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Counter-Colonial Land Policy for Montana

A Paper delivered by Mason Gaffney

at the

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I. Colonialism - Pro and Con

- A. What is colonialism? It is a relationship between the capitol and the provinces in the mercantilist scheme of things. In this mindset trade is not mutually beneficial but entails one party taking advantage of another, or at least dominating another. Mercantilist thinking exalts the capital and subdues the provinces to their purposes. Not surprisingly it is rarely found in pure form but reached an apogee in the Court of the Sun King, Louis XIV, articulated by his Minister Jean Baptiste Colbert. Contrary to his Biblical namesake, Jean Baptiste lived as far from the wilderness as he could get and dined on a variety of provincial tributes gathered in the capitol. French commercial policy ever since has exemplified mercantilist principles as well as that of any nation. Paris dominates France, France seems to dominate her colonies.

Some outstanding features of the mercantilist scheme are the following:

1. The provinces market their staples primarily through the capitol. There is one capitol and many provinces, so that the terms of trade may favor the capitol. Just so today

there are many country towns for every Minneapolis, and many country banks for every Northwestern National Bank or Northwest Bancorporation. Tertiary industries, especially finance, cluster in the capitol, giving wide control over the provinces.

2. The provinces market "staples" because that is most of what they have to sell. They are limited to primary products. The capitol controls transportation and finance and communications. It fiddles transportation rates so as to determine what is economical to produce. Primary products are relatively widespread and abundant, and primary activities are seen as keeping people more primitive, unsophisticated, guileless and manipulable. Provincials often have that great vitality and strength that comes from living close to nature and cannot be suppressed, but oh, how they can be manipulated by appeals to prejudice, patriotism, passion and, if you recall the case of William Jennings Bryan, primitive religion. Field processing of primary products is permissible and normal, as with copper smelters or sugar refineries. Secondary manufacture is much more rare because it requires a variety of materials gathered from many provinces and the lines of transportation focus on the capitols. Tertiary activity is even more rare. Finance is extremely hierarchical and narrowly controlled from the capitol.

Primary production is resource intensive, of course, but also capital intensive. Yet

this high complement of land and capital per worker does not imply or guarantee high wage rates. Mining particularly employs very few people relative to the value of the product. In British Columbia, for example, mining is the second industry, so it is said, but employs only 1.2% of the labour force.

3. The locals are held to a low level of sophistication, a conspiracy in which many of them join most enthusiastically. Narrow provincialism is patronized because that helps keep the provincials at odds, one with another - divide and conquer. People in one provincial state are likely to regard people from a neighboring state as outsiders and foreigners. They are hostile to outside ideas which they regard as potentially subversive. Education is indifferently supported and respected and the market for educated persons is limited except their education be narrowly geared to the local monoculture. Sophisticated production moves toward the capitol. Ambitious young people, seeking interesting employment, tend to leave the province also, which appears to vindicate the foresight of those who advocated reducing educational budgets.
4. Absentee ownership and control of key resources and large holdings is widespread. Capital markets are elsewhere so that even if local people save and create capital they can only

become absentee owners of their own resources by, for example, holding stock in a corporation controlled from Wall Street.

5. Local affairs are dominated by a class of people with a vested interest in the existing state of affairs. In the 19th century European empires they were typically local chieftans who had been converted into commercial rent-collecting landlords when the imperial European power relieved them of their public duties, such as military and welfare. "Cacique" and "Zamindar" are generic names for these persons and their counterparts may be found today ruling small countries throughout what is sometimes called the free world, or, in Roman terms, pax Americana.

These local squires own extensive property in connection with which they enjoy extensive tax relief. Tax relief is the coin with which the capitol pays off the local influentials. This is also true in internal provinces. Cattle, minerals, timber and recreational property all enjoy extraordinary tax favoritism at the federal level. This also helps assure continued specialization of the provinces in these selected enterprises.

6. Provincial population is held down to weaken the power of the provinces. Both military power and political power require the presence of people. Resource intensive and capital intensive provincial industries do not attract a large

labor force. Environmentalism in one or another guise is patronized and given a misanthropic slant. What we call environmentalism today is really nothing new but only a modern variation on an old, familiar theme. Traditionally the atavistic and stultifying hunting and fishing cultures have been the thing. It is the nature of these activities to keep the provincials, however sparse their population, feeling crowded and antagonistic towards newcomers and interlopers.

7. Monoculture is encouraged. There is a low level of diversification, a low level of internal trade and a high ratio of exports to total production. Along with monoculture, of course, goes a high level of instability, so that the cruel suffering of depressed economic conditions is felt more strongly in the provinces than in the capitol. Popular mythology to the contrary notwithstanding, systematic data indicate that the percentage of the labor force unemployed in depressions and recessions is higher in smaller than larger communities.

