J. RUPERT MASON  

ON

SINGLE-TAX, IRRIGATION DISTRICTS,

AND

MUNICIPAL BANKRUPTCY.
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INTRODUCTION

Irrigation districts are an often-studied example of the ability of local landowners, when faced with a physical problem too large for individual solution, to band together under enabling legislation by the state to build, pay for, and administer expensive public works for the benefit of the included territory. Inadequate natural water supplies, the failure of private water companies to supply enough water at economically feasible prices, and the reluctance of the state and federal governments to enter into public works projects of local importance forced the would-be cultivators of California's fertile, but seasonally arid, lands to turn to local cooperation in order to irrigate their lands. The hydroelectric power which was a by-product of their reservoirs soon brought the districts into the power field as well. When state-wide planning proved necessary, irrigation districts and similar water-use districts became an integral part of the state water program and were the public bodies with which the Federal Reclamation Bureau would negotiate and contract. It was J. Rupert Mason's reputation as a leading financier of irrigation districts in their early days that led to the
following series of interviews.

J. Rupert Mason was active in the purchase and distribution of municipal bonds in California after 1907, when he came to the state as an agent for N. W. Harris & Company of Chicago. His San Francisco firm of J. R. Mason & Company specialized in irrigation district bonds until Mr. Mason's retirement in 1927. During those years he was closely in contact with the problems of financing water-development districts. After his retirement from business, he traveled throughout the world studying irrigation developments and took an active interest in American water projects such as the Colorado River project.

The passage of the Federal Municipal Bankruptcy Act to aid public subdivisions in financial distress brought Mr. Mason back into the irrigation district field, this time as the unremitting opponent of this legislation, which he deemed unconstitutional, destructive of the good credit of the irrigation districts, and unfair to the purchasers of bonds, many of which he had personally sold and some of which he held himself. At about the same time he became convinced of the soundness of Henry George's politico-economic philosophy of the Single-Tax and since 1937 he has been a leader in the Single-Tax movement, both in the United States and abroad.
The following interviews were tape-recorded during the spring and summer of 1957 in Mr. Mason's study in his Japanese-decorated home in San Francisco, where he was recuperating from a heart attack that temporarily limited his many public activities. J. Rupert Mason, a solidly-built man of medium height, greyhaired, with striking blue-green eyes, was 71 years old at the time of the interviews, yet his indefatigability, his enthusiasm for his subject, his frequent jokes, and his dapper clothing belied both his years and his recent illness. Surrounded by his books on economics (many of which he could quote in substantial portions), filing cases full of briefs, irrigation district materials and correspondence, and the latest foreign and domestic periodicals, he discussed with Willa Baum his many experiences and ideas. So earnest was he in his convictions and so dedicated to presenting the facts and reasons therefore, as he saw them, that the interviews were only brought to a close at a reasonable time by the entry of Mrs. Mason, dressed in a Japanese kimono, her red hair piled atop her head, bringing in papaya sherbet or cookies and tea.

Mr. Mason later carefully went over the transcriptions of the interviews, which had previously been edited for continuity by the interviewer, adding further informa-
tion where necessary. This series of interviews was part of a larger series undertaken by the Regional Cultural History Project, under the direction of Dr. Corinne Gilb, to record for posterity eyewitness accounts of significant phases of California's history during the twentieth century.

Willa K. Baum

Regional Cultural History Project
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BEGINNING WITH MUNICIPAL BONDS

N. W. Harris & Co. of Chicago

Baum: I'd like to find out about the bond business in the early 1900's.

Mason: My first job in the field of municipal bond finance was in the Chicago Savings Bank and Trust Company in 1904, in the bond department. At the age of fourteen I went to school in Switzerland and then took a bicycle trip through Europe alone, then I came back and attended St. John's Military Academy for one year, and then started to work. I had wanted to get with N. W. Harris & Company, but Harris didn't employ anyone under eighteen and I was not eighteen, so I took this job in the bond department of the bank. I kept on trying to get with Harris and after about six months I made it, despite my youth.

Baum: Why did you select bonds, bond selling, as your occupation?

Mason: That was my mother's choice. My mother had written a big insurance policy on the life of one of the Harris
Mason: partners and she knew a good deal about the firm. She wanted me to get with them. They were, without question, the highest class, most reputable, and most important bond house in the United States in those days. In the field of municipal finance they perhaps did more business than any other two houses put together.

Baum: Were you particularly interested in financial matters?

Mason: Well, yes, it fascinated me. I had never forgotten what my grandfather had told me about how public schools were financed. It was a subject that seemed to me very fundamental to the general welfare. I was always attracted to the field of public improvements and public affairs. It attracted me much more than the ordinary financing of helping a company get ahead, although I did have some valuable experiences in the field of private financing after I left Harris.

Baum: Did Harris handle all kinds of bonds, or mainly municipals?

Mason: Mainly municipals, but they also handled railroad bonds. Very few industrial bonds, but many railroad bonds including interurban electric railway bonds which in those days were very fashionable investments.
Baum: You mentioned that Harris didn't like to handle municipal bonds of cities that were trying to operate their own water systems.

Mason: Not only they didn't like to, but there was an absolute blacklist. Any city or town that even talked about wishing to own and operate its municipal water system... the instructions, as I recall them, that Harris gave us were that they wouldn't touch any bonds issued by that city, whether for a city hall or any other purpose. If the city was so "socialistic" as to have an idea that it wanted to have its own municipal water supply, that city was "unsafe" to lend any money to.

Baum: Was this because they thought the city was unsafe or they wanted to chastise the city and prevent other cities from doing that?

Mason: They wanted to chastise the city. They believed that water supplies in the city should be supplied by a private corporation, and most of them were in those days.

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Working in California for N.W. Harris & Co.

Baum: Why did you come out to California?

Mason: The circumstances were briefly this. I had been working in the Chicago head office of the N.W. Harris and
Mason: Company and out of the clear sky one of the vice-presidents called me over and asked me, "Rupert, how would like to go to California?" I had never been in California and I had no idea what the assignment might involve, but the idea attracted me. I said, "When would you wish me to go?" He said, "When could you be ready?" I said, "I am ready."

My mother lived in New York. I left a day or two later and wrote and told her what I had done.

Baum: Oh, she had moved away from Chicago.

Mason: Yes, she was looking for "bigger fish" in New York.

Baum: Still in the insurance business?

Mason: Oh yes. She had skimmed some pretty rich cream off of the Chicago market and you know, the grass on the other hill is always greener.

I came to Los Angeles for Harris. They had a small office in Los Angeles with a manager and a bookkeeper and a stenographer. My job was general all-around work. My first job was to call on some of the retired millionaires who had been customers of Harris in the East and who had made their fortunes and retired to Pasadena, Redlands, Santa Barbara, and other neighboring places. I contacted such men as G. S. Myers of Liggett and Myers Tobacco, who had sold out
Mason: to American Tobacco for some forty million, they said, and built himself an Italian villa in Redlands with solid gold door knobs. He was a wonderfully congenial old gentleman who had stayed in harness so long that he had lost his health, he had no hobbies, he couldn't enjoy good books, he didn't understand much about music. I met many retired gentlemen who were somewhat in that same condition and it gave me a very vivid lesson in how not to live if you could help it.

Also, my job was to attend bond sales and bid on different bond issues. I remember buying for Harris an issue of a million and a half county courthouse bonds from Sacramento County. These bonds had been advertised as 4 1/2% bonds maturing in one to forty years serially, but the peculiar thing about it was that which fortieth of the bonds was to be paid off each year was to be determined by lottery. I got to Sacramento two days before the sale and got a brainstorm. I asked the attorney for the county to telegraph the bond attorneys in New York if it would be legal for the county to determine in advance of the sale which fortieth of the bonds should be paid off each year, and draw the lots before the sale. The New York
Mason: Attorney replied that it would be perfectly legal. So the county passed a resolution that bonds number one to forty be paid off the first year, forty-one to eighty the second year, and they were straight one to forty year maturity bonds.

Baum: Why had they settled on this lottery idea in the first place?

Mason: That is one of those mysteries that I never asked too much about, but I found that condition and it was such that it kept everyone else from bidding on the bonds. They couldn't buy the bonds for less than par and if the bonds were optional on any interest date you couldn't have gotten more than par for the bonds. That meant they were not attractive because they couldn't be sold for more than cost.

Baum: Did you manage to negotiate the lottery ahead of time without letting the other bond bidders know about it?

Mason: It wasn't a question of not letting them know. None of them showed up, none of them asked. They just passed the sale up as an uninviting thing to look into. It looked that way to Harris but I said, "Let me go. I've just got a hunch. I think I see something here unusual in this notice of sale." Well, the ordinary
Mason: profit in a transaction of that kind would have been about 1½ gross, but on account of the peculiar circumstances there was nearly a five point profit margin. When the other bond houses found out how sleepy they had been, I think some of their buyers got called down pretty hard.

Baum: Then how did Harris pay you? Did you get a commission or were you working on a salary?

Mason: I was working on a salary. Harris never paid commissions.

I remember another time, the City of Sonora was selling some bonds and the office in Los Angeles had mailed a bid up for the bonds. After the bid had left they checked the bid and found that they had made a serious mistake. Instead of the bid reading "we will pay you par and accrued interest together with the premium of so much for the bonds" and where they should have written in the premium they wrote in the gross amount including the premium that they were offering for the bond issue. So I had to get on the train and go from Los Angeles to Sonora. It was quite a journey. I went up on the Owl to Tracy and had to change trains at Tracy for Oakdale and change trains at Oakdale, for Sonora, and it took the better part of two days and
two nights. I got there just in time to pull the bid out and put in another bid which didn't contain that mistake. Those were the days when getting around in California was no easy matter.

I remember I was in on the deal when Harris bought the twenty-three million Los Angeles-Owens River Aqueduct bonds. Those bonds were put up for sale right during the Panic of 1907. Four and a half percent bonds were not worth more than par, that was the rate of interest they bore, and they couldn't be bought below par. The city council met and invited bids and hoped for bids for two weeks and no bids were received. Finally they met one day and a large envelope was received marked "Sealed Bid for Twenty-three Million Bonds." They were all rubbing their hands and hoping at last this was a bid. It was all very formal, "We offer you par and accrued interest together with the premium of so much and we furthermore agree to take up and pay for the bonds at the rate of one dollar down and one dollar a year. Signed R. E. Morse and Co." Just some joker.

Well, that broke the ice and then started some serious negotiations and we bought the bonds.
Baum: I thought Harris was against municipally owned water?
Mason: That was some years before.

Harris headed the syndicate that bought that twenty-three million Owens River Aqueduct bond issue of Los Angeles. Harris headed the syndicate that bought the first California State Highway bond issue of eighteen million in 1911. Harris was the biggest dealer in municipal bonds in the United States.

Baum: I wanted to ask you what the effects of the Panic of 1907 were out here on the coast?
Mason: They were very severe, of course.

Baum: It wasn't just a Wall Street panic?
Mason: Heavens no. It had no more to do with Wall Street than it did with a thermometer. Any contention that that panic was a Wall Street panic would be like saying the reason a person got sick was because of the thermometer.

Baum: You mentioned that there were no bidders for the Los Angeles bonds. Was the public investing in 1907?
Mason: No, the public was very skittish.

In 1907, California law required all state, all city, all county bonds and the interest paid on them to be paid in gold coin. I remember the first time I
Mason: ran up against that, they sent me over to the city treasurer of Los Angeles to cash some Los Angeles city bonds that had matured. The city treasurer counted the bonds and started pushing twenty dollar gold pieces at me. I said, "Can't you give me a check?" He said, "Nope, you have to take it in gold." I said, "Can't you give me paper money?" He said, "No, I have to pay you in gold." Well, there were over thirty thousand dollars in gold and I had to hire an express wagon to haul the blooming gold coins over to the bank. That was the law.

Well, in 1907 the legislature passed a law permitting the state treasurer to accept bonds of cities, school districts, counties, and so on as security for state deposits. That was something I had no knowledge of before it became a law and I know Harris had no hand in the legislation, but it was manna from heaven because here was the way it worked. I remember a million dollar Oakland bond issue which Harris bought and I set out to sell those bonds. Here's how I did it. I would go to a bank and say, "You buy a hundred thousand dollars worth of these bonds and put them up with the state treasurer and he'll give you
Mason: ninety thousand dollars in twenty dollar gold pieces as a loan." Well, banks in those days were paying script, they weren't paying gold at all. So any bank that could get gold to pay their depositors, why they'd pay ten percent premium just to get the gold coin and be able to say, "We pay gold on demand to our depositors." Why, those bonds just melted like snow. I couldn't dish them out fast enough. And out of the first hundred state deposits that were made, the state treasurer told me that I personally negotiated over sixty of them. There were several million dollars in gold that the state treasurer in that way circulated into the banks and some of those banks still boast about how they paid their depositors in gold right through the panic.

Baum: You were a very young man in 1907 to be negotiating these big deals.

Mason: Yes, I was. I don't understand yet just how it happened. Of course, I had very able guidance. Mr. W. J. Schmahl was the manager of the Harris office in California. Schmahl, a misleading name, was quite a large man, he held the world's record in discus throwing and he was a protégé of of Alonzo Stagg and had gone to the
Mason: University of Chicago when Stagg was athletic professor there, before he came to California. I had very able guidance and it was an invaluable education to work for Harris. Harris is still considered about the tops in the investment banking world.

Mason: In 1907 N. W. Harris and Company incorporated as the Harris Trust and Savings Bank. Under Illinois banking laws no savings bank was allowed to have branch offices, which meant that Harris couldn't keep their California office open. They invited me to come back to Chicago, but I had had a little taste of California and I thought I liked it better out here. So I remained in California.

Baum: This was in 1907 that you left Harris.

Mason: Yes.

Baum: Wasn't it a loss to Harris to have to do away with their branches in other states?

Mason: Yes, except that they were separately organized in New York and Boston. In New York the firm's name was Harris, Forbes & Company, and in Boston the firm's name was Harris, Hall & Company. So those corporations
Mason: kept on. Later the man who is now head of the Harris Trust and Savings Bank came to California and maintained offices here, not as branch offices but some arrangement I don't understand clearly. But Harris kept their finger in the California situation.

But it would have been a terrible handicap to try to operate here representing Harris in competition with Rollins and Halsey with offices on the ground, to get Chicago's permission before you could buy bonds or get their okay before you could confirm them, was too big of a handicap.

So Schmahl and David E. Bradley and I all decided to remain in California. A man named H. C. Barroll had years before been with Harris and left Harris some years before to found H. C. Barroll & Company in Chicago which specialized in timber bonds and he became the leading timber bond dealer in the United States. Then he sold his business to Clark L. Poole, which became Clark L. Poole & Company in Illinois, and Barroll moved to Los Angeles to retire. When he learned of the Harris change, he offered to put up a hundred thousand dollars to start Schmahl and Bradley and me in business and call it Barroll & Company.
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Secretary, C. E. WOODSIDE, formerly Manager Bond Department of the Los Angeles Trust Company.

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They sent me to San Francisco and I had an office here. The business was very good. We underwrote numerous power company bonds such as the Mt. Whitney Power and Electric Company and the Nevada California Electric Company.

Baum: Were you specializing in public utilities?

Mason: Not specializing. We also handled the Rindge Land and Navigation Company bonds in Stockton, joint account with W. R. Staats Company.

I remember Elko County, Nevada, advertised $100,000 worth of 6% bonds to build a court house. That was when I was with Barroll and Company. And I went to Elko a couple of days before the sale. I contacted the leading banker in Elko and impressed on him that it would be good publicity if he put in a bid for the bonds and buy the issue in his bank's name. It would look as though the bank was back of the community. The idea appealed to him. I said, "Now, you can safely put in a bid for the bonds without any condition about legality because if later on it turns out that the bonds are illegal, you know the county officials well enough so they wouldn't insist on you taking illegal bonds. So you put your bid in as a firm offer to buy..."
Mason: the bonds without any conditions." He said all right. Well, on the day of the sale eight bidders showed up in Elko. I remember, one of them was representing Rollins and he thought the thing to do was to get on the good side of the Board of Supervisors. He offered to buy them a few drinks, but their capacity was much better than his and when it came to the sale, he showed up "three sheets to the wind." He had in the high bid, about 108. The bank's bid was about 102. And other bids in between. But anyway, the banker, when the bids were all opened, got up and said, "Now gentlemen, you'll notice that all these other bids are not bids at all; they are merely requests for an option on the bonds because they are all subject to attorney's approval. If they buy the bonds and for some reason find they don't want them, they'll simply tell you their attorneys won't approve them. You notice mine is the only real bid." So one of the supervisors moved to award the bonds to the bank. This young fellow from Rollins, by then he was on his feet, but all he could do was sputter. They awarded the bonds to the bank.

Baum: Where did you come in?

Mason: I had a contract with the bank. I had agreed to pay the bank something for putting in the bid.
Baum: So the banker was really bidding for you in his name.
Mason: Yes. And after the sale it turned out that Rollins had an order for the bonds from the Woodmen of the World and Rollins had to get the bonds. They had already sold them to the Woodmen of the World. So I turned around and made a deal with Rollins' man, and as I remember, there was about six points on a hundred bonds that Rollins was willing to pay. I paid the bank a commission for having bid.

But those are little back-stage details that made life spicy. Buys like that don't happen any more. Bond sales today are more like turning out Fords, just routine. There are very few opportunities for "ingenuity."

Barroll was a man who didn't need money and after a time, this happened in Los Angeles, the first thing I knew Mr. Barroll was willing to sell out the business if we wanted it or close it up. They decided in Los Angeles not to buy him out. I didn't want to go back to Los Angeles so I stuck out my shingle here in San Francisco.

Baum: How long did you work with Barroll & Company?
Mason: Approximately two years. Barroll & Company made good money. It got somewhat involved, nothing bad, but it got to taking a good deal of Mr. Barroll's time and he
Mason: preferred not to have so much to do.

Baum: How much initiative did they allow you up in the San Francisco office? Did you have to telegraph down there before you bid? How far could you go out on a limb on your own?

Mason: Well, I don't remember that there was any specific limit on that. I do know that oftener than not I would come across a block of bonds and I would be able to sell them before I had to buy them.

Baum: Well, that's no limb. You couldn't lose. (laughter)

Mason: No. But it was another opportunity to gain experience which young fellows almost never get nowadays. When I hung out my own shingle there were no "blue sky laws," no license required, no minimum capital necessary.

It was like when I went to Europe when I was fourteen. No passports were needed, no visas, no customs anywhere. It was another world. The same in California, you had an opportunity to be free.

The bonds that Barroll & Co. handled all turned out good. Barroll was an old hand in the bond business. Later on Barroll became vice-president of the First National Bank in Los Angeles, head of the trust
Mason: department and died some years later. He left a large estate. I called on him a few times when he was in the bank in Los Angeles. He never seemed to have anything much to do, he just sat there to have a desk and receive friends when they wanted to come to say "hello" to him. I think it was an honorary position.

Merchandising Bean Spray Pump Company Stock

Mason: After I left Barroll & Co. I arranged and floated the first public offering of stock that was ever put out by the company that is now the Food Machinery and Chemical Company. It was then the Bean Spray Pump Company. In San Jose. They wanted $300,000 and I set up the stock issue, got out the prospectus, and the issue was a big success.

Baum: You don't raise that kind of capital by just putting out a prospectus.

Mason: Well, pretty nearly, if you know how to do it.

Baum: It's just in putting together the prospectus?

Mason: Well, there's a lot more to it than that. But in this instance, I put out a somewhat different prospectus. Firstly, I went to see the three leading banks in San
Jose and impressed them with the fact that the Bean Spray Pump Company was one of their coming industries in San Jose and would they be willing, if I got up a prospectus, to accept subscriptions for the stock at the different banks. Not only would they be ready, they would be delighted to do it, they said. So the circular went out as though the banks had issued the circular, you see, which psychologically was quite something. The result was that the stock, why people just came piling into the banks to subscribe. There was nothing to it. Of course, the company was sound, and known to be good and you couldn't have done that with some fly-by-night company. But on the other hand, if I had gone out to try and peddle that stock from door to door, no matter how good the stock was... there's merchandising psychology also in the field of investments.

Poulsen Wireless Corporation Financing

That Bean Spray Pump operation gave me a little reputation. So, after I'd been on my own for two or three years a banker told me about the Poulsen Wireless Corporation and its president, Beach Thompson, and
Mason: wanted me to go in and meet Mr. Thompson. I thanked him for the suggestion. In those days wireless was considered pretty "wild-cat." Well, the banker saw me a month or so later and asked when I was going to get in to see Mr. Thompson. So I went to Mr. Thompson.

I found Mr. Thompson a very conservative, high-class, able gentleman. He explained his ideas about the Poulsen Wireless Corporation, that the stock would not be offered as an investment but as a speculation. He wanted me to contact only people who could afford to take a risk. So we signed an agreement and organized Thompson, Mason & Co. We were made the exclusive fiscal agents for the Poulsen Wireless Corporation which owned the Federal Telegraph Company which soon had wireless telegraph stations in San Francisco, Los Angeles, San Diego, all the way to Chicago, and doing a commercial business. Telegrams by radio.

Baum: What kind of an angle did you use for the Poulsen Wireless stock sales?

Mason: Firstly, we set out to get the best names in the community as directors. Francis Carolan, who married the daughter of George M. Pullman; E. W. Hopkins, one of the big financiers in the early days here; George A. Pope
Mason: of Pope and Talbot Lumber; Antoine Borel of Antoine Borel & Co., bankers. Having a very fine list of names as directors, we never printed a circular, simply a little sheet, Poulsen Wireless Corporation, authorized capital, $25,000,000. List of principal officers and stockholders, and there was the list.

I remember so distinctly calling on William J. Dutton, who was president of the Fireman's Fund Insurance Company. He was one of the hard, conservative investors in town. He was a man...to think that anyone could sell him stock in a wireless company, anyone who dreamed that was having a dream, that's all. I called on Mr. Dutton and put this list of officers and principal stockholders in front of him and said, "Now, Mr. Dutton, you know many if not all of these gentlemen as well or better than I do. They've all looked into this and decided it was worthy of putting some money into. I'm not going to try to tell you that you should or should not. I'll simply leave this list with you and during the next few days you may meet one or more of them. Just ask them anything you want. If they bought the stock, or why they bought it, or what they think of it. I'll come in and see you in a week or two."
I called again in about ten days and Mr. Dutton was waiting for me with an assortment of the finest bonds in the country, waiting to turn in those bonds and take stock in the wireless company.

Well, Thompson, Mason & Co. did very well. We raised the money that was needed, not a lot of money, but a lot considering the speculative type of investment we were handling. The story of the Poulsen Wireless Corporation and the Federal Telegraph Company is one that would fill a book. Beach Thompson was a personal friend of President Sun Yat-sen of China and he had a tentative contract with China and tentative contracts with South America. His original prospectus and report on the potential field for the Federal Telegraph Company was regarded as visionary in those days, but is conservative when you look back today.

Beach Thompson went to England at the time when the Marconi Company had about closed a contract for British Imperial Wireless to circle the globe. Beach Thompson testified before one of the Parliamentary committees as to what had been accomplished here in San Francisco and in Honolulu with a 12 k.w. set as against a 1000 k.w. set of Marconi's. It resulted in
Mason: England not going through with the Marconi contract. The Marconi stock bubble blew up, Marconi shares dropped something terrible and I believe a member of the House of Lords and some others committed suicide. It was a terrible shock to Marconi also.

They were ready to negotiate with the Poulsen Wireless Corporation for stations around the world when Beach Thompson returned to the United States and shortly after was taken seriously ill and died. The company attracted a banker here, Herbert Fleishhacker, who bought out some of the stockholders and got a big interest in the company. Then what happened I don't know, I was out. When Thompson died that was the end of Thompson, Mason & Co. But the Poulsen Wireless Corporation became the International Tel. and Tel.

Baum: I would suspect the stock you sold made money.

Mason: Oh yes, though it had its ups and downs.

But the feeling of being associated with as great a mind as Beach Thompson; he was an electrical engineer of the top rank. A man of genius and of great vision.

Baum: Was he a pleasant person to work with?

Mason: Oh yes, indeed.
Baum: Did you handle other work beside the Federal Telegraph stock while you were working with Thompson?

Mason: No, during the time I was associated with Thompson I worked almost exclusively on raising money for the Poulisen Wireless Corporation. That was not over two years time. Then Mr. Thompson died and I went back to the old shingle.

Baum: Did you work alone, or with associates?

Mason: Alone. I had no partners. I had associates. Fortunately the Thompson, Mason affair gave me a little capital.
Absence of Competition for Early Irrigation District Bonds

Baum: How did you happen to decide to specialize in irrigation district bonds?

Mason: I found that irrigation districts were orphans and their bonds were orphans. None of the bond houses seemed to be willing to buy and sell them. Then, when I traveled in Modesto, the local bankers would say, "No, we don't want any bonds of that kind, but whenever you can offer us some of our own irrigation district bonds, we'll be interested." Well, that put an idea in my head. "My goodness, if the people who live right here and who should know best think enough of them to be willing to invest in them, maybe they're worth looking into." And that got me started. From then on, it was love at first sight. I loved the work. I loved to try to make two blades of grass grow where none grew before. I believed that helping communities get water was being constructive in the most substantial
Mason: way possible. I got into it and worked morning, noon, and night.

If I say so myself, despite the antagonism of most of the banks and most of the bond houses, their insistence that irrigation was something unclean that ought to be left alone...no respectable estate would be caught dead with an irrigation bond on its list... I was funny. The knocking, instead of convincing me I ought to let the financing alone, seemed to have the opposite effect.

So we kept on and we really made a great record of accomplishment in California.

Baum: I imagine the bond business goes mainly on your reputation.

Mason: There certainly is nothing more important than to have a reputation. In those days there were comparatively few firms in the bond business.

Baum: There was not too much competition in, say, 1913, 1914?

Mason: Oh no, none to speak of.

Baum: Did the banks handle bonds?

Mason: No bank had a bond department in those days. No, I remember so distinctly Mr. Fleishhacker asking me if I would open a bond department for the Anglo Bank. He
Mason: said, "You've had experience in California. The bankers all over the state know you. What I want you to for the time being, you contact these bankers you know and try to get deposits for the Anglo Bank." I said, "Why, Mr. Fleishhaker, that isn't my field. I know the bankers, yes, but frankly, that kind of work doesn't intrigue me." "Well, let's try it for a month," he said. I forget what he said he'd pay me in the way of salary and expenses, but he wanted me to travel over the state and get some bank accounts.

So, without anything in writing, I did, and at the end of the month I had gotten several pretty good accounts, but that wasn't the kind of work I enjoyed. Mr. Fleishhaker was in the middle of the elaborate negotiations organizing what later became the Great Western Power Company and that was his baby and that was on his mind. I finally said, "Mr. Fleishhaker, when you get that behind you and you are ready and able to talk business, let me know and I'll come. Frankly, I'd like to open a bond department for you, but equally frankly, unless we can go ahead on the basis where I have a percentage interest in the profits of the bond department, I don't believe I could give you
Mason: as good service as I could if I felt I had a personal incentive."

Baum: In other words, you were not willing to work on salary.

Mason: A flat salary would have been deadly. I wouldn't have been able to work.

He agreed that would be better if he could arrange it, so I took a little outing and didn't call on any more banks and waited for him to call and he finally called and said that the negotiations were taking longer than he thought they would and he seemed to be getting in deeper instead of otherwise and he wasn't sure it was an opportune time to open a bond department. So it was not until some years later that the Anglo had a bond department. That's how I happen to know that none of the banks in those days had a bond department.

Baum: So all bond dealing was done by private bond houses and there weren't many of those.

Mason: There were N. W. Halsey & Co., and Rollins and Staats, those were the only ones.

Baum: Were there more bond houses in Los Angeles than in San Francisco?

Mason: No. The bank clearings of San Francisco in those days
Mason: exceeded the bank clearings of Los Angeles, San Diego, Oakland, Portland, Seattle, Spokane, and Salt Lake City, all combined. San Francisco was head and shoulders the financial hub of the Pacific Coast. My, how we used to look down our noses at Los Angeles and say all they had in Los Angeles was climate, and farmers from Iowa with a dollar bill and one shirt and no idea of ever changing either.

Baum: You mentioned that you felt that competition had gone up considerably during the years that you were in business. Why was that?

Mason: Oh yes. That was because people were investing in these bonds. J. R. Mason & Co. built up a large business. It was lucrative. Why they would let so much good business escape them for so long...I thought it was very kind of them, but it was not long until all the bond houses and banks were competing for these bonds.

Baum: Do you think the bonds were safer as the years passed?

Mason: It's not safe to say what was running through the other person's mind. It is a fact that eventually banks generally were buying the bonds. I believe it is safe to say that J. R. Mason & Co. sold irrigation district bonds to at least 90% of the savings banks in California. Bond dealers are human. If they see the public
Mason: wants certain bonds, why, they'll go in and help supply the demand. Toward the last, the competitive bidding for these bonds was as keen as it was for any other municipal bonds in California.

Baum: But when you started there was little competition for these irrigation securities.

Mason: I can't explain it. I must have been born at the right moment and I must have arrived in California at the right moment because, so help me, I just found opportunity laying around in the streets.

What I was leading up to is that in those days when I was in business there was no income tax and a man had a chance to keep what he had earned. If I had been born twenty years later I would still be working and digging and I couldn't have gotten ahead and I couldn't have retired.

Baum: In these early days it must have been difficult for the irrigation districts to get a decent price for their bonds.

Mason: All the bonds had to be sold at public sale and all the banks and bond houses had notice and were invited to file bids. But if you were in an auction room and the auctioneer started to sell something and you made
Mason: a modest bid and nobody tried to raise your bid, it isn't exactly human to raise your own bid. That's about the way it was. No competition. That was almost true for four or five years, 1914 to 1918 or 1919.

Baum: That's when all the rice districts were starting to market their bonds.

Mason: They were the least important. I never handled any of the rice districts, except Princeton-Cedaro-Glenn and I call that a prune district.

