

RADICAL TAXATION BENEFITS CALIFORNIA

HENRY GEORGE'S PRINCIPLE AT WORK

By J. RUPERT MASON
1920 Lake Street, San Francisco

Why has California become such a magnet for so many people, since the adoption of its 1879 Constitution? That is the year *Progress and Poverty* by Henry George was first published in San Francisco. Only a few years before, the land now comprising the Sovereign State of California, had been governed by Spanish or Mexican laws. It was all held in vast Ranchos or Pueblos. The small holdings of today were unknown. The debates, preceding the adoption of this 1879 Constitution are published, and deal with politico-economic affairs which are still being as sharply debated as in 1879. Perhaps the two subjects most debated were land monopolization and systems of taxation. Henry George worked at the time in Sacramento, on the Sacramento Bee. He was given much support by James McClatchy, the founder of the Sacramento Bee which even then carried great influence with those who constructed the 1879 Constitution. James McClatchy witnessed the plight of the early gold miners on their way to and from the mining land. John Sutter claimed huge areas from which the miners were being fenced out. In the 1884 Souvenir Edition of the Sacramento Bee may be found much about this, and the influence of the book *Progress and Poverty*.

The provision of key importance in the California Constitution of 1879, which is unchanged today, is the requirement that the assessed value of land must be shown separately on every assessment roll, from the value of buildings, planted orchards or other improvements made by the holder of the land. Other States have since adopted this important assessment principle, which has been upheld by the highest courts. The California Legislature has delegated the state's sovereign power to tax land values to many political subdivisions in numerous statutes, which long used the system of taxation advocated by Henry George. These statutes enable local governments to balance their budgets with money collected from those holding the land in the community.

Under these state tax laws, the industrious man is allowed to keep the full fruit of his industry, untaxed. The only tax he is obliged to pay to the community or district is one in proportion to the assessed value of his land, irrespective of buildings, improvements or other good use he makes of the land. This makes it unprofitable for speculators or absentee landlords to hold desirable land idle and unused. Often we have heard in California that some are "land poor." The annual land tax, even when small, gives land holders



J. Rupert Mason, President
International Union for
Land Value Taxation and Free Trade
World Headquarters at
4 Great Smith St., London, S. W. 1

the same economic incentive that a parking meter gives the automobile owner. The more it costs to occupy space along the curb, the quicker the space is opened up for the next motorist. The great Spanish Ranchos in California have been opened up by taxation for farm and home seekers, for commerce and industry because it proved too expensive to keep idle valuable land out of use.

One of the most important and far reaching of these land tax laws is now found in the Water Code of California, Section 25500 *et seq.* More than 110 political subdivisions, containing over four million acres and many cities, towns and orchard, vineyard and dairying areas from Mexico to Oregon are governed by this law, commonly known as the Irrigation District Act.

In San Francisco, the cost of the Stockton Street and Twin Peaks Tunnels was paid by the holders of the adjacent benefited land. The tunnel tax was not charged against any building or other improvement.

For a very long time the cost of our free public schools, streets, roads, highways, etc., was paid mainly by those holding the taxable land. It is only in recent years the state and its local bodies began resorting to sales, use, purchase, license and income taxes, all of which Henry George warned against. The principle of "Home rule in taxation" is advocated by Henry George in all his works. He warned us of the present crisis, so much of which is the product of our present fed-

eral, state and local tax statutes that have become such a deluge that we need a Noah's Ark. Yes, we did "Let George do it" for a while in California, even if only in moderate regions and degrees. That the application of the system of taxation George advocated promoted the general welfare, wherever used, is not questioned. That the 1879 Constitution allows the Legislature to make more general and stronger use of this system of taxation is not questioned. Adam Smith, John Stuart Mill, Harley Lutz and others equally respected, all agree that the system of taxation urged by Henry George cannot discourage work, savings or investment, and cannot increase the general cost of production, distribution, or of living.

In short, Henry George was perhaps the best defender of private enterprise and property that those who earn their living ever had. He insisted that every worker, with hands or brain is constitutionally entitled to the full fruit of his work, untaxed. He, with Thomas Jefferson, Abraham Lincoln and other real Americans, believed it is the duty of those holding the land of a state or nation to support the governments that protect their title deeds.

It was this policy which made it possible in this Republic to provide tuition free educational opportunities in the public schools. This was long the base of public revenues for school districts, cities and counties in California and most other states.

In fact, Congress used this type of tax in several federal tax laws between 1798 and 1861, delegating to each state the duty to raise specified sums. Much public revenue was then supplied by the land holders, as such.

This was before Henry George had written his books. But he knew what a potent tool the taxing power had been throughout history.

It is very late, but not too late to save this Republic from the "Huns and vandals" whether within or without. Those who argue there is not a science of political economy must not be taken seriously. It is again time for an "agonizing re-appraisal" of the Declaration of Independence, Preamble to the Constitution and the equal protection guaranteed in the United States Constitution.

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