Monoculture is usually land intensive, meaning that land rent is an unusually high percentage of gross receipts, as with wheat, cotton, cash grain, breeding cattle, sugar cane or sugar beets, rice, small grains, etc. An "unusually high percentage" means about 40%. There are few truck crops or orchard

crops. They would be labor intensive and tend to convert the province into a capitol as happened in California.

So long as production is resource intensive the high resource coefficient of labor does not result in high wage rates. The average product of labor is high, but the marginal product, to use the economist's conventional term, is kept low through lack of demand for labor. The local landowner who accepts colonial status with its evident disadvantages also accepts the counterpart, discouragement of manufacturing. Manufacturing, etymologically speaking, means "making with hands". It is almost always labor intensive. Local influentials regard new manufacturing plants with some suspicion and lack of ease because they might tend to bid up wage rates.

It has been suggested that increasing demand by outsiders for Montana resources is a colonial phenomenon. That's not necessarily so. It is Montana's response to the demand which has been colonial. Outside demand just means you have something to trade, which is all to your good. It is not trade, but resource intensive and capital intensive production which is manipulated against you which makes you colonial.

8. The native population is discouraged from mixing and integrating with the occupying population. It is patronized by the capitol to retain its old picturesque ways. So long as

the natives remain legal incompetents and wards of the capitol they are effectively divided from the occupiers. Again, divide and conquer. The natives, too, have their compensation. They are exempt from federal income taxes.

9. The true colonial is intensely irritated by anyone's making allegations such as those above. If the person comes from outside he is told to go back where he came from. If he is from inside he is stigmatized as a newcomer and a troublemaker. It is a mark of the low sophistication of some provincials that tactics such as these which would make one a laughing stock in any vigorous urban center can be effective in this year of our Lord 1976.

B. Is it bad to be Colonial?

Colonialism is an aspect of specialization with a division of functions and of rewards. The colonists have to get theirs, too, or the system would fall apart - as indeed empires keep doing, but one should not conclude that empires fall apart only by over exploiting colonies. The capitol can also bleed itself to death in an effort to keep its colonies. Colonies which manage to remain perched on the margin between two competing capitols have great bargaining power.

To be an American colony, either external like Iran or internal like Montana, has great advantages which shrewd colonials can manipulate to their advantage. Remember the Grand Duchy of Fenwick in Peter Sellers' wonderful show, *The Mouse that Roared*? Faced with bankruptcy the Duchy was advised to declare war on the United States and surrender immediately.

1. There is more than one capital competing for the favor of Montana. There are New York, Chicago, Minneapolis, St. Paul, Denver, Seattle, for beginners. Over the line is Calgary and over the sea is London and so on. And of course there's Washington, where every state has its voice on the Great Board of Directors. They need you. "For how can tyrants safely govern home, unless abroad they purchase great alliance?"
King Henry VI.

2. You typically benefit from subsidized transportation. The capitol goes to great lengths to maintain the links that bind the provinces to it. Nationwide transportation networks are everywhere characterized by cross-subsidy whereby the heavily used routes in more densely populated parts of the country carry on their back the sub-economic routes in the sparsely populated parts of the country.

But you pay a price for this. The capitol subsidizes most what it chooses for you to specialize in, that is, primary products. Check your rate structures. Long hauls carrying primary products out of the province are made artificially cheap. Long hauls carrying manufactured goods into the province are sometimes, although less consistently, artificially cheap as well. Internal distribution within the province is artificially expensive. A telephone call inside the province may cost as much as one a thousand miles away to a capitol, for example.

The capitol subsidizes the routes it chooses, routes that point out of the province towards the chosen capitols. There's a high ratio of primary roads to secondary roads, turning some provinces into little more than overgrown strip developments. As I look at the two federally subsidized highway routes traversing Montana east-west I can't help wondering if this doesn't apply to you.

You assume the risk that the capitol may change its mind someday about subsidizing your transportation, leaving you stuck with a high complement of capital per person suddenly rendered obsolete by changes in rate structures. Yet there may come a time when the capitol has no choice but to do so, for the capitol that subsidizes your long-haul transportation is doubtless engaged in courting many other provinces as well, something often carried to absurd extremes by dreamers of glory and empire in the capitol. "Glory is like a circle in the water which never ceaseth to enlarge itself till, by broad spreading, it disperse to nought" - King Henry VI, again.

3. You may get lucky and join a cartel of primary producers but many cartels are self-defeating in the observation of students of industrial organization, and even the great OPEC cartel isn't much help to you domestic oil and gas producers today, whose prices are controlled for the benefit of - guess whom. Folks in the capitol like to keep warm in the winter.