Baum: Why didn't you handle rice districts?

Mason: They were handled mainly by the Anglo and London, Paris National Bank and by the Central Bank of Oakland. One of the reasons I didn't handle them was because the land was in large holdings and I didn't believe the land was exactly suitable for subdivision into small holdings. I knew too much about bankers to wish to be mixed up with them as land operators, and it turned out that way. The minute things started getting tough--the land was held by relatively few people and they simply decided to stop paying their taxes and it threw everything into confusion. There was much litigation involving the Compton-Delevan, the Provident, and the other rice districts, but heavens,
Mason: try to get any of that land today. It's all turned out not to be only rice land but gas and oil land.

But I was much less enthusiastic about any of the districts in the Sacramento Valley than I was about the districts in the San Joaquin and Southern California because I knew too much about the Sacramento Valley Irrigation Company, which was financed by J. S. and W. S. Kuhn in the early 1900's and how the investors in that big concern lost their money. Their canal had been acquired by the Glenn-Colusa Irrigation District and that land had never been broken up into small holdings and was not especially suitable for small holdings, I don't think, although I could be mistaken about that. There are 200,000 acres in the Glenn-Colusa District and no small holdings, none. Not even today. It looks like Spain.

Baum: I didn't realize they had such large holdings there.

Mason: Yes, you fly over it, you won't see any little homes out over the land. It isn't a healthy condition in my estimation. I know there's a great controversy over whether small holdings are economically possible any longer, but there's an old saying, "A man will defend his home much better than he will his boarding house." That's why I prefer a community where the
Mason: people own their own homes. They're not nearly as likely to flare up and say, "We'll go on a tax strike."

Baum: You handled a lot of reclamation district bonds, didn't you?

Mason: I would say we handled a number of issues, but by comparison with irrigation district bonds I would say it was small.

Baum: Was that because you felt they were not as secure?

Mason: In the first place, there were not as many of them.

Baum: Could you make as good a percentage on reclamation district bonds, or was there more competition in the bidding?

Mason: There was earlier competition in the reclamation districts. But that wasn't the main reason. I remember bidding on a number of reclamation district bond issues that somebody else got the issue. I wouldn't say we were prejudiced against reclamation district bonds.

J. R. Mason & Co. had become better known as more or less the headquarters for irrigation district financing. I never tried to make J. R. Mason & Co. a department store. It was always a small organization and we found dealing in irrigation district bonds gave us plenty of merchandise, kept us very active. We did
Mason: get a number of reclamation district issues but there weren't nearly as many of them as irrigation district issues. It just happened that we got started in the irrigation district field before the reclamation district statutes were amended. There were very few reclamation districts, as I remember, that had bonds outstanding. There was the Sacramento and San Joaquin Drainage District. The state and federal government came in and made good on that, you know. Some of the warrant holders gave their paper away and those who didn't were paid in full at the end.

Type of Transactions

Resale

Baum: For the most part, how did you get your merchandise? By underwriting bond issues or by resale?

Mason: Of course, there was a great deal of resale. My impression is that there was more volume done in resale than in underwriting, but our main interest was in underwriting. Resale was nearly always done on a brokerage basis.

Baum: Did you act as a broker for other agents?

Mason: In a manner of speaking, it might be correct to say
Mason: that J. R. Mason & Co. acted as broker. We would form a joint account to buy and underwrite an issue and maybe the other bond house would have charge of the operation and we would be a subsidiary member of the syndicate. And frequently people would ask us to buy and sell bonds which they had invested in. In that regard we would act as broker for the client.

Baum: Then you wouldn't purchase the bonds from him. You would sell them for him on a commission basis.

Mason: That would depend. If he wanted the money right away we would purchase the bonds and pay him an agreed price. If he was willing to leave the bonds with us on consignment we would sell them for an agreed brokerage.

Baum: Which did you prefer to do?

Mason: That's a difficult question to answer. I would say that regardless of which we preferred to do, usually when people made up their mind they wanted to sell a bond, it was because they were afraid the bond would be worthless tomorrow. In that event they were interested in a cash offer.

Baum: That involved you in a risk.

Mason: To answer your question, I would say that more often
Mason: than not we did not act as broker. We'd buy their bonds, tell them what we'd give for them and in their state of mind, oftener than not, they would figure, if I don't take it today and come back tomorrow, he may offer me less tomorrow.

It's a very peculiar thing psychologically about investments, whether it's stocks or bonds, when the market is rising most investors want to wait until tomorrow, thinking the price may go higher. When the market is dropping, just the opposite, they want to sell today because tomorrow the price may be lower. But they are anxious to sell on a dropping market and unwilling to sell on a rising market. They wait to sell until it has reached the peak and has dropped. When prices are at the bottom, that is the time that most investors decide to get out of their bonds and stocks. I'm speaking about the rank and file.

Baum: Did you sometimes act as an investment counselor for your clients?

Mason: Not in the sense investment counselors operate today. We never charged a fee for counsel. We would give counsel. Very often we would have investors ask... I just found this letter... This is from George P. McNear, written in 1933.
Baum: Was he one of your former clients?

Mason: Oh yes, a very big client. He would frequently consult with me on investments. McNear is the father of the chicken industry in Petaluma. He built up the chicken industry and operated an enormous store specializing in chicken feed and everything for the chicken industry.

Baum: Had he invested heavily in irrigation district bonds?

Mason: He was one of my best customers and a very wonderful gentleman. You'd never catch him with his feet off the ground. After '29 when other bondholders were throwing their bonds out the window, McNear played his cards well and he managed to come out very well.

Baum: In those days, did the bond dealer feel responsible for the security of the investment?

Mason: He not only felt a sense of responsibility, he felt a sense of pride. He preferred to handle good merchandise because it was good business to do so.

Baum: He built up a good reputation that way.

Mason: Certainly.

Baum: There must have been some who didn't care and who got these investors who were not careful.

Mason: Whether it was that they didn't care or the investors
Mason: didn't care, it would be difficult to say who were the more guilty. Honestly, I would call on investors and occasionally one of them would ask me which bonds I thought they ought to buy. When that request came I would go out of my way to try and give them the best advice that I was capable of, quite regardless of whether this was a profitable bond or a bond with a small profit. But I'm sorry to say, those customers were few and far between. As a rule the investor would be so sceptical of anything and everything you might try and represent that if he ever reached a point to say, "I think I might like a few of these bonds," if he ever hinted that, in self defense I'd let him take the hook even though I felt the bonds weren't as good as some of the other bonds on the list.

Baum: So that in selling you just contacted them with your list and had to let them pretty well pick out their own bonds without advice from you.

Mason: Most of them preferred to do their own selecting, the same as when you go in a restaurant, you get the menu and prefer to pick out your own dishes.
Underwriting

Baum: What kind of methods did you use of analyzing the market when you were buying and selling bonds? How were you able to guess what was going up or down?

Mason: The only way a person can operate successfully is after long experience. The art of valuing any bond issue—how to go about estimating what should be bid for different bond issues...it's unbelievable how expert buyers have been able to become. I have seen bond issues up for public bidding where sealed bids were called for so that none of the bidders knew in advance what the others were going to bid and where there would be as many as twenty different bids filed without as much spread in the price offered as one-half of a cent on the dollar. I have seen bids where there were only a few dollars difference on an issue of many millions.

That was one of the first lessons I had with Harris, how to estimate the value of a bond issue. It's a field you can become very expert in only by long study and experience. Comparatively few ever master it—they don't have the opportunity. Every big bond house has a buyer who can command a good salary because he can
Mason: make or break them in the buying end.

In trying to estimate what a given irrigation district bond issue should bring, there were many important elements. For example, an irrigation district like the South Montebello Irrigation District between Los Angeles and Whittier or the La Canada Irrigation District between Pasadena and Glendale—you could safely pay more for those bonds than you could for those of a more remotely situated community because the investor could go right out and look the ground over.

Baum: Investors did that?

Mason: Oh yes. If investors want to buy a school district bond, they want to know if it's a good school district or one with no people and no improvements. School districts on the west side of the Sacramento Valley have always had to pay considerably higher rates of interest when they borrow money than a school district around San Francisco or a city.

The location of the community, the percentage of proposed borrowing to estimated property values, the population, whether the population is made up of landholding families or just tenants, all those factors.

Baum: First of all, a district would send out a notice of
Baum: sale with a certain amount of information on it. Did you use that as a basis for bidding or did you go to the district and look it over?

Mason: Oh, we'd invariably go to the district to look it over and oftener than not, employ engineers to check the district engineers. Employ our own lawyers to check their lawyers.

Baum: So it was quite expensive, even before you made a bid.

Mason: Yes. That's part of the overhead of the bond business. Most bond houses have their own civil engineers, their own appraisers, their own lawyers. They may incur many thousands of dollars of expenses before they bid, and if there are ten or twenty bidders, only one of them is going to get the bonds and the rest all lose their money. You either develop an ability or stumble your way through. There are lots of bond houses start and never get very far. Comparatively few of the old bond houses have survived.

Baum: When you started in business for yourself, did you feel you had had an adequate training with Harris and the other ventures to be able to estimate?

Mason: Heavens, not adequate, but it was a very solid, fundamental experience. Harris certainly was composed of
Mason: The ablest experts in the field of municipal finance of any organization in the country. They were the most important underwriters of state and local government bonds in the United States in those days. It was like having the opportunity to go to college without paying a tuition fee for the experience. I've heard it said that N. W. Harris & Co. turned out more graduates who made an outstanding success in their later bond or investment field operations—there were literally hundreds of graduates of Harris who hung out their own shingle. N. W. Halsey at one time worked for Harris. The Harris spirit survives today among the so-called "old boys of Harris." Whenever two ex-Harris men meet, it's almost better than any college fraternity.

Baum: You also have to know what to bid and offer on resale. How did you keep up on that?

Mason: The pipe organ at Radio City with all the stops and so on, that is nothing compared to a trader in a bond house. He has files where he can pull the last bid and ask on almost any bond there is. It's unbelievable what a memory these traders are able to develop. You must have a memory and a clear head and experience.
Mason: In all the years I was in business, I would say almost all of our business except underwriting was done either by verbal word of mouth or by telephone. I am happy to be able to say that in all the years that J. R. Mason & Co. was buying and selling bonds orally, there never was an occasion when anyone accused me of going back on my word. They say there's honor among gamblers. It's equally true that there is honor among traders in the investment field. Your word is either good, or if you break your word, that news travels and people will not want to do business with you.

Baum: Do you know of any cases where the word had been broken?

Mason: I know of many cases where one or the other party said that the word had been broken. No one ever said that about me that I ever heard tell of, and I know I was never sued for nonperformance and I never sued anyone I had business with for nonperformance.

When I was in business there was a little more sense of honor than perhaps there is today. Bankers and brokers took pride in having a good reputation. It was those bond houses that had a good reputation that saw their business growing.
Baum: Did you make a market in special issues?

Mason: You might say we made the market in all irrigation issues. The newspapers for years carried a special quotation column containing practically all the irrigation bond issues and that quotation list was supplied to the newspapers and appeared under the name of J. R. Mason & Co.

Baum: On those bid and asks, I notice that different companies may have an eighth of a point or so difference. How do you determine in that circumstance what you will bid?

Mason: Sometimes the other fellow will guess better than you do.

Baum: Did you have to read many periodicals?

Mason: Not so much. You have to get the feel. My first experience with Harris in California was on the road, buying issues and contacting investors and bankers pretty much scattered over the West Coast. I got a good feel of the Pacific Coast and particularly of California, which parts were experiencing growth or standing still.

For example, when up in the northeast corner of California, there were two irrigation districts called
Mason: the Tule and Baxter Creek irrigation districts. I knew enough about that part of the state so I never even considered putting in a bid for those bonds.

Baum: You didn't bid for these bonds, but what would you do if somebody came in to sell you some?

Mason: Not bid.

Baum: You wouldn't buy them for resale?

Mason: I might undertake to sell them as a broker, but I would have sold to some other broker. I wouldn't have retailed them.

Baum: Then you would only retail bonds that you thought you could stand behind a hundred percent.

Mason: We would retail bonds that we believed had solid qualities.

Baum: Did you ever handle bonds of districts that were not certified?

Mason: No, never. There were several districts that never were able to get the state certification. And I think perhaps some of them turned out even better than some that were certified.

Baum: Do you think J. R. Mason & Co. was more conservative than the Districts Securities Commission in approving bond issues?
Mason: Well, I do say this. J. R. Mason & Co. deliberately declined to bid or participate in dealing in a number of state approved district bond issues which we could have done and made a lot of money. Whether that is because I was more conservative than the other fellow or not, I was certainly interested first and last in trying to build up a good reputation for J. R. Mason & Co. I was conscious that it was only as I was successful in that regard that the business of J. R. Mason & Co. could endure. As some wag once said, he was honest because it was good business to be honest.

Baum: By law, irrigation districts are required to advertise for bids three weeks ahead. Did all the district adhere to that requirement?

Mason: Oh, yes, at least.

Baum: Was the notice of sale mainly in newspapers like the Bond Buyer and Wall Street Journal?

Mason: Yes, and also local papers. Of course we were subscribers to the press clipping service and when the advertisement would appear in some little country paper the clipping service would see we got a copy of the notice.

Baum: Did districts ever just automatically contact you?
Mason: Yes, that was frequently done.

Baum: I have heard of private sales of bonds.

Mason: This did happen more than once. Bids would be invited by public advertisement and on the day the bids were to be received no bids were received. I believe the law at one time permitted districts under those circumstances to negotiate private sale of the bonds after the public sale date had come and gone. Under the early California law no irrigation district could issue bonds carrying more than 5% interest and they were not allowed to sell any bond below par. Not even the oldest 5% irrigation district bonds were selling anywhere near as high as par so the result was that they couldn't get any bids. This was before my time, but I have understood that one of the biggest early transactions was between the Utah Construction Company and the Oakdale and South San Joaquin Irrigation districts. The Utah Construction Company made a contract with those districts to build their first big dam and to take bonds of the district at par and interest. My understanding is that the construction company put their bid higher than they would have bid if the bid had been for cash. After they built the dam and got the bonds and tried to sell them, they
Mason: found difficulty in selling them. I understand that before they got rid of all their bonds they were offering them as low as 50¢ on the dollar.

Baum: Didn't you handle some of those bonds?

Mason: Yes.

Baum: Were they this same issue?

Mason: Yes. We bought South San Joaquin as low as 50¢ on the dollar.

Baum: What did they sell for on the market?

Mason: Well, a few years later they sold way above par. And here's an interesting fact. It was much easier to sell those bonds when the price had gotten to par or above par than it was to sell them at 50¢ or 60¢ on the dollar.

Baum: Did you hold them in inventory for a long time?

Mason: Oh no, we bought and sold. We didn't have enough capital to carry a big inventory. In those days if you wanted to borrow money on these bonds you had to put up a very sizable margin.

Baum: I was going to ask what kind of a margin you had to put up on bonds?

Mason: It depended on the bank. The margin demanded by the banks was so great, as I remember, that it was almost prohibitive. What I managed to do in a number of
Mason: cases was to approach a banker and tell him there was
an opportunity to buy so many bonds at such and such
a price and that given a little time we could sell
the bonds at a higher price. "If you'll put up the
money to buy the bonds, I'll give you 25% or 50% or
10% of the profit in the deal." Under those circum-
stances the bank would buy the bonds and the interest
while they carried the bonds would belong to the bank.
They would buy the bonds and give me the right to sell
them. If I sold them in the time agreed upon the bank
would be cut in on the profit. If I didn't sell them
in the time agreed upon, the bonds would belong to the
bank.

Baum: Was this the way you usually got money to bid?

Mason: Not usually, but frequently. It was fairly acceptable
to the banks for two reasons, that the interest they
got on the bonds while the bank owned them was tax-
free. Heavens, if they could buy 5% bonds at 50, they
were getting 10% on their money tax-free.

Baum: Were you able to buy bonds that low?

Mason: This was in the beginning. I'm talking about the bonds
the Utah Construction Company had taken, at a time
when the law prohibited the districts selling bonds
Mason: carrying more than 5% interest or selling below par. It led to a ridiculous situation. Another evidence that attempts by law to fix prices or interest rates are simply—we might as well talk about fixing the tides or stopping the law of gravity.

Baum: How did you get money to bid on an issue? Some of those bids were pretty big.

Mason: Yes. We had a number of banks that more or less competed with each other to get our business.

Baum: To make you a loan.

Mason: Yes. I'd go to the bank and say, "These bonds are coming up for sale and I expect to bid. Would you be willing to lend us on such and such a basis?" Obviously we had our banking arrangements set up before the bid.

Baum: What kind of a margin could you get?

Mason: Oh, in later years the banks were glad to operate on a 10% margin. The interest rate depended on the current call rates.

Baum: It was easy enough for you to get money?

Mason: Oh my, it was easier than easy to get money. The banks were urging me to borrow more.

Baum: What banks did you deal with mainly?

Mason: The first one I dealt with in considerable degree was
Mason: the old International Banking Corporation, E. W. Wilson. That bank was taken over by the Anglo, if I remember correctly, and E. W. Wilson went with the Anglo for a while and then he founded the Pacific National Bank. The old Bank of Italy used to lend quite often. The French American Bank. We had accounts in at least half a dozen banks.

Baum: Do you think the ease of getting money was due to the times, or did they have confidence in you personally?

Mason: I think they had considerable confidence in my abilities as a merchant, the same as they would with a department store, figuring that the owner would have some idea what his clients wanted and wouldn't load the store down with unsalable merchandise.

Baum: Did other bond houses find it easy to borrow money?

Mason: I really don't know about that. I'm sure that beginning about 1918 a number of bond houses did get into this field and were bidding for irrigation district bonds. It must be that they were able to borrow money.

Baum: It was a time of optimism about investments.

Mason: In World War I the national slogan was "Food Will Win the War." These bonds were looked upon as about the
Mason: most patriotic investment that a person could make be-
cause irrigation is food insurance.

Baum: I noticed you used that slogan and the patriotic appeal
in your merchandising, on some of your little advertise-
ments. Was this effective?

Mason: It was. Oh yes, any time you want to stir the emo-
tions just bring in the flag.

Baum: I think more so during World War I than World War II.

Mason: Oh yes, I do too.

Baum: Did districts ever consult you before bringing out a
bond issue, say, as to denomination, type of bond,
when to bring them out?

Mason: Yea, I would say that that was not unknown, just as they
would consult with their legal advisors, or be searching
for legal advisors who could give them sound advice.

With many districts the officers were inexperienced in
matters of finance and they were seeking advice where-
ever they could get it, not only from the Attorney-
General, the State Engineer, the Districts Securities
Commission, but more than once they have asked us
whether their bonds should be in denominations of a
thousand dollars, five hundred dollars, sometimes
what rate of interest might be most desirable. The
answer to your question is yes, we were not infre-
quently consulted beforehand.
Baum: Could you put much time in on advising them, since you wouldn't necessarily get that bond issue?

Mason: It didn't involve much time. Just think of the time that is put in by bond houses in investigating bond issues of utility companies, railroads, school districts, cities, where they make a thorough examination with the help of engineers, lawyers, experts, which frequently run into thousands of dollars for each bond house. And there may be thirty or forty bond houses bidding on one issue and only one bond house will get the award. It's part of the business.

I would say that the amount of time we were asked to give in those days was nothing compared to the time or expense involved for bond houses today in connection with their examination in bidding on bond issues.

Baum: You mentioned the attorneys who specialized in advising districts and giving them legal opinions. What firms were the major ones in this field?

Mason: The major ones in the field were Goodfellow, Eells & Orrick, the name of the firm in those days. It became Goodfellow, Eells, Moore & Orrick. Another firm that was very frequently used in California was Dillon, Clay
Mason: & Thompson of New York. Judge John F. Dillon was the best-known municipal bond attorney in history and that was the leading New York City firm. They passed on the legality, for example, of the Lindsay-Strathmore District. O'Melveny & Myers of Los Angeles was another firm frequently used. There were firms in Portland and Seattle which also built up quite a reputation in connection with approving bond issues of cities and school districts and irrigation districts.

Baum: Goodfellow, Eells & Orrick were in San Francisco?

Mason: Yes.

Baum: Were they the most frequently used local firm?

Mason: I believe they were. They certainly were employed by most of the irrigation districts. They gave their approving opinion on the bond issues of more California irrigation districts than all the other attorneys put together, I would say.

Baum: Did districts sometimes call in an attorney who was not a specialist in these matters to give the legal opinion?

Mason: Oh yes, but the opinion of that attorney would not be acceptable to the bond house because the investor relied as much on the attorney's opinion as an investor
Mason: in real estate would rely on the title company's title insurance deed. The attorney's opinion was something that every informed investor would invariably insist on having delivered to him with the bonds when he bought some, just as you'd have a title deed from a reputable title company. It wouldn't be considered an acceptable transaction without the approving opinion of a legal firm with a wide reputation in that field.

Baum: Did you ever bid on bonds that were not approved by these well-known firms?

Mason: No, I would say we never bid on bonds where the bid did not require the approving opinion of one of these law firms. We never handled bonds that carried only the approving opinion of some attorney whose office was in Visalia or Redding, no matter how competent and able the attorney might be, his reputation wasn't broad enough...

Baum: You wouldn't have been able to sell the bonds?

Mason: No, no informed buyer would buy them because they wouldn't be salable. The attorney's opinion was a very important element in the operation of a business. We can discuss that a little more when we get to
Mason: the time when the districts were interested in wiggling out of their contracts.

Baum: Did the reputation of the officers in an irrigation district ever affect the salability of the bonds?

Mason: I know of no instance where the officers of an irrigation district were men of wide reputation. I would not say that the officers affected the price the district could get for its bonds any more than the officers of a city would affect the price a city could get for its bonds, unless, of course, the city or district had had some officers like Cook County, Illinois, where they had run off with a lot of public money and given the community kind of a black eye in the way of reputation.

Baum: You usually bid on bonds by sealed bid?

Mason: Oh yes.

Baum: Was it ever by open auction?

Mason: Yes, but never until after sealed bids had been either received and opened or been asked for and no bids had been received. It was always permissible for the district to reject any bid that had been filed and then throw the sale open to auction bidding.

Baum: Was that favorable to the district? Did it increase the price?
Mason: Obviously. I've never known an instance where it didn't work in favor of the district.

Baum: Did you participate in this auction bidding?

Mason: Yes. It was not frequent, but not unknown.

I think one of the most interesting examples of this type of bidding was in 1943 when the board of education in San Francisco had invited bids for the old Lincoln Grammar School site at 5th and Market streets. Three sealed bids were received, one from the Wells Fargo Bank, one from the Anglo Bank, and one from a man named Woodin, who was, I believe, head of the Shriners. These bids ranged from $19,000 to $22,000 a month that they offered to pay for the use of this piece of ground. All three bids were rejected and the bidding was thrown open to auction bidding, whereupon the three bidders started in and the bidding kept more and more spirited until it reached $29,900 a month.

Joint Accounts

Baum: Did you go into joint accounts with other firms?

Mason: Oh yes.

Baum: What other firms?

Mason: One of the earliest joint accounts was with Blyth,
Mason: Witter & Co. We underwrote jointly a million dollar issue of the Imperial Irrigation District, 1919, I believe it was. Heavens, we were joint account in many, many issues. Merced, Palo Verde, Modesto, Turlock, Oakdale, South San Joaquin. It would be difficult to itemize them all, but there were many houses that we were joint account with. We were joint account with Cavalier, with the Anglo Bank bond department, with the Citizens National Bank bond department in Los Angeles, with Frank and Lewis, a bond house in Los Angeles, Alvin H. Frank & Co. later. I would say we had joint account underwriting transactions—those names I've mentioned are perhaps 50%. Carstens and Earles in Seattle, and many others.

Baum: How come you went so far afield?

Mason: The joint accounts with the Seattle people involved bond issues in Oregon or Washington. It was often advantageous to work joint account with organizations more closely on the ground. There were numerous advantages. They could more inexpensively keep their eye on conditions and were perhaps more familiar with local conditions and their advice was helpful.

Baum: What was their advantage in going into joint account with you?
Mason: Sometimes they didn't want to take on all the liability single-handed. They may have thought there was more money available for investment in the bonds in California than there was in Washington or Oregon and that we were closer to that money than they were.

You know it's quite customary. On the last bond issue of the state of California I would say there were at least fifty banks and bond houses that had worked joint account.

Baum: Isn't that usually because the issue is so large that no one house can handle it?

Mason: Yes and no. No issue is that large any more, with financial institutions as large as they are today. I can't imagine an issue too large for the Bank of America to handle any more. They were just a little Bank of Italy in those days and they had a bond department which you wouldn't be able to see today. In some instances they didn't want to take the underwriting liability alone, but I don't think that's the reason for joint accounts today. I think the reason today is that it is a condition that has just grown. You get on the joint account list of J. P. Morgan & Co. and once in a while Morgan & Co. will bring out an
Mason: issue that does not sell readily, but if you're on Morgan's list, you'll take some bonds of everything Morgan brings out and Morgan is glad to have you on the list when they bring out a lemon. The same is true, these syndicates, there are many bond houses that work with the Bank of America in buying and underwriting issues, others that work with the Chase National Bank of New York, others work with J. P. Morgan & Co. It is seldom that one bond house will work with all three. I mean of the smaller bond houses. You more or less get in the parade and you stay in that parade. Don't you flirt with any other parade. We see it in all fields. The big are getting bigger and if the little fellow wants to stay in business, he must get into some parade.

In these present day joint accounts I think almost always there are the original underwriters and then they let the other people in at a write-up for the original underwriters, so there's a wholesale profit and a retail profit, you might say.

Baum: This was not true when you were in joint account?

Mason: Oh no, we seldom would have a syndicate made up of different layers.
Baum: You all were original underwriters.
Mason: Yes. We all went in originally together, planned together from the starting line.
Baum: Was it so usual to stick to the same team then as it is now? Or did you go in with one house one time and another house another time?
Mason: Oh yes, it wasn’t nearly as goose-steppy as it is today.
Baum: A lot more freedom on each issue.
Mason: Yes. Each issue was comparable to a new child in the family with its personalities. No two alike. That’s one of the delightful things about the irrigation districts, oftener than not it would be a group of little fellows in some little valley without previous experience. They were feeling their way and undertaking something quite new for them and they understood from the beginning that it was up to them to handle the matter intelligently. That was one of the most valuable features of the Irrigation District Act, in my opinion, in that it gave the local people an opportunity to develop experience in local self-government and local responsibility and was really in tune with the New England town meeting idea, where the local people would have their town meetings and their
Mason: debates and argue over whether the dam was to be ten feet high or a hundred feet high and whether the canal was to be here or there. It was really a page in our political economy history that we mustn't lose and forget.

We're moving into a new world. There's no more opportunity for people to get experience in community government. Today we're getting our public financing predigested.

Baum: What kind of problems arose when you were in joint account?

Mason: I wish you had asked me what kind of problems did not arise. It might be easier to answer. You know what kind of problems arise when you're dealing with your own home affairs, but when you're trying to deal with the problem in several houses, why naturally matters become somewhat confused and complex. But there's this about joint accounts, I can't remember ever being in a joint account with any bond house where there was any serious misunderstanding or disagreement or anything of the kind which led to going to court. It was really remarkable that many, many big operations and many transactions where the whole thing may have
Mason: rested on oral agreement, it was seldom in these joint accounts that the matter would be reduced to a formal contract, dictated by some lawyer and signed by the parties. There'd just be an oral agreement. We'd go in and bid on these bonds and have a 50% interest in the account, or 25%. Maybe it would be confirmed by letter, but this business of drawing up lengthy, proposed contracts like the one I see the University offers to me on this interview, it just never occurred to us. We got in the habit of believing that if a man gave his word, his word was as good as his bond. And it was. We were living in a different time, a different world. A man who gave his word and then changed his mind, well, it wasn't long until that man was not welcome anymore.

Why, I remember the city of Santa Cruz had some bonds fall due and they sold a refunding bond issue and they delivered the refunding bonds before they got possession of the original bonds. So the city found itself with two bond issues outstanding where there should be only one. And the city went to court to ask how they could handle this thing. "We made a mistake, we let the new bonds get out before we got the
Mason: old bonds in." And before the court got around to
giving the answer the old bonds were in default, a
purely technical default. But for more than twenty
years after that the city of Santa Cruz had a black
mark. Their bonds were on the blacklist. They wouldn't
be handled by any of the bond houses.

Baum: Even though the bond houses knew what had happened?

Mason: Exactly, but the fact that they were one day late in
paying a bond, that was a default. It was unpardon-
able. No excuses accepted. In those days there was
a feeling of honor around. In eastern states the
general rule was that no matter what the excuse those
bonds were automatically no longer legal for savings
banks.

I mention that because today it seems like those
communities that repudiate their bonds and default
turn right around the day after and borrow money again
and get the money at lower interest rates than com-
munities that have always kept their obligations.

Baum: You were mentioning how now most bond houses belong to
one or another syndicate.

Mason: Most of this family relations in different syndicates,
I think that grew and developed more after I got out
of business than it had been up until 1927.
Baum: That's what I wanted to ask. How much influence these Wall Street syndicates had on municipal bonds clear out here on the West Coast?

Mason: Well, they undoubtedly had an influence because there was quite a time there when most of the California municipal bonds, the eastern bond houses would be the successful bidders. These bonds could be sold in New England at higher prices than they could be sold in California. Money rates aren't always the same in all parts of the country.

Methods of Merchandising

Baum: In selling bonds, what type of advertising did you find most effective?

Mason: Well, I believe newspaper advertising. And a very useful idea was given me that the important thing was to try to keep the firm name in the papers with regularity. If you couldn't afford a card in the paper every day, run it once a week or once a month, but have the name on the financial page. We had little one inch cards prepared by a skilled typesetter and then had regular plates made of the one-inch ads. We ran those little one inch ads once or
Mason: twice or three times a week regularly on the financial page of most of the newspapers in San Francisco and Los Angeles. I would say that was the best way that we found of publicity. Furthermore, even carrying a one-inch ad would make the financial editor quite willing to occasionally run news reports about different bonds. The same is practiced today. If you run a nice big theatrical ad, the theatrical critic will give the review of the play more space than he would if you don't advertise.

