cities, where there is a greater density of population, or in rural mining areas where equipment and goods are relatively high in value in comparison to improved property values.

For purposes of comparison, let us consider Kent County, in Michigan's Lower Peninsula. Kent County has an overall population density of 424 persons per square mile; that is, a population density that varies from 12 to 85 times as heavy as the density in various parts of the U.P. The overall P/R ratio in Kent County, including both cities and townships, is .30. Most rural townships have a P/R ratio of .10 or less.

In the counties of the U.P., the P/R ratio runs .15 or higher overall, with a much higher ratio in cities and active mining localities. This high P/R ratio, reflecting the existence of many structures on leased land, is an indication of latifundia.

3. Latifundia is shown by the separation of mineral rights from surface rights. A third condition that indicates latifundia is the separation of mineral rights from surface land rights. Of the relatively few people in the U.P. who supposedly own their own land, many do not own the mineral rights under their land. This situation exists not just in the case of urban and rural home sites and farms; it also exists in the case of commercial forests and also in state and federal parks and forests. Except in large areas, it is very difficult to check each parcel of property to see if there is a separation of mineral rights from surface rights. However, spot checking and general knowledge make it virtually certain that in much of the U.P. there is such a separation, indicating latifundia.

Data from seven U.P. counties. In the following compilation of data from seven of the U.P.'s fifteen counties, the three criteria indicating latifundia discussed above are considered: 1. land ownership, 2. ratio of personal to real property, and 3. separation of mineral rights from surface rights. However, the omission or only partial recording of data on any of these three indicators should not be taken to show the absence of latifundia; it simply reflects the fact that the investigation was not entirely complete.

MARQUETTE COUNTY

1. Land ownership. The fact that 46% of the privately owned surface land in Marquette County is owned by only 15 companies makes it extremely probable that latifundia is widespread. (See Appendix, Exhibit XV-a.)

2. Ratio of personal to real property. Data were not available for calculating the P/R ratio in Marquette County. However, it was determined that in the city of Marquette, 12% of the surface land rights are owned by two persons and leased to home owners. (For data, see page 5 of the *1970 Plat Book for Marquette County*, published by Rockford Map Publishers, Inc., Rockford, Illinois.) It seems likely that the P/R ratio for the county is high, indicating latifundia.

3. Separation of mineral rights from surface rights. No detailed study was made. The county tax director said that title search for separation is too tedious and difficult, and is not worth the lawful tax income of $0.10 (2% of $5.00 per acre). However, he said that practically all the privately held land in the county has this separation of mineral rights from surface rights.

ONTONAGON COUNTY

1. Land ownership. Nine companies in Ontonagon County own 49% of the privately owned surface land, per tax records. (See Appendix, Exhibit XV-b.)

2. Ratio of personal to real property. In spite of the fact that Ontonagon is next to the lowest among the counties of the U.P. in population density (only 8 persons per square mile) and therefore low in the number of homes, it averages (for eleven townships) a P/R ratio of .17. Two townships, Interior and Matchwood, have ratios of .50 and .59. Much of the county's Lake Superior shoreline is owned by mining companies and the surface land leased out.

3. Separation of mineral rights from surface rights. Of the state-owned acreage in Porcupine State Park, 71% (17,453 acres) has mineral rights owned by others. Of the state-owned land in Mishwabic State Forest (formerly Copper Range State Forest), 44% (4,755 acres) has mineral rights owned by others. (See Appendix, Exhibit XV-c.)

KEWEENAW COUNTY

1. Land ownership. In Keweenaw County, over 80% of the privately owned surface land is owned by one company, the Goodman Division of the Calumet and Hecla Corporation (copper), a subsidiary of Universal Oil Products. This figure comes from the county tax director.

2. Ratio of personal to real property. Keweenaw County has the lowest population density in the U.P.—5 persons per square mile. Yet one of the five townships, Allouez, has a P/R ratio of .42. All of Keweenaw County is located on the Keweenaw Peninsula, which juts into Lake Superior. Much of the land in this county, including miles of Lake Superior shoreline, is owned by one company and leased to homeowners.

3. Separation of mineral rights from surface rights. There is not enough land privately owned by the general population in Keweenaw County to check this out.

HOUGHTON COUNTY

1. Land ownership. Three mining companies hold 150,702 acres, or 23.53% of the total land area in Houghton County, per a county tax report of May 26, 1970. That puts it at 33.6% of the privately owned land. (See Chart 15-B, on page 110.)

2. Ratio of personal to real property. By assessed dollars, Houghton County averages a P/R ratio of .38. Out of sixteen cities and townships, five townships show P/R ratios of .52, .64, .74, .76, and 1.10. (Source, tax report of April 13, 1971.)

Houghton is the most densely populated county in the Upper Peninsula, with 35 persons per square mile. Consequently, there is a certain amount of "normal" personal property—that is, store inventories, equipment, etc., included in the P/R figures. However, with a more efficient tax department, they have put out a report dated July 6, 1971, which divides residential property into two classes—

personal and real. The personal property includes buildings on leased land. The real property includes both land and buildings. When the P/R ratio is figured according to the number of parcels, rather than according to assessed dollars, it is .27 for the county overall, with four townships averaging .32, .44, .71, and 1.67.

There is no question about it—a large number of homeowners in Houghton County do not own the land under their houses.

3. Separation of mineral rights from surface rights. No check was made in this area, but it is assumed that the separation is widespread.

A deed of transfer of property, dated July 22, 1968, from Universal Oil Products to its subsidiary Calumet and Hecla, includes the separation "out" of mineral rights on much of nearly $7 million worth of real property.

Most of the lands within the boundaries of the Ottawa National Forest have been acquired by the U.S. Department of Agriculture without mineral rights, which have been retained by private owners. (See Appendix, Exhibit XV-e.) Approximately 180,000 acres of this forest lie in Houghton County.

IRON COUNTY

1. Land ownership. Tax records were not examined in detail, but were checked by parcels and parcel owners. The *Iron County Plat Book of 1971* (published by Rockford Map Publishers) lists 4,580 parcels. There are 21 major parcel owners of private land holding six parcels or more. These owners held 980 parcels, or 21.4% of the private land parcels.

Because these 21 owners undoubtedly held parcels that were larger by far than the average, the figure of 21.4% is artificially low when total acreage is considered. These owners include iron mining companies, wood pulp companies, and speculators.

More exact figures from the State Department of Natural Resources show that only six companies own commercial forest surface land amounting to 33.2% of the total privately held land in the county.

2. Ratio of personal to real property. The April 13, 1971, report of the County board of commissioners shows an overall ratio of personal property to real property of .38. Out of five cities and four townships, two townships show P/R ratios of .89 and .69.

3. Separation of mineral rights from surface rights. No detailed study was made because of the extreme difficulty of records search, but it is evident that widespread separation is made, particularly in surface forest reserve land. One such example is a registered deed, dated July 5, 1956, from the Ford Motor Company (and alias the Ford Motor Company Fund) granting surface rights only on 9,180 acres to the Celotex Company (now Michland).

GOGEBIC COUNTY

1. Land ownership. Tax records were not examined in detail except in one township. A check of parcels and parcel owners shows that eleven owners (mining companies, timber companies, wood pulp companies, and speculators) own 17% of the parcels. Because these few owners own large parcels, it is evident that a small number of owners hold large amounts of land. In one township, Watersmeet, three owners are on the tax records as holding 38% of the privately owned land.

More exact figures from the State Department of Natural Resources show that only six companies own commercial forest surface land amounting to 35.3% of the total privately held surface land in the county.

2. Ratio of personal to real property. The five townships show a P/R ratio of 1.14, while the five townships and the three cities together show a P/R ratio of .61. These figures are possibly very high because there is some "real" personal property included in them, such as inventories in the cities and mining equipment in the townships. But they do indicate that many homes are situated on leased land. All figures were calculated from the county equalization committee report of 1971.

3. Separation of mineral rights from surface rights. In both Ottawa National Forest and the Sylvania Recreation Area, each of which includes a tremendous acreage, the United States claims ownership of mineral rights on only a small percentage of the land. The mineral rights are separated and privately owned. (See Appendix, Exhibit XV-e.)

1. Land ownership. No detailed check of parcels was made. But from the *1969 Plat Book*, a rough estimate comparing parcel owners to parcel numbers indicates that about 16% of the parcels are held by eleven owners.

2. Ratio of personal to real property. The P/R ratio is .34 for the county, using 1971 figures. The source was the County Equalization report.

3. Separation of mineral rights from surface rights. Dickinson County has two large state forests. These are Sturgeon River and Ford River, totaling approximately 207,000 acres out of the county's total 484,000 acres; 15% of the mineral rights under the state-owned forest surface land are owned by others. Of the nineteen sections in which the state owns surface title, three ran percentages of mineral rights owned by others of 38, 34, and 30. Although these percentages of separation indicate the existence of latifundia, they are low compared to the figures for state and nationally owned land located elsewhere in the U.P.

Further study reveals that in Dickinson County the state owns tremendous amounts of mineral rights under private land—not only under land dedicated for forests, but also outside the state forest boundaries. A cursory check on this phenomenon gives an explanation. During the Great Depression, when the state resold parcels of land to the public as a matter of policy, the state retained the mineral rights.

CORRELATION: LATIFUNDIA, HIGH UNEMPLOYMENT, LOW LAND SALES, AND LOW LAND VALUE TAXES

Correlation, in the strictly scientific sense, does not necessarily indicate a cause-and-effect relationship. However, an increasing number of predicted correlations which are then discovered to exist raises the probability of a causal relationship among the factors. Our hypothesis is that low land value taxes prevent people from getting at the land, and the resultant condition of latifundia causes poverty. The probability of such a causal relationship becomes increasingly more certain as we investigate more and more examples. We have tried to show, in general, throughout the history of civilization and in the world today, a definite correlation of latifundia with low land value taxes and poverty. Let us now test our hypothesis in Michigan's U.P., by checking for correlation among these three factors, substituting statistical evidence of high unemployment for the general term "poverty." Another factor, low land sales, which should correlate with the other three factors, is also investigated in Michigan's U.P. (It seems obvious that if the factor of low land sales accompanies low land taxes, Realtors should advocate high land taxes within the property tax system if they want to encourage real estate activity.)

Latifundia. By studying examples in seven out of fifteen counties, we have shown that there is widespread latifundia in Michigan's U.P. This condition, which does not exist to any large degree in the Lower Peninsula, is similar to the latifundia now found in Latin America and other parts of the world, and existing throughout history in various areas.

High unemployment. Compared to Michigan's Lower Peninsula, the U.P. has much more continuous unemployment. The federal government, in its February 2, 1970, publication entitled *Qualified Areas—Criteria and Data*, pages 36-39, has qualified all fifteen counties of the U.P. (for purposes of federal economic assistance) as areas of "substantial and persistent unemployment and underemployment," as defined in Public Law 89-136 of 1965.

In comparison to 100% of all fifteen counties in the U.P. being classified as areas of unemployment, only thirty-six out of the Lower Peninsula's 68 counties, or 52%, are so classified; that is a two-to-one ratio of unemployment in the two peninsulas of Michigan.

In addition, fourteen out of the fifteen counties (93%) in the U.P. had a negative migration rate for the decade 1950 to 1960, as people fled from poverty, while only 39% of the counties in the Lower Peninsula lost population.

Low land sales. It is part of our hypothesis that many fewer land sales per capita occur in Michigan's U.P. than in the Lower Peninsula, low land sales cor-

relating with latifundia, high unemployment, and low land taxes. We checked land sales in the U.P. in two ways as shown below.

1. Number of Realtors. If there are fewer land sales in the U.P. than there are in the Lower Peninsula, the U.P. should have fewer Realtors per capita than the Lower Peninsula – that is, more persons per Realtor. Here are the results of our check:

PROOF – A THREE-BASE HIT!

U.P. – 9,260 persons per Realtor
Lower Peninsula – 2,810 persons per Realtor

2. Revenue stamps. If the hypothesis is correct that there are fewer property sales per capita in the U.P. than in the Lower Peninsula, then the record of revenue stamps should show it. Each sale of real estate requires $0.55 in stamps per $500 worth of property, purchased at the office of the County Register of deeds. Here are the figures:

PROOF – A HOME RUN!

U.P. (14 out of 15 counties) – $0.242
in revenue stamps per capita
Lower Peninsula (selected counties) – $0.488
in revenue stamps per capita

Note: Certain counties in the Lower Peninsula were selected rather than all counties, partly to minimize the task, but also to match counties in both peninsulas according to population density and percent of population 65 years and older. Counties in the Lower Peninsula were also selected on the basis of proximity to the U.P. The individual figures for each county indicated that these elements were not correlating factors.

Proof. These two tests give a high degree of proof of our hypothesis that there are fewer sales of property per capita in the U.P. than there are in the Lower Peninsula. There is also a high probability of correlation of low land sales with latifundia, high unemployment, and low land value taxes.

Low land value taxes. Our hypothesis also requires proof that land value taxes are lower in the U.P. than they are in the Lower Peninsula. This proof will be divided into two parts: 1. Legally low land value taxes, and 2. Illegally low land value taxes. We will examine each of these in detail.

1. LEGALLY LOW LAND VALUE TAXES

Michigan's state laws creating low land value taxes in the U.P. use the principle of partial or complete exemption from normal taxes on two types of land: forests and mineral lands.

Commercial forest reserves. Following are examples of various laws that serve to reduce land value taxes on the commercial forest reserves in the U.P.

Exemptions and subsidies. Public Act No. 218 of 1970, the present law, is a revision of many laws passed since 1925 on commercial forests. In effect, it gives a 10 cents per acre subsidy to all surface landowners operating commercial forests. Section 320.325 of this law exempts all certified commercial forests from the "ad valorem" general property tax. Mislabeled as a specific tax, a 15 cents per acre tax (a minute land tax) goes to the local supervisor. This tax is similar to other property taxes. Section 320.309 requires that the owners of surface land pay the state 10% of the total value of wood cut, which goes, not to local government, but to the state general fund. This tax, like a sales tax and like every other tax except a land value tax, is shifted forward into the price of the product. Section 320.306 requires the state to pay the county annually, and by allocation the local township assessor-supervisor, 25 cents per acre of certified commercial forests.

Net effect. The prime principle – to each according to the value created – is broken by the state law, which, in effect, provides total exemption, plus a subsidy, plus a tax on production. Because the socially created land values are not taxed, local government receives a subsidy from the people of the entire state, and all the consumers of the wood products pay higher prices. The land charge (that is, the land rent) is pocketed, completely unearned, by the owner of the surface land. In addition, the landowner receives in effect the 10 cents per acre net subsidy, which of course raises land values by the capitalized subsidy, or grant. This is an example of the "Gaffney Transfer," which is explained in another chapter of this book.

By forest reserve laws only, 14% of all the privately owned surface land in the U.P. is exempt from the property tax. Over $100,000 in subsidies are paid, in effect, to landowners by the state, in addition to the effective subsidy of the exemption from taxes. (See Chart 15-C on page 116.)

In 1970, according to the Iron County equalization report, $531,700 were removed from the property tax base by new exemptions of land granted to commercial forest reserves. Homeowners made up part of this loss.

Chart 15-C
EXEMPTIONS OF PRIVATE LAND FROM LAND TAXES
BY MICHIGAN'S COMMERCIAL & FOREST RESERVE LAW

COUNTY	PERCENT OF PRIVATE LAND EXEMPTED
Marquette	12.4
Ontonagon	13.9
Gogebic	38.6
Iron	37.2

Mineral lands. The exceedingly low, legal land value taxes on mineral lands in Michigan's U.P. come from the justification of long-past breaking of the law. The rationalization of, at first, incomplete mineral land assessment and, later, virtually complete legal exemption of iron ore and partial legal exemption of copper ore, can be traced to the philosophy expressed in the book *Appraisal of Mining Properties in Michigan*, published by the State Board of Tax Commissioners in 1911. The following statements appear on pages 60 and 61:

> It was hoped up to the completion of our investigation that some means would be found of placing a value on unexplored iron ore formation. The final result, however, is a disappointment. Such lands are undoubtedly valuable, but we have not succeeded in finding any logical measure of their value. . . . It seems . . . a logical position to take in regard to undeveloped mineral lands, that whatever values they may be proved to contain will be appraised as soon as a mine is developed; in other words, the State loses nothing in the long run by not taxing such lands for their mineral value.