You may get tariff protection. This is worth something, but mainly to the people who own and control the sugar companies, and where do they live?

You get fabulous tax benefits although I dare say you seldom think of it that way. Most tax economists, however, regard breeding cattle as one of the more attractive tax shelters, so do many wealthy people who live in cities outside your state, for why else is their money so prominent in Montana? But that rather suggests the fly in the ointment, doesn't it? It takes non-farm income to take full advantage of farm tax shelters and where in Montana does one earn much non-farm income. The gains have to be shared with absentee investors.

I have an unpublished manuscript by Robert Evenson and Finis Welch entitled "Farm Income and its Taxation: Evidence of Gross Inequities". It is to be published in a book which I am editing, but I'll give you a preliminary peek. Most of you know a lot about livestock so I don't have to tell you about how a great deal of the receipts can be treated as capital gains for tax purposes while many of the expenses can be written off currently. The result, of course, is that the amount which farmers declare as taxable income is considerably less than what the U.S. Department of Agriculture estimates to be the true farm income. Drs. Evenson and Welch have broken this down by states. Taking

the 1967 through 1970 average for the state of Montana, U. S. Department of Agriculture net farm income was \$202 million, while taxable profits reported on farm tax returns were \$75 million. Thus only 37% of Montana's agricultural income was taxable. Thus far it seems as though Montana agriculture is doing very well taxwise. If you look at neighboring North Dakota you are doing even better, for 69% of their net farm income was taxable.

North Dakota, however, happened to rank highest in the nation in this regard, and now you can stop congratulating yourselves. Looking at the neighboring state of Wyoming together with Utah and Nevada the ratio is 19%. For New York state it is 22% and now, fasten your seatbelts. In California net farm income was \$967 million while taxable profits were \$22 million or 2%. In Florida it was 4%, in Arizona and New Mexico 3%. How can this be? Do they know something you don't know?

The answer appears to be that the revenue service data on farm income are collected by the state of residence of the taxpayer, regardless of the location of the farm. Lots of wealthy people live in California, Florida, Arizona and New Mexico. You may remember the publicity attending the fact that Governor Ronald Reagan in California reported no taxable income in 1970. He is reported to have accomplished this through the sage advice of

General Oppenheimer of Kansas City, the tax shelter consultant specializing in range cattle.

Drs. Evenson and Welch went through their data to see if successful tax avoidance was related with the dependence of a state on the cattle business and found that that was not so. Montana, for example, with 37% of its net farm income reported to the Internal Revenue Service ranked fairly high among states in this regard.

They discovered instead that successful tax avoidance in agriculture is related to two other factors. One of these is the corporate share in farm production. They grouped the 48 lower continental states according to the corporate share in farm production. Where this was greater than 20% in 11 states only 7% of the farm income was reported to the Revenue Service. On the other extreme where the corporate share in farm production was less than 10%, that was in 14 states, why 35% of the net farm income was reported to the Revenue Service. Drs. Evenson and Welch conclude from this that corporations have some special skill at tax avoidance or else are peculiarly attracted to those areas of agriculture in which taxes might be avoided.

They also noted that successful tax avoidance was intimately related with the concentration of income. The more highly concentrated the farm income in the state, why the smaller percentage of its farm income was declared for

tax purposes.

There are many morals to be drawn from this excellent study but in terms of our present subject the relevant moral is that the tax avoidance granted to colonial industries can only be fully exploited in conjunction with residents of the capitol.

Turning to minerals, no tax economist needs to be convinced that mineral production receives enormous tax benefits compared with other kinds of income. Nature placed lots of minerals in Montana but man seems to have placed their ownership elsewhere. Recently the papers were full of a New York bank's appointing the chief executive officer of Anaconda Copper. More generally I commend your avid study of a committee print put out by the Sub-Committee on Government Operations chaired by Montana's Senator Lee Metcalf dated December 27th 1973, entitled "Disclosure of Corporate Ownership". Here you may discover all kinds of fascinating things about the owners of corporations that operate in Montana. The largest holders of Northwest Airlines, for example, are Chase Manhattan, the Bank of New York, Banker's Trust, Cede & Company (the nominee of the New York Stock Exchange), the National Bank of Detroit, First Jersey Bank of Jersey City, Northwest National of Minneapolis, National Shawmut of Boston, Continental Illinois Bank of Chicago, Morgan Guarantee and Wilmington Trust of Wilmington, Delaware. 21.7% of the stock in

the Burlington Northern is held by 7 big New York banks. On page 387 you find a fascinating list of directorate linkages involving the Burlington Northern and various banks, most of the banks being in Minneapolis-St. Paul, which I'm beginning to think is your capitol.