Baum: I noticed in the old newspapers that you had statements of the prices of bonds for that day and it gave your name.

Mason: Yes. For some years that list appeared daily. The stock and bond quotations would appear at the top and then these irrigation district quotations supplied by J. R. Mason & Co. right underneath followed by the quotations on so-called unlisted securities. At other times there'd be a list of the districts with bid and ask price, quotations supplied by J. R. Mason & Co. That, of course, was even more valuable than the one-inch card. I couldn't call that advertising because that wasn't paid for.
Baum: No, but that was advertising. It had the same effect.
Mason: Indeed it was. It was more effective than if it had been paid for.
Baum: Once in a while you wrote an article for the paper, didn't you?
Mason: Oh, very frequently.
Baum: Was the privilege of printing those articles in part due to the fact that you did run this ad regularly?
Mason: I can't say for sure but I have no doubt that it was.
Baum: I have seen articles by you in the Bond Buyer, a New York paper, too. How did you get those articles in?
Mason: The editor and publisher of the Bond Buyer, Sanders Shanks, Jr., I had known him personally for a good many years. He was a young fellow, very interested in California and the West and interested in building up the circulation of the Bond Buyer. He had an idea that articles about the growth and progress of the West were of interest to the readers of the Bond Buyer and that irrigation was basic in the arid and semi-arid West. He always welcomed articles about irrigation progress.
Baum: This wasn't to build your circulation, it was to build his.
Mason: Let's say both.
Baum: Of course, it was to your interest too to be known as an expert in financial circles.

Mason: Of course, the Bond Buyer circulated almost exclusively among bond houses and banks. Very few investors. The subscription to the Bond Buyer, if I remember correctly, was $360 a year.

Baum: No wonder they don't have it at the University Library.

Mason: Here's an interesting thing. This is a Walker's Manual for 1917. None of the previous manuals ever had any ads at the bottom of the page. Here were the first ones. Old man Walker, H. D. Walker, when I asked him what he would charge for that space, he was very shocked to think I would even ask him to do such a thing. But we finally got together and since then, those bottom and top ad spaces have been Walker's most valuable source of revenue.

Baum: Oh, you thought of having the little ads down there?

Mason: Yes. Here's a 1913 edition. There isn't an ad in there at the bottom of the page or the top of the page.

Baum: It seems like different ways of merchandising your securities was one of your long shots.

Mason: Oh yes, I built up quite a reputation for doing things in novel ways.
Baum: What other techniques of merchandising did you use?

Mason: Well, I wouldn't say any of them were clever, but I was always searching for opportunities to better acquaint the investing public with the fundamentals, particularly in the Western states, and trying to interest political scientists and engineers and others in writing articles on this subject. Dr. Elwood Mead, who was Commissioner of Reclamation, was a close personal friend and he and I collaborated frequently, as did Arthur P. Davis, who was the predecessor of Elwood Mead as Commissioner of Reclamation. I remember we collaborated with the Mentor, a little monthly publication; they put out a special edition entitled Reclaiming the Desert, which was excellent in make-up.

Baum: Did you have agents going around the state selling the bonds or did you do it mostly by telephone?

Mason: Mostly by telephone and correspondence. We did have... I wouldn't call them agents so much, there were a number of smaller bond houses and dealers who used to often buy bonds from us and with whom we worked quite closely, especially in Southern California. But in the sense of having salesmen on the road in large numbers, no.
Baum: Did you have agents to go out and bid or did you handle that mostly yourself?

Mason: Oh, that was handled entirely right from headquarters. We never bid without headquarters first knowing all about it.

Baum: You were mentioning that irrigation bonds got almost up to 7% during the war.

Mason: I didn't mean you could buy Modesto's or Turlock's to pay that much, but there were issues put out in the state of Idaho and Texas and some issues in California could have been bought to pay as much as 7%. They were the greener districts.

Baum: During World War I, how did the Liberty Loan drives affect the sale of municipal bonds?

Mason: All bonds during World War I were under federal regulation in that it was necessary to get permission from the Treasury department before any city, state, county, or irrigation district could even invite bids for bonds. But during World War I not only was the issuance of irrigation district bonds given the approval of the federal agency, but every encouragement, because the national slogan was "Food Will Win the War." Any bonds designed to increase the food supply were classed as patriotic investments.
Baum: But still, didn't a lot of the investing public put their free capital into Liberty Loans rather than into irrigation district bonds?

Mason: Naturally. The amount they put into irrigation district bonds wasn't even a pebble on the beach by comparison.

Baum: Did that make it harder to sell irrigation district bonds?

Mason: I wouldn't know how to answer that question with any certainty. I believe there was a psychological aid when you could approach investors and appeal to their patriotism. I wouldn't say the war hampered the raising of money for irrigation districts; on the contrary, I would say it encouraged such investment, particularly since the investment in irrigation district bonds was just as exempt from federal income tax as the First Liberty Loan 3% bonds. Of course, the later issues of government bonds were not fully tax exempt.

Baum: How did the yield on irrigation district bonds compare with the Liberty Loan bonds?

Mason: Much larger. About 3½% on the Liberty Loan bonds, from 5% to 6%, maybe 7% on irrigation district bonds during the war.
Baum: How much a part did the income tax exemption play in the sale of irrigation district bonds?

Mason: It played a very important part, especially with investors with large taxable incomes. When they would invest in a 5% tax free bond, that was the equivalent of investing in other bonds that would pay 20% subject to tax. It was terrific for the man with a large income. But just as with women's styles, fashions change in the investment world. I remember the most popular bonds when I went with Harris were bonds of electric inter-urban railways and streetcar bonds. Very high priced, very fashionable.

Baum: Because people felt they were secure?

Mason: People felt they were secure, and transportation was a public necessity.

Baum: There too was a sort of local patriotic motive.

Mason: Yes, you might put it that way. If you invested in those bonds you were helping people to get from where they are to where they want to be. The point I am attempting to touch on is that before that steam railroad bonds were the very fashionable investment for trust funds and the most careful investors. Then, as the income tax came along, it became more and more fashionable to seek bonds that were exempt from federal income tax, which made the old railroad and
Mason: streetcar bonds relatively unfashionable. But even if it hadn't been for the income tax feature, there have been definite trends in investment fashions.

Baum: After 1922 didn't the yields drop on all municipals? Was that true of irrigation district bonds too?

Mason: Yes, I think that is true.

Baum: How did that affect your business?

Mason: It certainly affected any opportunity to do a profitable business because just about every bond house and bank with a bond department provided competition in bidding for the bonds. As competition grows the margin gets smaller. I was delighted to see the competition; I never discouraged competitors. The only thing I ever marveled at was the the competitors were so darned slow in getting into the water. I used to beg them, "Come on in and get your feet wet." They were a long time doing it, thank goodness.

Baum: In the later 1920's there was this big fashion in investing in the stock market. Did that take a lot of investment money away from the safer, but less profitable municipal bonds?

Mason: It undoubtedly did affect the market price of many municipal bonds and somewhat had an effect on the irrigation district bond yields. But nothing disturbing.
Baum: Do you think the security feature of the state-approved municipal bonds was an important factor?

Mason: Oh yes. No one has ever seriously questioned the soundness and strength of the California Irrigation District Act since its constitutionality was upheld and approved by the United States Supreme Court in 1895 in the Fallbrook Irrigation District case (164 US 112). Following that decision nearly all of the other states in the West adopted legislation more or less copied after the California law. It was possible to present many attractions to an investor to buy bonds issued under this law. Firstly, you could point out that the law assured the investor a preference ranking ahead of any and all mortgages on the land. In those days mortgages were considered pretty good. And if the mortgages were subject to income tax and the underlying bonds were exempt from income tax, that was better still. I can't think of any bonds with more attractive qualifications from the standpoint of interesting the careful and prudent investor.

Baum: Were any of these bonds purchased for speculation, or mainly to hold to maturity?

Mason: They were purchased as an investment. Which reminds me that the man who was perhaps
first among the bankers to invest in irrigation district bonds was old Daniel Meyer, who had a private bank. Daniel Meyer & Co. was one of the early California private banks and Daniel Meyer was a very wonderful German who had a very high reputation in San Francisco. He was consulted by the leading bankers. He was recognized as sort of a genius. But the story is that when an investor would approach old Daniel Meyer for advice, the first thing old Daniel Meyer would ask them is this, "Do you want to eat well or sleep well?" And Daniel Meyer was a heavy investor in irrigation district bonds. He invested in Turlock and Modesto irrigation district bonds before those districts got an idea that they would like to get out of paying their bonds. They did default in paying their bonds for a period but old Daniel Meyer said, "No, I think it would be better for the community and for all concerned if you respected the law and obeyed the commands in the law even if it does pinch some absentee landlords who don't want to pay the tax on the land in the district." And his bonds were all paid. Those, of course, who threw their hand down...the Turlock District refunded their
Mason: original $500 bonds with new $420 bonds, which represented four years interest at 5%. The Modesto District also did some adjusting of interest on their original bond issue.

Baum: Daniel Meyer was a big investor in irrigation district bonds. Was that typical of most of the irrigation district bondholders that they were big investors?

Mason: No, I wouldn't say that. At the same time I do feel safe in saying that there were comparatively few investors in such bonds before 1914 or 1915, but I wouldn't say that necessarily made them large investors because there were few bonds in existence.

Baum: What about in the 1920's?

Mason: I once had it checked and the figures were to the effect that over 90% of the state banks and savings banks in California had invested in irrigation district bonds. The bonds were held by small and large investors. I used to marvel why it was that a small investor with a very small income tax was attracted to these bonds when it wouldn't mean any tax saving to him. He bought those bonds because he liked the security of the land, the taxing power, the state approval on the bonds.
Baum: Say an elderly couple who just wanted to invest $1000 to have a little income coming in. Did you have many investors like that?

Mason: Many.

Baum: Who bought just one or two bonds?

Mason: Oh yes. Even as small as $100 bonds. Some districts did issue...they'd have serial maturities and they'd issue $1000 bonds and $500 bonds and $100 bonds to even up the annual amount of principal and interest.

Baum: What type of investors were your major clients?

Mason: I would say our major clients were savings banks, in volume, total purchases.

Baum: Did you have a regular clientele you appealed to every time a bond issue came out?

Mason: Pretty much. We had bank customers all the way from San Diego to Eureka and Yreka. It got so that we could pretty well estimate, if we were successful at bidding for an issue, that we could either write or telephone different bankers over the state and they would say, "Put us down for a certain number of bonds." Somewhat like a wholesaler, he knows where the retail stores are and he can get an idea about how many undershirts or socks a merchant would need.
Baum: Did these banks hold bonds from a few districts or did they try to spread out their bondholdings over the whole state?

Mason: Of course, those banks that invested heavily in irrigation district bonds, all that I know anything about, did diversify their holdings, not only between districts but between parts of the state. That's the number one rule in investing, not only to scatter your eggs but your geographical hiding place for the eggs.

Baum: If the bonds were all scattered around, this made it harder to get them in later when the districts were refunding.

Mason: It not only made it harder, but I still marvel at the efficiency of the so-called and mis-called bondholders' committees which were set up for the purpose of getting the bonds in. A number of those committees worked for years without getting more than a sprinkle of bonds, but they never quit. They just kept digging and digging and frightening the investors.
Other Bond Dealers

Baum: Who were your chief competitors around here?

Mason: In the 1920's, of course, bidding intensified so that I would almost say that the irrigation districts after 1920 got as many bids for their bonds as cities or school districts. I think there were very few banks with bond departments which did not compete at public sales for the bonds whenever any bonds were offered by Modesto or Turlock or Merced or South San Joaquin. Competition was very keen.

Baum: Would you say banks were your chief competitors?

Mason: Banks with bond departments.

Baum: Yes. More so than special bond houses?

Mason: They were both—the American Trust Company was quite active in their bond department. They bid on a great many district issues. Of course, the Anglo bond department, the Bank of America bond department, the Citizens National Bank in Los Angeles bond department, the Lumberman's Trust Company in Portland bond department. I wouldn't be able to say whether competition from bank bond departments was keener than other bond houses. I'd simply say the competition increased.

For quite a time Modesto and Turlock irrigation
Mason: district bonds would sell higher than the bonds of
the city of Modesto or the city of Turlock. That is
as it should have been because the cities are in the
irrigation districts and we were always taught in
school that the whole is greater than any of its parts.
Just as county bonds are considered a better investment
than the bonds of any city or school district in the
county, in the same way the bonds of Imperial Irriga-
tion District were a safer investment than the bonds
of any city or school district within Imperial Irri-
gation District.

Baum: Did your competitors specialize in municipals or
handle all kinds of bonds?

Mason: Well, do you mean banks with a bond department? If
they were savings banks, they could only invest in
bonds legal for savings banks. Many of the corpora-
tion railroad bonds were legal for savings banks. But I
would say perhaps 50% of the railroad and public utility
and corporation bonds in California were not legal for
savings banks. A commercial bank or national bank,
there was no such restriction on the bonds they could
invest in.

Baum: What about houses like Blyth, Witter, or Carstens &
Earles? Did they just handle municipals?
Mason: Oh no, they handled school district bonds, county bonds. Well, here's an interesting issue that Blyth, Witter & Co. handled. (Look at advertisement) "Sutter Basin Company, $8,000,000, Land Mortgage, 15 Year Sinking Fund 6% Gold Bonds, Guaranteed Principal, Interest, and Sinking Fund by J. Ogden Armour." Those bonds, of course, had a very sorry career. I daresay there was more money lost in that one land company operation... It is said that J. Ogden Armour personally sunk over $100,000,000. It may or may not be true. Later they formed a reclamation district which issued a lot of bonds that took precedence over these mortgage bonds. The study of the ups and downs of the Sutter Basin Company would certainly make any irrigation district in California look very conservative.

I knew Charley Blyth and Dean Witter when they were salesmen working for Louis Sloss & Co. and Louis Sloss & Co. were fiscal agents for the Natomas Company and the Sacramento and Northern Electric Railroad and a number of other Sloss, Lilienthal, and DeSabela promotions and underwritings. Then Charley Blyth and Dean Witter formed Blyth, Witter & Co. and opened offices in the same building as J. R. Mason & Co., the
Mason: Merchants Exchange Building. And J. R. Mason & Co. plugged along with their two rooms while Blyth, Witter expanded their first offices until they occupied almost a whole floor of the Merchants Exchange Building. It looked to me as though they just had hundreds of mahogany desks in their offices.

There was another bond house named Cyrus Peirce & Co. with offices in the Insurance Exchange Building across the alley from the Merchants Exchange Building. I remember the Investment Bankers got out an annual comic sheet and they had a joke about the race between Blyth, Witter and Cyrus Peirce. Blyth, Witter had a policeman at the door, but Cyrus Peirce had more desks and besides they were one floor higher!

Then Blyth and Witter decided to split and Blyth formed Blyth & Co. and Witter formed Dean Witter & Co. Now both Blyth and Witter have offices in most of the big cities. In their underwriting of municipal bonds today, like the thirty million South San Joaquin and Oakdale Irrigation District bonds, their underwriting profit was very small.

Baum: Because of the competition in underwriting today.

Mason: Yes. It's a different world today.
Baum: You specialized in irrigation district and reclamation district bonds and most of your competitors handled all kinds of bonds.

Mason: That's right.

Baum: What do you feel were the advantages of specialization?

Mason: I believed that the climate in California was such that irrigation was necessary and that irrigation was a field that everyone else looked upon as Orphan Annie. I looked at Orphan Annie as a potential Cinderella. I thought the advice my father gave me was pretty good advice, that you should try and get better informed about some line or some subject. Choose the line that you want to work at and don't try and be a Jack of all trades. I got an idea that if I could get the name of J. R. Mason somehow related in the public mind to irrigation, that then when people thought about investing they would be more likely to think about J. R. Mason & Co. than if J. R. Mason & Co. was a department store just dealing in all the same things that everyone else did. And it worked out pretty well. I don't know how it came that we were permitted to be the only star, so to speak, in the heavens for a good many years so that when the subject
Mason: of irrigation came up it became kind of popular understanding, "If it's irrigation you're trying to find out about contact J. R. Mason & Co." It just kind of grew and it made interesting work.

Baum: It helped your business to specialize.

Mason: Oh, definitely.

Baum: Even after the banks started getting into the competition?

Mason: Even after they started getting into the competition it still remained true that J. R. Mason & Co. had built a reputation so that most bankers, when they thought of irrigation district bonds, they would telephone us from all over the state. "We've been offered some of these bonds. I see you're not in the syndicate. What do you think of the bonds?"

Baum: You became known as an expert.

Mason: Yes.

San Francisco Financial Exchanges

Baum: I noticed that some of the bond houses and banks joined the San Francisco Stock and Bond Exchange and some didn't. What were the advantages of joining?

Mason: Most of the bond houses today are also members of the stock exchanges and J. R. Mason & Co. was a charter
Mason: member of the San Francisco Stock Exchange, not the Stock and Bond Exchange, which occupied the building now occupied by the State Chamber of Commerce. I took out that membership more as an investment than as anything we used because we never used it and never became active members of the exchange. But it was becoming fashionable to become a member of some stock exchange. I think there are very few bond houses today that are not members of some stock exchange.

Baum: Why didn't you join the San Francisco Stock and Bond Exchange?

Mason: I can't remember clearly at this time beyond the fact that it cost only a fraction as much to join the San Francisco Stock Exchange as it would have cost to join the Stock and Bond Exchange at that time.

Baum: Did the Stock and Bond Exchange put any regulations on a bond house that might have been detrimental to your activities?

Mason: I can't remember anything of that kind.

Baum: What were the advantages or disadvantages of joining the Investment Bankers Association?

Mason: I can't answer that question because I never joined the I.B.A. One of the reasons was because the I.B.A.
Mason: in its earlier times issued some ultimatums, or reports that would make it appear that irrigation was about as unrespectable as anarchy, or bolshevism. In those days the word was bolshevism, not communism. For a long time no member of the Investment Bankers Association would dirty his hands by having anything to do with anything carrying the word irrigation. It was a bad word.

Baum: This wasn't a regulation, just pressure?

Mason: Not a regulation. The association put out some reports which I wouldn't say were unwarranted. They were reports primarily about irrigation bonds issued by J. S. and W. S. Kuhn. They were not irrigation district bonds, they were irrigation company bonds, but the Investment Bankers Association didn't distinguish clearly. There was considerable confusion. It is unfortunate indeed that the word irrigation had such a bad reputation. But that is pretty much behind us now because the Investment Bankers Association doesn't discriminate against the word irrigation any more, nor does it discriminate against so-called revenue bonds the way it did when the state of California had authorized $170,000,000 worth of revenue
Mason: bonds to finance the Central Valley Project. I retained some printed matter put out by the Investment Bankers Association opposing those bonds and arguing that revenue bonds were undesirable bonds to issue and should not be allowed to be marketed and so on.

It's very interesting today when you look at this very elaborate, expensive brochure prepared by Dean Witter & Co. on turnpike, bridge, and other revenue bonds (looking at brochure) and the very enthusiastic endorsement of Dean Witter & Co. Dean Witter is, you might almost say, one of the "popes" of I.B.A.

Baum: At the time the I.B.A. objected to these revenue bonds for the Central Valley Project, what did you think about them?

Mason: I would say I did not disagree with them in 1933 because I did not understand the economic effect of financing under a revenue bond versus a general obligation bond payable by an annual ad valorem land tax.

Baum: Getting back to the Investment Bankers Association, do you suppose their objection to irrigation was because of these private land development schemes?

Mason: I would say that without any doubt there was a direct conflict of interest, and if they were going to finance
Mason: operations in land by means of a mortgage-bond issue, certainly they could not consistently underwrite later on a district bond issue which would slip in and underlie and come ahead of the mortgage-bond issue. If you bought what was called a first-mortgage bond and found out that later another bond issue was put out which was ahead of the first mortgage, well, you would be inclined to be a little bit put out to find you really had a second mortgage instead of a first mortgage.

Baum: The Investment Bankers Association represented the bankers who loaned on mortgages...

Mason: The bulk of their underwriting was on mortgage bonds like this.

Baum: Yes, this J. Ogden Armour issue was a private land development.

Mason: A private company and these were mortgage bonds. Later on, in order to complete the land reclamation, it was necessary for reclamation district bonds to be issued which were a lien on the same land ranking ahead of these $8,000,000 worth of mortgage bonds. The bulk of early financing in country land was in the shape of mortgage bonds similar to this Sutter
Mason: Basin Company. That would make a very interesting study, the number of mortgage issues put out in California. I have somewhere a list of the principal ones and it's a four page--pages almost as big as a newspaper--listing the principal mortgage-bond issues put out in California between 1910 and 1930.

Baum: On large land developments?

Mason: Yes. Many of them were issues on land within reclamation and irrigation districts.

Baum: Were the investors who purchased these first-mortgage bonds often the same people as those who invested in irrigation district bonds?

Mason: Many of them, when they had an opportunity to invest in irrigation district bonds, would ask us to sell their mortgage bonds and turn around and reinvest in the irrigation district bonds. That also made for conflicting opportunities because the bond houses that had handled the mortgage bonds didn't like it too well when their customers sold the mortgage bonds and invested the proceeds in other bonds.

Baum: I wondered if any investors tried to hold both the first-mortgage bonds and the district bonds on the same land.

Mason: Yes, that was not unknown, but it was unusual.
Defaults in the 1920's

Baum: Did districts begin to default in the 1920's?

Mason: The only district I know of that defaulted in the early 1920's was the Happy Valley Irrigation District up in Shasta County. That district was disincorporated as an irrigation district and reorganized as the Happy Valley Land Company and the Happy Valley Water Company. The bondholders were asked to exchange their bonds for shares in the new land company and the new water company. I know one person who held on to the original irrigation district bonds and I am told he was paid in full. But most of the bonds were held by a man in Whittier named William Plotts and he became the main owner of the land company and the water company. He was in favor of disincorporating the irrigation district, believing, I've heard, that it would be more manageable if the assets could be transferred to a land company and a water company. All the original landholders in Happy Valley were losers. Their land went to the district for taxes and the district conveyed it to the land company and original title deeds were made wastepaper.

Baum: Then the land company began land development and sales.
Mason: Yes, and the water company has been selling water to the landholders who have bought from the land company. It's quite a story. The California District Court of Appeals, in the Olinda Irrigated Lands decision, gives quite a résumé of the disincorporation of the district and how the trustees and directors and so on did some things that weren't entirely according to law. The law has always provided that it is possible to disincorporate a district in which event the successor becomes the owner of everything the irrigation district had in the way of dams and canals and land and so forth. But once the irrigation district is disincorporated and the land becomes owned by a private corporation, immediately the land becomes subject to state and county taxation, whereas if the irrigation district gets the land for non-payment of irrigation tax, the California Supreme Court has ruled squarely that such land is land owned by the state and is not subject to tax by the county. So the attorney who put through the Happy Valley disincorporation told me later, "If we'd thought the thing through we never would have disincorporated the irrigation district."
Baum: Did that turn out to be a successful land development?

Mason: Oh, Happy Valley is quite a community today. It was the home of the Ehman Olive Company and they had some very fine olive orchards there. Happy Valley was one of the earliest settled valleys in Shasta County. It's a very pretty little valley with plenty of water. I haven't been there in over thirty years but I have understood that it is pretty well occupied today.

Baum: So that was a successful private land development finally?

Mason: I don't know that we could say that. As to whether the land company made or lost money, I don't know.

Baum: A lot of private land development schemes lost money.

Mason: My goodness, the record of the private land coloniza-
tion and development companies in California makes the irrigation district record look like sterling silver.

Baum: Yes. The irrigation districts came later, though, and profited from the defunct land companies.

Mason: That is true in a very large sense, but the real collapse of private land-company projects took place after 1929. William R. Stasts Company pioneered in land-company mortgage-bond issues and if one would search the record of all those bond issues which at
Mason: one time were certified or approved as legal investments for savings banks in California. There were issued many times the number of irrigation bond issues. Then check the record of how many of those bond issues survived 1929 and how the investors fared. There was the Sutter Basin Company, the Waterford Development Company near Modesto, the San Joaquin Valley was filled with land-company mortgage-bond issues. I'm sure that Walker's Manual must have listed many of them in the 1920's. I understand that in a great many of them the original investors in the mortgage bonds never got anything. They would get, maybe, stock in a new company and then the new company would put on a mortgage and the mortgage on the new company would not be paid and there'd be a foreclosure which would wipe out the stock.

The experience of the Sutter Basin Company and the Natomas Company alongside and the Sacramento Valley Irrigation Company on the other side of the valley makes the Sacramento Valley a sort of morgue, to say nothing of the Sacramento Northern Electric Railway Company, the bondholders of which were put through the wringer.
Baum: Happy Valley was the only district you knew of that defaulted in the early 1920's. Were they beginning to default in greater numbers by the later 1920's?

Mason: Yes, I believe the Provident and the so-called rice districts, of which there were only a few, I believe they defaulted. The bottom dropped out of the rice market and the price of rice took a very severe fall. The lands in those rice districts were never in small holdings and they were all operated by absentee landlords. When the absentee landlord went broke he just couldn't pay the taxes on the land, whether they were reasonable or unreasonable was immaterial. When you haven't any money you just can't pay. Well, the old Maxwell was, I guess, the first one to get into troubled water. But that district somehow, the people who owned the bonds came out whole. They organized the Maxwell Sporting Gun Club or some kind of a shooting club and it became one of the most fashionable gun clubs in the valley. I had a friend who held his original Maxwell bonds and they paid them off.

Baum: So that some of the people turned theirs in for refunding and a few people held on and got 100%.

Mason: Yes. In fact, I know an investor in Southern California,
Mason: he sent me a photostatic copy of the check they sent him for his bonds in full payment. But it's like in a poker game, if you throw your hand down and don't hold your hand or stay in the game, you can't complain even if the fellow who wins the pot won it on "no pair."

Baum: When these districts began to default, did you handle their securities at a discount? Were their securities on the market?

Mason: Not only were the securities on the market, but the minute there was a default or the rumor of a default the average holder of the bonds just couldn't wait to get rid of them. There was a run on the bank, you might say, and investors were miserable if the bonds remained in their boxes. They just insisted on getting rid of them. Some of their advisors told them, "If you don't get rid of them today you may get nothing for them tomorrow." Oh yes, they came on the market.

You asked if we handled any of them. We not only handled them to the best of our ability but we tried to encourage investors not to get panicky. It seems that the more we tried in that way, the more anxious they became to sell.

Baum: If you had purchased these bonds from one of these anxious sellers, who could you sell them to?
Mason: It got to a point where we wouldn't purchase bonds unless and until we first had a buyer for them. Obviously we didn't have unlimited capital and we couldn't satisfy all the nervous investors. So we would try and sell a client's bonds, but it got to a point where we could only buy more bonds when we had a buyer for them.

I recall very distinctly, the bond department of the Bank of Italy called one day and asked for a bid on a quarter of a million Imperial Irrigation District bonds and we had quite a supply on hand at the time, so I said I'd just as soon not make a bid. The trader in the bond department egged me on. He said, "Well, they're worth something to you, aren't they?" I said, "Well, of course they're worth something." He said, "Go ahead, make a bid, don't be afraid." I bid ten percent less than I knew I could turn right around and sell those bonds on the telephone to other dealers. He said, "They're yours." A few days later we met and he was kidding me for having bid so much for the bonds. He said that A. P. Giannini came in and saw those bonds on the list and said, "Sell them for the first bid you can get." Not the best bid, but the first bid. He
Mason said, "You were the only one around here who would have bid for a quarter of a million of the bonds. You could have had them at your own price." I said, "Why, my friend, I made $25,000 on them in five minutes, which I thought was doing reasonably well."

I actually was offered many bonds by the bond department of that bank. I remember one transaction where they called up and asked me if I'd buy some bonds at 40% on the dollar of a district that had never defaulted. I said, "Yes." The bonds were due in six months and after I'd bought them I called up the treasurer of the district. I figured there must be something here I didn't know about. Maybe the dam washed out or something. He said, "Why, we've already got the money in the Bank of America in Visalia. If you send them down we'll pay them." The bank was selling bonds at 40% on the dollar when the money to pay those bonds was already on deposit in the bank. It was a pogrom, the greatest "give-away" that ever happened. It was part of a scheme, frighten the investors in these bonds, get them to give them up cheap, because the less they get for them the better our mortgages will be. The mortgages were second to the irrigation bonds.
Baum: Who were your buyers?

Mason: Miscellaneous and sundry. There were some investors who had backbone and a willingness to use their own judgment. Those investors made no mistake, they were well rewarded. But I am sorry to say that a lifetime spent in investment banking convinces me that the average investor will spend a lifetime saving to build up a nest egg and he will invest that nest egg on a tip and if he hears a rumor that the investment might have rough sailing, he not only will not spend a nickel to try and protect that investment, but he can't wait to all but give it away.

If I had been inclined to take advantage of the gullibility of the investing public, heavens, I could have been the richest man in this part of the world. I never had any ambition to be the richest man in town. I much prefer to be guided by, I think it was Mark Twain, "Obscurity and a little competence, life can offer nothing more."

Retirement from Business - 1927

Baum: I believe you sold out your business in 1927 and retired at the early age of forty. Did you have an inkling in 1927 that the market was going to bust?
Mason: I knew the old saying that everything that goes up must come down. I had been in Florida and seen the bottom drop out of the land market overnight in 1926. I had always had the notion drilled into me by my mother that the people who hold out for the last pound oftener than not miss the boat. Oh, I didn't expect to permanently retire. I expected to travel awhile and then make up my mind about getting into harness somewhere. But taxation became such a fascinating study...people have told me I worked a great deal harder than some people who've tried to keep a business going.