Knowledge about the extent of mineral lodes may have been scant in the distant past; but today, with diamond-bit drilling and other modern methods, the knowledge is there—if not in public hands, certainly in private hands, as we shall see later.

In recent years, there has been a growth of legal protection for the owners of mineral lands against the right of the people to collect taxes. This trend is shown in laws passed by the State Legislature. The following five laws, both by direct wording and by ambiguity, have effectively lowered land taxes on mineral ore lands in the U.P.:

1. Public Act No. 285 of 1949—General exemption.
2. Public Act No. 77 of 1951—Low-grade ore, both iron and copper.
3. Public Act No. 147 of 1959—An amendment of P.A. No. 77 of 1951.
4. Public Act No. 66 of 1963—Exemption of iron ore only.
5. Public Act No. 68 of 1963—Alternate specific tax.

Let us review certain parts of Public Act No. 66 in some detail. (The emphasis is mine.)

> The state geologist . . . shall determine . . . the true cash value of the metallic mining properties and mineral rights consisting of metallic resources which are either producing, developed, or have a known commercial value, including such surface rights and personal property as may be used in the operation or development of the property assessed, also including any stock pile of ore or mineral stored on the surface. For the purpose of encouraging the exploration and development of metallic mineral resources, metallic mineral ore newly discovered or proven in the ground and not part of the property of an operating mine shall be exempt from the general property tax laws for a maximum period of 10 years or until such time as it becomes part of the property of an operating mine or it in itself becomes an operating mine.

Now any amateur—that is, any citizen—would think that thus far the law refers to any ore, including both iron and copper. But alas, read on—there is a sleeper.

> The state tax commission shall assess the mineral properties containing 20% or more of natural iron per ton of ore in conformity and uniformity with all other property within the assessing district except that any difference between the rate of assessment of such other property and the rate of assessment of such mineral properties for the year 1963 shall be eliminated in 3 equal adjustments in the years

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> The state tax commission shall assess the mineral properties containing 20% or more of natural iron per ton of ore in conformity and uniformity with all other property within the assessing district except that any difference between the rate of assessment of such other property and the rate of assessment of such mineral properties for the year 1963 shall be eliminated in 3 equal adjustments in the years

1964, 1965 and 1966. The state tax commission shall assess all other metallic mineral properties at the value certified by the state geologist.

Note that all iron ore containing more than 20% pure iron is to be assessed to conform with all other property. This can be taken, and has been taken, as meaning to tax the ore under the ground at the same value as surface land. Since at this time all iron ore of less than 20% pure iron is considered infeasible to mine, and all ore with more than 20% iron is increasing in value, this law gives virtual exemption to all iron ore of any value.

My impression, gained through a telephone conversation with the state mining appraiser, is that the state geologist and the State Tax Commission interpret this law according to their own sincere, dedicated (but in my opinion mistaken) philosophy. Any mineral land—after 1963 copper land only, since virtually all iron ore land is exempt anyway—will be appraised only if it is "producing, developed, or of known commercial value." Any mineral land held for its speculative value, regardless of the amount of that value, is disregarded. Mines that were formerly operating but are now inoperative have their ore value appraised on a diminishing scale.

A specific tax in lieu of land value taxes. To replace the revenue from the lost taxes on the value of iron ore land, a specific tax was finalized by Public Act No. 68 of 1963. Part of this act reads as follows:

> The specific taxes provided for in this act shall be in lieu of all ad valorem taxes upon the property to which the specific taxes apply, including, without limitation, the ore property, the beneficiating facilities, the agglomerating facilities, the ore in its natural state as mined, the beneficiated ore, the agglomerated ore, and the lands occupied by or used in connection with the mining, beneficiating, agglomerating and transporting of the underground ore.

The act requires that the specific tax monies be returned to the local assessing districts, for the first year replacing 75% of all previous property taxes and in the second year, only 50%. This means that all other property owners in the taxing districts have to make up this special-interest cut in taxes.

In addition, the land rent—in this case the royalty—is still included in the price of the product. But the landowners get, in addition to their former split of the total rent, local government's share, which is no longer collected as taxes.

And further, through Public Act No. 66 of 1963 (as noted above), virtually all iron ore land, even that outside the specific tax land district, is exempt, so that taxing units without specific taxes are also forced to tax other property owners to make up for this total exemption.

While the royalty, or land rent, is always in the price of the product, so is, as an addition, the specific tax, which is in effect a tax on production—a sales tax. Public Act No. 68 of 1963 sets a maximum specific tax of 3% on the ore shipped.

Summary of laws on mineral lands in Michigan. Virtually all iron ore land is exempt from taxation. Copper ore land is partially or mostly exempt. Specific taxes exist only on iron ore production. These taxes are passed forward to the consumer in higher prices. Thus, as a result of the defective property laws, the prime principle has been broken, and the owners of other kinds of property must carry an extra tax load.

2. ILLEGALLY LOW LAND VALUE TAXES

We have shown that Michigan's laws have greatly reduced land taxes in the U.P., through exemption and partial exemption: in forest reserves; in the separation of mineral from surface rights; in virtually total iron ore exemption; and in the partial to almost complete exemption of copper ore.

Now we will show that, in addition, the breaking of existing laws has resulted in still lower land value taxes in the U.P. However, no evidence will be presented in the area of forest reserves. Abundant evidence has already been presented regarding the breaking of the law in not reporting to the assessor the separation of mineral from surface rights. The illegal low assessment of iron ore land ended in 1963 when Public Act No. 66 exempted virtually all iron ore from taxation anyway. However, some evidence will be shown later on the breaking of the law prior to 1963 and the major effect this legislation had on the economy of four U.P. counties. Both the illegal low assessment of copper ore land and the usual—but much worse than the nationwide pattern—underassessment of surface land will be shown in Keweenaw County. Copper ore land will also be checked in the other two U.P. copper counties—Ontonagon and Houghton.

Illegal underassessment of copper ore land in Ontonagon County. Ontonagon County has the only operating copper mine in the Midwest, run by the White Pine Copper Company, a wholly-owned subsidiary of Copper Range Company. The mine is located in Carp Lake Township.

State geologist's 1971 appraisal given to Ontonagon Tax Office. The state geologist's appraisal of copper mining property includes personal property, buildings, equipment, and ore. Chart 15-D, on page 119, compares this total appraised value in three areas: White Pine Copper Company property, Carp Lake Township, and the entire county. Bear in mind the fact that the state geologist is appraising only the total copper mining property, the local assessor's appraisal includes all property, and the United States Government's appraisal includes only the White Pine Copper Company's property.

Chart 15-D also shows two separate calculated appraisals. The first was calculated for the White Pine Company property only, based on their publicized production figures, royalty rates, and price of copper, and the State Tax Commission's royalty formula. The second, covering the entire county, was extrapolated from the preceding calculations.

By comparing the state geologist's figures with the Federal government's appraisal, one can readily see the illegal low overall property appraisal. By comparing my calculations of copper land values to the other figures, it is evident that we have an obvious example of too low copper ore land assessment.

Federal government's appraisal brought up to 1971. The facts on the federal government's appraisal came from Gerald R. Ford, then minority leader of the House of Representatives, in a letter to me dated October 7, 1971. (See Appendix, Exhibit XV-f.) I quote: "Collateral consisted of a first mortgage on the land, buildings, machinery, and equipment useful to a copper mine, mill and smelter located at White Pine, Ontonagon County, Michigan. The book value at the time of the loan on these properties was estimated at $80 million." (That was in 1951.)

A multiplier of 1.78, representing the increase in the price of copper, was used to bring the value up to 1971. Inflation was neglected, since the copper ore for the first reserves amounted to over 6,000 million pounds, and an equal amount was in second reserve as announced by Copper Range in 1966. Thus, valuation in 1971, based on United States government figures, was calculated at $142 million.

Calculated appraisal for the White Pine property. The following statistics were the basis for my calculations:

Acreage of land under loan: "12,000 to 15,000 of 64,000 to 65,000 owned in the area by Copper Range," per Morris F. Lacroix, President, as reported in the *New York Times* of March 29, 1952, page 23.

Annual production: 170 million pounds, per White Pine Copper Company's sign. (See Appendix, Exhibit XV-d.)

Reserves: First reserves (for White Pine) — 40 years at 180 million pounds per year from Copper Range's financial statement as of December 31, 1967.

Royalty rate: 10% general rate used — the same rate given by Copper Range to Calumet and Hecla for the Douglas Mine in Keweenaw County — as shown on the same Copper Range financial statement referred to above.

Finlay Formula: This formula appears in the Michigan Tax Commission's *"Finlay" Formula Bulletin 1, March 1, 1945, revised March 1, 1950.* The multiplier for 40 years is the same as that found in annuity tables at 6% (6% interest and 6% recapture of investment). Value = 15.046 x annual royalty. (See pages 127-135 for a discussion of royalty.)

Price of copper in 1971: $.5214 per pound.

Annual production value: 170 million pounds x $.5214 per pound = $88.8 million.

Royalty: 10% x $88.8 million = $8.88 million.

Valuation of ore at White Pine — 12,000 to 15,000 acres: By multiplying $8.88 million (royalty) by 15.046 (Finlay Formula factor), we get a figure of $133 million. (This figure does not include additional copper ore land belonging to Copper Range or to other companies in Ontonagon County.)

Calculated appraisal for Carp Lake Township. Carp Lake Township, as of the 1969 tax records, had a total of 33,758 acres owned by White Pine Copper Company and Copper Range. As copper ore land, this acreage is calculated at $3,580 per acre (about half that of White Pine land), amounting to a total valuation of $121 million.

Calculated appraisal for the entire county. Three copper companies—White Pine, Copper Range, and

Calumet and Hecla—owned, as of 1969, 94,543 surface acres in Ontonagon County, not including separate mineral rights under other land. The total copper ore land value for these three companies comes to $343 million, using a low figure.

To compare this countywide figure with the state geologist's, we must add to his valuation of $37 million for the White Pine property his other appraisal of $1.9 million for Ontonagon Township, making a total of $38.9 million.

The local assessor gets a total appraisal figure of $100.6 million for all property in the entire county —surface land, mineral land, personal property, all structures, and including the state geologist's figures.

Chart 15-D
COMPARISON OF APPRAISALS

Property appraised	APPRAISALS IN MILLIONS White Pine Copper Company	Entire Carp Lake Township	Entire Ontonagon County
All property — ore, surface land, structures, equipment, and personal			
State Geologist	$ 37.0	----------	$ 38.9
Local Assessor	----------	$ 53.4	$110.6
From U. S. Government figures	$142.0	----------	----------
Copper ore land only			
State Geologist, Local Assessor, U. S. Government	Not available. See above and discount.	Not available. See above and discount.	Not available. See above and discount.
Calculated by Smith (for methods, see text)	$133.0	$121.0	$343.0

Summary. It is evident that both the state geologist and the local assessors illegally underappraise (and underassess) the copper ore land in Ontonagon County, their appraisals running from about one third to less than one half of true cash value.

Illegal underassessment of copper ore land in Keweenaw County. Following are valuations of the Kingston Mine in Allouez Township made by the state mining geologist, per his letter to me dated April 23, 1973:

1965 — $295,000
1966 — $665,000*
1967 — $665,000
1968 — $665,000
1969 — $640,000
1970 — $640,000
1971 — $425,000
1972 — $270,000
1973 — $270,000

*Note the jump in appraisal in 1966, from $295,000 to $665,000. Actually, this jump is minute when considered in the light of something that occurred in April of that year. (See below.)

Copper ore discovered. An astonishing event occurred on Wednesday, April 6, 1966. The chairman of the board of Calumet and Hecla announced the discovery of a new lode of copper at the site of one of its old U.P. mines, the Kingston. Although the formal announcement was not made until after the stock market closed, on that day the Calumet and Hecla stock moved up 1-1/8, closing at 38-1/2.

New York Stock Exchange record broken. The next day the New York Stock Exchange was swamped with "buy" orders of 80,000 in excess of "sell" orders. The floor governors were unable to establish what a fair bid-and-offer quotation should be, so the exchange suspended trading on the stock. After three days the old record of suspension was broken. It was not until the sixth day of suspension that the exchange made the rare move of advising members and the public that the issue would probably open and the price would be about $20 above the April 6 closing price. The stock opened at 1:24 P.M. of the sixth day, and the trading was frantic. In twenty minutes 160,400 shares were traded. The

final selling price, when trading stopped, was $60.50. Some stock sold for as high as $63.50.

The *New York Times* (April 16, 1966, page 41) reported that Calumet and Hecla stock rose in paper value $47 million in that frantic twenty minutes. Actually, there was even more of a rise than that. According to the *Wall Street Journal* (April 19, 1966, page 9), Calumet and Hecla had 2,216,249 shares of common stock outstanding at that time. Since the stock rose 25 points in that twenty-minute period, there must have been a $55.4 million gain in value. Thus, the land value of the new copper ore discovery was considered by the free marketplace to be $55.4 million!

New value confirmed. The Calumet and Hecla board chairman announced that, based on a feasibility study made by the Bechtel Corporation, the board of directors had approved an expansion project to develop the new copper lode. This action was reported in the *Detroit Free Press* of September 22, 1966, and in the *Grand Rapids Press* of September 21. The *Free Press*, perhaps mistakenly, headlined its story "CENTURIES OF WORK ASSURED." The *Wall Street Journal*, on April 29, had quoted Calumet and Hecla's board chairman as saying that the new lode would double Calumet and Hecla's copper production. The one billion pounds of copper in the new lode figures 56 years of life at the 1967 production rate of 18 million pounds a year from Calumet and Hecla's copper mines operating at that time.

Sale of Calumet and Hecla mining properties. Early in 1968, two years after the discovery of the new copper lode, the mining operations of Calumet and Hecla were purchased by Universal Oil Products, thus confirming the value of the new lode.

In August of that year, the union struck against the low wages paid by the new management at the two operating mines: Kingston (95% in Keweenaw County), and Centennial in Houghton County. On August 6, 1969, Universal Oil Products terminated all its striking employees. In January, 1971, Universal Oil Products shut off the pumps in the deep mines and started liquidating equipment. The *Detroit Free Press* headlined this story in its January 17 issue: "CALUMET SHIVERS AT DOOM," as busloads of miners were making the five-hour round trip to work at Copper Range's White Pine copper mine. Other workers left the poverty-stricken area for good.

Will Universal Oil Products ever resume mining? Professor Walfrid Been, head of the mining department of Michigan Technological University at Houghton, said that "only new technology would make it economically feasible to recover vast quantities of copper still underground," as reported in the same issue of the *Detroit Free Press*. I interviewed Dr. Been in August, 1971. He implied that the management of the copper mines in the Keweenaw Peninsula had not kept up with modern technology, and that with more modern methods the rich copper ore could be obtained.

What is the present value of the copper ore discovered in 1966? It is obvious that the $55.4 million value did not shrink to the state geologist's 1971 figure of $425,000, nor to the 1972 figure of $270,000—a reduction to .5% of the stock market value in 1966. The copper ore is still there. It is obvious that the state geologist is illegally underappraising copper ore land in Keweenaw County.

Underassessment of surface land in Keweenaw County. In August, 1971, the Keweenaw County tax director had a marked-up county map showing sales figures and local assessment figures on 91 miles of Lake Superior shoreline. The nearly 100 assessment figures ran from 25 cents per front foot up to a top of $10.00, with nearly all assessments running under $5.00 per front foot.