Then there is coal. Here the absentee ownership appears to be federal in some measure. The feds in turn have shown an unmistakable weakness for leasing coal reserves to a handful of energy giants. In 1970 ten energy firms held 50% of 773,000 acres of federal coal leases written by the U.S. Department of the Interior, according to an unpublished working paper cited in the Milwaukee Journal for August 29th, 1971. In addition, you are all too well aware that your capitol in Washington, D.C. is determining the timing of extraction of this resource primarily for the convenience of consumers, as people in the capitol are given to see that convenience, however mistaken they may be.

Returning to cartels I trust you have become fully aware that any dreams of forming a copper cartel in the OPEC image are just smoke dreams. Copper is much too abundant in the earth's crust, and too widely dispersed. The same is undoubtedly true of coal. So if you are thinking of holding up the customers on that one better forget it. Coal prices

are determined in a world market where coal is abundant and widely distributed. You may be forced to sell below the world price, but you're not likely to get anything above it.

In the event that the federal influence should weaken, Montana's coal reserves are safely in the hands of a handful of energy giants whose Boards in turn display strong representation from another handful of big banks. The pace at which they are disposed to unlock this coal for world markets will have much more to do with their perception of their advantage in the world energy market than maintaining stability of employment for tax revenues in Montana. You might, incidentally, bear that in mind as you congratulate yourselves on imposing a 30% yield tax on this coal, a tax whose revenues are turned on and off with the pace at which the lessees and owners decide to produce the coal.

4. Reservation Indians enjoy exemption from various federal taxes. The benefit is real but the price is separation from the rest of the economy and society and the disenfranchising of a significant portion of the population. This romantic bit about maintaining the native Indians paleolithic way of life as a refuge from the 20th century is of a piece with the exaltation of a primitive hunting and fishing recreational culture for the Caucasian people of Montana. It keeps people preoccupied with primitive and inconsequential diversions of a backward-looking nature, leaving an open field for

others to assume leadership in economy and society.

On the whole these potential advantages of being colonial are a mixed bag. You win a few, you lose a few. Looking at the whole society everyone loses by inefficiency. Nowhere is this more evident than in respect to transportation where the fiddled rate structure may result in its costing you as much to ship your goods a few hundred miles within the state as a few thousand miles outside the state.

So the benefits are quite questionable. Let's look at some unambiguous disbenefits of which I will list a few.

1. Colonials suffer from small-town cultural poverty. This is a hard one to accept. Most people, although not all, are persuaded of the inherent superiority of their own culture and bitterly resent any suggestion to the contrary. I think I understand your feelings. I was brought up in the neighboring state of South Dakota and weaned on the doctrine of the vigorous, progressive frontier. Western and particularly northwestern folk were the salt of the earth. Easterners were effete, affected and degenerate, while California was all tinsel and false. Farm folks were good folks who appreciated American free-

dom and kept alive the old virtues. The public school was invented in the great west whereas in the decadent eastern states only the sons of the wealthy could go to schools where all they learned was to grind the faces of the poor.

It took me many years to unlearn this catechism but at the age of 52 it no longer rings true. As an experiment I took the words "Montana" and "culture" and engaged in free association for a period to see what I could come up with. The results were meagre indeed. Even the western ballad seems more Texan than anything else. There is Evel Knievel, the Pride of Butte. There is an old barbershop tune about a man in Missoula who played the big bass viol. There is a charming if misleading little poem called "Montana Wives" which exalts the isolated life in the ranch and heaps scorn on people who live on little squares of green in Billings. There is Charlie Russell, who is world famous in Montana but not easily recognized elsewhere. There is a long roster of first-rate land economists whom I would class as Montana's prime contribution to that portion of culture of which I am aware. There is a learned article significantly entitled "On Space as a Negative Resource", and there is a history book, "The Day of the Cattleman" by Ernest Osgood, but then he was a Professor at the University of Minnesota.

These remarks will offend many readers, I know, and for this I apologise. I am being offensive with a good purpose, which is to shock some of you into a fuller realization of the fact that Montana is not the vigorous frontier, not the cutting edge of light and progress but something of a backwater. I am not telling you this with the hope that you will go away feeling bitter, but with the hope that you may want to do something about it.

Along with cultural poverty, of course, goes a colonial mentality which I would define as the luxury of perpetual adolescence applied to affairs of state. Is it not those powerful, manipulative, effete, decadent easterners who are running things? Very well, let them worry about world affairs and stew in their juice while we go off hunting like proper manly persons.

Colonial lack of stimulation is implicit in monoculture. Monoculture breeds monotony. Only by accident would large numbers of exciting ideas be stimulated by the routines of just one industry or activity. The creative, inquiring, questioning spirit is more likely to be associated with urban centers with the synergistic interaction of large numbers of people and resources. Take some standard measures of creativity and see how Montana stacks up. How many copyrights, how many patents per capita as compared with

Connecticut or California?