It was that thought that influenced me, at least to some extent, in 1927, when two gentlemen, William H. Noble and John E. Morris, made an offer to buy the business of J. R. Mason & Co. I felt sure that there was still a lot of good business ahead and that J. R. Mason & Co. would make good money, but I also knew that they had made a good offer for the business. I don't think they even dreamed that I would accept their offer, but I'm very glad that I did.

Baum: Had they been associates of yours?

Mason: Not associates. They had invested no money in the business. They had been working, one as a buyer and the
Mason: other as a salesman. They were a very competent team and they made more money after they got the business than I ever made.

Baum: How did they do after 1929?

Mason: Better still. They are both wealthy men today.

Baum: After you got out of your business, I wondered what happened to the firm?

Mason: It continued as J. R. Mason & Co. for some time and they continued in specializing in irrigation district bonds. I think the firm underwrote some issues after I got out. Issues like the Arizona Biltmore Hotel at Phoenix. Then they reincorporated as Morris-Noble & Co., successors to J. R. Mason & Co. Sometime later Morris and Noble agreed to sever relations and Noble followed a certain line of activity. I understand he became interested in numerous investments. Morris became established in Oakland and specialized in buying and selling large country tracts. I have understood that Mr. Morris is head of a big real estate firm in Alameda County. Both Morris and Noble were natural-born salesmen; they could have sold anything they put their minds to. Both very remarkable fellows.

Morris has a family of seven, the last I heard.
Mason: He may have more now. He is very high, I believe, in church circles, in the Roman Catholic church.

Neither of them continued for many years in the business that J. R. Mason & Co. had specialized in. As Morris-Noble & Co. they continued in the bond business for some time.

Baum: Into the depression?

Mason: Yes. Both Noble and Morris were very competent operators. I've never heard of either of them being in any kind of litigation. I know each of them made a lot of legitimate money.

I believe that when the 1929 bust came and the bankers thought that they could protect their mortgages by discrediting irrigation district bonds and investors were in a panic, Mr. Noble concentrated in not scattering his eggs too widely and he acquired virtually all the bonds of a certain district down in Fresno County very cheap. He didn't go around looking for them, but as they would offer them, he would buy them. It turned out to be fabulous oil land. Well, having the bonds and the district had the title to the land, including the mineral rights, he kept the bonds alive. He let the district operate, the oil
Mason: royalties and ground rent went to the district treasury.
Baum: What district is that?
Mason: I think it was Stinson or James. One of those in there.
Baum: The district operates the oil lands?
Mason: It gets royalties from the oil companies.
Baum: The district holds title to the oil lands?
Mason: Yes. But the point is this. The bonds of that district were regarded as just wallpaper by most bondholders. They burned a hole in their pockets. They insisted on all but giving them away. Noble didn't urge them to sell, but as they insisted on giving them away, he picked them up.
Baum: At a low price, I imagine.
Mason: Naturally, if you know somebody wants to throw something away you're not going to offer them a lot for it, are you?

Well, they've found natural gas up in the rice districts. No, there are none of the districts that ever were really broke.
Baum: I was wondering what type of securities you invested your money in when you quit business.
Mason: That would be difficult to answer. Your question
Mason: implies that I had a large amount of money to invest, which I don't admit.

Baum: You must have had some money when you sold out and I presume you knew what was a wise investment. I might learn something about investing myself.

Mason: I really believed in the irrigation district law. I really believed in the investments which I had recommended to investors. I didn't get panicky and I didn't give away what irrigation district bonds I had. Of course, I would say...no, let's pass that question. I can only say that I weathered the panic with at least part of a shirt, which is more than some of my friends did.

Baum: That's pretty good, I'd say. Most people were just about wiped out during the depression.

Mason: Right.
COMMENTS ON THE IRRIGATION DISTRICT ACT

Financial Provisions

Baum: Your work brought you into long and close contact with the operations of the Irrigation District Act. What did you think of the methods provided by the act for financing districts?

Mason: The financing of irrigation districts was very much of a pioneer field in California when I first became interested. There were in the legislature some men of vision who recognized the importance of irrigation agriculture. They provided that those who loaned their money to the irrigation district would be given security ranking ahead of the security given to any investor in county bonds, city bonds, or school bonds because they knew that life cannot exist on the desert without water. The Irrigation District Act of 1897 provided specifically that if the holder of land in the irrigation district failed, neglected, or refused to pay the lawful tax or assessment due to the irrigation district, the district acquired the land free and clear of all encumbrances. The other
Mason: laws governing similar circumstances provide that title acquired by the state for non-payment of taxes, if the land is in an irrigation district, is subject to the taxes due the irrigation district.

There is perhaps no statute anywhere that has been more frequently, consistently and implacably opposed and fought and resisted than the California Irrigation District Act. The study of the travels of this act through the courts is most interesting—the different opinions the judges had about constitutionality and the way the big absentee landholders just kept attacking the statute.*

* Mr. Mason made the following note regarding attacks against the Irrigation District Act:

Review of attacks against the Irrigation District Act of California, i.e., a few of the countless decisions defending the law, after it had been upheld by the U.S. Supreme Court in 164 US 112, reversing 68 Fed. 948 (1895). See also 164 US 179; 88 Cal 334; 185 US 1; 123 Cal App 81, 140 Cal App 171, 3 Cal (2) 357; 12 Cal (2) 365 and 389; 13 Cal (2) 191, 34 Cal (2) 125. A fuller listing of countless other court attacks is reported in Bulletin 18-G, California Irrigation District Laws, 1941 Revision, distributed by Supervisor of Documents, State Capitol, Sacramento. Price $2.

There are few, if any laws, in any other state which have been as often and as implacably contested as this 1897 California statute.

In a test case in 1932 the Supreme Court of California first held in the case of La Mesa, Lemon Grove, and Spring Valley Irrigation District v. Hornbeck that the deed acquired by an irrigation district to land, for non-payment of irrigation district assessment was free of all encumbrances, according to Section 48 of the California Irrigation District Act, including unpaid county taxes. After rehearing, the court held all liens co-equal, in 216 Cal 730. This was the rule for six years, until Anderson Cottonwood Irrigation District v. Klukkert, 13 Cal (2) 191, when the court again held that land belonging to an irrigation district is land owned by the state, and exempt from county or other taxation. See also 2 Cal (2) 485; 31 Cal App (2) 619.
State Senator L. L. Dennett

Mason: In 1909 Senator L. L. Dennett of Modesto was chairman, I believe, of the Senate Irrigation Committee and he got an amendment to the law (Statutes 1909, p. 461) which put additional pressure on absentee holders of land because it would allow the districts to assess the lands and to exempt all buildings, planted orchards, vineyards, and such, from taxation. This amendment was certainly greatly responsible for the economic development of California and the incentive of people acquiring land in these districts. They knew the district would not fine or penalize them if they made good use of the land.

It was that economic pressure which I did not see when I was in business. I knew there was something that was pushing development, pushing these absentee landlords to holler their heads off, pushing them to find buyers for the land. They couldn't afford to simply hold the land and not use it or let it be used. When they had to seek buyers, that increased the supply of land for sale and enabled the buyers to get a better deal. But what the economic pressure was, I hadn't understood.
Baum: Were you interested in these theoretical things at that time, or were you more of a practical businessman?

Mason: I built up a reputation of being a pretty practical businessman. I always did believe that if you're out to do something, do it thoroughly and do it well. I don't deny that I was very industrious and trying to make a nest egg while the sun was shining, but at the same time I knew there was some reason why irrigation districts had strong friends and strong enemies.

Baum: Did you know Senator Dennett?

Mason: Oh yes. And later, after I retired from business, Dennett told me that when he was a very young man his father was a neighbor of Henry George and he used to hear his father speak about Henry George's philosophy. I'm sure that Dennett understood what he was doing when he moved to amend the act in 1909.

Baum: What sort of man was Dennett?

Mason: Oh, Dennett was solid gold. He was an attorney in Modesto and a pillar of the community. You won't find anyone who knew Dennett who won't say that he was the finest type of American citizen. I always had a great respect for Dennett's integrity, his intelligence, and his concern about the community welfare.
Baum: What did he look like?

Mason: He had a full beard so you couldn't tell much about what he looked like. He was not small or big, I would say 5'10" or 5'11". Very dignified, impressive looking gentleman. He had an excellent law practice in Modesto.

He was very sound. I'd go so far, as I look back on my contacts with Dennett, to say that... I would classify Dennett as a political scientist, as nearly so as any man I've ever met. And his influence in the Irrigation Districts Association was always enormous. Whenever he attended one of the conventions and spoke, he really commanded respect.

Dennett is a man California should remember with a great deal of appreciation because although Dennett was essentially a conservative—I don't know why I said although, because I think of myself as a conservative in the same sense that Dennett was a conservative. He was involved in many famous land and water cases and irrigation district cases and his briefs are classics.
Districts Securities Commission

Baum: I suppose many things changed in the irrigation district law during the years you were in business, say 1914 to 1926.

Mason: Many things changed within those years, especially in regard to competition for bond issues. The irrigation law underwent relatively few changes. The method set up by law for the irrigation districts to borrow money is based on the same general rules as govern school districts or any other political subdivision of the state. The issuance of bonds was very scrupulously provided for in detail.

In 1913 the state legislature created what was known as the Districts Securities Commission composed of the Attorney-General of the state, the State Engineer, the Superintendent of Banks, and I believe two others. It specified that any irrigation district that wanted to borrow money and have its bonds a legal investment for saving banks and trust funds would have to be examined by this state commission in all important regards and the commission must certify that the amount proposed to be borrowed did not exceed sixty per cent of the value of the property which was
Mason: to secure the bond issue. Also, when any bonds of a district had been certified, it would be illegal for that district to issue more bonds without permission of the state commission.

In 1911 the Commonwealth Club issued a report entitled "Marketing Irrigation District Bonds." In this report Attorney-General U. S. Webb spoke and in substance recommended that this state commission should be organized and he believed the state should guarantee the bonds they approved.

Baum: Were you in the Commonwealth Club then?
Mason: No, I believe I joined the Commonwealth Club about 1916.

In 1913 this state commission was organized but the bonds were not guaranteed by the state. It has always been my conviction that it was better than the state should not ever guarantee local government bond issues. The history of state finances contains many sad pages of states guaranteeing railroad aid bonds and other bond issues which were later defaulted and although guaranteed by the state, the state repudiated the bonds and the investors lost their savings.

The state is sovereign and the sovereign can do
Mason: no wrong. For example, the state of Mississippi, after one bond issue that was put out long before the Civil War and had nothing to do with the war, after the bonds had been upheld and approved by the Supreme Court of Mississippi, the state legislature simply passed another law repudiating the contract in the bonds. About seven million of those bonds are held today in England by an organization called the Council of Foreign Bondholders which holds the repudiated bonds of many governments, including state governments in the United States. They have issued very interesting printed matter on repudiation, much of which I have in my files.

Baum: When the Districts Securities Commission was created, why didn't the state guarantee the certified bonds? Was there much opposition to that?

Mason: No, there wasn't so much opposition. There was no special drive to get the state to guarantee the bonds, as I remember. And Article 4, Section 31 of the California Constitution was interpreted by the Attorney-General as prohibiting any state aid for local government. This Article 4 has since been weakened many times.
Baum: Did the approval by the Districts Securities Commission enhance the value of the bonds?

Mason: Definitely. That endorsement is just as irrevocable as certified would be for a bank check. Investors relied on that state examination and approval.

The Securities and Exchange Commission, a federal agency, is receiving a good deal of support on the ground that such an agency is needed to prevent fraud in the issuance of securities. The Securities and Exchange Commission endorsement in no sense constitutes a guarantee. But there were a lot of people who bought joint-stock land bank bonds, being told the banks were instrumentalities of the United States government and they got the impression that they were therefore obligations of the United States government, which they were not. To call them instrumentalities of the United States government was misleading and misrepresentation.

But that Districts Securities Commission endorsement was very helpful in selling the bonds. In fact, it's very doubtful if many districts would have been able to finance without that state certification. I'm sure they wouldn't have been able to borrow as cheaply
Mason: had the state not extended at least that much cooperation.

Baum: How adequate was the investigation by the Districts Securities Commission?

Mason: It was supposed to be very thorough. The law was good and adequate. There was no excuse for the commission to go off half-cocked, and I'm not prepared to say that the commission did go off half-cocked. As we look back today, obviously when a district is formed and there is no water supply in the community, no people can be living there. So when the money is borrowed, there's not much security. When the water is supplied, families move in and cities and country grow up. As we look back on the districts that were approved by the commission, there isn't one of them that wouldn't be considered today as sound as the Rock of Gibraltar.

Baum: About 1929, when the districts were beginning to default, reports came out that said that some districts which were not economically feasible had been approved.

Mason: I realize those reports went out. That was propaganda, a deliberate campaign fomented by the mortgage interests to scare the investors in the bonds, which were ahead of mortgages, and get the bonds out of the way.
Baum: Then you think the Districts Securities Commission had done a good job and that the bonds they certified were good investments?

Mason: Why yes. If the law had been allowed to operate, I believe every bond would have been paid. Why, the rice districts are now the hot-bed of about the liveliest natural-gas belt in the state. I can't imagine how any law could have been more thoroughly drawn up than the law governing the commission that had the power to approve or not approve California irrigation district bonds as legal investments for savings banks and trust funds.

Baum: I think the law is very specific. Was it adhered to?

Mason: It was in a sense and it was not in a sense. I think the state commission was as conscientious as any commission could have been. My feeling is that you do not have the same zeal when a public body is set up to try and protect the other fellow as you do when you're trying to protect yourself. I don't believe that there is any public approval of bonds in any state that has a perfect record. Time was when it was very difficult to get bonds approved for savings banks in some of the New England states, but those laws have
Mason: all either been diluted or done away with by now because in the states where the laws were most severe some of the most highly approved legal investments have since turned out to be a goose egg for the investor. Time has proved that those state certifications were in no sense of the word a guarantee of protection for the investor. There is no substitute for alertness on the part of the investor.

Baum: Did you think there were air pockets in the California Districts Securities Commission?

Mason: Well, I certainly knew that the commission had on occasion put its stamp of approval on bond issues which J. R. Mason & Co. would not bid for.

Baum: Why did the commission okay those? Was it an error in judgment?

Mason: I think to some extent, possibly combined with excessive zeal on the part of certain interests who controlled the land in a proposed district and where they had visions of quickly unloading the land as soon as a dam and canals were constructed and reaping a large unearned increment.

Baum: How did they influence the commission?

Mason: That is difficult to say. When a good salesman sets out to sell a poor horse, he has been known to convince
Mason: the buyer that it is a good horse, the same as a good salesman getting up before a board of state officials.

Baum: You feel it was by clever salesmanship. But didn't they send out engineers to look over the project?

Mason: Yes. As you look back over the record of so-called subdivision development in California—that's a very interesting study. The story of mistakes in judgment in opening subdivisions and streets, they are amazing.

One of the outstanding "busts" was a little community in Southern California called Beaumont which stood at the summit of the Southern Pacific Railroad as it comes up the hill and then goes down. The trains always changed engines at Beaumont. A cousin of mine, an attorney from Illinois, was visiting Southern California in 1907. The train he came out on stopped at Beaumont and he walked up and down the station platform and he saw streets with grass growing in them. It was a dead subdivision. His curiosity was aroused.

When he got to Los Angeles he made inquiry and he was told that some years before there had been a townsite boom in Beaumont. The old German Bank in
Mason: San Francisco had loaned a hundred thousand dollars on a mortgage on the whole shebang. They had been carrying that mortgage for a good many years.

So my cousin goes up to San Francisco and contacts the German Bank. He was a lawyer who had had some experience in land operations in Illinois, but never had been a subdivider. My understanding is that he got the bank to agree to an arrangement whereby he would put on a campaign to sell this land and he would pay the mortgage off when, as, and if the land was sold at an agreed amount per acre.

My cousin started out right in the middle of the 1907 panic, when the banks were not paying out gold, a lot of banks were closed, and he put on an advertising campaign, "Five Acres and Independence Where the Big Red Apples Grow, Beaumont, California." Believe it or not, when most of the banks were closed, the people couldn't get their money, they took hold of this. It was an avalanche.

Baum: What kind of people?

Mason: All kinds of people looking for security, looking for a little place outside of the city. "Five Acres and Independence," that caught them. They wanted a little
Mason: piece of land. Why, he cleaned that up so fast, and I understand he made something like a half a million dollars for himself.

Baum: What happened to Beaumont?

Mason: Beaumont is a busy place now, one of the loveliest communities in Southern California today. It was simply that what had been attempted before had not been correctly timed; the potentiality was there all the time.

Baum: What was your cousin's name?

Mason: Clair Eyer. He later handled other operations. He at one time owned the site that is now the Statler Hotel in Los Angeles and he owned a big piece of ground at the corner of Wilshire and Western avenues. He was an able operator. He could recognize sleeping jewels.

Baum: When you think the Districts Securities Commission made an error in judgment, was this an error, that they just didn't estimate the market correctly, or was there perhaps some corruption involved?

Mason: I've heard of no corruption in any of these transactions. I never heard any accusation that any state official had directly or indirectly accepted any
Mason: inducement or bribe. No, I would say that on the whole the State Commission did a better job by far than the Superintendent of Banks did when he was given the job of saying what bonds could be legal for savings banks. If you look back at the record of the bonds approved by the Superintendent of Banks for savings banks and what happened to those bonds compared to irrigation district bonds, irrigation district bonds look like Ivory soap.

It is interesting, we talk about the record of irrigation districts and their investments. If we would lay that record down along side of the investments in railroads and especially interurban electric railroads, the irrigation district investment would look stronger than Gibralter. Most of the interurban electric railroads, the tracks have been torn up, the bonds are gone, nothing left. The beauty about the irrigation district bonds is that you hold your bonds, why, the land can't get up and walk away.

Land Assessments vs. Water Tolls

Baum: I was wondering what your opinion is of water tolls?
Mason: Well, tolls are the answer to the land speculators' prayer.
Baum: So you are opposed to tolls for water?
Mason: Why yes. I think that's just as un-American as it would be to have tolls for public schools.
Baum: I think the regular arrangement is that they have tolls for current operating expenses and then the assessments are supposed to pay the bond principal and interest, the capital investment.
Mason: There's no uniformity about it. In 1919 the law was amended to allow the charging of tolls for the use of water and a number of districts, the most successful districts, have never put in a water toll. In those districts the general condition of the people is best, the development is best.
Baum: Some districts have a situation where some people use very little water and others, say rice land, use six acre-feet per year per acre. In those cases they feel it is fairer for the heavy user to pay something extra.
Mason: Yes, I can understand how in a district where a large area is in rice, that contrast would be striking. Of course, in every district... I can remember, one of the most bitter fights was the town lots in Modesto. They'd argue, the town lots don't irrigate, we shouldn't pay irrigation district assessments. There have always been some landholders who use no water, some who
Mason: Use more, some less, but basically the whole community has been better off and development has been better where the budget of the district has been balanced by means of an annual tax on the value of the land, irrespective of improvements on the land or of any use the landholder made of the water. That principle is the basic, most important point in the irrigation district law in California.

Baum: Sometimes there is not enough water to go around, in a dry year, and I believe the law provides that the water will be distributed in accordance with the ad valorem value of the land.

Mason: That is a relatively recent amendment to the law and the attempt to implement that idea may be difficult.

Baum: How do you think the water should be rationed?

Mason: Why, exactly as you would ration it in San Francisco if there was a water shortage.

Baum: According to need?

Mason: Why yes.

Baum: I think that is the way they do it in some districts. I've talked to district managers and they say that you can't let a man's orchard die so you give him water. Rice is an annual crop...
Mason: I think it is an impossible job to try to distribute the water in proportion to the assessed value of the land. As I say, that is an amendment that has been stuck into the law since I retired. I would say that whoever recommended such an amendment should have his head examined.

Baum: You handled irrigation district bonds and reclamation district bonds. Which did you think were better investments?

Mason: Irrigation.

Baum: Why?

Mason: The irrigation district law is fundamentally the reverse of the reclamation district statute. The irrigation district uses an assessment roll where the land is assessed in proportion to its actual value and the budget is balanced by an annual tax at a uniform rate of tax. If your land is on the roll at $100 an acre you pay ten times as much tax as if it were on the roll at $10 an acre. Under the reclamation district act the tax or assessment is determined at the time the bonds are issued. The assessment is spread over the land...

Baum: Isn't it on the basis of benefits?
Mason: But the benefits are upside down. The lands nearest
the river, which would ordinarily be the least desirable,
are presumed to have the greatest benefit and therefore
pay the heaviest assessment, whereas the land farthest
from the river, which may be the most valuable, pays
the smallest assessment.

Baum: On the theory that the farther land is less likely to
be flooded.

Mason: Right.

Baum: Then you think, as far as investment is concerned, that
the reclamation district is less likely to pay off
than the irrigation district?

Mason: I wouldn't go so far as to put it quite like that.
Under the reclamation district act, if the original
assessment is levied and doesn't bring in enough
money to retire the bonds, the land is always subject
to reassessment. It might be a little longer process
but I think the bonds would be paid. In the second
place, --well, we handled the bonds of Reclamation
District 1000 and District 1001 in Sacramento County.
Those paid out without any delay any time. Most of
the reclamation district financing was in the Sacra-
mento Valley but it seemed to me the San Joaquin Valley
and Southern California were getting a lot more people.
As an example of the operation of the Irrigation District Act, take a district like the Banta-Carbona District by Tracy. It's true there were some large holdings in that district, but within the first two years after the irrigation works were in, I believe that more than 90% of that land was at work growing baby lima beans and other lucrative crops. And the South San Joaquin Irrigation District is one of the finest from the standpoint of small holdings. The story of that district and the pressure of the different bond issues and the taxes needed to pay the bonds and the fate of the absentee landholders, how they were squeezed until they were willing to sell their land at a figure home seekers could afford to pay.

That's the rub. Home seekers coming today to California are licked before they start. Before they can get a piece of land, they must sign a mortgage that means all they do for many years will be simply to pay off the mortgage. That can spell ruin for everybody in the state. That's a greater danger than any menace from abroad. There comes a time when it's uneconomic to even try to acquire land.

In the irrigation districts like South San Joaquin,
Modesto, Turlock, Oakdale, the annual tax had prevented speculators from putting the price of land as high as it had gotten in areas outside the irrigation districts. After 1929 the price of land in those districts didn't have as far to drop.

The average size farm in the South San Joaquin Irrigation District is about thirty acres. It was all done without any 160-acre limitation, without any federal arbitrary limitations... Incidentally, I received today from the Attorney-General a brief to the United States Supreme Court in the Ivanhoe case. I am delighted that Mr. Brown is trying to defend the 160-acre Federal Reclamation Act. Here, we want Uncle Sam to advance the money to pay the cost of these irrigation works, but want Uncle Sam to have nothing to say as to whether the money will be repaid, or how. That's a very lopsided deal. If we go to Uncle Sam for loans, Uncle Sam certainly has the right to say how those loans should be paid. Uncle Sam is prohibited from taxing the benefited lands in a reclamation project, so the only way Uncle Sam could protect the general welfare was to limit the amount of water, which carries a heavy federal subsidy, that any one person
Mason: could get in a federal reclamation project.

I am hoping the United States Supreme Court will accept this appeal and I believe they will reverse the California Supreme Court. I believe if the California Supreme Court decision does not get reversed we will see more and more pressure for federal funds in these projects which will only mean that the big absentee landlords can monopolize the benefits and California will be headed along a road that is opposite from the road it has been traveling under the Irrigation District Act.

Public vs. Private Distribution of Hydroelectric Power

Baum: In one of the letters you gave me to read, you mentioned that you had made earnest efforts to prevent Modesto and Turlock from selling their power, or falling water, to P. G. & E.

Mason: When Modesto and Turlock decided to build their great Don Pedro Dam, power could be had as a by-product. Well, at first whether that power was to be municipally distributed or turned over to the P. G. & E. didn't particularly concern me. I didn't give it much thought and I don't know that anybody else did.
Mason: But when it came sign-up time and the question was on the table before the district board, "Should we turn this power over to the P. G. & E. and let them sell it back to us, or should we try and distribute our own power?", the P. G. E. overplayed their hand and somebody told the higher-ups in the P. G. & E. that that bunch of "hicks" down there wouldn't be able to handle their own power no matter what the P. G. & E. offered. It impressed the officials of the district, and me, that the offer made by the P. G. & E. for the district's power was an absurd and ridiculously low offer.

Baum: Was this before or after the bonds were sold?

Mason: After the bonds were sold. The dam was built and the power plant was in and owned by the district, all set to go. We had all supposed the P. G. & E. would of course get the power.

Then began a real war. The P. G. & E., why, it is said that they let it be known around the district, "You keep taking your power from the P. G. & E. and we'll never send you a bill." They threatened the district with no end of punishment if they didn't come across and give the P. G. and E. the Don Pedro dam power.
Baum: Did they raise their offer?

Mason: I don't believe they raised their offer.

The president of the district was Mr. J. C. Garrison, a very fine, able gentleman. I have some interesting letters from Mr. Garrison of threats they had made against Garrison personally and financially if he didn't bend the knee, but Mr. Garrison stood his ground and then got elected to the State Senate.

Baum: Did you know Garrison?

Mason: Oh yes, Garrison and I were friends.

Baum: You mentioned a number of recall elections in Modesto and Turlock.

Mason: Yes, recall after recall.

Baum: When was that?

Mason: About this time, and also before. Oh, the recalls in Modesto and Turlock... I have heard there were as many as several in one year. The Modesto Bee special issue in 1954, there are articles there that tell about theses and papers in the McHenry Library in Modesto which give the details about a number of these old recall elections. I am sure that among those old papers in the McHenry and Public Library in Modesto could be found some very useful material on the early fights between the landed interests and the district officials.
Mason: Here's another thing that isn't very generally known. The Irrigation District Act allows Modesto and Turlock to supply electricity just as free as the water. That could be done by mere resolution of the board of directors. There's never been any charge in Modesto or Turlock for water and they could use the law in the same way to supply free power to all the consumers of power in the district. It would only involve a nominal assessment on the land to make the power free. That, of course, is another thing the P. G. & E. wouldn't relish.

My position was always this. I never favored a community building a dam solely to generate electricity. I was quite willing for the power companies to own the power dams, but where it is a dam that serves multiple purposes, and in an arid and semi-arid country like California where the party that controls the spigot controls the territory below, I don't believe the control of that spigot should be in private hands. The flow of the water through the dam should be controlled by the community, not by a private company which could say, "We don't need any power now so we won't let any water through the dam," and in the meantime the community below goes thirsty.
Baum: In many cases the power company has to agree to accept the power at the time the irrigation needs require that the water go through; the irrigation need is prior to the power need.

Mason: That is true in the later contracts, but it was a big bone of contention for a long time. The power companies insisted they be given the power when they wanted the power and the dickens with when the water was needed. It was an impossible situation.

Baum: You mentioned the Imperial Irrigation District and the fact that when they opened the All-American Canal, they were able to generate their own power, which was a threat to the power companies, and that the power companies attempted to snuff out the irrigation district, if necessary.

Mason: That was the charge made by Walter Wagner at the Irrigation Districts Association convention in 1932.

Baum: Was that true?

Mason: I believe it was. I do know that shortly thereafter Mr. Giannini was importuned to withdraw credit from Imperial Irrigation District, although they owed the Bank of America less than they usually owed them. The Bank of America lowered the boom on the district just a
Mason: Day or two before pay day and wouldn't advance them the money for the payroll and threw the district into default with the employees. Oh, this was war.

Baum: Did this have any effect on the bonds?

Mason: Naturally. The district had made a practice of borrowing money from the bank in anticipation of collection of taxes and had been doing that for years. All governments do the same. With the Bank of America they had had a line of credit for some years, which they had no doubt was still going to be extended to them. And the district issued their checks just before pay day—they were well within the usual limit the bank extended them—and the checks were sent back. Giannini had not told the district he was going to do it. They had had no warning.

I've seen correspondence about it. I'm satisfied that Giannini never realized what damage was being done. I'm satisfied that it was the power company that prevailed on the Bank of America to pull the credit rug out from under the district. That was the beginning of all the Imperial District's troubles and demand for so-called bankruptcy. They tried twice to get an R. F. C. loan, but the R.F.C. never made the loan. They realized Imperial was not entitled to
scale down its obligations. Imperial did not scale down the principal of the bonds, but they did repudiate a lot of interest.

This conflict between water and power, it has been raging for more than fifty years, since Los Angeles put in the Owens River Aqueduct. That water was brought down from Owens Valley to the Tehachapi Mountains and came tumbling down the side of the mountain and would make a lot of electricity. The old Edison Electric Company, of which Harris and Co. was the banker, tried to block the city and the aqueduct was dynamited more than once. I wouldn't say the Edison Co. hired it to be done. I don't know who hired it. Somebody must have been paid to do it. You don't get dynamiters to work for nothing.

Old Bill Mulholland was the city engineer of Los Angeles, and I knew him well. It was through him that I first had a little taste of this private vs. public power controversy. Old Bill Mulholland said, "The people's credit was used to bring the water here. The people are going to distribute the water without any middleman. The power is a by-product of the water. Why should we hire a middleman to distribute the power
Mason: any more than the water." That was his Scotch reasoning.

And believe it or not, no sooner had Bill Mulholland made that announcement than Harris blacklisted all bonds of the city of Los Angeles and for some years, had you gone to Harris and said you wanted to buy some City of Los Angeles bonds, Harris would have told you, "Sorry, but we don't handle bonds of a bolshevik or communistic community of that kind."

Harris boycotted all bonds of the city of Los Angeles. So did every other bond house in the United States excepting one. That bond house was Kountze Brothers of New York. For quite some time Kountze Brothers was the only bond house in the United States that would buy or sell city of Los Angeles bonds. Of course, Harris long since has gotten over that idea, but the conflict that sparked Harris to blackball Los Angeles city bonds has not died out.