The recorded sales of surface land on the north shore of the peninsula only ran from a low of $15.00 per front foot to $50.00, with most of the sales running above $25.00 per front foot. The beautiful white sand southern shore, owned by Calumet and Hecla, was leased at $0.50 to $1.00 per front foot. A few government-owned lots sold for $25.00 per front foot. With assessments running as low as 25 cents per foot, taxes would run as low as $.01 per foot.

According to Michigan's State Constitution, land should be assessed at 50% of its true cash value. The evidence is clear that assessments in Keweenaw County are running at best 20% of true value, and at worst 1% of value, with a guessed average of about 10% of value. These are very low illegal land assessments indeed.

Underassessment of a rare timber stand. A story came out in the *Detroit News* for June 18, 1971 (page 10-A, Magazine section), telling about an attempt to preserve possibly the last giant pines in Michigan. These trees are more than 300 years old,

with girths of 14, 15, and even 18 feet. The Goodman Company, a division of Calumet and Hecla (which is, of course, a division of Universal Oil Products Company), owns the pines. The newspaper article said that the Goodman Company was asking $40,000 for the 160-acre parcel on which the pines stand. That amounts to $250 per acre. The county tax director, however, says that the price is $40,000 for the northwest corner of the northwest quarter of section 8 in Grant Township – 40 acres – and that the price is thus $1,000 per acre, which is more like the true worth of the stand. In any event, the local supervisor has assessed the entire section of pines – 640 acres – at $11,000, or $17.20 per acre!

Illegal underassessment of copper ore land in Houghton County. In 1970, the state geologist appraised 4,108 acres of copper ore land belonging to Universal Oil Products (through Calumet and Hecla) in Calumet Township in Houghton County at $2,151,800, or $524 per acre. The assessment figure for state equalized value, 50% of market value, was listed at $1,075,900. These figures come from the Houghton County tax report of May 26, 1970.

Calumet Township is where the last copper mine in the county was operating—the mine to which the board chairman of Calumet and Hecla referred when he wanted to compare the expected production from the copper lode discovered in Keweenaw County in 1966. As previously noted, Calumet and Hecla expected to double their production of copper. (See opposite page.)

Our simple deduction is that if the value in the ground of the newly discovered lode in Keweenaw County was over $55 million and its production could eventually equal that of the operating mine in Houghton County, then the value of the known ore in Calumet Township, without considering speculative value, is at least equal to $55 million.

Local assessment. We have already shown that the state geologist's mineral land appraisals are illegally low to a serious degree. Local assessments are even worse. In the same Houghton County tax department report of May 26, 1970, the local assessments are compared with the state geologist's assessments (one-half the appraised values) as follows:

Average local assessment per acre	– $ 18.00
Average state geologist's assessment per acre	– $202.00

Summary. Factual evidence has proved that both the state geologist and local assessors have seriously underassessed land in the three U.P. copper counties --Ontonagon, Keweenaw, and Houghton. Most of this evidence has come from figures provided by the owners of the land.

Illegal underassessments in other counties of the U.P. Other counties were not checked for low land assessments. However, we have shown that the iron counties—Gogebic, Iron, Dickinson, and Marquette—had, for all practical purposes, all of their iron ore deposits exempted from taxation in 1963, 1964, and 1965 by Public Act No. 66 of 1963. Surface land assessments were not checked.

In the following years, with mineral lands tax-exempt, population dropped and taxes on structures increased. Mines closed down, and homes were listed for sale. The personal property and the surface land appraised by the state geologist were continually lowered in value. Tax loads were shifted from the large landowners to the homeowners.

The situation in Iron River (in Iron County) became so serious that the city government defied the law and ordered their assessor to make a flat 20% reduction on assessments. The county tax director refused to approve this illegal reduction. (From Iron County tax department's equalization report of 1970.)

A PREDICTION THAT CAME TRUE

The following information provides an example of the use of the scientific method, at least in a crude way. On the basis of my hypothesis that there is a correlation between low land taxes and lack of prosperity, I made a prediction. The State of Michigan carried out an experiment, and I observed the results, which matched my prediction and gave support to my hypothesis. Let us see what happened.

Action of the State Tax Commission. A headline in the *Grand Rapids Press* for February 2, 1964, ran as follows: STATE CUTS VALUATION ON UPPER PENINSULA MINES BY $10 MILLION. In the story, the secretary of the Tax Commission explained that this action was taken "after the mining companies appealed local assessments on grounds of economic hardship." Actually, the perfectly legal cut was made according to Public Act 66 of 1963 previously mentioned, which directed that virtually all iron ore land be assessed as surface land.

My prediction. As far as I know, I was the only person who pointed out the grave error of reducing land value taxes in the U.P. I did this twice. In a

public letter to the *Grand Rapids Press*, which appeared on March 7, 1964, I said, among other things: "... The action of lowering assessments contradicts common sense and recognized economic laws. Lowering assessments and taxes on land will encourage owners to hold more mineral land idle until demand is more profitable. Lowering assessments of mineral land will further depress mining activity, lower the tax base, and the tax take."

In a letter dated March 7, 1964, to George Romney, then Governor of Michigan, I repeated my prediction, which he disregarded, explaining that Public Act 66 of 1963 charges "... the State Tax Commission with the responsibility of assessing mines on the same basis as non-mining properties. ..." In his letter to me, Governor Romney said, "It is hoped that some of the inequities will be eliminated through this new procedure."

The experiment. Earlier laws, as we have seen, exempted low-grade surface iron ore from taxes, and substituted a less-than-half equivalent specific tax on production. Up to 1963, the deep mines with rich ore running over 50% iron still had to pay land taxes on their ore. The 1963 law exempted for the first time the iron ore in deep mines, as well as virtually all iron ore. Only the surface land was to be taxed, supposedly according to 50% of market value, except those surface lands used in processing and beneficiating iron ores—they too were exempt.

Results. Chart 15-E shows the results of the experiment. All data were provided by the state geologist's office.

Chart 15-E: DATA ON UNDERGROUND MINES IN MICHIGAN'S U.P.

Year	Property Tax Per Ton	Royalty Per Ton	Profit Per Ton Based on Lake Erie Price	Royalty Plus Profits	Labor Costs Per Ton	Number of Mines in Operation
1960	.4725	.3588	1.0616	1.4204	3.0698	27
1961	.5312	.2798	1.0263	1.3061	2.7736	24
1962	.4837	.3007	.2302	.5369	2.7920	21
1963	.4930	.2869	.4088	.6957	2.6375	19
LAND TAX ELIMINATED IN THREE EQUAL STAGES 1964 – 1965 – 1966						
1964	.2972	.3133	.8082	1.1215	2.6809	16
1965	.2404	.3131	.9856	1.2987	2.7735	16
1966	.1502	.3712	1.7374	2.1086	2.6260	15
1967	.1696	.4163	1.6131	2.0294	2.4457	12
1968	.1726	.3962	1.3699	1.7761	2.5932	11
1969	.2098	.4727	1.6827	2.1554	2.5649	11

Notes on Chart 15-E.

Property tax reduction. Although the tax on the iron ore under the ground was dropped, the tax on equipment, buildings, personal property, and surface land was not. Thus, the whole property tax was lowered as the land tax was eliminated in three years. The figures under the property tax column show this. The figures also show that the ore value was probably far underassessed before 1963.

Royalty or land rent on iron ore. The royalty

Royalty or land rent on iron ore. The royalty

figures are probably too low, as the state geologist did not receive figures from all ore owners or mine operators. Note that they are fairly steady, increasing somewhat as land taxes are dropped.

Labor. Labor charges per ton of ore remained fairly constant. Seemingly the workers—that is, those still employed—did not benefit from the reduction in the property tax.

Mines in operation. The elimination of the land tax on ore deposits obviously did nothing to save the closing of mines. It possibly accelerated the closing. As of April, 1973, there were only two

closing. As of April, 1973, there were only two

underground deep iron mines operating in Michigan!

Conclusions. My prediction that lowered taxes on land values would encourage owners to hold more mineral lands idle and further depress mining activities proved true, thus lending strong support to my hypothesis of a correlation between lowered land value taxes and declining prosperity.

Unemployment. Although it is known from general facts supplied by county tax officers that Gogebic, Iron, and Dickinson counties lost population as mines closed down, detailed unemployment information was refused me at the state level. This will be discussed further, later in this chapter.

WHAT MIGHT HAVE BEEN

If the oppressive land tenure laws (possibly unconstitutional) had not been passed, and if the State Tax Commission, the state geologist, and the local assessors had obeyed the general property tax laws that were in effect in Michigan's Lower Peninsula, then the U.P. would have been one of the most prosperous areas in the nation. Facts from four counties will be presented. The copper counties will be shown first, since the basic facts on these counties have already been presented. One iron county, Marquette, will be shown later in more detail, since part of the value of its low-grade ore will be brought out by facts obtained from the major iron ore landowner, the Cleveland-Cliffs Iron Company.

Location of copper ore. Generally, the U.P.'s copper ore follows the 125-mile long Keweenaw fault, a narrow tilted strip running from the eastern tip of Keweenaw Peninsula, close to Lake Superior and under it. Farther west it departs from the shore toward the south in Houghton County and runs west into Ontonagon County and on into Wisconsin.

There are two kinds of copper ore. First, there are lodes of nearly pure copper with traces of silver, which were formerly removed from near the surface, but are now down 5,000 or more feet in Keweenaw and Houghton counties. Second, there is a less pure form appearing in all the copper counties as copper sulfide, covering a wider area and more accessible at lower depths such as the 3,000 feet or so at the White Pine Mine.

The location of mineral deposits in the U.P. and other areas was determined early, and with some degree of accuracy, with diamond rock drilling bits by John Longyear, who started business in Marquette. The business is now located in Minneapolis as the F. J. Longyear Company. The tax records in the mineral counties of the U.P. show many large landowning companies bearing the name Longyear in their titles.

It is assumed that the huge amounts of land owned by the copper companies must be the result of their knowledge of copper ore under the surface. Without such knowledge, one can only make estimates based on the facts available on the average values of the land per acre.

To complete our record of low appraisals of copper ore, we need that of Houghton County. Both the stock market and Calumet and Hecla's board chairman evaluated the copper lode discovered in 1966 in Houghton County as equivalent to the copper in Keweenaw County. To make sure of not overestimating ore value, I used all of Calumet and Hecla's surface land owned in Calumet Township — 10,860 acres — and divided that figure into $55.4 million. (See pages 120-121.) Thus, the value of Calumet and Hecla's land in Calumet Township in 1966 was calculated at over $5,000 per acre.

To assure an even safer low estimate of copper ore, I used a figure of 25% of the $5,000, or $1,250 per acre for the balance of the land (139,842 acres) owned by the three mining companies in the county, or $175 million. This figure plus the $55.4 million gives us a total minimum valuation for all the copper ore in Houghton County of $229.4 million. (See Chart 15-F.)

Chart 15-F: COMPARISON OF 1971 STATE-APPROVED APPRAISED PROPERTY TAX BASE WITH MINIMUM CALCULATED APPRAISAL OF COPPER ORE LAND

County	1971 Valuation of all Property — State-Approved Appraisal	Minimum Calculated Valuation of Copper Ore Land Only
Ontonagon	$110,600,000	$343,000,000
Keweenaw	$ 22,500,000	$ 55,400,000 (Kingston lode only)
Houghton	$132,500,000	$229,400,000

Iron ore in Marquette County. There are three iron ore ranges in Michigan's U.P.—Gogebic, Menominee, and Marquette. Originally direct-shipping ore (ore that can be shipped as it comes from the mine) was obtained from all three ranges, mostly from deep underground mines. Today, however, the deep mines in the Gogebic range are closed; the state geologist says because of "exhaustion of commercial reserves." In fact, deep mines in the Menominee and Marquette ranges are on their way out of use, sup-

posedly because of competition from surface open-pit mines with low-grade iron ore suitable for beneficiating. According to Dorr and Eschman, "There are many millions of tons of low-grade iron formation in all the ranges, much of it near the surface."[2]

The Cleveland-Cliffs Iron Company, at its open-pit Empire Mine at Palmer, in the Marquette range, using only part of 640 acres, has developed a successful way of processing low-grade iron ore (less than 30% iron) into 1/2" x 3/4" pellets with a 64% iron content. This experiment has been subsidized by local taxpayers and pellet users.

For the purpose of demonstrating the undervaluation of iron ore deposits in the U.P., we will bypass all deep mines and all ore deposits outside Marquette County and concentrate on the Empire Mine, the new Tilden open-pit mine, and only a part of a very extensive area of low-grade ore deposits. We will use as our standard measure the Empire Mine at Palmer, Michigan.

2. John A. Door, Jr. and Donald F. Eschman, *Geology of Michigan* (Ann Arbor: University of Michigan Press, 1970), page 68.

Chart 15-G
APPRAISING THE EMPIRE MINE FROM MOST AUTHENTIC DATA

	FACTS	SOURCE
1.	Area under specific tax (acres) Ultimate pit 640 Auxiliary 5,680 Total 6,320	Cleveland-Cliffs Iron Company Letter of April 30, 1973. (See Appendix, Exhibit XV-g.)
2.	Owners: Cleveland-Cliffs Iron Company Operators: Inland Steel Company International Harvester McLouth	Pamphlet: "Empire Mining Company," published at Palmer, Michigan, by Cleveland-Cliffs Iron Company, Cover (page 1).
3.	Ore Grade: 3 tons to make 1 ton pellets	Back cover (page 16) of pamphlet listed above.
4.	Pellet Grade: 64% iron	Page 2 of pamphlet.
5.	Annual Production: 10.2 million tons of ore, making 3.4 million tons pellets	Page 2 of pamphlet.
6.	Ore Reserves: 750 million tons of ore to make 250 million tons pellets	Page 2 of pamphlet.
7.	Mine Life: 73.4 years	Calculated from above: (6.) divided by (5.)
8.	1970 Pellet Price Lake Erie Port: $ 0.266 per percent point iron $17.07 per ton	State mining geologist Calculated: (4.) x (8.) 64 points x $0.266
9.	1970 Transport and Handling, Boat and Rail: $3.29 per ton of pellets	State mining geologist.
10.	1970 Pellet Price, F.O.B. Processing: $13.78 per ton	Calculated from above: (8.) – (9.)

11.	Royalty per ton of ore: F.O.B. mine value, open-pit mining, recovery factor less than 50% (4% – See note.)	State of Michigan *Standard Royalty Agreements*, January, 1970.
12.	Royalty in 1 ton of pellets: $0.551	Calculated from previous: (11.) x (10.) (See Section on royalties, pages 127-135.)
13.	Royalty in 1 ton of ore: $0.184	Calculated from previous: (12.) divided by (3.) $0.551 divided by 3
14.	Total royalty per year: $1,875 million	Calculated from previous: (13.) x (5.)
15.	Multiplier to use for present worth of annuity at 6%: 16.161	State Tax Commission's *Bulletin No. 14, March 1, 1945, revised March 1, 1950.* (Also, standard annuity tables.)
16.	Present worth of iron in ground at Empire Mine: $30.3 million (See note.)	Calculated from previous: (15.) x (14.)

Note: I consider the figure of $30.3 million obtained in Step 16 to be far too low, as it is based on the 4% factor used by the State of Michigan. I believe it should be at least 2-1/2 times higher. (See section on royalty in this chapter, pages 127-135.)

Appraisal of the new Tilden Mine. Following the successful experience at the Empire Mine of processing low-grade iron ore with beneficiating equipment, the Cleveland-Cliffs Iron Company and five American and Canadian steel companies grouped together to renovate the old Tilden Mine. Work was well under way in 1972. The *Detroit Free Press* for July 30, 1972 (page 9-A) reported the following statement by banker and landowner S. M. Cohodas: "In the 58 years I've spent in the Upper Peninsula, this is the biggest boom that has come about." According to the article in which this statement was quoted, "The land on which the project is being built will bring in $600,000 in tax revenue to governmental units that collected only $9,000 last year."

