

Reflections of a Californian Banker

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MY best fortune was in knowing early that my parents and relatives were not rich, and that what success I might have would not come easily. It was in Iowa that I first went to school, sold newspapers, worked at jobs for \$1 a week, and learned that money is hard to earn. At 14 I got a job as cabin boy on a freight boat "Northwestern" which ran between Chicago through the Great Lakes, Welland Canal and St. Lawrence River to Europe. I left the boat at Antwerp and made my way to Vevey in Switzerland, for a year of schooling at the famous Institution Sillig. This school had students from every continent, speaking many languages. Then I spent about a year exploring the historic and artistic attractions, making my way by writing articles for newspapers and magazines, usually headed: "Impressions of a 14 year old Chicago boy travelling alone in Europe."

On returning to Chicago I attended a Military School for one year, but was unable to attend college. Instead, I got a job in a Chicago bank, and then with N. W. Harris & Co., Investment Bankers. My big opportunity came in 1906 when I was sent to California by Harris, to represent them with their fabulous clients who had moved to California after retiring from active business in the East. In 1907 Harris incorporated as the Harris Trust & Savings Bank, Chicago. Illinois did not allow savings banks to have branches, so the California office had to be closed.

I chose to stay in California, and established J. R. Mason & Co., to underwrite and distribute bond and stock issues. Later we specialised in financing the construction of great dams and canals by Irrigation Districts in most of the Western States. I knew the laws governing these districts required the levy of an annual tax or assessment on the value of specific land, and that in California and some other states the law exempted buildings and improvements from this annual tax. I knew that something made the cost price of land to farm and home seekers lower in many Irrigation Districts, than where land was more tax exempt. I knew the tax made it unprofitable to hold land idle, and allowed home seekers the opportunity to get land at a figure they were able and willing to pay.

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In 1927 some financiers wanted to buy J. R. Mason & Co., and I sold the business. I was 40 and had heard "Life begins at Forty." I expected to study and travel for a while, and then get into business again.

It was not until 1936 that I clearly began to realise the influence of Henry George friends in designing the California Irrigation District Act. By then, there were about 120 Irrigation Districts, containing 4,000,000 acres in all parts of the State governed by this "Single Tax" law.

Judge Jackson H. Ralston was then heading a campaign to oppose Sales Taxes, and raise some public revenue the way Henry George said. I met the Judge and the leaders who were helping in that campaign.

In 1939 I attended the Henry George Centenary in New York, where I met leaders from far and near, including Ashley Mitchell, the late Bue Bjørner, F. C. R. Douglas, M.P. (now Lord Douglas of Barloch), E. J. Craigie, Lawson Purdy and others.

I studied the politico-economic effect of vast land reclamation projects in Italy, Spain, Peru, Chile, Philippines, China, Egypt, Greece, Java and Australia. In virtually no country was the cost of the public improvements charged upon the benefited land, as in California. There is no doubt that California would still be a sleepy semi-arid land of vast Spanish Ranches, as Spain is today, had California not become a sovereign State, with the U.S. Constitution the "Supreme Law of the Land," in 1849. It was by using the State's sovereign power to tax land values, the way Henry George advocated, and assessing the value of land separate from the value of improvements which has been required since 1879, that the great Spanish Ranches were made accessible to small farm and home seekers. This was not accomplished without bitter and repeated test cases in the Courts. Perhaps no law has been attacked oftener than this California tax law. It was upheld by the highest courts, until 1938. (*US v Bekins*, 304 US 27). The landlords have since been allowed to keep land, contrary to California law, and contrary to the U.S. Constitution, as construed always before 1938.

We know the Junkers were behind the Reconstruction

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this IOU. But if you will wait a moment I'll pop upstairs and run off a few notes on the printing press"?