It can all be traced, as I look back, to the very fundamental fact that this Owens River water supply—certainly bringing that water into Southern California made the land in Southern California habitable for people to live on, made it possible for more people to
Mason: move into Los Angeles county. The cost of that aqueduct should have been charged, the law allowed it to be charged against the benefited land, but the law also allowed Los Angeles to charge the users of water and the users of power. The battle started to rage, how to get the consumers of water and power to pay more so that the holder of land would have to pay less. And for years, although the Los Angeles power rates were considerably less than the rates of the Edison Company in the surrounding country, still they showed the city a profit of many million dollars a year, which profit was put in the general fund and used to lower the tax rate which otherwise would have been levied on real estate.

Baum: That's a very common practice in cities.

Mason: That is true. Not only that, I'll make a little confession. I remember hearing that there were over eighty cities and towns in the United States that owned their own water and/or power systems and got enough revenue from the sale of water and power to make it unnecessary for the city to use the ad valorem property tax at all. I admit that when I first heard about that I thought it was something the community
Mason: might justly boast about. I thought it was a wonderful thing to have a community where the people holding the land didn't have to pay any taxes.

Baum: When was that?

Mason: It was until I retired and had an opportunity to study and get a little perspective.

Baum: So you've done quite a bit of changing since you had time to study.

Mason: I've had to unlearn a great many things, I promise you. Sometimes I think our brains have not been equipped with a reverse gear. We can think ahead, but when it comes to unthinking... as Chester Rowell, editor of the San Francisco Chronicle, commented in one of his last columns, "The hardest job ahead for many of us is that we are going to have to unlearn so much that we always knew."

**Feather River Project**

Mason: The thing we must never forget is that what we've been discussing involves a period in the life of California which is all but forgotten. Unfortunately, the Feather River Project people seem to have the idea that if they are just apathetic, the state will do the
Mason: job, or Uncle Sam. In the period that I've been reviewing, the people in Modesto and Turlock and Merced and Fresno and all through the valleys of California had an entirely different psychology and philosophy. They knew that if they wanted a dam or canals for their community, they had to get in and work and help and cooperate. And there was a sense of cooperation which is gone today. About the only sense of cooperation there is today is "how can we pull the leg of the state sales-tax payers or how can we get Uncle Sam to give it to us for nothing." This has become a national peril more dangerous than cancer is to the human body.

I don't know if you happened to notice in yesterday's Chronicle the main editorial about the Feather River Project. That's the first glimmer of a sound editorial that I have happened to see in any California newspaper.

Unless the Feather River Project is financed under the same basic policies as those incorporated in the Water Code of California, Division 10 and 11, which is the codification of the Irrigation District Act, and unless a large district is formed to include all the
Mason: land that will benefit from the Feather River Project, that district will be responsible for the cost of the project and not send any tax bills to people outside of the district—that is the traditional California water and power plan, policy, and precedent, which more than any other single thing long distinguished California from any other state or nation in the world. If we lose that thread and forget those principles and try to replace them with "gimme something for nothing" philosophy, well, it will have political and economic consequences so far more serious than even some of the college professors have clearly diagnosed.

Leaders in California's Water Development

Baum: I have a difficult question. Who would you say were the three or four outstanding men in California's water development?

Mason: Of my acquaintance, I would put Senator Louis L. Dennett of Modesto first. I never met Mr. Wright or Mr. Bridgeford. Perhaps they deserve a niche as high or higher than Senator Dennett's, but I always felt that Senator Dennett was so outstanding...he never would allow his personal interest to blind him to the
Mason: general welfare, and that isn't easy for lots of us to do.

Then, I would say the Chaffey brothers certainly were very important influences. William Ham Hall was another engineer whose early influence in Modesto and Turlock and Hetch Hetchy was great.

Baum: Did you know him? Hall?

Mason: Yes. He was a customer of J. R. Mason & Co.

Baum: Oh, Hall invested in irrigation district bonds.

Mason: Yes. Hall was in the Hetch Hetchy picture somehow. As nearly as I recall, the original Hetch Hetchy grant to San Francisco was allowed to expire and on its burial William Ham Hall stuck in his spade somehow and became the owner of the grant, for his principals. Then, in 1913 when the Raker Act came along, Hall had to be paid something for his rights. Hall, as I recall, was also interested in the Mt. Whitney Electric Company down in Tulare County and had water rights on the Kaweah River. Hall was never active in the irrigation district law, to my knowledge, but he was a man who was quite active in early water-right disputes and whether he should be looked upon as a pro bono publico or a pro bono Hall, somebody else should try and offer that judgment.
Mason: Another man that I would rank high would be William Mulholland, engineer of Los Angeles, who had the conviction that the Owens Valley project by-product power was as much the property of the people as the water. There should be a monument in Los Angeles to William Mulholland a mile high. He was the forerunner of Boulder Dam and all the others.

I would say those are the early leaders.
MUNICIPAL DEFAULTS AND THE FEDERAL
MUNICIPAL BANKRUPTCY ACT

Mason's Opinions on Other Plans
to Meet District Defaults

Baum: There were some other suggestions before the Muni-
ciprocal Bankruptcy Act and I wanted to get your opinions
on those. One of them was that the irrigation dis-
tricts band together and set up an insurance fund. I
think the equivalent of one year's interest on the
bond principal that district had out was to be put
into the fund, and this would be used for any district
that was near default.

Mason: That is right. That was one suggestion.

Baum: Do you think it would have worked?

Mason: I think it could have been very, very helpful. It
would depend so largely on the administration and the
men in charge of the operation. If they were sympa-
thetic and efficient, why certainly it would have
worked.

Baum: I was wondering if you had been in on the commodity
dollar plan which I understand was proposed by some
of the members of the Irrigation Districts Association
Baum: in 1926. It was a plan to set behind the interest and principal of bonds if the products of that particular irrigation district were below parity.

Mason: I can't recall ever hearing about it before. Who was the sponsor of it?

Baum: I don't know. I think it was proposed in an Irrigation Districts Association meeting.

Mason: The chances are it was proposed by the man who was auditor for most of the irrigation districts in those days, L. O. Wisler. Mr. Wisler has for a long time been a very active student of so-called money questions. I think for a time he was in close collaboration with Irving Fisher of Yale or Harvard. Dr. Irving Fisher, I believe, was the so-called father of the so-called commodity dollar. I'm sure that this idea never got to first base.

Baum: No, it didn't. What would you have thought of an idea like that? It wasn't to cut down the interest or the principal, but to set it behind if the products raised by that district were having a hard time.

Mason: I would have thought it was more appropriate if it had been suggested in connection with stock issues, but can you imagine going out and inviting people to invest
Mason: in bonds on a proposition where they will get 5% interest if the price of the commodity is 100% and 4% if the price is 80% and 2% interest if the price goes lower. What would you pay for such bonds? That should be a stock investment. In stocks you are a partner and you not only stand to lose if the enterprise loses, but you stand to gain if the enterprise makes more.

Baum: That would have ruined the prospect of selling any irrigation district bonds from then on?

Mason: Why yes, or any other kind of bonds. A bond issue contemplates a fixed rate of interest, win, lose, or draw, as a contract.

Baum: I noticed that in the late 1920's and early 1930's the investment bankers kept asking for a change in the law so that the period of redemption would be reduced to one year and the Irrigation Districts Association fought that.

Mason: Yes, that's natural. After 1929 the absentee landholders as a rule were pretty sure they were going to lose the land anyway and they would like to hang onto it just as long as they could. In those districts where the land was occupied by the title holders they didn't know just how hard times might get and they
Mason: wanted as long a time of grace as the law would allow. It was not time to ask that the period of redemption be shortened. I never joined in that demand. I thought three years was not too long a period of grace, but that wasn't what happened. What happened was that beginning in 1932 the California Legislature adopted what were called tax-sale moratoriums and from 1932 until the 1940's no land in California was sold for taxes. It was a complete freeze. You couldn't acquire land from the state for unpaid taxes.

Baum: Harmon Bonte, for the Irrigation and Reclamation Districts Refinancing Commission, came out in 1931, I think, and suggested that the California Districts Securities Commission take over insolvent districts and levy tolls and assessments and pay all the debts, but these levies were to be only in the amounts that landholders could pay. Do you think this would have been of any advantage over the Municipal Bankruptcy Act?

Mason: I never saw that recommendation. During those years I was abroad a great deal. I don't remember exactly what Mr. Bonte may have recommended, but I would certainly say that anything would have been better than allowing Congress to have the power to say that a
Mason: state may or may not issue bonds or may or may not pay off its bonds after they had been issued. I would just as soon have seen our states consent to let Mexico's or Moscow's courts impose a death sentence on U.S. bonds as consent to the Municipal Bankruptcy Act. It's entirely a question of power and authority.

Baum: I gather from what you are saying, your major objection to the Municipal Bankruptcy Act is the constitutional objection, that the bankruptcy relationship between the states and the federal government was not constitutional?

Mason: Either it's unconstitutional or all previous interpretations by the Supreme Court were erroneous.

Baum: Now this plan of Harmon Bonte's would have permitted the California Districts Securities Commission to negotiate with creditors and possibly to issue refunding bonds at less than par, but this would have been entirely state.

Mason: That would have been entirely state and entirely in the family, where it belonged. There could have been no constitutional objection to that proposal.

Baum: I think you were interested, weren't you, in the state
Baum: relief fund, that the state put up a fund that would be available for refunding of bonds that were in default?

Mason: Yes, as I recall, that was a proposal... I had little or nothing to do with the drafting of the proposal. My understanding was that it was drawn up by some of the lawyers in the Irrigation District Association. The proposal, as I recall it, was simply that the state would establish a fund of $55 million and that when any people in an irrigation district decided they didn't want to pay their land tax, out of this $55 million that tax would be paid, the land would go to the state, and the state would either rent the land or resell the land, depending on circumstances, but the state would simply act as a banker extending credit in this way, which would not involve the state in any risk. The land would certainly be worth more than just the taxes, particularly in districts which had been investigated by the Districts Securities Commission and so on. But that proposition came along at a time when the power companies were very determined that no other district must ever be able to do something like the Modesto and Turlock districts had
Mason: done when they decided that the power from Don Pedro Dam was as much the property of the people as the water. I always felt that the power companies were behind the propaganda that opposed that $55 million state credit.

Baum: Did you think the power companies wanted to have all the districts go bankrupt and cease to exist or were they afraid that fund would be used for bonds that would be used for dams for municipal power?

Mason: I'm sure that latter question worried them no little. I never thought of it as a tool to be used to help districts go into the power business, but you asked the question and I must say that it was not at all impossible that that was in their mind. I don't like to think that the power companies were so badly advised as to wish that all irrigation might disappear in California.

I believe my position on the need for refunding and adjustment in certain situations is well and clear in the record. I worked diligently for Proposition Number Six which was a proposal to have the state issue $55 million worth of state bonds which were to be used in refinancing bonds of districts.
Mason: For example, the original irrigation district law compelled any district that borrowed money to pay off the last of its bonds within ten years after the first bond began to mature. Obviously that was an unrealistic law. No railroad, no power company could pay off all of its bonded debt within a ten-year period. Certainly those bonds should have been refunded and the payment spread out over a longer period of years.

There were other instances where it would have been fair and equitable to cut the interest rate, at least temporarily. I did recommend that action in some districts.

Where we parted company was when the powers that be started trying to deal aces from the bottom of the deck by amending the irrigation district law and weakening it and then asking the bondholder to accept refunding bonds which would have been subject to the weaker law, because if a bond is issued after amendments to the law it becomes subject to those provisions in the law. Therefore I refused flatly to give up the original bonds and accept refunding bonds which were weak, diluted, subject to these amendments which definitely detracted from the desirability of the obligation.
Mason: We contested more than one of those amendments and every time the Supreme Court of California said they were unconstitutional as regards bonds issued before the adoption of the amendment.

Baum: But they are constitutional for bonds issued after the amendment.

Mason: Oh yes, and that is why any informed investor would not give up his original bonds for refunding bonds that would be secured by the weaker laws.

Oh, many times in other states, bondholders were induced to surrender their municipal bonds and accept refunding bonds in exchange. One very historic case that comes to mind happened to be in Florida. In the late 1920's or early 1930's Florida adopted what is called a homestead-exemption statute under which homesteaders could hold real property tax-free up to $1000 or $5000, I forget what the figure was. Some bondholders in this city surrendered their old bonds and accepted new bonds that were issued after this homestead tax provision had become law. Some of them did not surrender their original bonds. The Supreme Court of Florida held that those who had stuck by their original bonds, this tax-exemption
Mason: provision could not apply, that the holders of land could not enjoy tax exemption as far as the original bonds were concerned; they had to pay taxes adequate to service the original bonds. Had all the bondholders held their original bonds, the tax exemption wouldn't have applied at all when it came to money to pay off the old bonds, but the tax exemption was entirely legal for the refunding bonds which were issued after the tax-exemption statute took effect.

These are not exactly tricks of the trade but simply investment rules which I am very sorry to say comparatively few investors are informed about.

Baum: You would need a good historical background.

Mason: That is where an investment counselor can be invaluable. You wouldn't think of entering into some leases or contracts without the benefit of a legal advisor.

Baum: Did you know Mr. Harmon Bonte?

Mason: Yes. I always had a very high regard for Mr. Bonte. I always thought he was a gentleman. I always thought he was trying to do what he thought to be his duty. Just who he thought was making the rules that formed the base of his duties I was sometimes a little in doubt about. I never doubted that Mr. Harmon Bonte
Mason: was trying to do right as he understood it, but just what pressures might have been at work pulling Mr. Bonte this way or that way I don't know. I do know there was much confusion, much debate, the state legislature set up a Irrigation and Reclamation Districts Bond Refinancing Commission in 1929 or 1930 and they pondered and met and debated and they came out with a mouse.

Baum: Of course, that's where a lot of these ideas come from that I have ascribed to Bonte. He was secretary.

Mason: Bonte, as secretary, was under orders of the commission. He had to obey the commission's wishes regardless of whether the commission's wishes were consistent or contrary to the controlling law. I never had any feeling that anyone else could have done different or better had they been in Bonte's position.

Baum: I noticed that Bonte and Wells Hutchins seemed to disagree on some things.

Mason: I prefer not to comment on Mr. Hutchins, whom I have not met for at least twenty-five years. He put out that little booklet on the irrigation district laws of the seventeen western states and anyone reading that booklet would be more confused and perplexed
Mason: when he finished than he could have been before. I'm very sure there was nothing in Wells Hutchins' booklet that would make me want to invest in the bonds of any irrigation district. I don't say that Mr. Hutchins set out to accomplish that purpose, but it certainly wouldn't inspire one to want to invest in the bonds of any irrigation district. As I remember, his report was quite anti-irrigation districts.

Passage of the Federal Municipal Bankruptcy Act - 1934

Baum: Were you interested in the Municipal Bankruptcy Act in 1934 or did you become more interested in it later on?

Mason: I was traveling in 1934 and I was out of the country when the hearings and so on took place. I can't say that I was interested in it because it hadn't even entered my imagination that such an idea would ever take form or be considered for a moment by the courts as within the constitution.

Baum: In other words, you weren't watching it particularly and then when you returned to the United States, here it was.

Mason: That's my recollection. Here is an article from the Bond Buyer of April 4, 1942, reprinted from the article
by Giles J. Patterson of Jacksonville, Florida, published in the University of Pennsylvania Law Review of March 1942. The title of the article is "Municipal Debt Adjustments under the Bankruptcy Act." It tells a lot of the history of the act. (reads excerpts from the article.) Frankly, this article is about as near to double-talk as I can imagine. As to whether the original agitation for the Federal Municipal Bankruptcy Act originated in California or Florida, I have never been sure.

Baum: It was proposed by a Florida congressman.

Mason: That is true, and actively promoted by Florida. Florida seems to have been more anxious for the law than California because a great many more counties and cities and school districts in Florida had gone into default on their bonds than in California. The first city in Florida to try and use the Municipal Bankruptcy Act was the city of Coral Gables. And an ironical thing, one investor in the bonds of Coral Gables more or less ignored the bankruptcy proceedings of Coral Gables and simply held his bonds and after all the other bondholders had thought they were going to have the guillotine drop on their necks if they didn't surrender their
Mason: bonds and all the other bondholders had surrendered their bonds, this investor steps into court and the federal court says that Coral Gables must pay his bonds. He held almost a half a million dollars worth.

Baum: When was this?

Mason: This was long after even the Bekins case.

Baum: After 1938?

Mason: Yes. It was 1943 or 1944, if I'm not mistaken. It was a very interesting case because it was decided by the United States Supreme Court on the same day in the same session as a case involving the Imperial Irrigation District of California. The Ninth Circuit Court of Appeals had ruled against the Imperial bondholders in that case and Fifth Circuit Court of Appeals in New Orleans had ruled in favor of this Coral Gables bondholder on the same point in the Municipal Bankruptcy Act and the Supreme Court voted four to four in each case, which meant that the bondholders won in Florida and lost in California. The clerk of the U. S. Court of Appeals here, Mr. O'Brien, told me that he couldn't recall ever a similar circumstance, where a tie vote in the United States Supreme Court would result in one party winning in one circuit and the same kind of a case losing in another circuit.
Baum: Do you know if California representatives in Congress were lobbying for the Municipal Bankruptcy Act in 1933 and 1934? It failed in 1933 and passed in 1934.

Mason: I have most of the hearings. I would have to check.

Baum: At the time this bill, then called the Summers bill, was before Congress, the Investment Bankers Association came out in favor of it and they said at that time that the municipal bankruptcy proceedings would not necessarily involve any scaling down of principal or interest.

Mason: My recollection is that on the first hearings the American Bankers Association and the American Bar Association both had men appear before the committee urging against the legislation on constitutional grounds. I don't believe the Investment Bankers Association ever took an official stand. There may have been employees of the Investment Bankers Association who appeared and testified, although I do not recall them.

Baum: I read this in the Municipal Review and they had a little news report each month about the affairs of municipal legislation. This mentioned that the Investment Bankers Association had, I think early in 1934, approved a resolution favoring this bill.
Mason: That is quite possible. At that time this bill was not in final form. The bill was amended in a number of ways, some good and some bad. I'm quite sure that at the time the Investment Bankers Association considered the proposed legislation, it was not even dreamed the legislation would contain any authority to impose a death sentence by an act of Congress on lawfully-issued state or local government bonds.

Baum: Then you feel that as the bill was passed, the bankers were against it?

Mason: Oh, the American Bankers Association and the American Bar Association, in the original hearings you'll find a very strong statement and a copy of their resolution opposing any such interference on constitutional grounds.

Baum: I should think the banks would have been for it, in that it was a protection of mortgage liens.

Mason: That is true, but let's not forget that national banks could not invest in mortgages...it would be the state banks. We do know that the American Bankers Association did not reaffirm or stand very solidly on that first resolution. Undoubtedly there was work done to see that they didn't reaffirm or make too much of a noise in supporting the Constitution.
Baum: Do you know what the stand was of some of the large creditors of public district, the large bondholders?

Mason: I know the Equitable Life Assurance Company retained Pillsbury, Madison & Sutro to fight against the proceedings in the case of the South San Joaquin Irrigation District. I know that in the case of the Merced Irrigation District Mr. Herman Phleger, who was later legal advisor to the State Department, filed briefs opposing the Merced Irrigation District bankruptcy petition. One of the ablest briefs was filed by Mr. Phleger and the brief was also signed by a long list of other eminent counsel.

Baum: Do you think there was any political division in favoring the Municipal Bankruptcy Act? Say, did the Republicans take one side and the Democrats the other?

Mason: I never heard any suggestion of that kind. It was never in the platform of either party. In fact, after the Ashton decision the same Chapter 9 of the Bankruptcy Act was adopted by Congress without debate at all and without a record vote.

Baum: So it was a non-partisan issue as far as you know.

Mason: Yes.

Baum: There was a special session of the California legislature in 1934 during which the legislature passed a
Baum: The law that California districts could take advantage of the Municipal Bankruptcy Act. Were you back in California by that time?

Mason: I don't recall that I was. That was the first state consent. They passed the second state consent in 1939. In the meantime, they passed the State Bankruptcy Act in 1937, after the Ashton decision. There are some districts which still have bankruptcy proceedings pending in the federal court and the same so-called plan pending in the state court. The South San Joaquin Irrigation District was sued by a bondholder back in 1934 and the State Supreme Court deferred decision pending the federal court's interpretation of the Municipal Bankruptcy Act. The United States Supreme Court declared the Municipal Bankruptcy Act unconstitutional in 1936, but that didn't mean that the state court proceeded in the South San Joaquin case and that suit, which was filed June 27, 1934, the case is Mary E. Morris vs. South San Joaquin Irrigation District, No. S.F. 15198, in the Supreme Court of the State of California, petition for writ of mandate, is still unsettled, unadjudicated. And in the meantime for twenty-three years the owners of bonds of
Mason: the South San Joaquin Irrigation District have been ordered by federal court not to ask for their money under threat of contempt of the federal court if a bondholder tries to invoke the Constitution.

Baum: Why is this case still unadjudicated?

Mason: That's a good question. There is no other case ever known in history where the case has lain so long dormant in the State Supreme Court with no decision. The California court has run to cover and acted as though it was afraid that if it protected the Constitution some federal judge might crack down on the state court.

Opinions of Bond Attorneys Regarding the Federal Municipal Bankruptcy Act

Baum: What was the position of the attorneys who had given the legal opinions attached to the bonds with regard to the Municipal Bankruptcy Act?

Mason: I am sorry to say that the position of the municipal bond attorneys was somewhat mixed. George S. Clay of the top firm of Dillon, Thompson & Clay (and the Dillon of that firm was Judge John P. Dillon, who was recognized as the ablest constitutional authority in municipal bond law in history and incidentally, Judge
Dillon was one of the attorneys in the Fallbrook Irrigation District case in 164 US 112, which became the bible of all irrigation district cases)--I have considerable correspondence from George S. Clay. He always took the position that the idea of bankruptcy for tax collectors, the very idea of allowing tax collectors to petition for bankruptcy, was repugnant to anything in the English or American philosophy. He was vigorously opposed to the idea. Dillon, Thompson & Clay were very positive in their view that the idea was wholly contrary to the constitution.

David M. Wood (Wood, Hoffman & King, I believe, is the firm name) Mr. Wood, I understand, helped to draft the Municipal Bankruptcy Act and he orally argued for the idea before the United States Supreme Court in the Ashton case. He tried to persuade the court to approve the act.

Baum: This is a New York firm?

Mason: Yes, Mr. Wood is perhaps the best known municipal bond attorney in New York city.

When the Supreme Court handed down the Ashton decision killing the statute Mr. Wood did not take any more active part as far as I know. I saw Mr. Wood
Mason: about a year ago in New York and I just gathered from his comments that he hadn't thought the constitutional principles through, when he originally promoted the municipal bankruptcy idea, that if he had it to do over again he never would have urged such legislation because he has kept aloof from later litigation.

Baum: So he never publicly changed his mind, but you feel actually he did.

Mason: I don't know if he publicly changed his mind or not.

Baum: What was the position of the California attorneys?

Mason: O'Melveny and Myers in Los Angeles are the leading Southern California municipal bond attorneys. Although they had approved comparatively few irrigation district bond issues, they refused to have anything to do with the California irrigation district bankruptcy petitions. As far as I know they never took fees from any district seeking to get federal courts to allow them to violate the Constitution.

The firm that approved most of the local bond issues was Goodfellow, Eells, Moore & Orrick of San Francisco and they were paid handsomely for their approving opinion of many bond issues and then they argued in the bankruptcy courts quite contrary to
Mason: what their original opinion had certified.

Actually, in one case this law firm of Orrick, Dahlquist, Neff, Brown & Harrington, which is the successor of Goodfellow, Eells, Moore & Orrick...

Baum: Is that George Harrington?

Mason: Yes. ...in this motion to dismiss filed by that legal firm in case No. 10957, U.S. Court of Appeals, J. R. Mason vs. Imperial Irrigation District, Mr. Harrington asked the court to fine me a million and a half dollars because I tried to defend the U. S. and California constitutions.

Baum: Wasn't George Harrington the attorney for many bondholders in the early years of the Municipal Bankruptcy Act? I know he was in Merced.

Mason: He wasn't attorney for the bondholders, he was working against the bondholders.

Baum: Later on, after they had made a composition, he testified for the district, but I think previous to that he was attorney for the bondholders.

Mason: I've never heard of George Harrington trying to defend an irrigation bondholder. His firm got paid for the legal opinions, on the strength of which bondholders invested in the bonds and then he turns around and defends the district. That's what he did in Imperial
Mason: District; he was the main attorney both coming and going.

Baum: I remember where I got this idea. I read a statement by Mr. Harrington in the Merced case and in the beginning he said, "Your Honor, I have represented bondholders' committees in California and Nevada and all over the West."

Mason: Oh, you added the word "committees." Those committees were not bondholders' committees. They were nearly always wolves in sheeps' clothing. They were not in any true sense of the word bondholders' committees. They were committees set up by the mortgage interests and the landlord interests who saw to it that only "friendly" people got on those committees. Friendly to repudiation.

Opinion of Mason Regarding the Unconstitutionality of the Federal Municipal Bankruptcy Act

Baum: You have mentioned how some of the leading attorneys felt about the legality of the Municipal Bankruptcy Act. What did you think about its legality?

Mason: It impressed me as diametrically contrary to all interpretations of the Constitution, particularly in connection with the numerous attempts to force the holders
Mason: of municipal bonds to pay federal income taxes on the interest from their bonds. I had been through that for years. Mellon, when he was Secretary of the Treasury, and other Secretaries of the Treasury recommended that Congress tax the interest on municipal bonds. That had been fought and bled over and I followed that fight for years. And I knew how often the courts had held that these bonds were so immune from federal jurisdiction that Congress couldn't even put a tax on the interest.

Baum: Do you feel that the use of this Municipal Bankruptcy Act was more detrimental to the bondholders than would have been the effects of the depression without it?

Mason: I'm not thinking about the effects of this Municipal Bankruptcy Act on bondholders as much as I am the effect on the Constitution and the general welfare. I think that any time landlords are allowed to hold land in violation of the law and at the same time the land not be subject to federal taxation you have opened the door to absolute Fascism, Nazilism.

Baum: How do you mean federal tax?

Mason: I mean if you told people to keep off the land you'd now be subject to no federal tax.

Baum: Because of no income tax if no income.
Mason: Yes, there is no federal annual tax on land. Now Congress comes along and says, "We'll also let you hold the land state-tax free." Entirely tax free. That is what is known as "mortmain", where the landlord gets above the government.

Baum: That point is very clear in many of the opinions you have presented in these cases.

But getting back to the bondholder, do you feel that he benefited from the Municipal Bankruptcy Act?

Mason: I know that many of the bond owners believed that they would benefit from the act at the time the act was adopted, but I know that they would have benefited more, all of them, if the law had taken its course. It might have taken longer and those that were in a hurry certainly had a right to sell to the R.F.C. and reinvest in other securities.

But bondholders surely have no authority to repeal or change the law. Suppose ninety per cent of the bondholders decided they would like to be paid $2000 for each $1000 bond. And if ninety per cent of the bondholders have no authority to demand $2000 for each $1000 bond, they also have no authority to force even one bondholder to take even $999 for his $1000 bond.
Mason: I would say that if all the bondholders had to take a complete loss in bonds of this kind, lose everything, that wouldn't authorize Congress to intervene in State of California taxation affairs.

Baum: You are especially concerned with the constitutional issues involved.

Mason: Precisely. We must never forget any power or authority which Congress can exercise a little bit it can exercise all the way. If Congress has the power to say to the holder of a state bond, "You bought that bond but we're not going to let you collect anything on it," Congress also has the power to say to the state, "We're not going to let you issue any bonds." It's a question of power. If there is one thing that is sovereign, it is the states' power to borrow money and to make its own laws governing the issuance and sale and payment of state bonds or the bonds of any political subdivision of the state. How confused we are when these same bonds are of such a character that the interest received by private investors is constitutionally immune from federal income taxation.
Opinion on Administration of Tax-revested Lands

Baum: These are the many constitutional reasons why the Municipal Bankruptcy Act shouldn't have been allowed, but what do you think could have been done about the districts that would have been constitutional?

Mason: That's an easy question. The Irrigation District Act is a complete statute. It not only authorizes the organization, but the dissolution of districts and contains specific machinery for dissolving a district or for administering a district regardless of how much trouble it may get into. Unlike mortgage bonds, if an irrigation district gets into difficulty there is no danger whatever that the property of the irrigation district will be lost because all land and property of the irrigation district are owned by the state, held in trust for the uses and purposes of the law.

Baum: Was there not the possibility that the bondholders had the right to take over the property of the district and the irrigation works?

Mason: The law was very clear on that. On dissolution of a district the law authorized the formation of a land company and a water company to acquire the land and the water. That was done in the case of Happy Valley Irrigation District.
Baum: I'd like your opinion on what could have been done in some of these districts. Let's say that most of the lands are tax-delinquent and that the property owners who are still there can't pay because the assessments not paid by one landholder heap up on those who continue to pay, so that eventually no landholders are there. Isn't that what would happen?

Mason: I would say there would be no landlords there.

Baum: Would there be anyone there?

Mason: Definitely yes.

Baum: Only if they would rent from the district.

Mason: Exactly the same as the oil companies rent the tidelands. We might as well argue the oil companies would only want to use the tidelands providing they could own them or rent them from private landlords, but that doesn't make sense.

Baum: You are saying that the land would have been owned by the district, but farmed by the same landholders who were there previously.

Mason: Yes, or no, but it would surely be in use. Instead of some absentee landlords collecting the ground-rent it would all be collected by the irrigation district, just as the tidelands' oil royalties are now all collected by the state, instead of by absentee landlords.
Baum: Then how would the bondholders have gotten their money?

Mason: There is no district where the ground rents wouldn't have paid the bonds within a reasonable number of years.

Baum: In other words, you think that by this process of the lands reverting to the district you would have squeezed out this absentee landlord who is taking the ground-rent?

Mason: You might phrase it that way or you might say that you would have cleaned off the barnacles so the ship could make better speed. In my opinion the mortgages on the land were barnacles. If the law had been allowed to operate the barnacles would have been cleaned off.