Thus we see that the iron ore in 5,440 acres of ground was exempt from taxation, and that only surface land, buildings, and personal property were taxed on the 8-1/2 square miles. The $9,000 tax bill will be eliminated, and replaced with a specific tax which will bring in $600,000 per year. The appraised value of the ore at the Tilden Mine shows what could have been.

Chart 15-H: VALUATION OF ONLY 480 ACRES OF TILDEN ORE

	FACTS	SOURCE
1.	Projected annual production (1977): 12 million tons of pellets (compared to Empire's 3.4 million tons)	Cleveland-Cliffs Iron Company, per *Detroit Free Press*, July 30, 1972, page 11-A.
2.	Pellet Grade: 65.5% (compared to Empire's 64%)	Letter dated April 30, 1973, from the Cleveland-Cliffs Iron Company to Benjamin F. Smith. (See Appendix, Exhibit XV-g.)
3.	Valuation of Tilden Reserve: $107 million	Calculated by comparing to Empire Mine. (See note below.)

Note: Calculated valuation.

	Annual Pellet Production		Reserves of Ore (Assuming same life)		Present Ore Value
Empire	3.4 million tons	=	750 million tons	=	$ 30.3 million
Tilden	12.0 million tons		2,650 million tons		$107.0 million

Additional low-grade ore in Marquette County. In addition to the 750 million tons of ore at the Empire Mine and the 2,650 million tons of ore at the Tilden Mine, there are, just under the surface, 6,088 million tons of low-grade iron ore of an average quality equivalent to that of the ore at the Empire Mine.

Sources. The primary source for this fact is a 1962 paper prepared by Barton H. Boyun, Chief Geologist of the Mining Department of the Cleveland-Cliffs Iron Company at Ishpeming, Michigan, with the assistance of the United States Geological Survey and Michigan Department of Conservation (now the Department of Natural Resources) and also with the acknowledged help of the Inland Steel Company, the North Range Mining Company, the Jones and Laughlin Steel Corporation, and the Ford Motor Company, as well as Cleveland-Cliffs.

The principal exhibit in this paper was a color-tinted scale map of the Marquette range, dated May, 1962, showing townships, sections, and separate areas of iron formation and other geological groupings. Another exhibit is a scale graph showing the thickness of the various strata in the range. The only stratum used in my calculations is one labeled the Negaunee iron formation. Much less than half of this stratum was considered—only seven miles of the thirty-plus miles in the east-west direction. The Cleveland-Cliffs paper provided auxiliary general information in other non-scale graphs and in the text.

The Cleveland-Cliffs paper indicates that the iron content in the Negaunee formation averages 26% to 31% dry. Additional information about the iron content was obtained from the state mining geologist (and others) by telephone. It appears that the iron content in the Negaunee iron formation runs up to and even over 30%. (The ore pockets running over 50% iron, as indicated in the Cleveland-Cliffs data, were disregarded in my calculations.)

Calculations. The amount of iron ore in the Negaunee iron formation was calculated volumetrically from the Cleveland-Cliffs maps and graphs. Then, using standard handbook figures, the tonnage of iron ore was calculated. However, to be conservative, I minimized the amount and purity of the iron ore in the formation. In my volumetric calculations I used "cone" vertical projections, with a factor of 1/3 instead of 1. Also, I used only the area where little or no ground cover existed. Based on the state geologist's opinion that the iron content in the Negaunee iron formation would not run much over 30% and would probably run less, the assumption was made that the average would be at least 15%. Thus, it was felt that by taking only half of the total iron ore tonnage calculated for the Negaunee formation, a conservative figure would be obtained, comparable to the Empire or Tilden lodes. My final estimate was 6.1 billion tons of ore in the Negaunee formation.

By comparison with the Empire valuation of 750 million tons of ore at $30.3 million, the balance of the low-grade iron ore in the Negaunee formation (excepting the Empire and Tilden pits) calculates to a valuation of $246 million.

Chart 15-I
ORE IN MARQUETTE COUNTY

Location	Ore in Million Tons	Ore in $ Million
Empire Mine (pit in Richmond Twp.)	750	30.3
Tilden Mine (pit in Tilden Twp.)	2,650	107.0
Negaunee Iron Formation (small part only)	6,100	246.0
Totals	9,500	383.3

What might have been in Marquette County. The estimated valuation shown above covering only part of the iron ore in Marquette County is ultra-conservative. The facts come from the major landowner—Cleveland-Cliffs—and their ally, the state geologist. The methods come from another supporter of landlordism in the U.P. —the State Tax Commission. And yet, the estimated value is high enough to arouse even a prudent, moral man to righteous indignation. Consider the following:

On April 21, 1972, the Marquette County commissioners approved a valuation of all property, both real and personal in Marquette County, excepting underground iron ore, which is exempt, of $382,860,384

My own conservative estimate of the valuation of only part of the iron ore underground in only part of Marquette County $383,300,000

These facts indicate that if the U.P. had to obey the same constitutional requirement of uniformity

in the property tax that the Lower Peninsula does, the homeowners, businesses, and other taxpayers in the U.P. could have their property taxes cut in half or more.

ROYALTY

Royalty is a particular form of land rent. The dictionary defines it as a share of the product or profit (as of a mine, forest, etc.) reserved by the owner by permitting another to use the property. It is a particular form of land rent in that, besides the normal rent, an additional sum must be paid to the owner to compensate him for the decrease of his "capital" value. That is, royalty on natural resources must include the normal interest charges plus a yearly charge to recapture the investment being used up.

In their extensively annotated translation of Agricola's *De Re Metallica*, mining engineer (and later President) Herbert Hoover and his wife have pointed out that throughout history royalty, along with ownership, has been the basis of quarrels among four claimants: the overlord, the community, the miner, and the landowner.[3] The Hoovers point out the modern trend of the law; formerly, the law favored the first three of these claimants, and recognized public demand for mines to be in operation; today, American law favors the landowner—that is, the owner of the mineral rights—and favors a "holiday" from operation without penalty.

The Hoovers confirm the struggle for ore lands that we have seen within and among the ancient civilizations. They also indicate the existence of leases on mineral rights for set periods of time in ancient Greece.

Modern royalty percentages. Mason Gaffney, editing *Extractive Resources and Taxation*, indicates, "Traditional one-eighth royalty—at well head or mine mouth,"[4] —that is, F.O.B. oil well or mine. In his *Modern Annotated Forms of Agreement*, Saul Gordon shows standard lease agreements with the following percentages.

Silver	12.5%[5]
Oil	12.5%[6]

3. Georgius Agricola, *De Re Metallica*, trans. by Herbert Clark Hoover and Lou Henry Hoover (New York: Dover, 1950), pages 83 and 84.

4. Mason Gaffney, ed., *Extractive Resources and Taxation* (Madison: University of Wisconsin, 1967), page xvi.

5. Saul Gordon, *Modern Annotated Forms of Agreement* (New York: Prentice-Hall, 1945), page 954.

6. Ibid, page 959.

Copper royalties in Michigan's U.P. Consider the following quotations regarding the payment of royalties on copper in Michigan's U.P.

From *Red Metal, the Calumet and Hecla Story*, by C. Harry Benedict, referring to the year 1867: "The method of developing the Calumet property by the lessees was severely criticized in the local press, and the charge of collusion and dishonesty was openly made. The terms of the contract calling for a payment of only one-eighth of the recovered copper to the company (stockholders') account was standard practice at the time."[7]

From *Wall Street Journal*, April 18, 1966: "A Copper Range official declined to state how large a royalty his company would get from the land; many mining agreements set a 10% royalty in such instances."

From a Copper Range financial statement, 1971: "The Douglas mine owned in Keweenaw County is operated under lease by Calumet & Hecla, Inc., subject to a 10% royalty. . . ."

Royalties on iron ore in the U.P. The state appraiser of mines supplies yearly data on iron mining from 1924 on. The royalty figures in cents per ton are shown for each iron ore range, and for open-pit mines through 1960.

The 1960 reports showed an unbelievably low royalty for open-pit iron mines of 8 cents per ton as an average for the previous five years. This figure is a 4% royalty per ton at the mine mouth. No royalty figures were issued after 1960 for open-pit mines. The information was not available to the state appraiser. Instead, the royalty payments per ton of ore were shown only on underground mines.

How is royalty determined? We have given several examples of typical royalty percentages. Royalty as a percent represents the mineral owner's "take" divided by the value of the ore at the mine mouth. To obtain the amount of royalty in dollars (or cents) per ton, we must multiply the value of the ore per-ton at the mine mouth by the royalty percentage. Royalty figures should not be based on the costs of getting the ore to the mine mouth, but on the actual value of the ore at that point.

If we were to compare the amount of royalty paid per ton at two mines with equal quality iron ore but with different transportation costs to market, the

7. C. Harry Benedict, *Red Metal, the Calumet and Hecla Story* (Ann Arbor: University of Michigan, 1952), page 47.

difference in royalty (assuming mining costs to be the same) would be the difference in transportation costs. And, if we compare the royalty paid per ton at two mines with ore of unequal quality and unequal transportation costs, we must take both of these factors into account.

Serious technical error in royalty figures issued by the state appraiser of mines. The royalty figures reported for the Marquette Range by the state appraiser of mines do not take these factors into consideration. I assume that the royalty figures for the Gogebic Range are accurate, since the mine operators, mostly tenants rather than owners, have reported to the state actual royalties. But in the Marquette Range, the mine operators are mainly the owners of the mineral lands. They report royalties based on mining costs rather than on ore value at the mine mouth. Thus, for underground mines in the Marquette Range, some of the royalties are reported (and thus disguised) as profits.

Determining difference in royalty due to difference in quality. When the difference in the amount of royalty paid per ton of ore is due to difference in the quality of the ore, this difference in royalty can be determined by comparing the standardized "Lake Erie" prices. This standardized price is defined by the State Tax Commission as follows: "The Lake Erie price is the base price for the various types of ore carrying 51.50 percent of metallic iron. Any ore which carries more than 51.50 percent metallic iron gets a price premium, depending upon the analysis of the ore, but the price of the ore with less than 51.50 percent of metallic iron is discounted from the published base price."[8] Thus, a higher Lake Erie price always represents a higher quality ore.

Comparing the quality of ore in the Marquette and Gogebic ranges. There is a constant difference in Lake Erie prices per ton of ore between the Gogebic Range and the Marquette Range as reported by the state geologist between the years 1924 and 1963. The Gogebic price is always higher. Therefore, we can conclude that the quality of Gogebic iron ore is higher. Other things being equal, the value of the Gogebic ore at the mine mouth would then be greater, and the ore would receive more royalty (in dollars and cents) than the ore in the Marquette Range.

8. State Tax Commission, *Bulletin No. 14, revised March 1, 1950*, page 8.

Determining difference in royalty due to difference in transportation costs. The difference in royalty due to difference in transportation costs can be compared by a direct comparison of those transportation costs. When we do this, we find that the transportation charges are higher from the Gogebic Range to the Lake Erie ports than they are from the Marquette Range to the same ports. Not only does this difference appear in the state geologist's data, year after year, but it is also noted in the State Tax Commission's revised *Bulletin No. 14*: "The cost of transporting the ore to market is also important. A mine on the Marquette Range has a lower rail and boat freight than a mine on the Gogebic Range. Thus, the difference in the freight charges represents a profit to the Marquette operator if the ore is of the same character and grade."[9]

The use of the word "profit" to mean a monetary benefit accruing to the owner of a favored location is a serious error, because it is misleading. As Samuelson says, "Much of what is called profit is really implicit interest, rent, and wages. . . ."[10] The so-called profit referred to by the State Tax Commission is neither wages nor interest, since it does not result from any human labor nor from the use of capital. The favored location is, in the economic sense, land, and the money paid for its use is economic rent. Economic rent is not a profit earned by the landowner, but a value created by society, and it should be collected by society, all or partly, as a land tax. The use of the term "profit" for the unearned values that go to a landowner serves to disguise some of society's earnings and perpetuate latifundia.

All other factors are equal. Examination of lists published by the state appraiser of mines shows that all the other factors in the cost per ton of iron ore are essentially equal for mines in the Gogebic and Marquette ranges. These factors are: labor, supplies, deferred costs, state corporation taxes, social security payments, overhead labor, general insurance, employee insurance, depreciation, cargo insurance, selling, market analysis, federal income tax, and, until 1951, property tax.

The Gogebic royalties are essentially real. The royalties paid by the mines in the Gogebic Range run consis-

9. State Tax Commission, *Bulletin No. 14, revised March 1, 1950*, pages 6 and 7.

10. Paul A. Samuelson, *Economics*, 8th Edition (New York: McGraw-Hill, 1970), page 603.

tently 12 to 12½%, according to the data published by the state appraiser of mines. The royalty percentages are constant, through good times and bad, through the Great Depression, and until 1951. We assume from these facts and from other more general observations that the mines in the Gogebic Range were mostly tenant-operated rather than owner-operated, unlike the mines of the Marquette Range, which were (and are) mostly owner-operated. For this reason, we can consider the royalties on the Gogebic iron ore as essentially correct, and can use them as a standard for comparison of these two iron ranges.

Comparison of royalties as reported, interpreted, and published by the state appraiser of mines. Chart 15-J, on page 130, shows the royalties for each range as percentages of costs at the mine mouth from 1924 to 1964. In the case of the Gogebic mines, we assume that these mine costs are the same as market value at the mine mouth, since transportation costs were subtracted from the Lake Erie prices. Royalty percentage figures for the Marquette Range were figured the same way, dividing the state-tabulated royalty payments per ton of ore by the "cost" at the mine mouth. The Marquette Range royalties are shown on the lower curve on the graph.

Obvious error. It is obvious that the reported royalties and the royalty percentages for the Marquette Range are in error compared to those for the Gogebic Range. The percentages should be at least equal to, and certainly not lower than those for the Gogebic Range.

Correction of error. Corrected iron ore royalty percentages for the Marquette Range were obtained by following these steps:

1. Take the Gogebic royalty per ton of ore as a standard.
2. Subtract the Lake Erie price per ton of ore from the Marquette Range from the Lake Erie price for Gogebic ore (which was of higher quality).
3. Subtract (2.) from (1.).
4. Subtract transportation costs (rail and boat) per ton of Marquette ore from costs per ton of Gogebic ore (which were higher).
5. Add (4.) to (3.).
6. Divide this corrected royalty (5.) by the cost (or value) per ton of ore at the mine mouth, to get the correct royalty percentage for the Marquette Range.

The corrected royalties for the Marquette Range were then plotted graphically, as shown on Chart 15-K, page 131. Notice that the corrected royalties are higher than the uncorrected royalties shown on Chart 15-J.

Interest. As previously noted, all economists list at least three factors in production: land, labor, and capital. The rent, wages, and interest returned to the respective owners of these three factors are all included in the price of the product. This price also includes all taxes except those on land. The tax on land is not included in the price of iron ore but royalty—the private return to the mineral landowner—is. Since the amount of property tax paid on iron ore land is very small, and the land tax, if it could be determined, would be much smaller than that, it has been disregarded in my calculations.

