

# the Henry George News

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## *Financial Paper Pinpoints Single-Tax Success Story*

IN the Commercial and Financial Chronicle of January 14th Harlan Trott, editor of The Analyst, monthly publication of the Northern California HGS, has explained in a long article the Economic Benefits of the "Single Tax" Statute Enacted by Californians. It recalls the irrigation districts where the taxes are used to promote development of idle land under the Wright Statute (1887)—taxes that fall on the value of the land and not at all on the orchards, ditches, buildings, machinery and other farm-city improvements. Adoption of this plan turned large areas of idle land into highly productive farm communities, because it was "economically prohibitive for owners of land to maintain it unproductively." This important article is drawing special attention because of the Housing and Urban Development Administration's "rising interest in the use of property tax incentives to promote the renewal of blighted areas" and its intention to begin a cross-country study of local property taxes.

Under the Wright Act if a water transfer project was too big for a single district, two or more would form a coalition. In this way the mighty Don Pedro dam was built and when it was dedicated in 1922 it was the largest dam in the world. People who came to stare at it not infrequently asked how much it cost the American taxpayers. The astonishing facts are that the multi-purpose reclamation project was built and financed despite organized hostility of absentee landlords, private utility companies and investment bankers, without calling on Washington or Sacramento for fiscal or credit aid. The vast irrigation flood control and hydro-power project is now all paid for and owned by the district citizens who have always received their water free of charge and their electrical power at a very low rate.

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For the puzzled query as to why, if the Wright Act is so good, it isn't in wider use, Mr. Trott marshals impressive documentary evidence. He shows how the prime beneficiaries of federal irrigation and flood control projects are rich landholders many of whom already hook the public for millions in farm subsidies, so it pays them to drum for federal aid. Public works compete with the giant private power companies. "If you can convince public officials to improve your land by giving you free water or installing flood control while you sit on your hands, then your income is almost all your own," in the words of Professor Mason Gaffney. Wherever the act has been at work in California it has thwarted the farmer's role as a potential land speculator. But as a farmer it has made him much better off.

The contrast between this and surrounding areas is so marked that you can "see a law at work with the naked eye" especially from the air. So marked is the cultivation of these districts that engineers from abroad have made pilgrimages to inspect its irrigation works. What was once sterile wheatland now comprises thousands of family size farms. Stanislaus County raises twice as many registered pure-bred dairy cattle as any other two counties in the U.S., and in peach canning it ranks first.

Variations have taken place in the 120 districts in California since the original amendment was passed, but all buildings and other improvements are still exempt from the district ad valorem tax. This method has been called "the catalyst that wrings the subsidy out of public reclamation works," for there are no windfalls adding up to millions of dollars such as accrue to private corporations holding extensive idle lands in reclamation areas. The Wright Act "has had the effect of taxing land into its highest and best use. It has taxed people into business, not out of business," and has been termed "a powerful engine for the creation of wealth."

One of the districts, Oakdale, was organized as a single tax unit in 1909. Farmers were easily convinced of the advantages of not being penalized for their industry. Their taxes would not be increased if they improved their lands, planted crops, set out trees and vines and built houses and barns. Local newspapers at that time were strong allies in creating a favorable political climate because a number of country editors had read *Progress and Poverty* and understood the principles of land value taxation. Their editorials helped to educate farmers and city people alike.

Later on, the Commonwealth Club in San Francisco conducted a thorough survey of this experiment. Their report is glowing and ex-



tensive. The claims made for the single tax were found to have been fulfilled beyond the fondest dream. Large areas of poorly-used lands had become dairy farms affording a comfortable living and much needed food for a growing population. Speculators no longer came to buy land—sales were made to actual settlers who brought their families and were prepared to build homes and go to work. A farm that was kept idle paid the same proportion of tax as the productive farm.

Community spokesmen said in effect, the single tax is the best system of taxation we could have. We know that it is making our community grow. All of our farmers favor it because of the exemption of improvements. No one would want to go back to the old system.

Mr. Trott became aware of the dramatic goings-on in the irrigation districts through his friend J. Rupert Mason, an investment banker specializing in California irrigation district bonds. He has brought the story strikingly up to date for present day readers. In the Fresno region inquiries half a century after the Wright Act was passed affirmed that they were prospering as a result of land value taxation and that the claims made by the Commonwealth Club were by no means abrogated.

Mr. Trott, for many years a noted feature writer on *The Christian Science Monitor*, aware that the "single tax" is widely misunderstood, reduces Henry George's philosophy for the uninitiated to three goals:

1. The social appropriation of the socially created value of land.
2. The complete freedom of both domestic and foreign trade.
3. The preservation of our private property, free enterprise system, with no governmental ownership or regulation of other than natural monopolies and public utilities."

Surely the HUD researchers will want to take a closer look at this method for reclaiming unused and under-used land. Even in its present attenuated form, incentive taxation stands out wherever it is given a valid test. A statement by Senator L. L. Dinnett made when the dam was completed provides an amiable flourish for summing up this report of an Act that deserves to be much better known.

Said Senator Dinnett: "I doubt if any law ever enacted by our Legislature has even approached the beneficial results of this law (Wright Act). It puts a premium upon development and improvement and a penalty on slothfulness and selfishness. It has perpetuated to the people and their children a great heritage . . . The people's greatest birthright has been preserved not to be administered by a remote national or even state organization, but by the very people whose birthright it is. This is the logical solution of the water question, the control by the people themselves of the water which they use, and to this solution must in time all systems come."