Baum: The mortgage holders had loaned their money on what they thought was good security. They would have been wiped out.

Mason: Nothing novel about that. Look up the case of Wood vs. Lovitt (313 US 362). There in the footnotes are long tables showing glimpses of the extent of tax-revested and tax-escheated land. If anyone thought that any mortgage was underlying the lien for unpaid taxes, he was as green as the farmer who bought the Brooklyn Bridge. (Discussion of a Pennsylvania law trying to
Mason: protect mortgages ahead of taxes, disallowed by Pennsylvania Supreme Court in Day vs. Ostergaard, 21 Atlantic 2nd 586.)

But what happened in the federal courts was that many of the holders of land not only escaped their taxes but they also were allowed to keep the title deed, contrary to law.

Baum: The landholders retained the land? They stayed right there?

Mason: Oh yes, and the big boys...I have in mind one example, the great Malibu Ranch alongside of Santa Monica where the Malibu beach colony has homes along the ocean frontage, some 17,000 acres in the Malibu Ranch. It got into financial difficulty and there was a mortgage bond issue on it, the Marblehead Land Company, I believe was the name of the company that put out the mortgage bonds. The bonds defaulted and over a million and a half dollars in county taxes and penalties piled up on this 17,000 acres during the years that the company that held the land was flat, stony broke.

I happened to know the attorney who handled the case for the land company and he told me that he went
Mason: to court and by some means got the court to agree to let the land company keep the land on payment of $50,000 to settle the million and a half dollars county tax claim, which was in my opinion not very different from going into the county treasury and robbing it of $1,450,000. There was no question the land was worth the taxes many times over.

But any study of the tax-delinquent land record of the 1930's would reveal that enormous fortunes were amassed in California between 1930 and 1940 by speculators in land and the most money was made by big holders who did not pay their taxes.

The man who was perhaps most active in the state legislature in promoting these tax moratoria was Mr. Ed Fletcher of San Diego. Rest his soul, I wouldn't for the world say anything to besmirch him, but I remember calling on Ed Fletcher in the early 1930's. He had an enormous table in his office which was covered with delinquent tax notices. They must have been six inches deep. Ed told me, "Rupert, believe it or not, before 1929 I could have sold my land holdings in San Diego county for over two million dollars. Today, so help me, I couldn't get thirty cents for all of them."
Mason: I said, "Well, that is pretty serious, isn't it, Ed. You're a very competent young fellow. Have you ever thought of going to the legislature as a possible means of salvaging something out of your estate here?"

He thought the idea was worth thinking about.

So Ed entered the race and got elected to the State Senate and he was the spearhead for most of the so-called tax moratorium which enabled him to hold onto much land in San Diego County, and leave a fortune. Ed weathered the storm and he died a rich man a couple years or so ago. He sent me a copy of his book, the story of his life and his wonderful family, which I have in my library. A very impressive volume. I never would criticise Ed Fletcher. I would say that if the legislators and the governor and the people of California are deaf, dumb, and blind enough to let great holders of land thumb their noses at the tax collector, get the laws rewritten so that the tax collector can't enforce the payment of taxes... Of course, William Randolph Hearst was a buddy of Ed Fletcher's and Hearst let his great San Simeon properties in Monterey County go delinquent. I guess even Mr. Hearst was kind of hard up for ready cash for a time.
Baum: During that period a lot of land did go to the districts for delinquent taxes.

Mason: That is true, because none of these early moratoria covered the irrigation district law. One of the most important details in the irrigation district law was not adjudicated until 1938.

Just briefly touching on what happened after 1929, there were efforts to amend the irrigation district law and some of those amendments were simply too raw. So we asked the court to pass on their constitutionality and the state courts held them unconstitutional. Then in 1932 the State Supreme Court, in interpreting the irrigation district law in the famous La Mesa case, held that a tax deed to the irrigation district conveyed title free and clear of all encumbrances including liens for unpaid state and county taxes. That decision created a stir and the Attorney-General and the district attorneys of every county in the state petitioned the State Supreme Court for a rehearing on the grounds that such a decision could leave the counties and cities and school districts out on a limb. So the court granted the rehearing and after rehearing held (a purely political opinion) that the
Mason: lien of all taxes was co-equal, that the different taxes were all co-equal liens. That operated to freeze the foreclosure mechanism. The land would have been cleaned up and rented or resold and gotten back on the tax rolls promptly, but this court decree allowed no way of cleaning up the several liens. It was during that period when... well, it wouldn't pay to go through the process of cleaning up the irrigation district tax and the county tax and the city tax and the school district tax and the mosquito district tax and so forth over a small piece of land. It just was infeasible. You couldn't afford to hire a lawyer to handle it.

So that ruling remained for six years and it was during that six-year period that these various and sundry refunding and refinancing plans were being agitated, including the Municipal Bankruptcy Act. It was not until November 1938 that the California Supreme Court had another case before it in which they decided that their original La Mesa decision was right. In the El Camino Irrigation District case (12 Cal 2nd 368) the court held that when an irrigation district acquires land for nonpayment of the assessment, that
Mason: Land and all property owned by an irrigation district is property owned by the state and obviously property owned by the state is not subject to county or city or school district taxation.

Baum: Not even previous taxes? These title problems were for delinquent taxes.

Mason: Yes, but obviously the state has the power to set up any kind of tax-enforcement machinery it wants. No one questions the power of the state to give one tax lien a priority over another. In 1897 the Irrigation District Act gave irrigation districts the priority over any and all other kinds of taxes and that provision has been in the Irrigation District Act ever since 1897. That has been the subject of many court cases, but it wasn't until 1938 that the court got back on the main track. There were six years when titles were just glued.

Baum: I thought in some cases the irrigation district made a deal with the county and any other taxing districts and settled, often at a lower price, got all titles and could sell.

Mason: Oh yes, that was perfectly true and feasible in the case of large pieces of valuable land, but no one
Mason: could afford to go through all that rigmarole for a small piece of farm land.

Baum: Oh no, that was when almost the whole district was delinquent.

Mason: Yes, it was possible. At all times most counties were willing to write off the county taxes if they can get the land back on the paying county tax roll. No legal trouble there, it was just physical and financial. The operation was too technical for the run-of-the-mill transactions.

Baum: When these delinquent lands were resold, who purchased them?

Mason: That is a question that is awfully important. I confess that I have not made much first-hand investigation, but I have heard that if any investigation were to be made, it would be found that the record adds up about like this, that the big, absentee holders who deliberately went on a tax strike either held onto the land or had a dummy buy who later transferred it back to them.

Baum: You mean bought it back from the district through a dummy?

Mason: Yes.
Baum: Or through themselves, couldn't they. Was there any reason why they couldn't buy it themselves?

Mason: Oh, it's against the law. If you were allowed to just let your taxes go delinquent and then come in ten or twenty years later and pick land up for five cents on the dollar of the back taxes, why, what a racket that would be. (Discussion of a Congressional investigation of delinquent taxes in Washington, D.C., in which it was found certain taxes had been delinquent since 1870 but the title deed still remained with the owner.) The District of Columbia is the landlord's heaven. They seem to control Congress. Congress will not pass any law to enforce payment of the ad valorem real estate tax.

Baum: Did you feel that many of the delinquent lands that the districts held went back to the original owners?

Mason: Without question.

Baum: I believe that was partly the policy of the districts, when they resold land to try to make it easier for the original owners to get them back.

Mason: Why, definitely. It was the policy of the districts to pay no attention to the law. What we are talking about now involves a violation of the criminal code.

Baum: It was illegal to try to return that land to the original owners?
Mason: In most states you can upset deals like that, no matter how much later, if you can prove that the fellow owed $100,000 worth of taxes, didn't pay them, and settled for $5,000 and got the property.

Baum: Was it the original owner, or the tenant, who got the land back?

Mason: You may be sure it wasn't the tenant if there was a mortgage on it. The mortgage-holder got it.

Baum: After it had gone to the district?

Mason: Yes.

Baum: Then the mortgage holder would purchase it from the district.

Mason: Exactly. The tenant was out of the picture. He was a third or fourth party.

Baum: Were there new people who came in and purchased, or was it mainly the same people as had been in the community before?

Mason: Any casual search of the records would uncover so much skullduggery in this field that it would simply blow off the roof if it were ever publicized. I am convinced that law breaking, and utter contempt for laws, took place in connection with these land manipulations, during and after the municipal bankruptcy proceedings.
Mason: Here is a copy of the Palo Verde Valley Times of June 6, 1940 listing tax-delinquent land in the Palo Verde valley. You will notice there are two fat sections to the newspaper. It's solid all the way through with tax-delinquent land. I believe that list would embrace well over 90% of the land in the large valley. To take that list and run it down and find out what happened to these delinquent lands, that would be something for some young students...

All through these districts the Federal Farm Land Bank and the joint-stock land banks and the banks generally were buying up mortgages. They didn't insist that the mortgages be compromised, although the mortgages were wholly junior to the irrigation district bonds. In Palo Verde, I know that a large number of mortgages there were refinanced by the Federal Farm Land Bank or the joint stock land bank or some farm credit administration. The mortgages weren't scaled down, but the district bonds which ranked ahead of the mortgages were dishonored and scaled way down, under federal bankruptcy.
Mason Challenges the Constitutionality of the Federal Municipal Bankruptcy Act

Baum: I was wondering if you could give me a brief, chronological account of your efforts to get the Municipal Bankruptcy Act annulled.

Mason: I could give you a chronological account but it wouldn't be very brief. Mr. Downey of Sacramento asked me during the Merced case hearing in Los Angeles in the U. S. District Court, "Mr. Mason, are you aware that you, not a member of the bar, have taken more cases to the Supreme Court of the United States than any lawyer in California?" I said that I was not at all aware of that, Mr. Downey. He said, "Well, it's a fact. I've checked."

Baum: This was on the Merced case?

Mason: Not only the Merced case, literally dozens of others.

Oh, I've got files of briefs and petitions. Look here, this is just a small sample. (look over files)

Baum: If the court cases you have been involved in are too many, perhaps you could send me a list of them and I could include it in the interview. *

Mason: That would be better.

Baum: When you say you were interested in these cases, I know

* See Appendix, page 350.
Baum: you watched them, but did you take part in them?

Mason: Oh yes. At first the top lawyers were not only willing but keen to defend the Constitution and law securing the bonds and I worked mainly with such outstanding law firms as Pillsbury, Madison & Sutro and Brobeck, Phleger & Harrison and W. Coburn Cook of Turlock, Palmer Hutchenson of Houston, Texas, and George S. Clay of Dillon & Clay, municipal bond attorneys of New York.

Baum: When you worked with them, were you involved in the case or did you help them...

Mason: In some instances I was pecuniarily interested. In others I was only constitutionally interested. But I would stick an oar in, you might say, whether I had a pecuniary interest or not. And that's one of the things that's hard to get some people to believe, that my interest has not been exclusively a selfish interest.

For example, I received a letter this morning from an attorney in Spokane, Washington, Mr. Benjamin H. Kizer. He says, "In replying to yours of the 24th instant, I have not the slightest idea that I can shake your opinion by expressing views contrary to yours. Your extraordinary tenacity, which I admire
Mason: but do not share, in persisting in this litigation to which you refer, and your unchangeable conviction that the various jurists who have decided against you are wrong indicates that you are immune to views contrary to yours. Nevertheless, since you wrote me courteously, you are entitled to a courteous reply." And he goes on. I haven't answered his letter yet, but I'm going to cite him jurists who upheld the Constitution as interpreted in the Ashton case. There are literally hundreds of decisions between the McCulloch vs. Maryland Bank and Trust Company, the old Wheaton 316 case, on reciprocal immunity, immunity of the state borrowing powers from state control. I can cite him hundreds of rulings squarely in point.

Baum: Was Mr. Kizer involved in any of these cases in the 1930's and 1940's?

Mason: I think he was. I think he was attorney for the Richland Irrigation District up in Washington. Interesting thing about that Richland Irrigation District, after the district had defaulted on its bonds, the army comes along and condemns the land in the district, including the town of Richland, which has since become the site of the Hanford Atomic Energy Project. And those irrigation district bonds which were kicking
Mason: around at 10% on the dollar were all paid off at par and interest by the United States government. If the army hadn't come in and the R.F.C. had been used, the same bondholders would have likely gotten about 10% on the dollar. And over and above paying the bonds the landholders claimed they were also entitled to be paid. It went to the United States Supreme Court and as I remember the excess payment to landholders over the bond payment was something like $600,000. Certainly, if 10% on the dollar was fair for the bonds under an R.F.C. loan, then Uncle Sam was robbed when the army paid off the bonds at 100%, plus $600,000 bonus to the holders of land who were no longer legal holders of land because most of them had quit paying taxes for years.

Baum: Oh, the lands were already tax delinquent.

Mason: Oh yes, the land taxes had been in default for ten years at least.

I guess every district in California which did petition for bankruptcy, either I or attorneys I was working with took the case to the Supreme Court of the United States and in some cases two, three, even four times. And in all those cases the only petition that the Supreme Court of the United States granted,
Mason: after the Bekins case, was the case of J. R. Mason vs. Paradise Irrigation District where the court heard the petition on a minor question only and ordered me not to raise or argue the basic constitutional point. So I wasn't permitted to present the fundamental constitutional question in the Paradise case. Mr. Justice Douglas wrote the opinion and Mr. Justice Douglas was on the Securities Exchange Commission before he got on the Supreme Court, and as a member of that commission he favored the interests that would profit from municipal bankruptcy. I have a copy of the report where he supported the idea of municipal bankruptcy in 1934. Then, when he gets on the Court he gets a chance to enforce his ideas after they had been disallowed by the Court in the Ashton case. I always believed that Mr. Douglas should not have participated in these bankruptcy proceedings after the stand he had taken when he was on the Securities & Exchange Commission. I think judges have sometimes refused to sit in cases...

Baum: Oh, many times.

Mason: But at least in the Paradise case I had a unique distinction, Mr. Douglas, who wrote the majority opinion, classes me with the Lone Ranger and characterizes me
as "a hold-up man within the law." I've had attorneys
write me from as far away as South Africa on the case
and I am told Mr. Douglas received letters asking how
come he admitted in so many words that he was violating
his oath of office, to uphold the law, and not to
denounce those "within the law."

What I have tried to do is simply this. In the
Ashton case the Supreme Court of the United States
said it's simply ultra vires the authority of Congress.
It's just as much outside their power to legislate
upon as it would be if these were bonds issued by a
state of Mexico.

Baum: Had you taken a part in this Ashton case?
Mason: Oh yes. I was the one they say was responsible for
the court's defending the constitution in the Ashton
case.

Baum: You had sold bonds of that district, is that right?
Mason: I think so.

Baum: I know you had handled a lot of those Texas water dis-
trict bonds.

Mason: Yes. I did not hold any of the Cameron County bonds
personally that were involved in the Ashton case. After
the Ashton decision there was a petition for rehearing
filed by the attorney generals of eleven states. Mr. Coburn Cook of Turlock and some Houston attorneys filed a brief for me as to why the court should not grant the rehearing. In that brief that Mr. Cook filed, right at the beginning he says, "This brief is filed on behalf of J. R. Mason and other bondholders." That denial of the rehearing in the Ashton case and the reasons why it was denied are explained at length by the Supreme Court of the United States in the later case of Brush vs. Commissioner which is reported in 300 U.S. 352 between pages 366 and 369.

The point is this, the later Bekins case went up on a simple demurrer. No bondholder had been forced to lose. The district had filed its petition, but the court had issued no death sentence on the bonds, so it was too early for any bondholder to complain that he had actually been deprived of his constitutional rights. That question was not before the court. It was not until the final decree was issued that the bondholder could raise the constitutional question. What I've been engaged in ever since the Bekins case is to ask the court if they intended to reverse the interpretation of the Constitution announced in the Ashton decision, and which they didn't expressly overrule or reverse in the Bekins case.
Baum: Were you a friend of Milo and Reed Bekins?

Mason: Yes. I knew Reed better than Milo.

Baum: I wondered how closely you worked together on that case?

Mason: Well, we had the same attorney; Mr. Cook of Turlock was also attorney for the Bekins. In that way we were pretty close. Mr. Bekins was a very fine gentleman and he was a defender of the Constitution if I ever knew one.

The list of districts and the briefs and petitions and conflicting court decisions would make quite a book. I have never doubted that one of these days the Supreme Court of the United States will again adjudicate a case involving the provisions of the Constitution that prohibit municipal bankruptcy. I have no doubt that one day the court will reaffirm the constitutional principle upheld in the Ashton case.*

Baum: In all of these cases you were involved in, were you able to enter as an interested party, as a bondholder, or in some of them did you file a brief as amicus curiae?

Mason: No, not being a member of the bar I would not be allowed to file an amicus curiae brief.

Baum: I imagine you would have to have an attorney do it for you.

* See Appendix for quotations from Ashton case.
Mason: Yes. I frequently had that done, but I couldn't have signed such a brief myself. But in most instances the attempt to defend the Constitution was by J. R. Mason in *propris persona*.

Baum: In which case you would have to own at least one bond.

Mason: Oh yes, exactly, but that's an interesting thing that not everybody understands. Lots of people think if you want the protection of a court you must hire a lawyer. No, the Constitution guarantees anyone whose constitutional rights are infringed, that he can go into court himself. It wasn't that I wanted to defend myself so much as it was that every one of these lawyers, big and small, gradually faded away, and advised me to throw up the sponge.

Baum: Did they think it a lost cause?

Mason: No, I believe it was something else. Because not one of them believes that the Bekins opinion changed the Constitutional immunity as interpreted in the Ashton case. But there are ways of bringing pressure and I was not a rich man by any means, nor was it within my pecuniary power to support lawyers who could make more money representing corporations.

Baum: In other words, all the financial pressures were such that they were not able to defend you?
I wasn't able to offer them a sufficient compensation to warrant them in taking the cases and run the risk of offending the banks and the insurance companies, which could throw them a lot of business. I wasn't in any position to offer them a better fee than they could make... For instance, Herman Phleger is now one of the main attorneys in the law firm defending the DiGiorgio Corporation and opposing the federal reclamation 160-acre limitation clause. Mr. Phleger is no doubt being paid a... I'd say a very large fee for his part in representing the DiGiorgio Corporation and the other big landlords opposing the federal reclamation law.

So you were forced to defend yourself.

Right. I have some very interesting letters from lawyers in different parts of the world congratulating me on petitions and briefs and saying that they marvel that anyone without legal training, who never went to law school, in fact never finished high school, could have coped with the rules and complications the way my petitions and briefs did. It has been a training and opportunity to study and get experience with the Constitution that I wouldn't trade for all the tea in China.
Baum: You should go down and take your bar exams and set yourself up as an attorney.

Mason: I'd rather not be a member of the bar because as it is now the bar association can't expel me. Some of the attorneys who did defend the Constitution were told, "You've either got to stop representing Mason or get no more business from us."

Baum: The bar told them?

Mason: No, the financial institutions.

Baum: Did the bar associations put any pressure on your attorneys?

Mason: That I don't know. That's a kind of secret organization.

Baum: It must have taken a lot of energy.

Mason: Not only energy, but it was the most exhilarating and most exciting and the most wonderful experience that anyone could ever hope to have, to feel that you worked for almost twenty-five solid years in an effort to protect the Constitution of the United States and to have the Supreme Court of the United States agree with you and then some months later the Court weakened. It did not reverse the interpretation of the Constitution.
Bondholders' Protective Committees

Baum: That brings us to many questions on bondholders' protective committees. When you fought repudiation in the various districts, did you hold bonds in those districts?

Mason: That's the only way I could fight it in court.

Baum: Then did you ever join any bondholders' committees?

Mason: Yes. In the case of the La Mesa, Lemon Grove, Spring Valley, I not only joined the bondholders' committee but I recommended that the bondholders generally do likewise. That was before the Bankruptcy Act. There was a case where the R.F.C. offered something like 60¢ on the dollar for the bonds and there were overlapping bonds of road districts, school district, mosquito districts, heavens knows what all--that San Diego County situation was a complicated mess if there ever was one, which might have taken almost an eternity to litigate as to the priority of many liens. At the time the R.F.C. made the La Mesa offer and bondholders could get 60¢ for their La Mesa bonds, they could take that money and buy two bonds of Merced practically, get $2000 worth of Merced bonds for each $1000 worth of La Mesa bonds.
Baum: So you favored the bondholders taking the offer there.

Mason: Right.

Baum: And you joined the committee?

Mason: I didn't join the committee, but I didn't oppose the committee and sent the committee a letter saying that I thought it was a very reasonable offer providing the cash would be quickly forthcoming and I thought it would be possible to take the money and do better with it.

Baum: Did you feel this was a genuine bondholders' committee?

Mason: I don't think any of them were genuine bondholders' committees. I think behind the scenes the primary push in all the cases was from the big mortgage-owning groups. They had most to gain, or the most to lose, you might say.

There was the Palo Verde Irrigation District Bondholders' Committee that started out with very up-and-up intentions, but that was another exceedingly complicated situation because there were not only the Palo Verde Irrigation District bonds, but the Palo Verde Levee District bonds, the Palo Verde Mutual Water Company bonds, and the Palo Verde Drainage District bonds. The Palo Verde Irrigation District was organized under a special statute. That further
Mason: complicated matters.

The first bondholders' committee, there was no talk about repudiation or compromise or anything of the kind. Then when it came around to the R.F.C., the R.F.C. offered to pay something like 2½% on the dollar for the Palo Verde bonds. I knew that was, of course, utterly wicked, ridiculous. So I declined the offer. The Palo Verde case dragged along for years and was taken two or three times to the Supreme Court of the United States. They filed under the original Chapter 9, then they filed under the State Bankruptcy Act, then they filed under the amended Chapter 9. Now, the Palo Verde District, in the litigation between Arizona and California, is claiming before the referee of the United States Supreme Court that they had the first water right on the Colorado River, ahead of anything else in California or Arizona and that their water right alone is worth so many millions as to make the price paid for the old bonds look like a robbery.

Oh, it's wonderful how valuable something is when you want to borrow money and how worthless it is when you are asked to pay back what you borrowed.

The proceedings in the Palo Verde petitions, the lawless conduct of the district officials, the prejudice in the federal courts, that provides a very inter-
Mason: esting record for any law student to study.
Baum: Am I correct, at first you thought the Palo Verde Bondholders' Committee was working for the benefit of the bondholders?
Mason: It was, no question about it.
Baum: Did you deposit your bonds at that time?
Mason: No.
Baum: Later on you feel that they accepted an inferior settlement?
Mason: Well, the secretary of that committee was a man named George S. Henry, as I remember, and a very conscientious fellow he was. Unfortunately he died. His successor was not as able, not as patient, and not as familiar with what had gone before. I'm afraid the committee kind of got slipped around. The California court had been very clear about the strength of the law securing the bonds and the duty of the district and county officials and so on. Under the Palo Verde District law the district taxes had to be collected by the county at the same time and manner as county taxes.

An interesting thing, a friend of mine had some street bonds of the city of Blythe, which is within and part of the Palo Verde Irrigation District. He
Mason: had about $50,000 worth of street bonds. After the Palo Verde bankruptcy proceeding had just about finished, he goes into court and sues on his city bonds and recovers in full, which is another interesting inconsistency in this bankruptcy... It would be like putting a railroad through bankruptcy but leaving stand the junior bonds, tell the first-mortgage holder he has to take 25% but let the second-mortgage get 100%.

Baum: Let's say that the bonds of a district are sprinkled all over the state. Who went to the work of organizing a bondholders' protective committee?

Mason: I think your question can best be answered by supplying you with the printed material put out by a number of the bondholders' committees, which I have volumes of. There must have been at least twenty-five or more of those committees and no two of them just alike. Some of them underwent several reorganizations. It's apparent now, as we look back on it, that there was either a mastermind or a master organization forming the committees and directing and advising them and paying them. Those committees couldn't operate without some money and not one of them, I believe, ever asked a bondholder for support.
Baum: I thought the bondholders would naturally pay a certain amount, in proportion, perhaps, to the number of bonds they held.

Mason: Maybe they would have if they had been asked, but they weren't asked. Very different from the early Governor Gillett committee.

Baum: I have read that it was unemployed bankers or bond salesmen who during the depression couldn't follow their usual work who went out and organized these bondholders' committees with the main objective of making a commission from the bondholders. But you say the bondholders didn't pay them.

Mason: No.

Baum: Who do you think paid them?

Mason: Why obviously the big mortgage-owning interests.

Baum: Then, if that is true, you feel that the whole purpose of the bondholders' committees was to get the bondholders to accept...

Mason: ... a scaled-down settlement, which would improve the mortgages. Nearly always, in nearly all cases, the Bank of America was the depository where the bondholders were invited to deposit their bonds. The committee would select a bank to act as depository
Mason: and in most instances the Bank of America was selected. Oh, there were other banks chosen, the American Trust more than once, the Pacific National. I dare say, other banks were depositories. I think the Central Bank in Oakland was depository for the Provident Irrigation District because the Central Bank in Oakland had some very large mortgages on land in the Provident Irrigation District.

Baum: Who handled the work of these bondholders' committees?

Mason: Individuals who were employed to act as secretary for the committee. They would write letters to bondholders and call upon them. Well, a man named George S. Henry was the original secretary of the Palo Verde District Bondholders' Committee. That was one of the very early ones. George C. Stephens was the man chosen to try to get in the bonds of a number of districts. George Stephens used to have a bond house called Stephens & Co. He had his bondholders' committee offices in the Crocker Bank building here in San Francisco.

Baum: He was nominally for the bondholders. Who would he negotiate with representing the district?

Mason: With the district officials.
Baum: The district officials would handle that?

Mason: I wouldn't say they would handle it. He would tell the district officials what he wanted done.

Baum: Let's say a district was going to refinance. They would have somebody negotiate with the bondholders to try to come to some settlement, and they would also have to negotiate with the R.F.C. to get a loan. Were there any specialists who handled that kind of work?

Mason: Yes. I would say that Walter Wagner, who was secretary of the Irrigation Districts Association and also a paid employee of the R.F.C.

Baum: He handled a number of districts then?

Mason: Oh yes. I'd say he was in more operations than any other individual.

Baum: Were there any other individuals who handled a lot of districts?

Mason: George Stephens was one. There were bondhouses in Texas that handled the Texas irrigation districts and brokers and so on.

Baum: Who were the majority of bondholders? Were they individuals who held one or two bonds, or banks?

Mason: I would say that 90% of the banks in California had invested in irrigation district bonds by 1930. I
Mason: I would say that irrigation district bonds were owned by investors and trust funds quite generally. I understood there were something over 5000 owners of Imperial Irrigation District bonds and they were located not only in California but New York and some in Europe. The job of contacting the bond owners and getting them to send in their bonds and the job of printing the bondholders' agreement and contract and all that cost a lot of money and I assure you that no unemployed bond salesman could have paid those expenses.

Baum: You feel that the majority of bonds were in the hands of people who knew about finances, not in the naive one-bond investor's hands?

Mason: As to whether it was the majority or not, I am not clear, but I can assure you that there were very few investors who understood what the law was behind the bonds.

Baum: Do you think the majority of bonds were in the hands of original purchasers or people who had purchased at par or were they in the hands of people who bought them at a low discount?

Mason: Obviously, many got frightened, some that died and their estates had to be closed out and the bonds were thrown on the market. It would be difficult... you
Mason: see, I had gotten out of business long before any of this happened so I wasn't on the inside. But I wonder just what importance that question has, for this reason, each of these bonds was a negotiable instrument and the price that anyone paid for a bond had no relevancy to its face value or legal character.

Baum: Yes. Well, I think the relevance is that if you had bought a bond at 30% on the dollar and you were in a bondholders' committee, it would seem perfectly reasonable to settle at 40% on the dollar while anyone who had bought at 100% on the dollar...

Mason: Very true, you are absolutely right.

Baum: I was thinking that if there were many people who had bought at a low discount they would be willing to force the other bondholders to settle at a low rate and that would be a profitable transaction to them.

Mason: Very true, and that no doubt did happen in a number of instances, which only complicates the issue.

Baum: But perhaps goes some way to explain the bondholders' committees actions.

Mason: Yes, very true. I even heard that some banks that failed, the receiver sold their bonds and some were sold at ridiculous prices. In fact, I heard of the bonds of one district, the bank sold at 40% on the
Mason: dollar, the bonds were due in six months, and on checking the buyer found that the money to pay the bonds was already on deposit in the bank that sold the bonds.

Baum: Is that right? Either gross stupidity there or gross collusion.

Mason: Gross incompetence. Too many unfortunately didn't know what good bonds they had.

Baum: I was wondering if the members of a bondholders' committee dealt personally in the securities that the committee was organized to bring in.

Mason: If they did they were acting contrary to federal law. I don't know if they did.

Baum: Do you know if they might have had conflicting interests, such as holding mortgages in the same district?

Mason: Oh yes. Not only that but there were many instances where big landholders picked up bonds and of course they would turn those bonds in. In the same way, if you could pay your federal income taxes at 25% on the dollar, you'd rather do that than pay 100%.

Baum: Certainly, I should think it would be to the interest of the landholders in the district to get the bonds turned in at the lowest rate possible.
Mason: That's what was done.

Baum: And some of these landholders were members of the committees?

Mason: I'm not sure if they were members of the bondholders' committee.

Baum: But they deposited their bonds right away.

Mason: And they certainly were on the look-out for bonds and for a time there was an enormous search on the part of landholders for bonds at a discount which they used in lieu of cash in paying their assessments. That racket was engaged in on a grand scale until a test case was brought in court, Shouse vs. Quinley (3 Cal 2nd 357) and the court held that it was not permissible to pay assessments with bonds or coupons unless those bonds or coupons were the first in line. The law is very specific about how bonds should be paid when the district didn't have enough money to pay them all. So after probably several million dollars had been saved to the landlords by illegitimately turning in bonds and coupons and getting them accepted by the district in lieu of money, the court said it was unconstitutional but the court didn't say it had to be undone. No, nobody was even slapped on the wrist for having violated the law because that would be
Mason: offending the feudal interests which, it seems the courts never like to antagonize. It was developing into quite a racket where everyone with land in the district would simply default on their assessments, knowing if they defaulted the district would default and that would frighten the bondholders and they would be willing to all but give their bonds away. Then, by picking up the bonds cheap and turning in the bonds to pay the assessments, they could pay taxes for a fraction on the dollar. In some states that process is allowed by the law.