I haven't looked it up but you may do so, and if Montana compares favorably you may just chuck out this whole chapter as being nonsense.

Provincial cultural poverty is more than the absence of learning. It is the presence of elaborate defense mechanisms to resist learning.

One of these is literal interpretation. William Jennings Bryan, that famous literal interpreter of the scriptures, was the prototype of the provincials. He had a special regional economic interest - free silver - which he converted into a self-righteous, holy crusade. He never quite seemed to understand what people tried to say to him. It was not that he admitted to difficulty in understanding. It was rather that he understood something different from what was intended by the speaker, something already in his head which some inflection or chance clause used by the speaker would trigger off. This is one mark of the confirmed and true provincial. His cultural poverty is self-imposed, reinforced by firm conviction and preference. Thus he manages to be not only unaware of his poverty but positively to glory in it. Having struggled with students in the provinces of Oregon, North Carolina, Missouri and Wisconsin I speak with a certain fund of experience on the subject.

The moral of all this, I hasten to anticipate, is not that Montanans should hang their heads

and feel inferior. They already do, which explains why they are so sensitive and defensive on the subject of culture. The moral, on the contrary, is that they should take the bit in their teeth and do something about it, but the first step is unavoidable and difficult: one must acknowledge that there is a problem.

2. To exclude labor intensive activities is to exclude voters. Montana has somewhat fewer than the city of Milwaukee, Wisconsin. Those great Virginia philosophers who put the whole fabric together with a little book learning back in the '76 we celebrate this year (not the '76 that happened in Montana which we mourn this year) and especially in 1787 protected you from the worst consequences of this when they weakened the capitol's position with an institution which Senator Albert Beveridge of Indiana labelled "The Free Coinage of Western Senators". I don't know what you think of your two but they are highly regarded in Washington, their greatness magnified by seniority. But that is a double-edged sword, as Mr. Mansfield retires to be replaced by someone at the bottom of the ladder.

What happens when you have to fall back on the weight of population? No presidential candidate has a Rocky Mountain strategy let alone a Montana strategy. In the House you are

practically nothing. Even an alliance with the other Rocky Mountain states carries weight primarily because of the big cities in Colorado, Arizona, Utah and New Mexico, cities the like of which you have not developed.

3. The colony suffers from low development of its internal trade. There is this long haul versus short haul rate structure anomaly which ties your primary producers as closely to Seattle as to Billings. Divide and conquer. External trade is not a bad thing in itself. Generations of economists have preached its benefits but in preternatural excess it is very bad and is the essence of colonialism. You are forced by transportation rates to specialize in the monoculture above and beyond the natural economic level, and your local cities are stifled in their development. In this as in other aspects of colonialism they are given aid and comfort by complaisant colonials who have, for example, prevented industries from getting zoning here.

"There is delicious irony in Montanans honoring the name of Albert Gallatin, father of a national system of roads to bind the nation together, who scorned local traffic and who wrote, 'The National Legislature alone . . . superior to every local consideration, is competent to the selection of such national objects'. How he would have drooled over I-94!

A truck from Minneapolis to Missoula runs along federally subsidized I-94 and I-90. Hundreds of miles of high standard, four-lane highway with little traffic is effectively paid for by the heavy traffic on routes in New York and Ohio and Illinois and in the big cities themselves (for the federal gas tax doesn't discriminate between different highways or city streets). But to get from Missoula to nearby Greenough, Ovando or Lincoln one goes along state financed Montana 200. The feds also pave your way from Missoula to Seattle but you have to do your own highway construction between Charlo and Round Butte. I hope I am coming through.

4. Another part of the price is domination of politics by primary producers: cattlemen, mine owners, the dude ranch industry, absentee landowners and their local agents and branch plant managers. Who controls your Highway Commission and to what ends? How about your Public Utility Commission? Your Water Rights Board? Is the state getting its fair share from power drops in the state? How, indeed, would you know, when the Public Utility Commission has no staff economists and has to hire outside consultants for the most basic kind of analysis? I commend their choice of a consulting firm, incidentally, a Washington based firm with which I am familiar and which is consumer oriented. I would not have

them stop consulting with these people from time to time, for outsiders can be very stimulating, and I would say nothing to encourage the narrow provincialism which would respond, "Yes, let's send all these foreigners back where they came from". But economic analysis should not be a sometime thing. It is a continuing need and the Commission should have its own staff as well.

Where is your gas tax money raised? Mainly in the cities, I venture. Where is it spent? Are your farmers using tractor gas on the highways paid for by urban drivers? Is there cross subsidy in your utility rate structure, with the rich urban territory carrying the lean ranch territory? Have you accepted inequity and inefficiency at home in the name of discouraging immigration, as some of your embittered emigres allege. Don't ask me for all the answers, I'm just raising the questions. I'm only an outsider lifting up the rocks. It's for you to look underneath them.