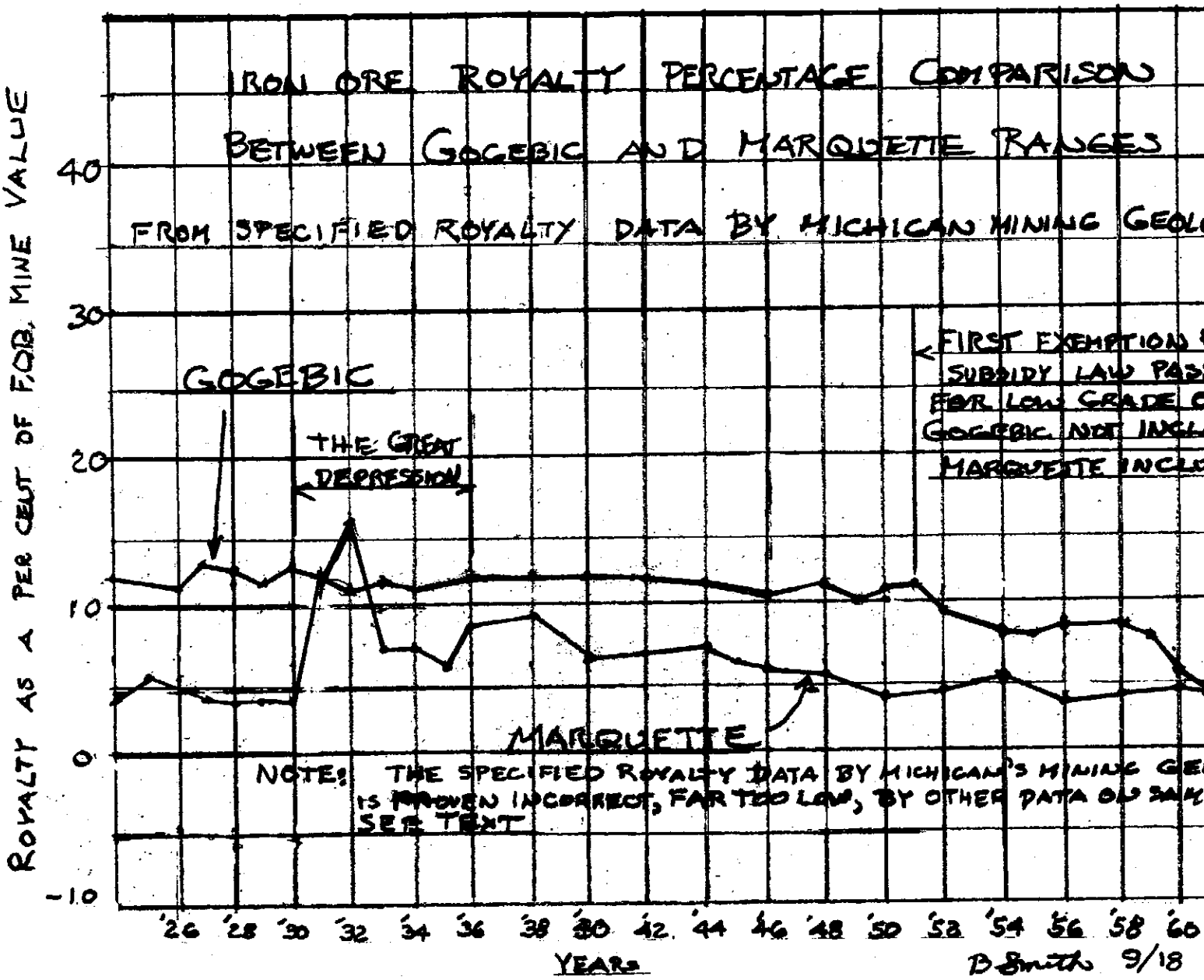
To obtain the return to the owners of capital—that is, interest—we simply add up the costs as published by the State Tax Commission, but using my corrected royalty figures, and subtract the result from the Lake Erie price, or value. Since we do not know the value of the capital but do know the Lake Erie value, the percent of interest was figured on the Lake Erie value. Chart 15-L, on page 132, shows graphically the return to capital, excluding all royalties.

Note that the return to capital for the two iron ranges correlates, the peaks and valleys corresponding. The drastic lowering of the return to capital during the depression years shows clearly. The loss to the Gogebic Range following 1951 is shown, as low-grade ore mining, which was mostly in the Marquette Range, was discriminatively subsidized by Public Act No. 77 of 1951.

As Chart 15-L shows, this new and unfair competition was reflected not only in the interest picture but also in royalties.

How a technical error caused severe social damage. The technical error implemented by Public Act No. 77 of 1951 was part of a whole mistaken philosophy and resulted in serious social harm. The legal subsidy provided by the act, through tax exemptions for the owners of low-grade iron ore, was mainly geographic in its effects. Although there are millions of tons of low-grade ore in all iron ranges, the low-grade ore in the Marquette Range was nearest to markets. Therefore, the Marquette Range was the only range aided by the 1951 law. Ranges that were farther from markets were grievously hurt by the new and unfair government-aided competition.

Chart 15-J


IRON ORE ROYALTY PERCENTAGE COMPARISON
BETWEEN GOGEBIC AND MARQUETTE RANGES
FROM SPECIFIED ROYALTY DATA BY MICHIGAN MINING GEOL
ROYALTY AS A PER CENT OF F.O.B. MINE VALUE
40
30
20
10
0
-10
GOGEBIC
THE GREAT DEPRESSION
FIRST EXEMPTION
SUBSIDY LAW PAS
FOR LOW GRADE
GOGEBIC NOT INCL
MARQUETTE INCL
MARQUETTE
NOTE: THE SPECIFIED ROYALTY DATA BY MICHIGAN'S MINING GE
IS PROVEN INCORRECT, FAR TOO LOW, BY OTHER DATA OF SAM
SEE TEXT
'26 '28 '30 '32 '34 '36 '38 '40 '42 '44 '46 '48 '50 '52 '54 '56 '58 '60
YEARS
B Smith 9/18

tently 12 to 12½%, according to the data published by the state appraiser of mines. The royalty percentages are constant, through good times and bad, through the Great Depression, and until 1951. We assume from these facts and from other more general observations that the mines in the Gogebic Range were mostly tenant-operated rather than owner-operated, unlike the mines of the Marquette Range, which were (and are) mostly owner-operated. For this reason, we can consider the royalties on the Gogebic iron ore as essentially correct, and can use them as a standard for comparison of these two iron ranges.

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To obtain the return to the owners of capital—that is, interest—we simply add up the costs as published by the State Tax Commission, but using my corrected royalty figures, and subtract the result from the Lake Erie price, or value. Since we do not know the value of the capital but do know the Lake Erie value, the percent of interest was figured on the Lake Erie value. Chart 15-L, on page 132, shows graphically the return to capital, excluding all royalties.

Note that the return to capital for the two iron ranges correlates, the peaks and valleys corresponding. The drastic lowering of the return to capital during the depression years shows clearly. The loss to the Gogebic Range following 1951 is shown, as low-grade ore mining, which was mostly in the Marquette Range, was discriminatively subsidized by Public Act No. 77 of 1951.

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Chart 15-K

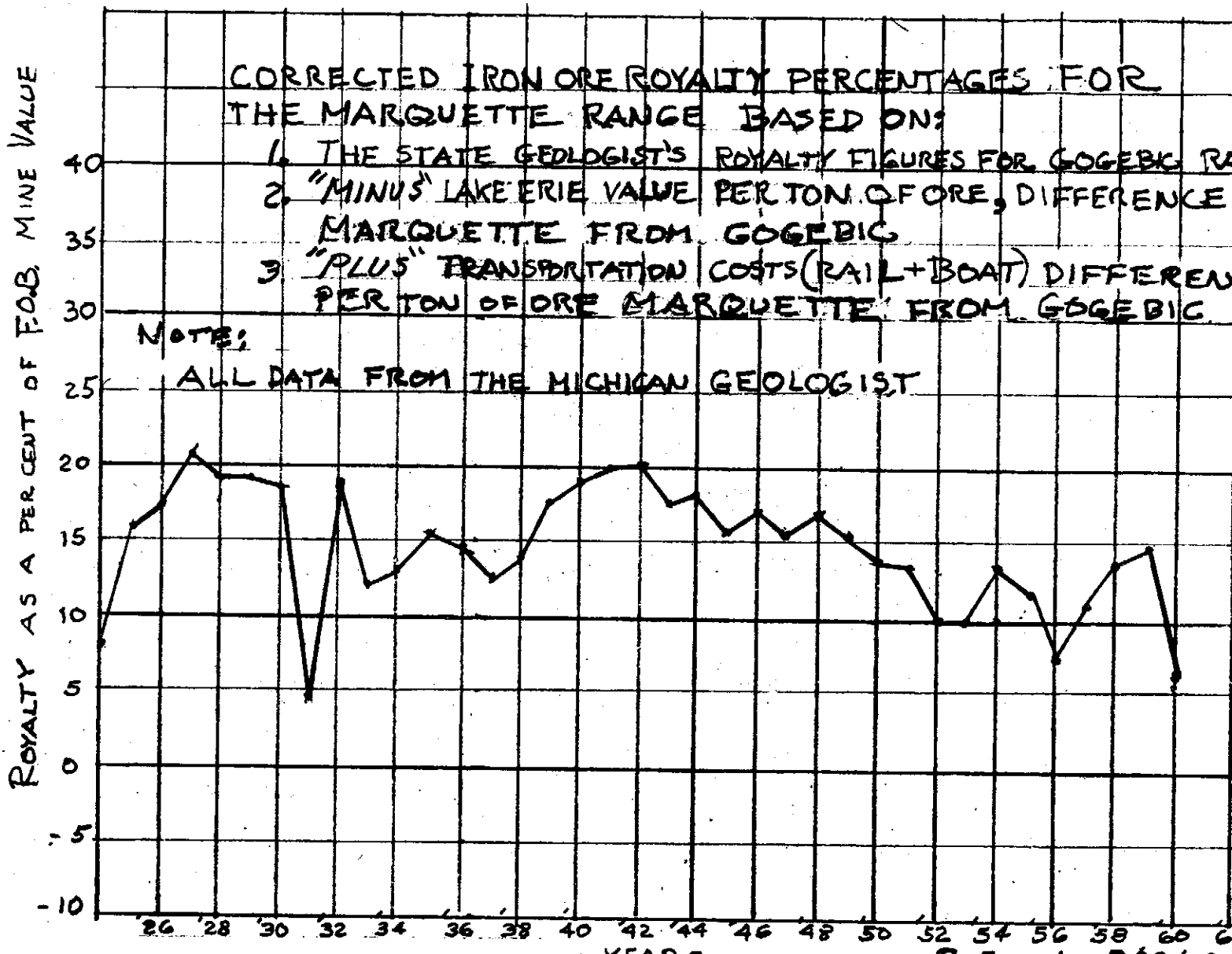
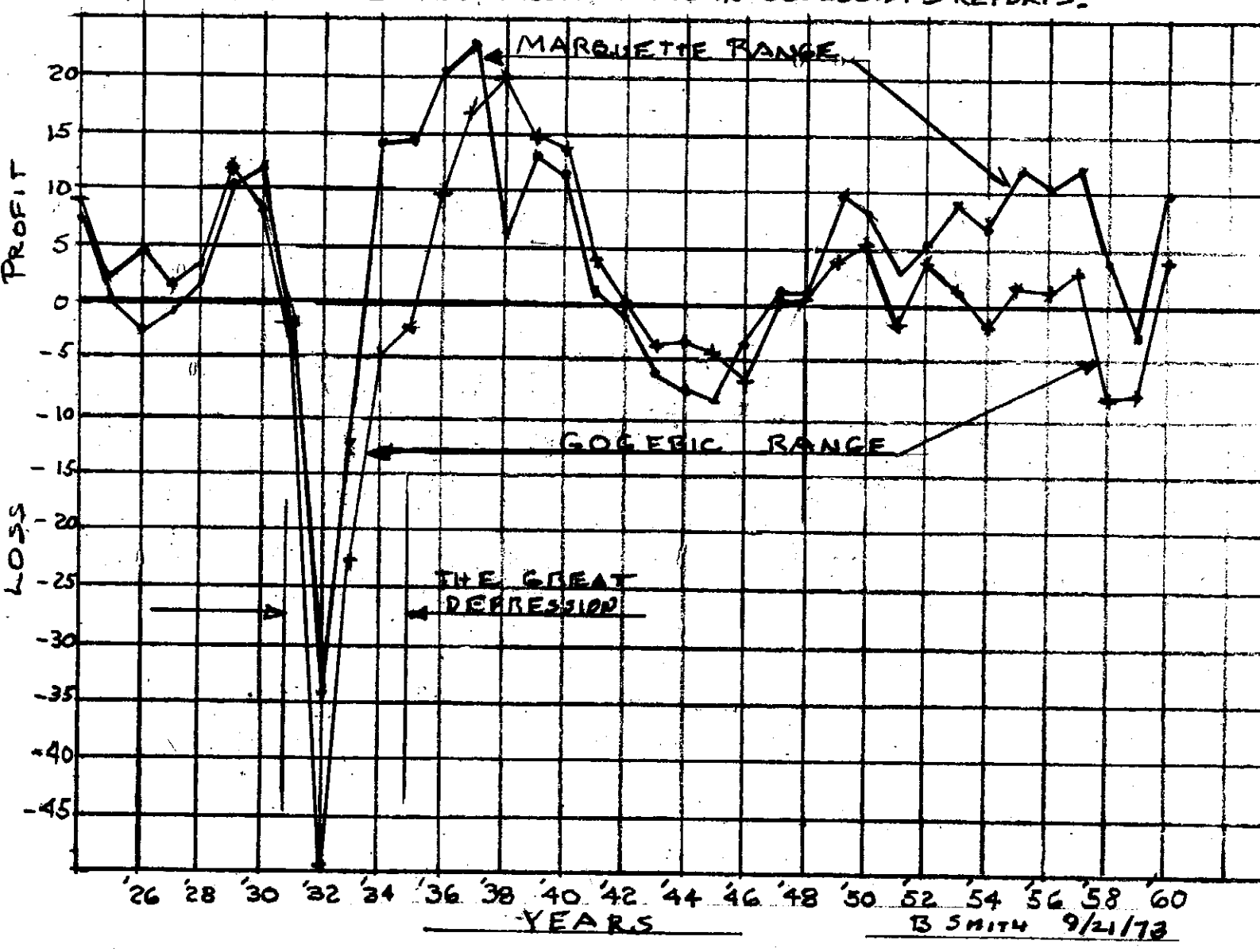

CORRECTED IRON ORE ROYALTY PERCENTAGES FOR
THE MARQUETTE RANGE BASED ON:
1. THE STATE GEOLOGIST'S ROYALTY FIGURES FOR GOGEBIC RA
2. "MINUS" LAKE ERIE VALUE PER TON OF ORE, DIFFERENCE
MARQUETTE FROM GOGEBIC
3 "PLUS" TRANSPORTATION COSTS (RAIL+BOAT) DIFFEREN
PER TON OF ORE MARQUETTE FROM GOGEBIC
NOTE:
ALL DATA FROM THE MICHIGAN GEOLOGIST
ROYALTY AS A PER CENT OF F.O.B. MINE VALUE
40
35
30
25
20
15
10
5
0
-5
-10
26 28 30 32 34 36 38 40 42 44 46 48 50 52 54 56 58 60
YEARS
B. Smith 9/20/73

Chart 15-L

PER CENT - PROFIT & LOSS, IRON MINING OPERATIONS - PER TO
ORE SHIPPED - GOGEBIC VS MARQUETTE RANGE - AS PAYMENT
(INTEREST) TO CAPITAL INVESTMENT ONLY (NOT LAND), NOT INC
RETURNS TO LAND OR ORE OWNERS AS RENT OR ROYALTIES
ALL DATA SELECTED FROM MICHIGAN GEOLOGIST'S REPORTS.



B SMITH 9/21/73

Statistical evidence presented previously showed how, in spite of greater distance from markets, the higher quality of the Gogebic iron ore kept that range industrially alive until 1951. This was also true of the Menominee Range.

The deep mines went out first in the Gogebic Range and then in the Menominee Range. We have seen previously how loss of population, loss of homes, and unemployment hit hard in Gogebic, Iron, and Dickinson counties. This was a man-made economic disaster. It was made by ignorance on the part of the state appraiser of mines, the State Tax Commission, and the State Legislature, just as surely as if they had been in "cahoots" with landowners in the Marquette Range.