With this question in mind, let us now move across to the Bank of England. In this august establishment the "IOU" is a Government Security—a bond, a Treasury Bill or perhaps a little number known as a "Ways and Means Advance." This document, unlike our "slate club" IOU, has not replaced cash, but supports the creation of a credit in the account of the Paymaster-General. From this credit, payments are made to Government contractors, civil servants, etc., normally by transferring sums to their accounts in the commercial banks. The "bills" which arrive for payment are the cheques from these commercial banks who need to pay the civil servants, etc., in cash. Not enough cash in the Bank's till? No trouble at all. The Security is merely transferred to the Issue Department of the Bank which, acting within its statutory rights, prints the appropriate amount. In such simple fashion is the amount of money in circulation increased.

Proof of this? It is there for all to see in the huge and growing wad of Government Securities held by the Issue Department of the Bank of England. In 1914 the figure was a mere £11 million. In 1946 it stood at £1,388 million; on July 17, 1957—£2,046 million.

And let no one imagine that this stream of currency has been "released" by some lofty, benevolent patriarch to satisfy the urgent need of the money-hungry populace. Do people really think that currency is "released" by someone at the Bank throwing up a window and hurling wads of notes to the patient crowds waiting below in Threadneedle Street? The plain fact is that every one of these 2,046,000,000 pound notes has been *spent*. Every single piece of this intrinsically worthless paper has been exchanged for things of real value. In other words, out of that vast pool of money and wealth which forms so to speak, the "market," successive Governments of this country have taken out goods and services to the value of £2,046 million and poured in a mass of worthless paper. Could there be any clearer exposition of the origin of that state of affairs defined as "too much money chasing too few goods"?

W. WICKHAM.

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Act of 1934 in the Weimar Republic of Germany, which gave the Reichstag the power to assess taxes on land values according to the laws of each of the Weimar States.

In Spain, an attempt to tax the benefited land to pay the cost of land reclamation projects, was disallowed by the Supreme Court, as reported in June 14, 1934, *Christian Science Monitor* in a cable from Madrid.

It is now conceded by Chiang Kai Shek in his recent book, that it was a mistake to allow the big landed war

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lords to flout the laws taxing land, as they did. He did not uphold the basic politico-economic principles urged by President Sun Yat-sen with regard to the taxation of land values.

As we reflect on the economic consequences of imposing all taxation on capital and labour, and exempting the holding of valuable land from taxation, in nation after nation making up the so-called "Free World," the importance of the Public Revenue principles supported by Henry George gets clearer.

The money issued by any government that is robbing its producers by confiscatory taxation of the fruit of their industry, soon loses its value. We know it is possible for governments to raise all necessary revenue without using sales, licence, income or tariff taxes.

Denmark has made more use of the principles supported by Henry George than perhaps any other nation. The Danish Small-holders are world famous. They have much in common with the California Small-holders, who also got their opportunity to enjoy "Life, Liberty and Property" by virtue of laws enacted under the leadership of Henry George, his friends and admirers. In Denmark and California the efficacy of the "Single-tax" principle has been tested and proven. Also in Australia, New Zealand and elsewhere.

The Marxist idea of taxing incomes, whether earned or unearned, according to "ability to pay" has been employed by many nations, whose money became worthless since World War I. Thomas Jefferson, long before Henry George, advocated taxation in proportion to "Benefits received," measured by the value of land. Neither of them supported the "Ability to Pay" idea.

Little did I dream when leaving San Francisco in 1949 to attend the International Union for Land Value Taxation and Free Trade Conference at Swanwick, England, that I would be offered the privilege and honour of serving as president. On arrival, I was invited to act as chairman of the Platform or Resolutions Committee, composed of nine members, not all of whom spoke English. We forged the Human Rights Platform, without a dissenting vote. This great Declaration was re-affirmed at the 1952 Conference in Denmark, with minor editorial amendments, and has been published in many languages, and circulated among top leaders in many nations by members and friends of the International Union. Copies are obtainable from headquarters in London (4 Great Smith St.). The most effective way is to write a personal letter to outstanding leaders, enclosing one of these Declarations in the language of the recipient. Personal letters carry influence that no form letter from any organisation carries.

The splendid work done by members circulating this document during my two terms as president is deeply appreciated.

Now that the Karl Marx "star" is fading in nation after nation, is surely the opportunity that admirers of Henry George have hoped for.