5. Your biggest absentee owner, of course, is Big Brother on Pennsylvania Avenue, and you have to put up with a lot of federal control. You get, for example, those big picturebook dams like Fort Peck, Hungry Horse and Libby - when, where and how the Army Corps decides is good for you - or is it for them? Your timber is cut when Chief McGuire and Great White Father on Pennsylvania Avenue decide is good. Professor Curry, your man in the Sierra Club, may think that is too fast,

and Professor Dowdle may think that is too slow, but has anyone inquired lately what you think?

C. Is Montana Colonial?

Montana is called "The Treasure State" and "The Big Sky State" but it's been called other things, too, like "The Company State", "The State with the Copper Collar". Company domination of politics has gone so far that when I was here in 1971 the Montana State Constitution prohibited the assessment of copper bearing lands for property tax purposes at a value greater than the price paid by the original patentee to the U.S. Land Office, that is, about \$1.25 per acre. For the "richest hill in the world" that's a pretty modest property tax burden. You adopted a new State Constitution in 1972 but I cannot congratulate you for adopting a yield tax on coal. Although it is better than nothing it is one of the least efficient tax instruments known to man. At any rate, so far as I'm aware you did not do anything about the exception of copper from the property tax. Even if you did, that is only one of the attributes of colonialism. To an outsider Montana still looks like one of our three or four most colonial states. Even little Boise, Idaho, across the line, is headquarters for two big corporations. Montana is somewhere north of Wyoming and occasionally affects imperialistic pretensions by threatening to forbid the Missouri River from watering the lower valley states and by putting a picture of Wyoming's Old Faithful Geyser on its state road map. It is the heart of the

largest urban vacuum to be found anywhere in the United States and would appear to be about as nearly colonial as a state can get.

So the question is do you want to remain one?

D. Is Colonialism Predestined?

Geography obviously has something to do with colonialism, but when you look at world history you cannot believe that very much is predestined. Today's colony is tomorrow's capitol and vice versa. Outer Mongolia in the days of Genghis Khan was the capitol of much of the world and Moscow was its province. Mecca, at the height of Arabian power, was the capitol of much of the Mediterranean and may be once again. In the 16th century Antwerp was the economic capital of western Europe, giving way to Amsterdam in the 17th century, and then London in the 18th. In the 20th century New York has had some pretensions to world leadership. Montana's cities are all landlocked but so is Calgary, so is Edmonton, so are Denver, Salt Lake City, Phoenix and Albuquerque. One has to conclude that attitude and will control human destiny. One needn't become a world capitol simply to be substantially independent of them. California is the proof of that.

Can a colony win its independence? Of course it can. The capitol rules the colony through cooperating colonials. The real question then is do you want to pay the price of shaking off absentee control. No one can answer this for anyone else but let's look at some counter-colonial policies to get

an idea of the price that has to be paid.

II. Counter Colonial Policies.

A. On attracting people.

Exclusionary land policies have been sweeping the country in the last two decades. The chief ones are state-wide, low density zoning and preferential assessment of farm land. Montana recently adopted the second of these and it appears to be an excellent device for under-assessment of mineral bearing lands in the old Montana copper tradition. These are good devices for driving people away, if that is what you want. A talented, enterprising young businessman of my acquaintance is one of those who was driven away. A native of Idaho, he loved this part of the country but found Great Falls too slow for him. After leaving he rather quickly rose to become the chief economist of the Federal Home Loan Bank Board in Washington before going into private practise in San Francisco. He tells me that no one could get industrial park zoning in Montana. With an attitude like this it is not surprising that from 1960 to 1970 forty-one Montana counties lost population. It is not surprising that from 1950 to 1970 Montana's per capita income dropped from about 108% of the national mean to about 90% of it. To break out of the colonial pattern and mindset a state must attract people. This means it requires employment opportunities which means labor intensive activities like manufacturing, trade, commerce, banking, research and education. So let exclusionary land policy sweep the country - the rest of it - so much the more opportunity for you.

How about the environment? It's not the mal-adjusted boy, it's the maladjusted muffler that disturbs the peace 5 miles away through your thin, dry air, and you're not doing anything about it. Modern engineering has so greatly magnified what we may call the technological multiplier of personal offensiveness that there is no salvation in small numbers. You have to apply civilizing social controls and if you can do it to a few you might as well do it to many. New York is noisy but no more so than Great Falls in the evening when the junior birdmen are burning rubber up and down Main Street.