Baum: You can turn in reclamation district warrants in lieu of assessments, can't you?

Mason: Yes. The reclamation district law has no such ironclad order-of-payment command as Section 52 of the Irrigation District Act.

Baum: Do you think there should have been more adequate governmental control over bondholders' committees? For the protection of the bondholder.

Mason: That's not an easy question. I don't believe you can legislate intelligence into bondholders or investors. I wouldn't say that bondholders could have been persuaded to hold on to their bonds, no matter what controls there had been over the bondholders' committees.
Mason: Of course, if the bondholders' committees were controlled by state law, but that wasn't your question. These committees were supposed to operate in connection with the federal bankruptcy statute and I don't want any federal control of bondholders' committees of a state bond issue.

Baum: You would have favored state control then?

Mason: Maybe. That's something I would love to hear argued pro and con.

Baum: How adequate was the control over the committee by the bondholders who had deposited their bonds?

Mason: They had no control over the committee. Once you deposited your bonds, they were gone.

Baum: Then who was the committee? Did you just sign over your bonds to somebody and that was the end?

Mason: Why yes. From then on you had no voice, nothing.

Baum: No vote or control?

Mason: No, you signed a blank power of attorney.

Baum: No limit as to commission to committee members, or court costs?

Mason: I don't believe there was anything of the kind. I think it was just a blank surrender. No, those agreements are quite complicated, small type, lengthy. I
Mason: know one Imperial bondholder, after the Ashton decision he tried to get his bonds out of the committee. George Harrington was the attorney for the committee. He was told he couldn't have his bonds, that's all.

Baum: I could see why even if you were favorable to repudiation and getting 50% on the dollar, you would be reluctant to sign your bonds over.

Mason: It passes understanding the ease with which they got bond investors to turn their bonds in to the committees, although in the Merced Irrigation District case for the first... Well, they worked hard for three or four years, I understand, before they got even 15% of the Merced bonds deposited. The Merced bondholders didn't scare quite as readily as some.

Baum: Did you try to persuade people not to put their bonds in?

Mason: Yes. I'm glad you asked that. Here are some specimen postcards that were used.

Baum: I see you made quite an effort to prevent them.

Mason: I wanted to give them the facts as I saw them, in a nutshell. I think it had some effect.

Baum: I see on this postcard you say that they might contact attorney Cook. Would it have been possible to organize...
IMPERIAL BONDHOLDERS

The owners of about $5,000,000 old and refunding bonds have or been stamped into the surrender of their bonds or into giving any so-called Bondholders Committee their power of attorney. Many bondholders appeared through counsel in the Federal Bankruptcy Court May 15, 1939 opposing the motions by the district and Committee. My attorney, Mr. W. Coburn Cook, appeared on behalf of the largest number of Bondholders.

The District’s request for an injunction, staying all suits was denied. The Court was not satisfied that payment of interest would be ordered to bondholders, until after a full consideration of the law and the facts. When, as and if any funds are ordered aid by the court, there will be no discrimination against those who have not "consented."

For the same reason and to the same extent that you investigate before you invest, have you studied all of the details in the "1939 Plan"? Do you realize that those who deposit their bonds, will or have the benefit of a Federal Court to protect their rights, so next time this District desires "Debt relief"? Should it be proved that our present bonds are not enforceable, what chance would there be for any holder of the "Stamped" bonds, to enforce his claims? Do you understand how different the legal rights and remedies in the 1939 Plan are from those guaranteed on in the bonds you now hold?

In the event you have consented in writing and made deposit of your bonds, and now find the plan includes conditions that you did not understand which warrant you in changing your own written opinion, you might protect your interest best, for the time being at least, by writing at once, a letter by REGISTERED MAIL to the Refunding Agent, formally withdrawing your approval and acceptance of the plan.

Bondholders represented by counsel in the Bankruptcy Court may be successful in enforcing payment of their bonds, in full. Those "consenting" are bound by the terms in the "Plan", whether finally approved by the Bankruptcy Court, or not. Sufficient bonds were represented by counsel to assure a thorough trial of all the facts, and that the cost, per bond, will be very nominal, specially providing creditors retain counsel already representing large amounts of bonds.

While I sympathize deeply with the struggle people everywhere have having to pay taxes and meet their private debts, relief is still possible without seeking to force creditors of the State or its Agencies to surrender general obligation bonds for bonds of an entirely different sort. The undersigned, upon appointment, will be glad to discuss with any bondholder or his attorney, the more intimate details of this matter.

Respectfully submitted,

J. RUPERT MASON,
1920 Lake St., San Francisco

May 17, 1939

Examples of postcards sent out to bondholders.

BONDHOLDERS OF THE IMPERIAL IRRIGATION DISTRICT

There is absolutely no necessity for you to deposit your bonds, and "consent" to their surrender. Any attorney can prepare your proof of claim in a few minutes, or you can send it yourself, to the court. The usual form in any bankruptcy proceeding is enough.

The exhibit accompanying the petition filed by this district, showed that over 800 Bondholders refused to "consent" to their very complicated "1939 Plan".

The Superior Court at Los Angeles has entered judgment in the case of Jordan vs. Imperial Irrig. Dist., for the full amount of the demand, as prayed for in the complaint, and in the petitions in intervention by Pacific National Bank, Mason, Selby and Wheeler.

This judgment in no way gives a "prior and preferential payment", but is for the equal protection of every holder of original or refunding bonds. The Supreme Court in Moody vs. Provident Irr. Dist., 96 Cal. Dec. 512, last November ruled squarely that the law so requires, and ruled in 96 Cal. Dec. 497 that bondholders who had been given "prior and preferential payment" must return the money to the district, under the same law your bonds are issued.

Hundreds of investors are holding their bonds and have faith that they will be paid, as required by law, or that at the very worst, they will be no worse off than those who surrender by "consenting" now.

There are important points of law, raised by several recent Federal and State Supreme Court decisions, which may block this newest effort of the District, aided by the so-called Bondholder’s Committee to force your acceptance of their "1939 Plan", the same as they were defeated in their previous bankruptcy petition, when they tried to force the holders of old bonds to take the "1932 Plan".

Do not fail to send your matured bonds and coupons to the District Treasurer and demand payment or "stamping". This entitles you to 7% interest, until notice is given that funds are available. 7% Tax Exempt is worth some inconvenience?

Sincerely,

J. RUPERT MASON,
1920 Lake St., San Francisco

June 19, 1939
IMPERIAL BONDHOLDERS

Have you been given any financial report showing the present value of the property securing your bonds, the cash on hand which belong to you, the value of land now owned by the district, the amount of taxes due the district and unpaid, and the value of investments that are junior to the bonds you are now asked to compromise?

The California Supreme Court ruled March 21, 1939 that the bonds you now hold rank ahead of the bonds of the county and all cities, towns, school, road and other districts within the Irrigation District. This decision is found in 97 Cal. Dec. 548. It is now law. Whether this will be true if you consent to the present "Imperial Plan" and you get back your bonds made subject to this plan, is important to know. No doubt, effort will be made to amend the law, quickly, so that future bonds will not enjoy this advantage.

The Superior Court recently decided in favor of the Imperial bondholders, on every point, but withheld the mandate only on the claim by the district that it is making an effort to secure the consent of enough bondholders to let it file a petition for bankruptcy. If you have already consented, you can withdraw your consent, by registered mail, if you act quickly. If you have no attorney, Mr. W. Coburn Cook of Turlock, Cal., is counsel for many bondholders of this and other Irrigation Districts. Few attorneys understand this law, so it is important that you contact one that does, like Mr. Cook.

In addition to the court decisions, above, four others, wholly sustaining your bonds are found in 96 Cal. Dec. 497 to 512.

The court has ruled a California Irrigation District is an agency of the state, whose functions are exclusively governmental, whose bonds are General Obligations, payable from unlimited ad-valorem taxes, and that no land or property owned by the District is subject to taxation by any other taxing authority. It will pay you well to read these decisions, and understand the protection guaranteed you, by the law.

The cost of water per acre, per annum based upon the bonds as now outstanding, is among the very lowest in the west, and no evidence has reached me that the district can not and should not be able to service its bonds, without undue difficulty.

Do not fail to demand payment and registration of your bonds and coupons, now due or past due, so they draw interest until paid. The statute of limitations never runs, until the money is collected and notice is given funds are available, if you make this demand.

Without your "consent", no bankruptcy court has jurisdiction.

Yours sincerely,

J. RUPERT MASON,
1920 Lake St., San Francisco, Cal.
Baum: perhaps another bondholders' committee of bondholders who didn't want to turn their bonds over without vote or any control?

Mason: Oh yes. These committees were all volunteer, no legal status whatever, excepting as they were able to get authority from owners of bonds who deposited their bonds.

Baum: Did you or any other bondholder attempt to organize a really representative bondholders' committee?

Mason: I was with Governor Gillett in the original one, yes.

Baum: That was an over-all one, that didn't deal with any specific district. Were there any attempts made for specific districts?

Mason: How do you mean?

Baum: It sounds like this is what would happen here. If a lot of people wrote to Mr. Coburn Cook, he would be in a position to organize them into a group.

Mason: There already was a so-called bondholders' committee in Imperial. That was a very interesting committee. They put out a letter in 1932 saying they had made a contract with the Irrigation district that the district would pay all the bondholders' committee expenses. In other words, the district was taking the bondholders' money and giving it to the committee to send the bondholders a lot of propaganda.
Baum: Do you know if these bondholders' committees tried to coerce nondepositing bondholders to deposit their bonds? Frighten them?

Mason: I have been told of instances where a man borrowed some money from the bank and the banker said, "If you don't deposit those bonds we're going to call your loan." And I have no doubt there are ways of applying pressure quite insidiously without coming out openly and saying so and I have no doubt that many investors were either pressured into depositing or frightened into selling or depositing.

A lady who lived in the neighborhood here, her husband had bought quite a block of bonds of the Alpaugh Irrigation District in Tulare County. I had a few bonds of that district and I wasn't going to give them away. I called on her, and asked her if she had been approached to deposit her Alpaugh bonds. I was going to advise her not to deposit them if I got a chance. Well, she opened up on me, said that I was no end of a rascal for ever having sold those bonds to her husband, her bank, the Crocker National Bank, told her so, her bank told her she was lucky if she got anything for them. She was glad to say she did deposit her bonds with the committee and she was proud of it.
Mason: She was going to get 37% on the dollar for the bonds.

With that I said "Thank you," and left.

Well, after you had had a few experiences like that it wasn't very encouraging to go around to investors and try and protect them when they preferred seemingly to believe bad reports. There was a definite campaign on to frighten investors out of their bonds. Go into any bank in the 1930's and ask about irrigation district bonds and the banker would say, "You'd better get out while you can because if you wait until day after tomorrow you'll likely get nothing." Oh, it was war.

Baum: So that because of this propaganda it would have been almost impossible to organize a separate bondholder's committee that was really trying to hold out for 100%.

Mason: Let's say, instead of trying to hold out for 100%, that was trying to protect the Constitution because you can't get 100% dollars anymore. The dollar isn't worth what it was when these "gold bonds" were issued.

James N. Gillett's California Irrigation and Reclamation Districts Bondholders' Association

Mason: You've heard about the bondholders' committee organized by former Governor of California James N. Gillett. He
Mason: headed the California Irrigation and Reclamation Districts Bondholders Association. Here is a circular letter that went out to the bondholders on March 22, 1935 from his committee. (Reading excerpts from letter which describes various Irrigation District Act amendments since 1931, including the California Irrigation Districts Securities Commission Act, and recommends no bondholders accept refunding bonds issued after 1931 and subject to these serious amendments.) This association, headed by James N. Gillett was truly a bondholders' organization.

Baum: This was to protect all bondholders in all irrigation districts.

Mason: Yes. But unfortunately when the association attempted to get the bondholders to help the association with expenses, even to contribute a nominal amount... This is an amazing thing, most of the bondholders had been told they would be throwing good money after bad if they tried to protect the bonds. The association was never able to get in enough money to even buy postage stamps. James N. Gillett was not a rich man. Bondholders wouldn't even put up $5 to protect a $1000 bond. It's difficult to understand.
Baum: Were you working with Gillett's committee at that time or have any connection with them?

Mason: Occasionally they would consult with me. In fact, this mimeographed communication to the bondholders, I saw before it went out to the bondholders and I made a few suggestions which were incorporated in the communication, particularly on the point that if the bondholders surrendered their old bonds and accepted new bonds, the new bonds would be definitely subject to the amended provisions in the irrigation district law which would make the new bonds a much less-sound investment.

Baum: What did the Irrigation Districts Association think about Gillett's committee? Do you recall that? Were they friendly?

Mason: I would say that many of the irrigation district lawyers were friendly, but not the lawyers representing the big mortgage-owning institutions.

Baum: It seems to me, as you discuss these things, that your work during this municipal bankruptcy act was based on a philosophy.

Mason: It's based on a philosophy that's as deep and as fundamental as the difference between Thomas Jefferson and King George III.
Baum: Were any of the other bondholders, say Gillett, who were active in the same line you were, were they also interested in a land tax?

Mason: They were not so much interested in taxation as they were in basic constitutional principles.

Baum: You think they were tied together with a philosophy as well as an interest in getting their bonds paid?

Mason: Oh yes. This conflict went right to the very root of things. Read the Federalist essays. What was the issue? It was over what powers the states were to have and what powers the central government was to have.

Baum: That was an issue at that time. Was that an issue in the 1930's with the bondholders you worked with?

Mason: That was the issue.

Baum: I think that was the issue as far as you were concerned.

Mason: Well, I wouldn't say it was the issue with bondholders generally.

Baum: I'm talking about the active bondholders, the ones who opposed the Municipal Bankruptcy Act actively.

Mason: Oh, definitely. Governor Gillett and James Irvine and Reed Bekins and the better informed bondholders. Read
Mason: the briefs of Herman Phleger and of Pillsbury, Madison & Sutro, defending bond owners. You'll find that basic in all their briefs all the way through was the jurisdictional principle. Whether the bonds ever got paid or not, was of secondary importance.

Baum: Did you know Gillett personally?

Mason: Oh yes.

Baum: What kind of a man was he?

Mason: He was a marvelous, high-integrity individual. He was perhaps as sound... Well, he reminded me in some ways of Grover Cleveland. I'd say that Governor Gillett was a great constitutional defender.

Baum: What was his occupation in 1929, 1930?

Mason: Oh, he had an office that he used to like to go to; called a law office, but I don't think he did much practicing. I think he had a pension. He didn't live high. He was very unassuming, very modest.

Baum: I wondered why he had taken over the championship of the bondholders.

Mason: Because of his love of the Constitution and his desire not to see the Constitution violated, and there's no surer way to destroy the American Constitution than to destroy the states' sovereign tax power and have all powers centered in Congress.
Barn: For instance yourself, you sold a lot of these bonds and I imagine you felt a certain responsibility to the persons you had sold them to.

Mason: That is true.

Baum: Had Governor Gillett also been engaged in selling irrigation district bonds previous to this time?

Mason: No.

Baum: Did he feel a responsibility similar to yours?

Mason: Not in the sense that he was protecting people who had bought bonds because of his recommendation. No, not because of that, but the responsibility he felt in trying to defend and support the U.S. Constitution was basic in his mind. Time is certainly proving clearly the soundness and importance of his defense of the Constitution as upheld in a very long line of consistent decisions, reported in Brush vs. Commissioner 300 U.S. 352.

Reconstruction Finance Corporation Loans

Baum: I'd like to know how the R.F.C. operated. I understand they made a loan to the district and the district was to get in the original bonds at the depreciated price and then reissue new bonds to the R.F.C. as a security for the loan from the R.F.C. Did the R.F.C.
Baum: act just as a bond underwriter who offered so much
money for these bonds, in a sense?

Mason: I doubt if there were any two R.F.C. loans made under
the same terms and conditions. I have a number of
the so-called loan contracts between the R.F.C. and
the different districts and each one of them has dif-
ferent provisions. There were no set appraisal rules
whatever, as nearly as I could make out. The act
authorizing the R.F.C. to make these loans did not
compel the R.F.C. to scale down the principal of the
old bonds. Had the districts saved money in interest,
that would have been a refinancing that would have
been advantageous to the district. There was no
occasion whatsoever to scale down the principal of all
the old bonds, although Mr. Jesse Jones, or maybe it
was Mr. C. B. Henderson, in one letter, tried to con-
strue the federal statute as making it compulsory for
the R.F.C. to scale down both principle and interest.
But that was not the language in the Farm Emergency
Act of 1933 that authorized the R.F.C. to make these
loans.

Baum: When the R.F.C. made a loan to a district in return
for bonds, was there any possibility that another bond
Baum:  house could have competed with the R.F.C.? Could they also have purchased the bonds?

Mason:  Not only was there that possibility, but there was such a strong possibility that the R.F.C. was very careful to see that no bond house was allowed to compete.

Baum:  How did they prevent this? Could not a community try to negotiate a loan with a private company that would be advantageous to themselves?

Mason:  Not one of them did it. When that was offered in the case of the R.F.C.'s loan to the Paradise Irrigation District, and my attorney made a proposal for underwriting the refunding bonds, the R.F.C. rose up in indignation and threatened no end of trouble if the district even thought of such a thing.

Baum:  You were not in business then, were you?

Mason:  No.

Baum:  You still could have underwritten an issue and disposed of it?

Mason:  I could have underwritten it and kept it, maybe.

Baum:  Didn't the Nevada District get private financing?

Mason:  Yes.

Baum:  It seems to me like the Nevada District got an R.F.C. offer and then got a better deal from a private underwriter.
Mason: I think so. And the Imperial Irrigation District got no R.F.C. loan.

Baum: Did they get refinanced by a private...

Mason: No. They went through bankruptcy, but not with any R.F.C. loan.

Baum: What did the R.F.C. do with the bonds they got from the district?

Mason: It was no time until bond houses were camping on the doorstep of the R.F.C. urging the R.F.C. to let them buy those refunding bonds. The R.F.C. did sell them and the R.F.C. made a handsome profit.

Baum: What happened to the profit? Was it returned to the district?

Mason: Heavens, no. It went into the United States Treasury and has since been given to foreign governments and those foreign governments are not required to first repudiate and scale down their bonds. On our foreign aid program and give-away, as generous as Mr. Jesse Jones may have been accused of being, he was not even a piker compared to what has since been done under the cloak of federal aid. It is very interesting that United States investors in state and local bonds were forced through the bankruptcy wringer, where investors
Mason: in bonds in France and England, Germany, Italy, Japan, Spain, and so on... Uncle Sam extends "aid" to those governments without demanding that they first repudiate their tax secured bonds.

Baum: This R.F.C. loan was based on the R.F.C.'s appraisal of how much the district could pay--this is according to the R.F.C.--it had nothing to do with the amount of bonds outstanding. Do you feel that the R.F.C.'s appraisal was a fair one as to the community's ability to pay then?

Mason: If the R.F.C.'s appraisal was fair, then the previous appraisal by the State District Securities Commission of California was a fraud.

Baum: Of course, that was in more prosperous times.

Mason: I demur. California's population was smaller in 1910-1920 and as California's population increased, the competition for land increased. It is people who give value to land, so it cannot be said that the demand for land was less in 1930 or 1935 than it had been in 1915 or 1925.

Baum: Then I take it you think the R.F.C. put too low an estimate on the ability of these lands to pay?

Mason: I don't think the R.F.C. had a thing to do about
Mason: fixing the figures. The figures were picked out of a hat and were arrived at about like this: "What will the average bondholder of this district be willing to take to get some money?" The estimating was done mainly by a Mr. Walter Wagner, who was on the payroll of the R.F.C. as their appraiser, and was also secretary of the Irrigation Districts Association. So he was in a sense trying to serve two masters. Obviously, as secretary of the Association, the more he could show the districts that he had gotten their bonds cut down, the more popular he was in their eyes. Mr. Wagner should never have been employed as appraiser.

Baum: I know the R.F.C. claimed that the amount of bonds outstanding had nothing to do with... They were not concerned with whether they were reducing the debt, or paying the debt off at par, that was none of their business. All they were doing was appraising the ability of the land to pay and making a loan upon that basis. You feel that is not true at all?

Mason: Can you document that in a letter from Mr. Henderson or Mr. Jones or any of the R.F.C. officials?

Baum: That was in a speech by the Senator, Charles B. Henderson, director of the Drainage, Levee, and Irrigation Division of the R.F.C., I.D.A. minutes of October 1934.
Mason: Well, with all due respect to Mr. Henderson, who was a very amiable gentlemen and who I always got along fine with, he was first and last a politician. I have quite a correspondence file to and from Mr. Henderson. I assure you that Mr. Henderson didn't know an irrigation district from a hole in the ground. He wouldn't know whether it had two legs or four, actually. I would be willing to wager that whatever speech Mr. Henderson made to the Irrigation Districts Association was not written by Mr. Henderson.

Baum: No. I presumed it was supposed to be a statement of R.F.C. policy, and delivered by Mr. Henderson.

Mason: That is one thing, the R.F.C. never had any policy in this regard. I can demonstrate that clearly in this way. It didn't matter one iota whether the bonds of an irrigation district averaged $10 an acre or $100 an acre, the R.F.C. appraisal would often be more on the bonds representing $100 an acre debt than they would be on bonds representing $10 an acre debt on land that was the more valuable of the two. For example, the Glenn-Colusa Irrigation District had a debt averaging only about $10 an acre. As I remember, the R.F.C. figure was a good deal lower than it was on the LaMesa,
Mason: Lemon Grove, Spring Valley bonds where the debt was about $150 an acre. There was no consistency. If you'll go down the line, you'll find that these appraisals cannot conceivably bear any relationship to ability to pay.

Baum: They were tied to ability to cut the debt down as far as possible.

Mason: They were tied to who holds the bonds and how little will they take for the bonds. That was the yardstick, nothing else.

Baum: In this speech by Senator Henderson, he did say or point out that the policy of the R.F.C. was to make loans on the districts where they could cut the debt, because they only had a limited amount of money and they wanted to extend it to as many districts as possible and therefore they couldn't afford to re-finance the more expensive and well-financed districts.

Mason: Well, that makes a good-sounding talk, but the record wouldn't support it.

For example, they tried to get the bondholders of the Princeton-Codora- Glenn District to take 59¢ on the dollar. There was a district with an average bonded debt of about $10 an acre and the finest prune orchards in California and the finest land in the
Mason: Sacramento Valley. When George P. McNear and one or two other bondholders put their foot down and said, "No, we won't go for that robbery,"... A number of the Princeton-Codora-Glenn bondholders had said, "All right," and they got their 59%. But others said, "No, if you can't pay promptly we're perfectly willing to give you time." Since then the Princeton-Codora-Glenn has paid off all of its bonds right on the nose, right on the dot.

Baum: So they got paid at par eventually.

Mason: Why, yes. And the same is true of a number of other districts. The Newport Heights Irrigation District got most of their bonds refinanced through the R.F.C. and there was one lady who said, "No, I think my bonds are good. I don't think I ought to be ordered to give them away." And she got paid.

Baum: In these cases I suppose the district did not go through the bankruptcy proceeding.

Mason: They tried to.

Baum: Couldn't they have forced these bondholders to turn in their bonds?

Mason: No, Newport Heights, the court denied the petition for bankruptcy, threw it out, and said to the district,
Mason: "You haven't demonstrated that you need to repudiate your honest contract."

Baum: I suppose in some districts if there were only a few bondholders who didn't turn in their bonds, it would be cheaper to just pay them off at par then to go through that whole proceeding.

Mason: There wasn't much to the proceedings. It was just filing your petition. Most of the judges... If I said Mr. Henderson didn't know an irrigation district from a hole in the ground, these district court judges didn't know if an irrigation district was a banana or just what it was.

Baum: Did you know Jesse Jones?

Mason: Not personally.

Baum: I suppose you corresponded with him.

Mason: Yes and no. I showed a couple of letters that carried Jesse Jones' signature to a friend who knew Jesse Jones and that gentleman told me it was not the signature of Jesse Jones, just one of his clerks who had signed for him, and that Jesse Jones had never been allowed to see one of my letters.
Merced Irrigation District

Baum: Speaking of appraisals of a district's ability to pay, before the R.F.C. came into the picture there was a study by Dr. Murray Benedict of the Merced district's ability to pay. Did you feel Dr. Benedict's estimate of ability to pay--and of course this was under their then-present conditions--was that a fair estimate, or do you think the bondholders should have had another investigation made?

Mason: I think it was perhaps as fair as could be, considering the subject of the study. It was like asking "How long is a string?" It was just one of those things that can't be answered.

Baum: So you feel the whole idea of a study like this was not scientific?

Mason: Not only not scientific, but was as uncalled for as if you'd start out on a study, "What's the ability of federal taxpayers to pay income taxes?"

Baum: I think Dr. Benedict would select a farm and then try to figure out what price they got for their product, what their various and sundry overheads were, and how much they could afford to pay in taxes and still not starve. Wasn't that the theory he worked under?
Mason: Those are all matters that are presumably determined by the assessor in each county and irrigation district before the valuation of the land is entered on the assessment roll, and anyone who feels his assessment is out of line compared to the neighbors' valuation can appear before the board of equalization and get his assessed value adjusted. But once that assessed value has been accepted by the property holder, then it is too late for him to object to the levy or collection of any taxes that year.

Baum: Then you feel that if these farmers were not able to pay, actually the assessed valuation was too high?

Mason: No, no, no. I have known people to hold very valuable city lots, people without any money who just couldn't pay their taxes. When you hold land that you can't afford to hold, it isn't customary to go looking for bankruptcy so you can escape your land tax.

Baum: In your opinion, the ability of the individual on the land to pay was irrelevant.

Mason: Utterly. Just as irrelevant as the ability of a vacant-lot holder to pay city taxes is irrelevant. Maybe he's on the land, maybe he's not on the land. That has nothing to do with it. If he can't use the land, let it go. There's no penalty if you decide not
Mason: to pay the tax. You don't go to jail.

I think one of the most interesting court opinions was Herring vs. Modesto Irrigation District (95 Fed 705). There the court quotes the attorney for Modesto as saying that the land in the Modesto Irrigation District could not pay the tax that was due, never would be able to pay taxes to pay off the first issue of bonds of the district. Since which time the first issue of bonds has been all paid off and twelve or fourteen other issues have been issued which have all been paid off. It is interesting historically as an evidence of how mistaken one can be about the ability of land values in California to supply public revenue.

Baum: Did you know Assemblyman C. Ray Robinson of Merced?

Mason: Only slightly. He was one of the attorneys in the Merced petition and he was one of the attorneys that promoted the state bankruptcy bill in 1937.

Baum: Before that he promoted this state refunding plan, a $55 million state fund. You favored that.

Mason: Yes. I certainly was in favor of anything that would make it possible for families on the land to stay there. It wasn't the families that were on the land who wanted this kind of federal bankruptcy law. It was the absentee landlords and mortgageholders who
Mason: wanted it. The little fellows with their homes and their farms, they paid their taxes.

Baum: What did you think of Robinson?

Mason: I'm glad you asked that. It was about ten years after the Bekins decision that I met Ray Robinson in Los Angeles and he remembered me and I remembered him. We had a very nice talk. He said, "J.R., I want you to know that I'm ready to admit today that you were right. It was a mistake to ask Congress to enact bankruptcy for the state. You just looked ahead further than most of the rest of us and I can tell you, there are plenty of lawyers today who wish to goodness they could escape this federal Frankenstein that now has the lawyers worried sick."

**Provident Irrigation District**

Baum: I know that sometimes the districts took title to large quantities of delinquent land and then they rented this land out. What happened to the money they got from the rental of the land?

Mason: In the Provident Irrigation District case (12 Cal (2nd) 365) the Supreme Court held very squarely that the revenue collected as ground rent by the district is
Mason: of the same order as the revenue from assessments would have been had the land remained in private hands and the holder paid the assessment on the land. But I regret to say that some of the lawyers for the irrigation districts never accepted that ruling by the State Supreme Court and have either advised or allowed irrigation districts to handle revenues, both revenues collected as ground rent and revenues collected as assessments, as though it was a family-owned corporation and to administer those trust funds in ways that are a crime, according to the laws of California. The attorneys, some of them, seem to be adamant in insisting that unless absentee landlords willingly and voluntarily pay the assessment required by law not only should the district never take possession of land escheated and administer the land as a beneficent landlord, but that the tax evader should be rewarded for having refused to pay the lawful tax.

Baum: Was there not a Provident case, perhaps this is the one you are mentioning, in which William Noble was involved in, attempting to force the district to take over three-year delinquent lands?

Mason: Well, in Provident I think practically all the land
Mason: had escheated to the district under the operation of law. There was no discretion in the law at that time. That was before the tax-moratorium statutes became fashionable. Yes, Noble attempted to get the law respected and I believe he got a little fed up with all the shenanigans going on and I believe... Whether he got paid anything for it or not I don't know, but there was a very nice fellow named George H. McKaig. McKaig had a little bond house of his own. Anyway, McKaig took hold of the Provident case...

Baum: This was for the bondholders.

Mason: Oh yes, McKaig was really representing the bondholders. He retained Louis Bartlett as legal counsel. Louis Bartlett won every case that he handled and that, of course made Louis very unpopular with very powerful interests who didn't want the irrigation district law to mean anything.

It was that case where Bartlett was attorney for McKaig, the Provident Land Corporation vs. Provident Irrigation District. Provident Land Corporation was set up by Noble, or Noble's attorneys, as a corporation. Noble's original idea was that the corporation would become the successor of the Provident Irrigation Dis-
Mason: I believe Noble's idea was that the Provident Land Corporation would become the legal owner of the properties of the irrigation district, but as to the details, I'm not sure because I was out of the country in those years. I do know that Bartlett made a very able defense of the irrigation district law and he knocked out a number of statutes that were designed to weaken the rights of bond owners.