The defensive argument will be that the mines ran out of ore. This is not true. Because of the state-made shift in the value of the ore in the deeper mines, the mines ran out of ore that could be profitably mined. The ore is still there. It is still privately owned. It is still valuable enough to be held for speculative purposes. The worst of it is that, as we have previously shown, the same mistake was repeated in 1963, followed by tragic consequences for the people of Michigan's U.P.

Royalty percentages are not open information. In response to a request for information about royalty percentages, Hugo E. Johnson, President of the American Iron Ore Association, wrote to me on June 4, 1973:

> "We have absolutely nothing to offer in response to your letter of May 21, 1973 requesting information on iron or copper royalties.
>
> To our knowledge this information is in general confidential although I feel some of the companies may give that to someone such as you but I am not certain.
>
> We have never collected much data and never anticipate doing it in the future."

R. G. Fountain, Director of the Land Management Department of the Cleveland-Cliffs Iron Company, advised me on April 30, 1973, in regard to royalties at the Empire and Tilden mines, "I am not at liberty to discuss the amount of these royalties." (See Appendix, Exhibit XV-g.) Similarly, I was unable to get any royalty information from the *Skillings Mining Review*, a trade periodical.

Registration of a questionable royalty lease. In the office of the Keweenaw County Register of Deeds there is a registered, but unsigned and unnotarized 99-year mineral lease dated August 9, 1962, from Copper Range to Calumet and Hecla. The names of the officers of the two companies were typed in with spaces for signatures but never signed. The lease was for 34,145 acres in Keweenaw County and 7,475 acres in Houghton County. The unusual part of this lease is that the royalty was supposed to be calculated according to three factors in a formula: the lowest union wage, the grade of ore, and the price of copper. By applying this formula to the appropriate data, royalties were calculated for Calumet copper ores from 1960 through 1971. Royalty percentages were then figured. These were very low, ranging from below zero to a high of 3.8%. Obviously, a formula that yields negative royalty percentages is ridiculous. Since the lease agreement in which the formula appears was never finalized, it seems possible that it was a "plant," giving false information to unions, tax assessors, etc. But it is evident from this lease that royalties cannot be measured by wages, by grade of ore, or by delivered price – only by value at the mine mouth.

Michigan Tax Commission's method of evaluating mines. Chart 15-M on page 134 shows how mining experts in the past, very logically, worked out a method for evaluating a mine. Unfortunately, the Tax Commission in its writeup in *Bulletin No. 14* did not clarify the two "hats," that of the owner and that of the mine operator. Nor does the *Bulletin* clarify the amount of the ore value going to each.

The *Bulletin* does, in most part, treat the value of the mine as solely the value of the owner's share of the ore to be taken out. In another place there is a reference to the risk of extra expenses, such as from unexpected flooding.

The cost of mining. Notice that the State Tax Commission's procedure, based on the Finlay formula, treats the mine owner as receiving his royalty of $1,000, not for doing any work, but only as a return on his investment in land and as a replacement for the decreasing value of his investment.

The mine operator invests his capital in operating equipment and assumes most of the risks involved. Part of the income that comes from his share of the ore removed is wages. But part of it is interest, which includes the normal return on his invested capital plus the recapture of his depreciating investment.

When a royalty of 12.5% (1/8) is paid to the mine owner, the mine operator receives, as wages and interest, seven times as much ore value as the mine

Chart 15-M: Analysis of Michigan Tax Commission's method of evaluating mines, from *Bulletin No. 14, revised March 1, 1950.* Given: royalty payments of $1,000 per year which include 6% interest on the present value of the investment and 6% sinking fund replacement of that investment.

	LIFE OF MINE IN YEARS		
	10	20	30
1. Present value of mine to owner only, based on annuity tables (6%) Same as *Bulletin No. 14*	$ 7,360	$11,470	$13,765
2. 6% of present mine value	$ 442	$ 688	$ 826
3. Annuity multiplier to recapture mine value	.07587	.02718	.01265
4. Annuity to come out of $1,000 royalty to recapture present value of investment — Sinking fund: (1.) x (3.)	$ 558	$ 312	$ 174
5. Interest plus sinking fund: (2.) + (4.) Note: Total is royalty	$ 1,000	$ 1,000	$ 1,000
6. Owner's actual annual payment received, as a percent of present value, NOT a percent of total mine mouth value. This is NOT a royalty percentage.	13.6%	8.7%	7.3%
7. Actual final, total owner-received ore value only, at mine mouth	$10,000	$20,000	$30,000
8. Actual final total ore value at mine mouth, owner's plus operator's share, upon which royalty can be calculated at 12.5%	$80,000	$160,000	$240,000

owner receives as royalty (rent).

Royalty from state-owned mineral rights. As previously pointed out, the State of Michigan owns considerable land in the Upper Peninsula, much of it timber and mineral land. It leases some of this land so that private companies can cut the lumber and mine the minerals and oil. The Department of Natural Resources does this under the authority of Michigan Law No. 299.2, which gives general rather than detailed instructions.

Royalty collected by the State of Michigan. We are now in a position to judge the royalty rates charged by the State of Michigan, based on years of common practice, and on Department of Natural Resources corrected figures, on both low and high-grade iron ore. Chart 15-N gives Michigan royalty rates on several minerals, taken from the state's standard royalty forms, as of 1970. Notice how low these royalty rates are.

The State of Michigan is giving away its resources. It seems likely that the very low state royalty rates are based on the erroneous published royalty rates for the Marquette Range. It also seems likely that these low royalty rates are the result of pressure

Chart 15-N: Royalty Rates Paid by the State of Michigan

MINERAL	MINIMUM ROYALTY	MAXIMUM ROYALTY
Copper ore:		
Low-grade	3%	
High-grade		7.5%
Iron ore:		
Underground mining	3%	7.0%
Open-pit mining	4%	10.0%

from private ore owners. Compared to the corrected iron ore royalty rates for the Marquette Range and the published rates of the copper companies, the State of Michigan is receiving very little in royalties —in fact, so little that there can be no recapture of the state's investment in the ore! And, from the conservationist's point of view, the State of Michigan is giving away its heritage!

Specific criticism of the State of Michigan's royalty agreements. From what we have learned previously, all royalty percentages should be F.O.B. mine value—value at the mouth of the mine. Let's consider the method used by the State of Michigan:

1. The state defines the point of value correctly—

at the mine mouth.

2. Then, in error, the state has different percentages of royalty for different methods of mining.
3. Then, again in error, it has different percentages of royalty for different types of minerals.
4. Then, once more in error, it has different percentages of royalty for different grades of ore.

The value of the ore is related to points 2, 3, and 4, as it is to transportation costs—but regardless of those costs, the royalty percentage should be the same for all methods of mining, for all minerals, for all grades, and regardless of transportation costs. As the State Tax Commission's *Bulletin No. 14* points out correctly, the value going to the owner (in this case the State of Michigan) must include, in addition to the interest charge on the investment a recapture of investment charge. This value depends on the free marketplace judgment at each place of extraction, not on artificial factors.

Criticism of state lease agreements. No. 7 of Michigan's *Rules and Regulations for Metallic Mineral Leases on State Lands*, dated January, 1970, excludes non-citizens from holding state leases. This provision excludes citizens of our neighbor Canada, as well as those of Japan. The exclusion of non-citizens of course violates our basic principles of free enterprise, under which we would lease oil and mineral rights to foreign nations. We need new competition in the Upper Peninsula.

Ecology. Holders of land under lease from the State of Michigan must observe good ecological rules. Nos. 18, 19, and 20 of the *Rules and Regulations* give good basic principles of mining operations in regard to the investment, both before and after mining.

Comparison of royalties: gravel vs. iron ore. To get a further general comparison of royalties in the Upper Peninsula, let's compare the royalty in cents per ton on iron ore, taken from the State Geologist's figures, with the royalty paid on bank-run untreated gravel in the Grand Rapids area:

Chart 15-O: Comparison of gravel and iron ore royalties

	Royalty per Ton
The State Geologist's reported royalty for underground iron mines in 1969.	47.27¢
Bank-run gravel – operator to do his own digging and loading – 1972 in the Grand Rapids area.	45.00¢

Grand Rapids has abundant "open" gravel pits. There is lots of competition. I think the comparative royalty figures given above speak for themselves.

Royalty percentages need more study. We have previously pointed out, from both empirical and historical data, that royalty generally runs 12.5% of the value of the ore at the mine mouth. We have also shown that some of the royalties reported to the state appraiser of mines and passed on by his department were too low. Very little scientific analysis or research work has been done on royalty percentages, even in colleges and universities specializing in mining engineering. Royalty information is often kept secret or disguised, especially when there is a tie-in between the owner of the mineral land and the owner of the mining operations, either directly through common ownership or indirectly by subsidy or interrelated holding companies.

LATIFUNDIA CAUSES OTHER SOCIAL DAMAGE

We have shown that latifundia in Michigan's U.P. correlates with high unemployment, low land sales, and low land value taxes. This was a technical presentation. Our story would not be complete, however, without showing other socio-economic ills that exist under the widespread latifundia in Michigan's U.P. just as they do in the have-not nations of the world, just as they do in Latin America—more serious ills than are found in areas of the world with higher land value taxes.

Under latifundia, the land cultural directive gives power to landowners to control other areas of people's lives by antisocial acts. These will be discussed under the following headings:

1. Intimidation.
2. Secrecy of public information.
3. Control of education.
4. Human life has less value.
5. Nature despoiled.
6. Public servants bought—but some resist.
7. Things are not always what they seem.
8. The House of Lords.
9. Speculator-parasites.
10. Condoning dishonesty.

These evils need not be. Latifundia can and must be eliminated.

1. Intimidation. The power of the land cultural directive breaks through into the open air like the outcropping of tilted substrata. The large landowners, guarding their territory, apply pressure to avoid any threat to their dominion. On August 10, 1971, a supervisor at the Wisconsin Michigan Power Company warned Iron County's director of equalization and tax director not to increase the valuation of cut-over timberland by $2.00 per acre as planned. The amount of land held idle by this company is proved to be large by this complaint, which would raise their taxes 4¢ per acre. (See Appendix, Exhibit XV-h.)

2. Secrecy of public information. Even Michigan's Department of Labor is unknowingly under the influence of the land cultural directive. I requested information about employment in the mines in the U.P., since my hypothesis is that the lowering of taxes on ore land would increase unemployment. Although this information is available at the Marquette office of the Michigan Department of Labor, it was refused to me, in writing, on August 3, 1971, quoting Regulation No. 10 of the Michigan Employment Security Commission Regulations.

Since my first letter to the state director of the department was not answered, I sent a second letter, dated October 19, 1971, by registered mail, explaining how ridiculous Regulation No. 10 was when some of the information requested was publicly displayed by mining companies on signs. (See Appendix, Exhibit XV-d.) The answer was gibberish — double-talk — with no information forthcoming.

3. Control of education. There are two universities in the U.P. I checked out, superficially, the industrial, commercial, business, and educational activities of the nine members of the Board of Control of one of these—Michigan Technological University at Houghton.

The Chairman of the Board of Control is in top management of the Cleveland-Cliffs Iron Company, a major U.P. landowner.

One member is the Chairman of the Board of the Upper Peninsula Power Company, a major landowner in the U.P.

Three members are or have been employed by large landowners—Ford, General Motors, and Dow—but are probably completely innocent of any conflicting interest, since their employment was technical and intellectual. (Besides having a representative on the Board, the Ford Motor Company has given huge tracts of forestland to the University.)

The remaining four members of the Board of Control are completely free of any possibly conflicting interest.

But the fact is that Land Economics, including such topics as mineral value calculation, royalties, land rent, etc., is not taught to any degree at Michigan Tech. (See Exhibit XV-i.)

There may be more knowledge among the miners than in the universities, but not much, really. There is understanding, however, at least at the lower levels. And there is a fine spirit.

In the summer of 1971, I had a chance to talk to a small group of miners on strike at the White Pine Copper Mine. They, more than any others, understood the land problem in the U.P. They understood the "hat" differences—the hat of the mine operator, the hat of the mineral owner, and the miner's hat of labor. They, more than any others, more than the professors in the Mining Department at Michigan Tech, already felt and seemed to recognize the feudalistic aspects of the U.P.'s land tenure system. Some of the miners had previously worked for Calumet and Hecla and some had worked in the Gogebic Iron Range. They were well aware of vast riches still underground.

A few of their union leaders did not understand. They thought the strike was the same as any other struggle between labor and capital—and those leaders were looking through rose-colored lenses on their eyeglasses.

Most of the miners in Michigan's U.P. understand the difficulty of fighting the landowners. They know the power of the land cultural directive.

4. Human life has less value. We know of the great wealth shipped east, which came from the natural resources of the U.P. But the greatest value of all is still buried in the rocks of the land of Hiawatha. Fourteen hundred and thirteen lives were lost in accidents in the copper mines of Houghton County alone—just from 1923 through 1967. The "conquistadors" from the east took the wealth and left the blood of workers here.

5. Nature despoiled. On the south side of the Keweenaw Peninsula, the beautiful white sands along Lake Superior suddenly run dark and black, for here at Gay the tailings from copper "stampings" were dumped. And even the illegally low assessments of $2.00 per foot for the white beaches were dropped to 25¢ per foot for this ruined natural beauty. Thus,

even by this low assessment, the people of Keweenaw County were robbed of much of their tax base. Certainly, if we believe in the prime principle, "to each according to the value created," the Calumet and Hecla Company owes the people the value of the beaches that are possibly ruined forever.

The same situation exists on both sides of Portage Lake in Houghton County. However, on the west side of the lake some enterprising capitalist is at least creating wealth out of havoc. He is making cement blocks from the waste black sand and using the black land for a mobile home park.

In Ontonagon County, a river flows yellow through the village that is the county seat, through a marina with its white boats, dying far out in the waters of Gitche Gumee as if the golden earth was eroded of its fertility by a sickly excrement. In the village itself, there is a coughing stench from the haze that comes from the sulfite process at the paper plant. Afraid to lose what they, the people of the county, consider their employment and their alms, they do not complain. They suffer as they hold their breath, afraid the company might move the plant, as threatened, because of community reactions against the power of the landowners—the pulpwood owners.

So again the prime principle is broken, as land values—tax-base values—are literally stolen from society. The people do not even consider that compensation is required, nor would they have enough courage to give support to a legal battle.

6. Public servants bought—but some resist. For many years—and the situation still exists—township supervisors, who serve as local assessors, were paid a below-subsistence wage for a position whose hours were forced to match the low salary. It was not an administrative position involving millions of people —only a few thousand—but the assessments often involved millions of dollars worth of natural resources.

The large landowners controlled, and in some cases still control, the assessor, for his full-time job was usually in a minor supervisory position with the mining company.

In 1971, while studying tax records in Marquette County, I met a young man who had just come into the office of the tax director. This young man, twenty-three years old, was about to take over a new job as tax and equalization director of Ontonagon County. In this position, he would have taxing responsibility for $111 million worth of property, whose major owner was Copper Range, ranked by *Fortune* magazine as 683 among our nation's largest corporations. As training for his new position, he was given a few hours of education in assessing practices by the Marquette County tax director.

And yet, even under pressure from the power of the landowners, some spirits have remained unbroken. Each of the many directors of taxes and equalization I met was fighting in his own way—and each soul was still his own.

7. Things are not always what they seem. What appears to be free-enterprise capitalism in Michigan's U.P. is not. The huge landholding companies are not capitalistic organizations. They are monopolistic neofeudalistic organizations.

Whereas free-enterprise capitalism is based on honest competition and hard work, the mineral-land owners have rid themselves of competition, and their hardest work is cunning deception in hiring capital on mineral-land lease agreements.

Whereas free-enterprise capitalists rightfully own their hard-earned gains, the monopolistic owners of our nation's natural resources wastefully "steal" values made by society.

Whereas free-enterprise capitalism is built on the worth and dignity of individuals, latifundia treats men in separate strata—overlord and serf.