Why aren't these delinquents out fishing and hiking in your great, wide-open spaces, improving their character by close communion with nature? I don't know all the answers, but if they try to go swimming in your Flathead Lake they will find the shoreline sewed up as tightly as the beaches at Long Island Sound back in the decadent east with its undemocratic social structure. Having lived in both regions I'm inclined to conclude that the west is just as undemocratic as the east, but without its redeeming polish and grace. The west demonstrates how a few people can pollute the environment and tie up the land as tightly as New York and California, each with 20 times the population.

It's not people as such that pollute. It's the copper smelters which are resource intensive, capital intensive and energy intensive, not labor intensive. One hundred times the labor force of the copper smelters, if they were in clean fabricating industry, would not create half the mess.

If you turn towards labor intensive industry you will incur the penalty which the capitol visits on labor intensive industry, that is, of paying a disproportionate share of taxes. Labor income is taxed at higher effective rates than income from land and capital. The fiscal cards are stacked to favor the kinds of things you have been doing, but one can over-react to tax shelters. The law of supply and demand still holds. When everyone everywhere goes into the same tax shelters the supply of the sheltered things goes up and the demand is saturated. This could, indeed, explain why Montana's per capita income has fallen behind the nation's in the last 20 years.

What Caesar giveth Caesar can take away. In the changing temper of the times is it not possible that some of your favorite tax shelters will be withdrawn? What would happen if Congress one day decided to stick it to the cattlemen? If they start liquidating herds - I refer you to Ernest Osgood, The Day of the Cattleman. During a boom the cattlemen's product becomes his capital and during a bust his capital becomes the product. The price of monoculture is vulnerability.

When you open up and let new employers create new job opportunities you do wonders for your educational system. Today people argue against supporting education because so many of the educated children leave the state. I think myself that's the wrong way to look at it, but nevermind, lots of people do look at it that way. If on the other hand you have opportunities for them at home

you can justify pumping a lot more money into their education, thus uplifting all your children. While you are at it you will also attract lots of expensively educated brains from elsewhere, taking a free ride on the great universities of other jurisdictions.

In the long run we need a change of federal policies to combat the nation-wide trend toward exclusionary land policies. In the meantime, however, a shrewd state can observe a trend being carried to excess elsewhere and, in my judgment, profit by bucking it.

B. On Attracting Capital

But dash it all! you may say, would you have us become hostile to capital in order to be more friendly to population? No, I would not. Actually you can befriend both labor and capital at the same time.

You can make better use of the capital which is already here. The capital coefficient per job varies from practically zero in some service trades to very high figures in forest management, mining, smelting, power generation, cattle ranching and other Montana specialties. The capital is already here to support a much larger population if simply reallocated.

If a new Montana metropolis were allowed to develop it would develop tertiary activities like bigger banks and credit markets, keeping at home much of the native capital now invested through

La Salle Street and Wall Street.

Immigrants not only bring one pair of hands for every mouth, they bring capital with them. Immigrants are a varied lot and the kind you get depends a good deal on the kind of opportunities you create. Enterprising immigrants not only bring their own capital, they borrow money from others, much of it from outside, thus subjecting outside capital to the control of Montana residents. In general capital goes where the action is. You provide the action, the world will provide capital.

In terms of specific public policy there is a remarkable fiscal instrument available to any state, an instrument with the property of attracting capital and at the same time discouraging absentee ownership. That is the taxation of land values. If you wish to attract outside capital without promoting absentee ownership it is an excellent fiscal device.

It is accomplished in a few steps.

- Exempt in whole or part most capital from the property tax.
- Raise the rate on what remains, which is land.
- Hire a top flight staff of professional assessors, pay them well and keep assessments current.
- Plug the loopholes like Montana's copper loophole. Apply your property tax to federal lands by putting possessory interests of the private lessees on your property tax rolls. Arizona does it, so can you.
- Attend to a hundred and one other details and keep alert. No system runs itself.

But, you object, this might mean that ranchers would have to pay more taxes. So it might, I reply; that should not be unthinkable. There should be nothing sacred about a cow, the conventional bull notwithstanding. But as a matter of fact the land to building ratio is highly variable among farms of different kinds and different sizes. The ratio is equally variable within cities. I have some data from British Columbia gathered at great expense and with great care which tell me that the ratio of land to buildings is much higher in land uses classified as "commercial" than in agriculture. So let's get back to the question of absentee ownership. Let me cite two historical examples reasonably close by which support my allegation that the policy would discourage absentee ownership.

One example is the Municipality of New Westminster in the neighboring province of British Columbia. New Westminster for several decades followed the policy of taxing lands substantially higher than buildings. New Westminster is not heaven and its achievements have been overstated by some enthusiasts, however, it is a fact that it ended up with one of the highest and perhaps the highest percentage of resident home-ownership of any city in Canada. This was in the period of detached, single family homes. In more recent years it has attracted many apartments which, of course, has changed the situation, but at about the same time it fell away from its policy of assessing land heavier than buildings.