Whereas free-enterprise capitalism earns all of its worth without help, the huge landowning companies have successfully conspired to have laws made to secure their unearned "welfare."

Whereas free-enterprise capitalism is creative interaction among men, the U.P.'s land monopolists not only stop interaction between men, but they also stop man's interaction with his natural world.

In Michigan's U.P., few men can say, "This is my own, my native land." Not for homes, nor for farms, nor for churches can the land be purchased. The shores of Lake Superior, the rushing torrents of clear water flowing down the mountainsides, and the lakes that birch-bark canoes once glided over are for the most part private, and only in submission may a man use them—submission of his soul.

Like the people of Latin America, we in the United States must recognize that opposition to the tyranny of oppression need not be communism or Marxism. This opposition should be free-enterprise

capitalism following the prime principle, "to each according to the value created."

Let us not be deceived by the Cleveland-Cliffs Iron Company's successful pellet experiments. The homeowners in Marquette County paid for them, along with the unemployed deep-iron-mine workers in the southern and western parts of the U.P. Let us remember that Copper Range's success came not from private investment, but from government loans.

Whenever you see, hear of, or read about a man of supposedly fine economic repute in the U.P., think of these lines from Robert Burns, to be sure the man is a genuine capitalist rather than a land monopolist:

What tho' on hamely fare we dine,
Wear hodden grey, and a' that;
Gie fools their silks, and knaves their wine,
A Man's a man for a' that.
For a' that, and a' that,
Their tinsel show, and a' that;
The honest man, tho' e'er sae poor,
Is king o' men for a' that.

8. The House of Lords. Of course, Michigan's U.P. doesn't have feudalism, but it has, as proved, latifundia, which shares some of the characteristics of feudalism. The U.P. has power in the hands of the landowners. The land cultural directive is not noticed by those affected by it, such as Michigan's Governor Milliken, who introduced, in a directory brochure, fifty members of a council called Operation Action U.P. The purpose of this council, explains the governor in some detail, is to initiate and sustain a long-range development program.

The governor's appointments clearly show the power of land: twenty-nine, according to the directory descriptions, are clearly large landowners or representatives of large landowners; five are not clear; and nineteen are probably babes-in-the-woods without conflicting interests. Titles of the twenty-nine are impressive: Chairman of the Board, Director, President, Assistant Director, Manager, Vice-President, etc.

The landowners represented are powerful purloiners of socially created values, although none would consider themselves as such, any more than the governor did. The list includes representatives of the following:

Copper landowners	2
Iron ore landowners	3
Forest landowners	4
Utility landowners	11
Railroad landowners	5
Miscellaneous landowners	4
	29

This unholy alliance has powerful interrelationships. Some of the landowners hold several different titles and govern other spheres of land ownership. They are officers in several landholding companies.

There is no House of Commons, and there are no peasants or serfs in the House of Lords. The only people who could do the actual work of revitalizing Michigan's U.P. are not represented! No union official is on the council!

9. Speculator-parasites. Investors from all over the globe own land in Michigan's U.P. This is a matter of public record.

Following the requirements of Michigan law, although probably falsifying values, the Keweenaw Land Association filed an extension of its corporate term in the office of the Register of Deeds in Gogebic County. Some of the information about the Keweenaw Land Association found in this document and other public records is as follows:

Original capital at $1.00 per share — $40,000. There were approximately 214 subscribers to this original capital amount from all over the world — from New England, from Virginia, from Sydney, Australia, and from London.

Purpose. The Association's speculative purpose is stated as follows: "The character of the business to be conducted by this association is dealing with real estate by the purchase, holding, improving, leasing and selling of lands in the State of Michigan and selling ores, minerals, and other deposits, timber and products of lands, which be purchased or owned or held by this association."

Large out-of-state assets. Out-of-state assets were listed as $1,549,715, mostly in other investments.

Michigan assets minimized. In the Michigan Annual Report filed April 29, 1970, the Association listed assets in Michigan of $187,165, of which $173,769 was in land, timber, and iron ore. This obvious undervaluation required checking.

Check from tax records. A check of tax records shows that the association holds at least the amounts given in Chart 15-P on the next page.

Chart 15-P: Holdings of the Keweenaw Land Association

	Number of Parcels	Acres	Average Acres per Parcel
Gogebic County	132	44,612	338
Ontonagon County	50	17,325	346
Houghton County	34	13,362	393
Iron County	80	Not available	
Dickinson County	87	58,000*	

*Estimated. 1,241 acres recorded under commercial forest reserves.

This is only a partial list of the lands owned by the association, as found in public records. I would estimate that the value of these lands is well over $250 per acre. This would bring the association's assets in Michigan to at least $30,000,000. The obvious undervaluation in state records required further inquiry, discussed below.

10. Condoning dishonesty. The undervaluation of their assets in Michigan lands saved the Keweenaw Land Association, according to my estimation, a state tax bill of more than $124,000 a year. The irony of it all is that the association asked, on June 6, 1970, for a refund of $126.25!

I reported the facts about the Keweenaw Land Association's holdings to the Michigan Department of the Treasury. Their very unsatisfactory reply was that the state goes by the books of the corporation. (See Appendix, Exhibit XV-j.)

A PROPOSAL: HIAWATHA, THE FIFTY-FIRST STATE

The people of Michigan's U.P. have the opportunity of a lifetime, not just to relieve their impoverishment, but to give an example to our nation, and to the entire globe, of a better life that can come by following the prime principle, "to each according to the value created"—a legal revolution, not by force, but by reasoned vote.

The opportunity, of course, lies in the tremendous value of the U.P.'s land, now underused because of latifundia. The value of the natural-resource land—the mineral ores, the waterpower, the scenic beauty—belongs, in principle, to the world, while the local site value of the land belongs to the community where this value is created. A separation of these two types of land values would be required for the creation of a new land-tax state—Hiawatha.

The bridge across the Straits of Mackinac, the umbilical cord to the Lower Peninsula, mighty achievement as it is, has failed as a lifeline. Many people in the U.P. want a suckling attachment to the bordering state of Wisconsin. The U.P. could do better alone, with its own courage and resources.

Population. Alaska has a population of only about 226,000—hardly larger than that of the city of Grand Rapids, Michigan. Wyoming, with about 332,500, ranks forty-ninth in population (1970). Michigan's U.P. had, in 1960, 305,952 inhabitants.

Area. In area, of course, Alaska and Wyoming overwhelm Michigan's U.P. But the U.P.'s 16,437 square miles of area is over eight times as large as Delaware's 1,981 square miles, 3-1/3 times as large as Connecticut, twice as large as Massachusetts, and 2/3 the size of West Virginia, which ranks forty-first in land area.

The people and their spirit. The people of Michigan's U.P., perhaps more than those in any other part of the United States, have the spirit of '76. They are freedom-loving, two-fisted, brave, but perhaps too tolerant and long-suffering. Politically they might go for a land-tax state. They out-number the large landowners thousands to one.

A land-tax state. The state and local governments would be financed by land value taxes only. The local governments would be financed by taxing the site land values the people created in their local communities, while the state government would be financed by taxing the natural-resource land tax base.

Appraisals to be made by the state, not locally. To insure fair, uniform, and scientific land-value appraisals, all parcels of land would be state-appraised, separating the natural-resource land value from locally created site value. All appraisals would be published yearly.

Local tax base. Since appraisals of the local site-value tax base will be made at the state level, they will hardly be affected by local pressures. However, the use of the local, state-determined tax base—that is, the tax rate—would be entirely at the discretion of the local community which created that land tax base.

State tax base. The state would tax and receive all the earnings of the natural-resource land tax base,

plus the direct earnings of state-financed improvements, such as highways. The state would not receive any part of the value created by local communities. The state would immediately and continuously give a token amount of the natural-resource land value tax to the United Nations, via our federal government, to show that the people of Hiawatha recognize that the resources of the entire globe must eventually come under world-government control. But until that day, the state would retain nearly all of the enormous tax monies collected on natural-resource land values. The huge excess of the natural-resource land tax base would be apportioned back to local governments according to population. The rationalization here is that for more than a century the inhabitants of the U.P. have given their lives, their earnings, and their souls to latifundia. A refund is in order.

Why the local community shouldn't receive all the natural-resource land earnings. Professor Walfrid Been, head of the mining department at Michigan Technological University, told me that if the local governments received the land tax from the mines, they could pave their streets with gold (or words to that effect). He mentioned the town of Chisholm, Minnesota, of which I had previous knowledge, with its wonderful schools built with taxes from the iron mines.

The main reason for not having a local community receive all the rich land value tax from the natural-resource land tax base is, of course, the prime principle, "to each according to the value created." The local community did not create the value, and the best we can do at the moment is to distribute it statewide. The practical reason, however, is that the local tax base would be limited by comparison to other communities, and the mineral landowners would readily use this as an argument for the reduction of the land-value taxes. This has already happened at White Pine, when Copper Range succeeded in getting their property taxes cut—with a resultant large increase in taxes paid by the homeowners. There was a short-lived "revolt" in the community, which ultimately reached the Ontonagon County tax office.

Certain other taxes would remain. Of course, the new state of Hiawatha would have no control over federal taxes, and they would remain—including the national income tax. The state tax on gasoline would stay, as that tax is paid by highway users and is shifted forward onto commercial vehicles and then added to the price of products and services. Local taxes based on the usage of water or for providing various services would also remain. These few remaining state and local taxes conform with the prime principle in that the values are returned, insofar as possible, to those persons who created the values.

Enough taxes for government budgets? The question a logical person should raise is: "How could a tax on land values, which would be almost the only tax collected, support the state and local governments?" This question has three answers:

1. Government activities would be fewer and simpler, and government budgets would be smaller.
2. We have already proved that land taxes on natural-resource values will abundantly carry present county government loads in the U.P.
3. The site land tax base cannot be diminished by higher taxes if government expenditures are wisely spent on benefits that increase site land values. (See other chapters.)

Let's discuss each of these answers in greater detail.

1. Central appraisal by the state, together with practically a single tax, will so streamline local governments that their budgets will have to be less. The present, continuing expansion of government will not only be stopped, it will be reversed.

2. The socially created value of our natural resources will not go, as it does now, unearned, to large landowners but to the new state government and to the people of the state.

3. The present property taxes on homes and industry and the specific taxes on forest production, mine production, and sales—taxes on almost every form of interaction between men—will be eliminated. These malefit taxes now depress land values. Their removal will increase land values by an amount equal to the present capitalized tax. The jump in land values would increase the land tax base, without even considering the tremendous boom in industrial and commercial activity that would follow; the increased land tax base caused by the removal of malefit taxes will amply take care of all local and state government expenses. This phenomenon, for which there is some empirical evidence, is called the Gaffney Transfer. (See other chapters.)

Ecology will be benefited. It will be costly to the owner of forestlands not to cut trees and plant new

ones, but instead to hold his land idle or in poor condition. There will be an incentive when there are no penalties for making the hills green again.

It will be costly to the landowner who carries on production that ruins the land. The socially created values destroyed by harmful action will not be shifted to the price, but will come out of the landowners' pockets. The beaches will stay white, and the waters will become clear again. (See page 137.)

Too much prosperity? Prosperity could be a problem, as poverty disappears and production increases! Canadian mining experts will enter the new state. The mineral-and-lumber-hungry Japanese will come to take over our decrepit lands and produce new competition. There will be more jobs than there are people. There will be a population increase, but there will be no depreciation of the investment — rather, a rebirth of growing things and of the spirit of man.

A shot heard round the world. It could be here, in the new state of Hiawatha that a shot, not of violence but of truth, will free men to interact with each other and with their environment in order to use and not abuse men and nature.

Who will lead us? We will not be led by image-worshipers with good hearts and guts but no brains. The leaders will be, hopefully, a new generation that loves truth, freedom, and mankind with heart, guts, and brains. They will be those who deplore violence but who love to fight—with facts and with words. One of these leaders will be the first governor of the state of Hiawatha. In Longfellow's words:

> Never want of food or shelter
> in the lodge of Hiawatha. . . .
> Listen to their words of wisdom
> Listen to the truth they tell you.
> For the master of life has sent them
> From the land of light and morning!

Exhibit XV-a

LAND DISTRIBUTION, EXCEPT FEDERAL AND STATE LANDS

Marquette County, Upper Peninsula, Michigan, 1970

		MAJOR SURFACE LAND OWNERS										
		Iron ore mining companies		Pulpwood and lumber companies		Private clubs		Land speculators		Combined major owners		Other owners
	Acres	No.	%	No.	%	No.	%	No.	%	No.	%	%
TOWNSHIPS												
Champion	75,501	3	27.1	6	39.1	1	.2	2	7.5	12	73.9	26.1
Chocolay	26,145	1	1.1	1	.6			1	.9	3	2.6	97.4
Ely	63,011	3	27.7	2	4.5	1	5.5			6	37.7	62.3
Ewing	18,708			1	25.9					1	25.1	74.9
Forsyth	48,146	2	9.1	3	11.6			1	.1	6	20.8	79.2
Humbolt	47,233	3	5.9	3	24.9			1	.2	7	31.0	69.0
Ishpeming	61,764	2	29.8	6	29.4			2	5.8	10	65.0	35.0
Marquette	34,782	2	27.3	2	6.5			1	10.1	5	43.9	56.1
Michigamme	70,441	1	2.1	5	58.1			2	13.2	8	73.4	26.6
Negaunee	27,462	2	38.2	4	4.5			1	5.2	7	47.9	52.1
Powell	96,254	1	.3	6	20.7	1	18.7	4	22.8	12	62.5	37.5
Republic	73,915	2	1.5	3	25.0			1	.4	6	26.9	73.1
Richmond	30,453	2	37.7	1	.1					3	37.8	62.2
Sands	29,998	1	24.6	2	.7			2	1.9	5	27.2	72.8
Skandia	32,100	1	26.9	2	1.7			1	1.2	4	29.8	70.2
Tilden	36,244	2	48.0	1	.7	1	12.7			4	61.4	38.6
Turin	20,864	1	3.6	2	16.9			1	13.2	4	33.7	66.3
Wells	68,972			2	41.5					2	41.5	58.5
West Branch	22,210	2	39.3	3	2.3					5	41.6	58.4
Totals	884,203	3	16.0	6	21.4	2	3.0	4	5.6	15	46.0	54.0
CITIES												
Ishpeming	5,960	2	65.8							2	65.8	34.2
Marquette	6,286	1	18.0							1	18.0	82.0
Negaunee	9,558	1	36.6							1	36.6	63.4
Totals	21,804	2	39.2							2	39.2	60.8
COUNTY	906,007	3	16.6	6	20.9*	2	2.9	4	5.5	15	45.9	54.1

Source: *Triennial Atlas and Plat Book, Marquette County, 1970*, by Rockford Map Publishers, Inc., 4525 Forest View Avenue, Rockford, Illinois 61108.

*12.4% of private surface land is not only tax exempt, but is also state subsidized 10¢ per acre by the state commercial forest reserve laws.

Exhibit XV-b

LAND DISTRIBUTION, EXCEPT FEDERAL AND STATE LANDS

Ontonagon County, Upper Peninsula, Michigan 1969

	Area	Copper Mining Companies		Pulpwood and Lumber Companies		Speculators		Combined Mineral, Wood, and Speculators		Other Land Owners
	Acres	No.	%	No.	%	No.	%	No.	%	%
TOWNSHIPS										
Bergland	48,001	small		2	21.2	1	29.5	3	50.7	49.3
Bohemia	37,587	2	32.1	2	24.4			4	56.5	43.5
Carp Lake	83,522	1	40.5	1	20.8	small		2	61.3	38.7
Greenland	45,960	2	31.0	3	28.0			5	59.0	41.0
Haight	17,233			1	6.8	1	32.2	2	39.0	61.0
Interior	21,441					1	24.2	1	24.2	75.8
Matchwood	44,378	small		1	22.7	2	8.9	3	31.6	68.4
McMillan	38,952			1	22.5	1	31.6	2	54.1	45.9
Ontonagon	100,069	1	11.6	1	20.3	small		2	31.9	68.1
Rockland	43,066	2	51.2			1	15.1	3	66.3	33.7
Stannard	36,157			1	8.6	1	13.7	2	22.3	77.7
Totals	516,366	2	18.3	5	19.8*	2	11.0	9	49.1	

Source: *Triennial Atlas and Plat Book, Ontonagon County, 1969* by Rockford Map Publishers, Inc., 4525 Forest View Avenue, Rockford, Illinois 61108.