A second example is the irrigated agriculture

in large parts of California where progressively over the last century cattle and wheat have given way to orchards, vineyards and truck crops. A leading fiscal instrument of this transition has been a stiff tax on land values imposed by a species of rural municipality called an Irrigation District. The history of this transition makes it abundantly clear that the land tax was a tool whereby resident owners discouraged absentee owners from holding land, and prompted them to sell to immigrant settlers who would reside on and develop and use the land intensively.

Montana has irrigation districts, too, of course. So do almost all the western states, and so does British Columbia. The California irrigation districts organized under something called the Wright Act are different in that the principle of one man, one vote, has prevailed from the beginning. In the other states property qualifications on the vote are the rule. The result is that the California irrigation districts have been much more inclined to adopt policies favorable to the smaller owners.

The last time I disclosed this information in the state of Montana was in 1971, at which time an old rancher-legislator called me Sonny Boy - (when 50 year-old men are called Sonny Boy you suffer from advanced geriatrics indeed) - and advised me in the manner of provincials through all time that conditions here were different and outsiders could never understand them and had better get out of town on the first public transportation before a posse was formed. No transcendentalist, he, who could not see the universal underlying principle in different materialistic trappings. Monoculture puts

blindens on the imagination and keeps the provincial in leading strings.

Montana went through a phase of improvident subdivision at a time when this process was dominated by the federal land laws. The necessity of retreating from this unfortunate experience is frequently cited now as a reason for consolidating, consolidating and consolidating farms into ever larger units.

Major John Wesley Powell's report on lands of the arid regions published in 1879 is often cited in opposition to small farmers. This, I think, is to misread Major Powell. The essence of Powell, as I read him, is that the subdivision of water must be accomplished in step with the subdivision of land. This is one of the things which irrigation districts accomplish. They permit the orderly subdivision of water and its distribution to subdivided land. They encourage a grouping of residences in the manner that Major Powell recommended to the end of improving markets and the viability of local communities.

Montana State University land economist Roy Huffman pointed out in his book on "Irrigation Development and Public Water Policy" the importance of integrating irrigated agriculture with dry land agriculture. He suggested 6 methods for doing so on pages 130 to 132 of that book. A development of these ideas, I suggest, would accomplish the application of the economic principles of irrigation districts to the physical facts of Montana.

Two years before Major Powell published Congress passed the Desert Land Act of 1877 which envisioned

and fostered a take-over of arid lands agriculture by a small number of giant owners. We sometimes think it was the federal land laws that forced subdivision on the west, but when we look at irrigation districts we see the opposite. Congress was pushing for giant ranching in the 1877 Act. It was the local people who promoted subdivision so successfully.

C. On Bettering Land Use.

Richard Hurd, a great urban land economist, writing in 1902, enunciated the basic principle that land values are characterised by spatial continuity, and all experience seems to bear this out. Think what that means. It means that land is more valuable because it's located next to other land which is occupied and utilized. It is more valuable to the individual and we have to note it is also more valuable to society because it costs so much less to extend roads and utilities in a compact increment to the next lot than it does to extend them over many miles of that space which one writer, cited earlier, cited as Montana's negative resource.

What I take to be the Montana mindset originated in other circumstances, circumstances well described by Ernest Osgood, writing about the open range era. On page 115 of *The Day of the Cattleman* quoth he "The cattleman's ideal was to find a large isolated area with as few neighbors as possible. Little cooperative effort would be needed under such ideal conditions to produce or get his product to market. He was, perforce, unsocial. He did not seek cooperation, but came to it when

the presence of neighboring herds forced it upon him. Unlike the farmer, his financial rewards were greatest when his isolation was the most complete. Cooperation did not come in order to remedy the evils of isolation but to meet the problems created by the presence of too close neighbors. The frontier farmer cooperated because such action meant roads, rising land values and social amenities; the cattleman cooperated to preserve, as best he could, the conditions that were naturally his through isolation." The open range is dead but the psychology of that era seems to persist when people see immigrants largely as a threat, a hostile force, and overlook the benefits which go with larger population and closer neighbors.

I have not been reciting the cultural poverty of Montana because I want you to hate me or because I advise you all to move away. My point, in case it has been lost, is that those presently here have more to gain than they have to lose from attracting more people or just admitting more people who are naturally attracted by the beauty of this lovely place. As an occasional visitor I have been struck several times by the contrast between the great beauty and resources of Montana and the aimless, shiftless, restless demeanor of the young people loitering about and uninspired by these resources which I gather are beyond their grasp. This contrast set me to thinking. I hope it may do the same for you.