*13.9% of private surface land is not only tax exempt, but also is state subsidized 10¢ per acre by the state commercial forest reserve laws.

Exhibit XV-c

STATE OF MICHIGAN

WILLIAM G. MILLIKEN, Governor

DEPARTMENT OF NATURAL RESOURCES

STEVENS T. MASON BUILDING, LANSING, MICHIGAN 48926

RALPH A. MAC MULLAN, Director

September 21, 1971

Mr. Benjamin F. Smith
8253 East Fulton Road
Ada, Michigan 49301

Dear Mr. Smith:

Your letter of September 11 to Director MacMullan has been referred to this office for reply.

The Mishwabic State Forest was formerly called the Copper Range State Forest.

Not all of the lands within the dedicated forest boundaries are State-owned, as evidenced by the enclosed maps of Ontonagon County on which we have designated by color coding those lands in which the State owns surface or mineral rights only, or other, as opposed to fee title lands which are shaded gray on the maps. The same applies to the Porcupine Mountains State Park.

Most of the lands in the Porcupine Mountains State Park were acquired by the State through purchase or exchange with private individuals or companies. Some of these lands, as well as mineral rights, were acquired from the Copper Range Company which also owns some mineral rights. A number of lands in both areas were acquired by tax reversion. Following are rough estimates of the various types of ownership within these areas:

	Total acres within dedicated boundaries	State-owned fee (Surface and Mineral Rights)	State-owned surface only	State-owned minerals only	Other*	Privately owned
Porcupine Mts. S.P.	50,125	24,612	17,453	29	7,271	760
Mishwabic S.F.	31,560	10,895	4,755	380	480	15,050

In the Porcupine Mountains State Park, the State owns fee title in approximately 49%, surface rights only in 35%, sharing an interest in various rights with other owners in 14%. The remaining 1% involves private ownership only.

In the Mishwabic State Forest, the State owns fee title in approximately 34%, surface rights only in 16%, sharing an interest in various rights with other owners in 2%. The remaining 47% involves private ownership only.

MICHIGAN
THE GREAT LAKE STATE

The rights acquired in any specific case, whether they relate to fee title, surface only, or timber rights, are subject to mutual agreement reached by the parties involved prior to the actual conveyance.

State ownership maps for the balance of the counties in the upper peninsula, as well as state park and forest brochures, are available from the Tourism Division of the Department of Natural Resources, Suite 102, Commerce Center Building, Lansing, Michigan. It is our understanding that not more than six maps may be obtained at one time.

We regret that we have neither the necessary time nor the personnel available to show a breakdown of the various types of ownership for each county, but if you wish you can come to the office after obtaining the maps and our records will be made available in order that you can make this determination for yourself.

Very truly yours,

Jane Bower

Jane Bower, Supervisor
Minerals and Leasing Section
Lands Division

jb
Enc.

Exhibit XV-d


WHITE PINE COPPER COMPANY
Subsidiary of the
COPPER RANGE COMPANY
PRODUCER OF WHITE PINE LAKE COPPER
ANNUAL PRODUCTION 170,000,000 LBS.
ANNUAL PAYROLLS 3,000,000
OTHER EXPENSES 4,000,000
EMPLOYEES 2,500
MINE MILL SMELTER REFINERY POWER PLANT AND GENERAL OFFICES
2nd Largest Underground Copper Mine in the United States

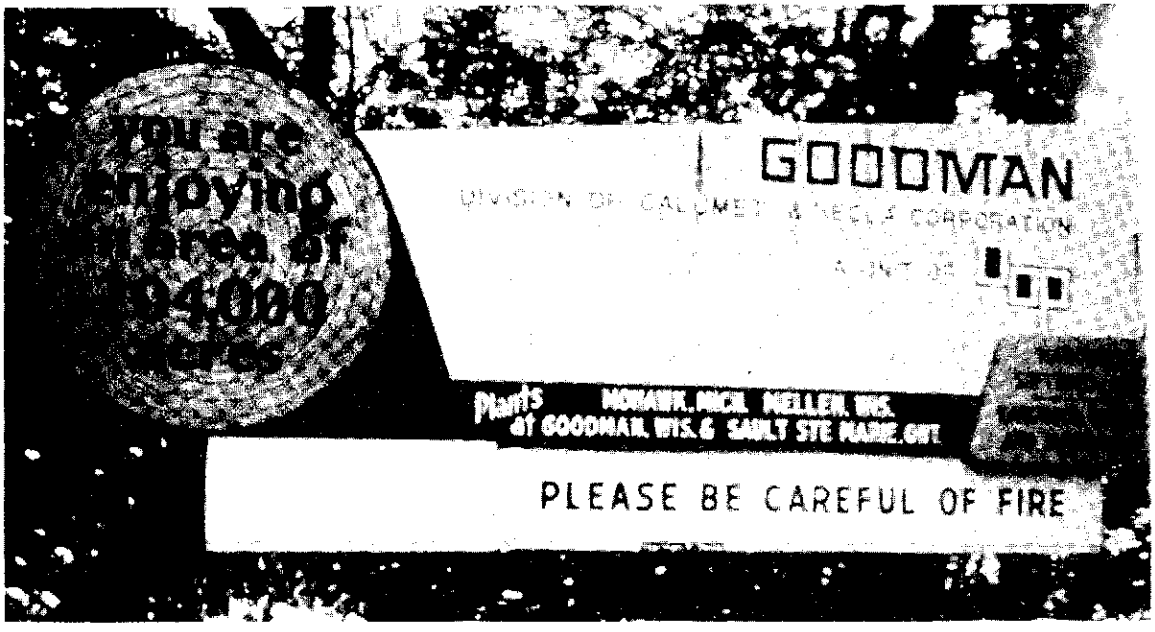

GOODMAN
Plants MOHAWK, MICH. MELLEN, WIS.
at GOODMAN, WIS. & SAULT STE MARIE, ONT.
PLEASE BE CAREFUL OF FIRE

Exhibit XV-e

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
Ottawa National Forest
Ironwood, Michigan 49938

REPLY TO: 5470 Reservations and Outstanding Rights October 14, 1971

SUBJECT: Minerals

TO: Mr. Benjamin F. Smith
8253 East Fulton Road
Ada, Michigan 49301

Reference is made to your letter of October 12, 1971.

Enclosed for your information is a map of the Sylvania Recreation Area. From the map and its legend, you will be able to determine those lands where the United States owns surface rights.

Most of the lands within the boundaries of the Ottawa National Forest have been acquired subject to outstanding or reserved mineral rights. This is true as well for the lands within the Sylvania Recreation area where the United States claims the ownership of the mineral rights on only a small percentage of the National Forest lands.

We appreciate your interest in the Ottawa National Forest.

MICHAEL A. BARTON
Deputy Forest Supervisor

Enclosure

We would appreciate having a copy of your booklet. Would you be so kind as to send us a copy? When may we expect it?

Exhibit XV-f

GERALD R. FORD
FIFTH DISTRICT, MICHIGAN

MICHIGAN OFFICE:
425 CHERRY STREET SE.
GRAND RAPIDS
ZIP 49502

Congress of the United States
Office of the Minority Leader
House of Representatives
Washington, D.C. 20515

October 7, 1971

Mr. Benjamin F. Smith
8253 East Fulton Road
Ada, Michigan 49301

Dear Mr. Smith:

You asked me to obtain some information about the loan made by Reconstruction Finance Corporation to the White Pine Mine Company.

According to the Department of the Treasury the Reconstruction Finance Corporation made a loan to the White Pine Copper Company on November 15, 1951, in the amount of $57,185,000. An additional loan was made on March 23, 1954, in the amount of $7,210,599. This is a total of $64,395,599.

The interest was at 5 percent per annum and both of the noteswere paid off in June, 1964.

Collateral consisted of a first mortgage on the land, buildings, machinery, and equipment useful to a copper mine, mill and smelter located at White Pine, Ontonagon County, Michigan. The book value at the time of the loan on these properties was estimated at $80 million.

I trust this is the information you needed. It was a real pleasure to be of assistance to you.

Warmest personal regards.

Sincerely,

Gerald R. Ford, M.C.
GRF:md

Exhibit XV-g

The Cleveland-Cliffs Iron Company

Ore Mining Department

G. A. DAWE, MANAGER, MICHIGAN MINES
J. W. VILLAR, MANAGER, RESEARCH AND DEVELOPMENT
W. NUMMELA, ASST. MANAGER, MICHIGAN MINES
E. W. LINDROOS, ASST. MANAGER, RESEARCH AND DEVELOPMENT

504 SPRUCE STREET
ISHPEMING, MICHIGAN 49849
PHONE 906-486-9941

April 30, 1973

Mr. Benjamin F. Smith, P. E.
8253 East Fulton Road
Ada, Michigan 49301

Dear Mr. Smith:

In reply to your letter of April 25 I have the following information.

At the Empire Mine, which is located generally in Richmond and Tilden Townships, Marquette County, 6,320 acres are included in the specific tax description. Acres of land covered by the ultimate pit (which is in Richmond Township) are expected to be 640. Acres of land to be used for auxiliary purposes, lying in Tilden and Richmond Townships, will be 5680.

The crude ore as mined contains approximately 33% iron, and the pellets contain approximately 64% iron. The mineral rights are owned by The Cleveland-Cliffs Iron Company and by others. The Empire Iron Mining Company leases the mineral deposits and pays royalties to the mineral owners. I am not at liberty to discuss the amount of these royalties. I enclose copies of pages from Skilling's Mining Review as of December 16 and December 23, 1972, which discuss the sale price of iron ore. The price for pellets is quoted as 29.1¢ per iron unit. The value is determined by multiplying this price per unit by the percentage analysis of iron in the pellets.

At the Tilden Mine approximately 5,440 acres are included in the specific tax descriptions and are located in Ely and Tilden Townships, Marquette County. 480 acres in Tilden Township are expected to be involved in the mining area. 4960 acres in Ely and Tilden Townships will be involved for auxiliary purposes. Percentage of iron in the crude ore is approximately 33% and the anticipated analysis of the finished pellets is 65.5% iron. The mineral rights in this property are entirely owned by The Cleveland-Cliffs Iron Company and are leased to the Tilden Joint Venture.

I trust this information will be useful to you.

Very truly yours,

R. G. Fountain, Director
Land Management Department

RGF:HWJ-2
Enc.

Exhibit XV-h

WMPCO WISCONSIN MICHIGAN POWER COMPANY
1401 SOUTH CARPENTER AVE. • IRON MOUNTAIN MICHIGAN 49801 • AREA CODE 906 774-3000

August 10, 1971

Mr. Joseph Rossi
Iron County Equalization Director
Courthouse Annex
Crystal Falls, Michigan

Dear Joe:

When we talked the other day, you indicated you were preparing to increase the valuation of all timber cut-over land in Iron County by $2.00 per acre. Apparently you were unimpressed by my words of caution to the several supervisors in Iron County last March. Attached is a copy of one of the letters and the same letter was mailed to the other units where we have project lands. You will remember getting your copies.

Joe, it is doubtful we will hold still for any increase and, quite frankly, had the Lower Peninsula case been resolved earlier, we would have objected to your 1966 reassessment.

Before you go too far we should get together and interchange opinions. I will be available at any time you should want to schedule it.

Very truly yours,

WISCONSIN MICHIGAN POWER COMPANY

W. Domenget

Supervisor, Office & Accounting

W.Domenget/bj
Attachment
cc-W.E.Raffin
O.Lloyd
W.Domenget

Exhibit XV-i

MICHIGAN TECHNOLOGICAL UNIVERSITY, HOUGHTON, MICHIGAN

As mentioned in Chapter 15, the Board of Control of Michigan Technological University has many members with land ownership representation. The Land Cultural Directive is ever more insidious in that it enters into the selection and omission of college courses.

The M.T.U. catalog for 1974-75 says on page 11:

> "Presently, the University ranks among the leaders in this country in the number of B. S. graduates produced for the mining industry."

And on page 64:

> "Presently Michigan ranks ninth among the states in mineral production."

Since the value of natural resources is so high in Michigan's U.P., and since mining is its chief potential industry, it is reasonable to assume that "Royalties" (payments to landowners for the use of and the using up of mineral land) would be a foremost subject taught at M.T.U. I checked this out.

Catalog check

If "Royalties" would be taught in any field, it would be expected in Mining Engineering. In sixty-three subjects it is not mentioned by name. Examination of each subject might indicate that royalties could be included in the following subjects:

BA Principles of Economics I

BA Principles of Economics II

M6465 Economics of the Mining Industry

Examination of the subject summaries in the Business Administration courses (BA) and the Geology courses (GE) indicates no mention of royalties by name or in other recognizable form.

Examination of summaries of all the courses taught at the University indicates that the subject of Royalty is not studied in any degree in any form.

A more general double check

In order to confirm (or deny) the hypothesis of the power of the Land Cultural Directive in education in a land of Latifundia, I wrote, on July 8, 1974, five different letters to department heads at M.T.U., copies to the University President and to each member of the Board of Control. These departments were Mining Engineering, Applied Technology Property Appraisal, School of Business, Social Sciences, and Research. All letters were sent by certified mail with receipt acknowledged by all except one member of the Board of Control who had died after the catalog had been issued.

From the letters received, it is evident that Royalty is not taught at M.T.U. One department, Social Sciences, indicated interest in Land Tenure Systems as a possible area for exploration. The Research Department sent me their Annual Report, which included the following information.

1. $1,700,000 spent on technical research—nothing on Socio-economics of land.
2. Large landowners Cleveland-Cliffs and Ford sponsored some projects, which were all technical.
3. Land Speculator Keweenaw Land Association sponsored with General Fund $24,000, technical, for their own use.

My conclusion from the catalog and from the replies to my letters is that no courses, or even parts of courses, are given on any subject in Land Economics such as Royalty, Land Tenure Systems, etc. The powerful Land Cultural Directive dictates the courses at M.T.U.

The Latifundia in Gitche Gumee controls Education!

Exhibit XV-j

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
CORPORATION FRANCHISE FEE DIVISION
P. O. DRAWER D LANSING, MICHIGAN 48904
Telephone: 373 - 0488

WILLIAM G. MILLIKEN, Governor
ALLISON GREEN, State Treasurer

September 20, 1971

Benjamin F. Smith, P.E.
8253 East Fulton Road
Ada, Michigan 49301

Re: Your letter of September 3, 1971

Dear Mr. Smith:

We regret that we have no copies of the Michigan General Corporation Laws available for distribution at this time. Some general instructions are on the report form, and the tax services of Commerce Clearing House and Prentice-Hall Systems also have sections on this. 1970 Report Forms are enclosed.

Keweenaw Land Association reports all its physical property in Michigan and allocates all its receipts to this State. Half of its payroll is reported paid for services performed outside this State.

The report is a signed statement of the value of the assets of the corporation, as carried on the books of the Corporation. Unless we have evidence that the balance sheet does not reflect the records of the corporation, we have no reason to question the reporting. Your letter indicates that the value of the land is much greater than that reported. If you have knowledge that the Corporation has issued balance sheets showing the greater value, we will investigate the matter.

Thank you for your interest in notifying us of these facts.

Very truly yours,

Alma Marzke

(Mrs.) Alma Marzke, Director
Corporation Franchise Fee Division

AM/hs

Encl.

MICHIGAN
THE GREAT LAKE STATE