Then, as bad luck would have it, Bartlett and Mekaig somehow were unable to see eye to eye about some details, I'm not just sure what it was, and Bartlett sued Mekaig and I understand he collected from Mekaig something like $30,000 or $35,000 as his fee for legal work although Mekaig, I don't know that Mekaig got anything out of it at all, and I'm not sure that Mekaig didn't do a lot more work than Bartlett did because Bartlett's briefs, I collaborated with Bartlett in helping him prepare the briefs, and Bartlett didn't know very much about the irrigation district law when he met Mekaig. I had known Mr. Bartlett as mayor of Berkeley and as head of the East Bay Municipal Utility District and he was an admirer of Governor Gillett and George Pardee. It was very unfortunate.
Mason: I never did understand the real low down on why
Bartlett thought it necessary or advisable to sue
McKaig.

McKaig thereupon left California and I think moved
to Nevada where he was, I understand, fairly successful
in handling big ranch deals.

Baum: Did the bondholders get anything out of this?

Mason: No.

Baum: They did refund Provident, I think, with R.F.C. funds.

Mason: You can't call it refund. They repudiated.

Baum: They refinanced at a much lower price.

Mason: Why, as I remember, it was about the equivalent of two
or three years interest with nothing on the principal.
It was just murder.

Baum: If Bartlett got that huge fee, what was left for the
bondholders?

Mason: That's a good question and I can't answer it. Just
where the money came from that Bartlett got I don't
know enough about it to say. Certainly, as I recall,
the Provident Irrigation District, the bonded indebted-
ness was not over $20 or $30 an acre. There was no
excuse for repudiating the bonds, for writing down the
principal. The principal should have been refunded at
Mason: 100% and perhaps the interest reduced from 6% to 5% or 4%. Maybe the bonds all to come due in twenty years or thirty years or fifty years.

Baum: It could have paid out eventually?

Mason: Why, without any question of a doubt.

Baum: I remember the Provident case involved the disbursement of the rental money and I think the bondholders wanted the money to pay off the bonds and interest.

Mason: That was the only revenue the district had.

Baum: I think at that time there was a question that perhaps the district was expending more money than necessary in maintenance and operating costs and I wondered if this was common, that when the district rented out the land they used an excessive amount for operation rather than attempting to pay off as much as they could on the bonds.

Mason: No, no. Many districts have discovered that by acting like Stanford University does with its so-called farm... Stanford doesn't sell any of its land, Stanford rents it, and is getting some fantastic revenues as landlord. The irrigation district law has always authorized an irrigation district to sell or lease or manage any land owned by the district or reverting to the district for non-payment of assessments. One of the most
Mason: interesting royal commission reports ever put out in the British Empire was the so-called Lord Uthwatt Report, about 1944, and in Section 147 of this report you'll find substantially this recommendation: that whenever any interest in land has passed to a government that interest should be administered always by way of lease and never by way of sale.

Baum: When the land was leased by the district, were the bondholders fairly treated?

Mason: In the Provident District the main bondholder was a man named Ivy G. Zumwalt, who was also one of the main landholders. Oh, the more questions you ask, the more my mind finds buried around in little pockets here and there little spots that if we turned the spotlight on, we could uncover enough pay dirt here to make Sherlock Holmes or J. Rufus Wallingford, or any overthrow of any government look like child's play. This was history in the making, there's no question about it.

The Provident District was conceived in a smoke-filled room. The secretary of the Provident District committed suicide because he knew the district was breaking the law and that he was criminally liable
Mason: and would be sent to prison if he didn't kill himself. L. M. Benoit was the secretary's name.

Baum: For what crime?

Mason: For being secretary and treasurer of a public district and obeying the bankers and misappropriating the money, maladministration of the tax money, which is an offense against the criminal code in California.

Baum: And what did Mr. Zumwalt have to do with it?

Mason: Mr. Zumwalt was the leading dealer in farm implements and farm machinery in the Sacramento Valley, with headquarters in Colusa. Zumwalt had an enormous farm implement agency. In that field he shined and made a lot of money and put money into land and irrigation district bonds and I don't know what all. The Zumwalt estate today came out of it, some of the most valuable oil and gas lands in the Sacramento Valley was some of the residue that came out of this irrigation district bankruptcy. Zumwalt was a very interesting, aggressive gentleman. I say gentleman because he and I never had any words or anything of the kind. In fact, I don't believe he ever bought more than a very few bonds from J. R. Mason & Co. I think he got most of his bonds latter on. He was an expert in knowing where the duck-shooting was best in the heart of the duck-shooting country. He preferred...
Baum: I imagine he got depreciated bonds in return for farm implements.

Mason: That's right. He got a lot of land from people who had bought farm implements and couldn't pay for the implements and gave him the land. No doubt about that. Not that that is wrong at all, but the picture is a complicated picture, with many shades. The whole history of the valley in California in this period, after 1929, it's not easy to get a proper perspective over the whole subject, but the perspective I see today, especially as we look backwards, is that the general welfare of California would have been much advanced had every one of these districts been held to their bond contract...

Baum: And the land held by the district and leased out?

Mason: Either leased out or resold. Of course, if there was doubt about the rental value of the land being adequate to pay the district expenses and balance the district budget and leave a surplus over and above that, if there was any doubt about that, the land should have been leased and the full rental value of the land under the law belonged first to the irrigation district, ahead of the county, ahead of the school district, ahead of the state, for the uses and
Mason: purposes of the Irrigation District Act and among those uses and purposes is the payment of the money borrowed for those purposes. That is the Provident decision.

Baum: I'd like to hear more about Mr. Zumwalt. You mentioned that he was the biggest landholder in Provident.

Mason: I wouldn't say the biggest, but one of the big ones. And also in the rice districts, I think Zumwalt became a very large landholder and also Zumwalt was very active in using matured bonds of districts in lieu of money in paying assessments, not only his assessments but maybe the other fellow's assessments and getting the other fellow's land by buying bonds at, let's say 20% on the dollar, and using a $1000 bond which cost him $200 to pay off $1000 worth of assessments which the other fellow couldn't pay.

Baum: He must have been very unpopular with his neighbors.

Mason: Yes and no. You'd naturally think that, but the longer I live, the more it seems to me your neighbors seldom ask, "How did you get it?", but only, "Have you got it?" There's nothing that your neighbors will look down on more than if you're known to have been a loser and you engaged in the game and did not come home with the bacon.
Baum: You were involved in a case concerning the reduction of bond interest on Nevada Irrigation District bonds in 1937. Could you give me some background on that district? Were you in on the financing of that district in 1925?

Mason: No, I didn't participate in that. That was an underwriting of Dillon, Read & Co. in New York, one of the big New York bond houses.

Baum: Did you bid on it?

Mason: I don't believe we did because I never regarded the Nevada Irrigation District as an irrigation district except in name. I believed it was conceived by engineers, either directly or indirectly in the employ of the Pacific Gas and Electric Company. And that it was a little idea of some clever or smart financiers that the Pacific Gas and Electric Company, could obtain the use of some falling water, acting through the irrigation district law to borrow money at lower interest rates than the money would have cost the P. G. & E. if it had borrowed the money directly.

Baum: This is why you feel they wanted the irrigation district to put in the works rather than the P. G. & E.?
Mason: Oh yes, obviously. If they could get the works put in by an organization whose securities were tax-exempt, it was very likely that the organization could borrow the money at lower rates of interest.

Baum: Weren't many of the works already there, mining ditches?

Mason: Some of the smaller works, yes, had been put in in the mining period and the water rights had their origin in the mining period. But there never was more than a very small amount of land in the district which was level enough to irrigate. The first thought was, according to the original prospectus which I have a copy of, it was anticipated the P. G. & E. would pay the district a sum of money each year more than sufficient to meet the expenses of the district and pay the bonds. Then, I remember the Attorney-General of the state of California accused the P. G. & E. on one occasion in this matter, said that the P. G. & E. had not lived up to its contract with the district and had asked for a revised contract or a new contract and as to whether the new contract was justified or not I wouldn't attempt to say, but I imagine the Attorney-General, old U. S. Webb, was pretty able in legal matters and when he accused the P. G. & E. of breaking its contract with the district, I was always willing
Mason: to believe that the old general probably knew what he was talking about.

Whereupon they organized a bondholders' committee with the idea of getting in the original bonds and issuing lower interest-bearing refunding bonds. The old bonds were all surrendered by the bondholders after some years of drive by the bondholders' committee and default by the district and threatening that unless you did give up your old bonds and take new bonds you'd get no more interest at all, your old bonds would be dishonored.

I had a few bonds personally. They said mine were the last to be turned in. I turned them in under a protest and definitely preserved or tried to preserve any rights that were in the bonds. I forget the exact language of the reservation now, but I had good legal advice on how to do it without really waiving whatever legal remainder there was. I took the new 4% bonds under protest.

Baum: Did the district go into bankruptcy proceedings to get the bonds in?

Mason: No, this was years before there was any such federal statute.
But it wasn't very long before, they had been so successful in repudiating their first bond issue, they decided to try and repudiate the refunding bonds.

Baum: There had been no cut in principal on this first refunding?

Mason: No, on interest. Then they wanted to cut the interest again from 4% to 3%.

Baum: The refunding bonds had been issued...

Mason: Had been cut from 5½% to 4%...

Baum: And then in 1937 they cut again the interest, to 3%, and a fellow named Livingston protested and wanted his 4%. It went to court as John A. Livingston vs. H. W. Robinson, Treasurer of Nevada Irrigation District, and Nevada Irrigation District. I believe you were one of the interveners in that and W. Coburn Cook was your attorney and A. L. Cowell was Livingston's attorney. It must have been either 1937 or 1938. The case was decided in February, 1938.

Mason: That is something, the record speaks for itself. That Nevada litigation is a book unto itself. It is entirely unrelated to municipal bankruptcy.

Baum: Oh yes, this wasn't under municipal bankruptcy.
Mason: It was quite a shock to me... I turned in my 5½% bonds for the 4½% bonds, believing that Attorney-General U. S. Webb was right when he said that the district had gotten into difficulty because the P. G. & E. repudiated its contract with the district. After I accepted the 4½% bonds and they came back again and wanted me to take 3½% bonds and I objected, the court said in effect that because I had prostituted myself once I must prostitute myself twice. That didn't set too happy. My experience with federal courts is that you're damned if you do and you're damned if you don't, so what can a "poor girl" do.

Baum: I was just rather surprised to see A. L. Cowell representing Livingston in that case. Usually he represented the districts.

Mason: Yes. But I've known cases, well, the Mercury Herald vs. Moore case in 1943, reported in 138 Pac. (2nd) 675, really the attorneys on both sides in that case were representing the same party. It was a manufactured test case. I have never been sure but what the Livingston vs. Robinson case was not also a manufactured case.

Baum: I was wondering if it was.
Mason: It was quite a shock to me... I turned in my 5 1/2% bonds for the 4% bonds, believing that Attorney-General U. S. Webb was right when he said that the district had gotten into difficulty because the P. G. & R. repudiated its contract with the district. After I accepted the 4% bonds and they came back again and wanted me to take 3% bonds and I objected, the court said in effect that because I had prostituted myself once I must prostitute myself twice. That didn't set too happy. My experience with federal courts is that you're damned if you do and you're damned if you don't, so what can a "poor girl" do.

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Baum: I was wondering if it was.
Mason: It is necessary to have an attorney on each side, but it doesn't always follow that the attorney on either side is really completely in sympathy with his client.

The case was taken to the United States Supreme Court. It was done by the attorneys, Mr. Orrick and Herrington and those attorneys originally approved the bonds. Then they were employed to... they were the legal counsel behind the bondholders' committee. First they got a handsome fee for approving the bond issue and then they got another fee for making wallpaper out of their opinion. It's morals that is entirely beyond my power to fathom. Why, in the old days, my goodness, when there was an attempt to repudiate any kind of a municipal bond issue, why, it was the law firm that approved the bonds in the first place that was there to defend the bondholders and fight for the rights of the bondholders, not to step in and destroy those rights.

Baum: Was the Nevada District able to cut the interest the second time?

Mason: Yes, so there have been three, you might say repudiations, by the Nevada District. Now they have it so jiggled up that the next time they want to repudiate, when they can get 75% of the bondholders to agree, why,
Mason: it's automatic.

Baum: At any time did the Nevada District go through bankruptcy proceedings?

Mason: No.

Baum: Then how did they coerce the bondholders?

Mason: That's the point I've been trying to make all the way through. There's been no need for this federal bankruptcy. Bondholders are softies.

Baum: But there's always a toughie or so who will hold out.

Mason: All right. If you can get 90% of your creditors to say, "We'll waive our rights..."

Baum: You feel that's enough. They could afford to pay the 10% off.

Mason: I don't see why you wouldn't be 90% ahead. There's no law authorizing 90% of the bondholders to rewrite the law or rewrite the bond contract. Where much of the confusion has come in, they confuse these bonds with bonds issued by a private corporation under a deed of trust where the deed of trust may provide that 51% of the bondholders can coerce the 49%. Under a deed of trust like that, of course you can have a composition, you don't need any federal permission, but the federal court in putting through the composition or enforcing it, would not be doing anything
contrary to the deed of trust. But a city or county
or irrigation district bond is not issued pursuant
to a deed of trust; they are issued pursuant to a
statute. And there is nothing in the law that allows
even 99% of the bondholders to deprive the holder of
even one bond of the rights guaranteed to all the
bondholders under the law. If any of them waive their
rights, the mortgage holders are that much ahead.

Was there any advantage to the P. G. & E. to have this
repudiation and reissuance of bonds?

That's not an easy question to answer. If the P. G. &
E. had lived up to its contract, there would have
been no need to refinance the bonds, so obviously
after the district did refinance, I would say that
meant that the P. G. & E. would not have to pay the
district as much money each year.

I am wondering if there is any evidence that the dis-
trict was working with P. G. & E. rather than bargain-
ing to get the best rate possible from P. G. & E.

There was a man named Wisker, he was the manager of
the district. O. L. Wisker, I believe was his name.
He was quite vocal in his criticism of the P. G. & E.
It wasn't long until somehow Wisker found himself out
of a job. After Wisker was pushed out of the way, I
Mason: don't think there was much more opposition to anything the P. G. & E. wanted.

Wisker had been active at the time the district was organized. He was an engineer and I believe an able engineer. Also, I never heard anyone question that Wisker was a man of character, a man of integrity. I know that he died a poor man—that's pretty fair evidence that he was honest.

But it was a long battle. The story of the Nevada District and its so-called partnership with the P. G. & E., my heavens, if that is a fair example of partnership... Today we hear the war cry of the Republicans, there must be a partnership between the federal government and the private power companies. It would be just as possible to have a partnership between the Internal Revenue Department and the income-tax payers. It isn't a relationship of a kind that can be a partnership.

Baum: In this Nevada District, would you say that you feel there was collusion between the management of the district and the P. G. & E., or would you just feel that the relationship... they attempted to do it honestly, but it was an impossible relationship?
Mason: Let's put it the latter way. I always like to give the other fellow the benefit of the doubt. I wouldn't charge anybody with bad intentions. I do feel this, however, the Nevada Irrigation District has never used their taxing power more than a very mild dose of it. And of course, whether the P. G. & E. advised the district not to try and raise revenue by taxing the value of the land...

Baum: Wouldn't that have been an advantage to P. G. & E. if they had taxed the land rather than living off the falling water, as they did?

Mason: Yes, but of course, I believe one of the strong talking points in organizing the district was somewhat the same as the P. G. & E; used in this recent Tridam deal where they ran these big newspaper ads promising that the dam and canals and so on would be free of cost to the land owner.

Baum: I suppose it doesn't make any difference to P. G. & E. since they just pass what they pay on to the consumer anyway.

Mason: That's understood. Any taxes on the power companies pay are allowed by the Public Utilities Commission as an expense, same as any other expense. They may talk in certain advertising about how much taxes P. G. & E.
Mason: pays, but that's a figure of speech.

But they have never, to my knowledge, done anything except, so to speak, get in bed with absentee landlords. And it seems strange that they would allow themselves to get in such a situation. Mr. M. D. Lack, who was the manager of their tax department, he died two or three years ago, he was a wonderful gentleman... He saw the facts in the relationship between the power companies and the irrigation districts and what would have been wise for the power companies to do. He saw it so clearly and he told me that more than once he had tried to discuss the subject with the higher-ups, but he found that he could not do so without being possibly aggressive and he didn't think it was perhaps prudent to be too pushy about it, for fear they might not only refuse to listen, but chop his head off.

Perhaps the Nevada District is one example of the effort made by a power company, an effort of cooperation, but heavens to Betsy, what a sick chicken they picked out to make the effort with. Because the Nevada Irrigation District is not an irrigation district. There's no irrigation to speak of there, and no likelihood of being such a community as Modesto or
Mason: Turlock. It was a fringe situation that they tried to experiment with.

Baum: I think Mr. William Durbrow was the manager of the Nevada District. Was he the one who came in after Mr. Wisker?

Mason: Oh yes, not until after Mr. Wisker.

Baum: And he was also president of the Irrigation Districts Association.

Mason: I believe he was for a time. And he was also, before then, manager of the Glenn-Colusa Irrigation District.

Baum: I think at the time Mr. Durbrow was president of the I.D.A., the I.D.A. was fighting P. G. & E. on the Modesto... Modesto was trying to put in their own power distribution and P. G. & E. was trying to cut the rates and so on.

Mason: I think that was right.

Baum: So I would presume that Mr. Durbrow was going along with the I.D.A. in opposing P.G. & E.

Mason: Well, I knew Mr. Durbrow very well, an awfully nice gentleman. I can only say that Mr. Durbrow was always such a gentleman that I could never picture him very strongly opposing anything, if you know what I mean.
Why Municipal Bankruptcy Act Is Against the General Welfare

Mason: Let me read you this statement by Walter Wagner.

(Reads from a quotation of Walter Wagner before the Senate Committee on Agriculture and Forestry, 72nd Congress, 1st Session, on Senate Bill 1856, January 15, 1932, p. 18 ff. Mr. Wagner describes how one corporation has taken over 200 farms on mortgage foreclosures and turned them into corporate farms, with the original farm houses being turned into bunkhouses rather than housing a farm family.)

And that is precisely what the Municipal Bankruptcy Act has accomplished in California. It has thrown families off the land and turned the farms and lands into absentee-owned corporate farms, and that's my objection to the whole municipal bankruptcy program. It has not been a program to defend or protect or promote the general welfare.

The dickens of it, usually it is looked upon superficially without understanding the real mechanics and consequences. I will defy you to go into any irrigation district today where the original irrigation district bond issue would not be considered today
Mason: an ultra-, ultra-conservative loan. What has actually happened is that the bondholders were robbed and the beneficiary has been mainly absentee landlords who have gotten hold of the land which was relieved of its obligation to pay assessments and that has resulted in enabling the absentee holder of that land to capitalize the price of the title deed until today the cost to a home seeker of land in any of these districts is many, many times equivalent of what the district bond issue was. Had these bonds remained outstanding, they would have been a protection to every home seeker.

Baum: They would have been a lien on the land that would have kept the price down.

Mason: Right, and the speculator could not have worked his way in and gotten there to fence out the home seekers. That's my objection.

Baum: I believe that's a very good statement of your position.

Mason: I believe these were trust lands, just as much so as the Boston commons or a national park, and the Supreme Court of California has so ruled.
Baum: During the years you were in business did you attend the meetings of the Irrigation Districts Association?

Mason: Quite regularly.

Baum: Why?

Mason: I guess for the same reason the principal of a public school would attend a schoolteachers' convention, to try to keep your ear to the ground and your eye on the ball. Also, to circulate among the district officials and get better acquainted with them. I think I can say without any qualification that I never undertook to get the law amended in ways that would mean a more profitable activity for J. R. Mason & Co. Perhaps I don't deserve any credit for that because for the first several years J. R. Mason & Co. literally had no competition.

The main purpose of the Irrigation Districts Association in the years that I attended their meetings, when Walter D. Wagner was secretary of the association, was for the district officials to meet once a year and compare their own different experiences and benefit from each other's mistakes and out of it
Mason: all develop many ideas for amendments to the irrigation district law which strengthened it, and safeguarded the community. I don't believe there was ever an association that was more free of--let's say, special interest influence, than the Irrigation Districts Association in the years that I attended their convention meetings.

Baum: About what years were those?

Mason: Oh, until 1928, 1929. I forget the first year. I forget when the association was organized.

Baum: Somewhere around 1912.

Mason: I didn't think it went back quite that far.

Baum: I think it was very small when it started.

Mason: Yes, and the districts were very few in those days. In fact, in 1912 there was only Modesto, Turlock, and Alta. I believe Imperial was organized in 1911. It might be... Imperial has always wielded a powerful influence on the association.

On several occasions an attempt was made to change the law so that it would correspond with the laws governing school districts and cities and counties and the revenue of the district would be raised by an annual tax on the land values and the buildings and improvements. That was before I heard of Henry George,
except I had seen billboards of the Henry George cigar with a man with whiskers holding up his hand saying, "I am for Man." That's all I knew about Henry George. I dare say very few of those attending the convention knew any more about Henry George than I did, but I remember this distinctly... One of the directors of the Imperial Irrigation District was adamant. Every year he would try to raise the issue that irrigation districts should tax buildings and improvements. And I know that every time he brought it up, the people instinctively, to a man they would in unison oppose amending the irrigation district law to again tax buildings and improvements.

I imagine they represented to a large degree the small farmer who had improved his land.

And he knew that in the irrigation district, if he built himself a good barn and put in orchards he was in no danger of having his irrigation district tax increased, but his county tax would be doubled or trebled.

When you went to these meetings were you regarded as a participant or an on-looker?

I was regarded--not as an on-looker. I don't know just how to express it, whether they looked upon me
Mason: as an uncle--I hope they didn't look upon me as Uncle Sam--but I was known as a person who had had experience in underwriting and distributing bonds of districts and they knew that I had gotten money for the districts, and where I had undertaken to get the money I had always delivered.

Baum: Did they look upon you as a friend who was going to perhaps be able to help them finance...

Mason: Oh, yes indeed. I was persona grata 100%.

Baum: Sometimes financiers are looked upon as competitors, from whom you would want to get the highest bid, not as a friend.

Mason: That, of course, is also true, but it was a rather unique circumstance. During the first few years there literally was no competition, so the opportunity to bite the hand that fed them, so to speak, wasn't so great as it would be if there were many competitors looking for an opportunity to lend to the community. While they knew that I was not in business solely for my health, still they also knew that I had handled a number of deals without regard to the profit because I knew the community needed the dam or canal or the improvement and could ill afford to pay what the job was really worth.
Mason: It's like Congressman Phil Swing of the Swing-Johnson Boulder Canyon Bill said in hearings in 1930, in introducing me to the members of the House Committee on Irrigation and Reclamation on Senate Bill 4123. Mr. Swing said,

I want to say in connection with Mr. Mason that he is and has been an able and distinguished friend of reclamation and drainage projects for a good many years, assisting them in financing themselves through the sale of bonds and even showing his faith in them by investing his money.

Mr. Glover: In whose behalf does the gentleman appear?

Chairman: I think Mr. Mason is out of business now. He is a free lance and friend and advisor of the people interested in legislation of this kind.

So that was still my reputation in 1930, although I had been out of business for three years.

Baum: You were still attending the I.D.A. meetings after you went out of business.

Mason: Yes.

Baum: I think I noticed your name in attendance there after 1927.

Mason: Yes. The association under Walter Wagner was a very constructive organization. Wagner was an unusually competent person, but between the pressure from the
Mason: mortgage interests and the so-called absentee-landed interests and the private power interests, how Wagner remained as sane as he did remain and as even-tempered, I marveled that he could carry on as competently as he did in the face of such overwhelming and implacable opposition. Perhaps when he finally accepted employment by the R.F.C., he had been through many hard battles and after awhile you get punch-drunk. I never felt any ill will toward Wagner for going on the payroll of the R.F.C., but I did think he had a double interest. The more he could get the bonds repudiated, the better he would stand with certain district officials who didn't think beyond the end of their noses. He was certainly not an impartial appraiser. He should not have accepted such employment, in my opinion. But Wagner had had a very hard time keeping his financial nose above water personally and it may be that he really just kind of said, "Well, if these big mortgage companies and California Lands Incorporated and others who should know what's what want it this way, who am I, if I can make a decent living... well, life is short." And it was. Wagner didn't live long after and I hope that his final years were years that he enjoyed life. But I
Mason: still feel he was an interested party as an appraiser.

He certainly was never accused of leaning over backward in favor of bondholders.

Baum: I think Mr. A. L. Cowell was one of the founders of I.D.A.

Mason: Certainly Mr. Cowell was there in the beginning.

Cowell was a very able gentleman. Cowell somehow got his mind worked up to a point where he convinced himself that Congress should have the authority to control the payment of local government bonds, although he would never admit that Congress should have the power to control the issuance of local government bonds.

Baum: Was he for municipal bankruptcy?

Mason: Oh yes.

Baum: Was he also for scaling down the bond issue?

Mason: He was attorney for a number of districts that did that. Of course, he had nothing to say, I presume, about what figure the R.P.C. pulled out of the hat.

I know this. Cowell, in the early days, was the attorney in many important test cases and he was then in court in support of the governing law as construed and interpreted by the courts. He nearly always prevailed in the courts because he was supporting the
Mason: State law. That was true for many years. Cowell built up a very fine reputation.

Maybe the pressures we were speaking about on Wagner were also more or less felt by Mr. Cowell. Mr. Cowell maintained a little one-by-two office in Stockton and his office was so overcrowded with briefs and law reports and bulletins of all kinds that he hardly had room to sit down in that room. How in the world Mr. Cowell ever kept his wits at all in such disorder was a miracle to me. Whenever I'd call on him he'd be literally snowed under. His desk, well, if there was any part of his desk that wasn't at least four feet deep in documents... But he was a very fine gentleman. He and I always had very definite respect for each other.

Frequently in cases where I'd be having trouble with a district he'd come in and defend the law and help me find the right cases to fight and do it pro bono publico. There is no doubt that Mr. Cowell, along with Senator Dennett and Senator Garrison and a few others, deserves to have a niche in California's irrigation hall of fame.

Baum: I wanted to ask you about some of the other officers in
Baum: the Irrigation Districts Association. Did you know S. A. Hultman?

Mason: Only very slightly.

Baum: Charles Lambert was vice-president then, about 1923.

Mason: I know that Charlie Lambert got his fingers into rice districts in the Sacramento Valley and helped to put the bondholders of those districts through the bankruptcy wringer and Charlie Lambert came out of the deal, I have been told, a very rich man, picking up the land relieved of its duty to pay taxes to help support the district.

Of the cases Lambert was involved in, I think the cases of George H. McKaig vs. Provident Irrigation District and the cases of Clough vs. Compton-Delevan Irrigation District, a study of the briefs in those cases, all state court cases, make very interesting reading. Later the Provident Irrigation District case went to the U.S. Supreme Court under Chapter 9 and the Compton-Delevan Irrigation District case, after it was supposed to be all buttoned up, Mr. Reed Bekins had some bonds and he hadn't been notified that he only had until two-o'clock Tuesday to turn in his bonds or else get nothing. Mr. Cook petitioned the court to reopen the bankruptcy proceedings, which they did... Mr. Bekins
Mason: was allowed to get a few cents on the dollar for his bonds instead of a complete goose-egg. But I have a suspicion that what he finally got from the R.F.C. for his bonds would not even pay the cost of printing the briefs that were involved. So he might have been better off to have taken nothing for his bonds, which was the ambition of Charlie Lambert and others.

It was certainly true that the top men in the Kremlin could never have been more vicious in their attitude toward the landlords in the U.S.S.R. than were the courts and some lawyers in their attitude toward investors in California irrigation district bonds.

Baum: I take it you were not very friendly to Charles Lambert's part in refinancing the districts.

Mason: It certainly is true that I wasn't very friendly. I not only wasn't very friendly, but I just never saw him, never corresponded with him, never had anything to do with him because I had word as to what he was trying to do and what he said about what he was going to do and honestly, I didn't think that he would ever be able to do what I admit now that he was successful in doing. It wasn't that I was unfriendly; I just thought he was talking gobbledy-gook. I have never
Mason: seen Charlie Lambert or had word of him in about thirty years, except I have heard in roundabout ways that he came out of these bankruptcy proceedings with either an open or a hidden interest in a lot of land, some of which is now valuable gas and oil land. Lambert set out to do a job and he had the support, I believe, of the biggest mortgage interests and some of the strongest insurance interests and some of the strongest legal firms...not as strong as the legal firms on our side to begin with, but that's the way the score appears at the moment.

Baum: I think at the same time Walter Wagner was secretary, William Durbrow became president.

Mason: Yes. Durbrow's son is now secretary of the association. A very nice fellow. Yes, Mr. Durbrow was manager of the Glenn-Colusa Irrigation District before he became manager of Nevada Irrigation District. If I'm not mistaken, Mr. Durbrow was manager of the Glenn-Colusa Irrigation District when the law was pushed through allowing irrigation districts to put on a charge for water. Before then no irrigation district could make a charge for water used by anyone in the district. In 1919 the law was amended to permit the districts to get money by means of an annual assessment
or by means of a water toll or both. There was the
beginning of another Pandora's box because it's been
a struggle ever since... In some districts the offi-
cials want more of the budget paid by means of water
tolls because the more money that is collected as
water tolls, the smaller the land assessment needs to
be.

Baum: That's what they did in Nevada District. They had no
assessments at all for awhile.

Mason: Right. That's Durbrow's philosophy.

Baum: Durbrow is for water tolls.

Mason: Yes. I believe I'm fair and correct in saying that.
Naturally, if a district got its budget balanced by
water tolls that would mean a tax-free ride for holders
of idle land in the district.

Baum: Durbrow was the manager of Nevada at the time they
reduced the interest, but he didn't try to reduce the
principal?

Mason: Well, between you and me, Durbrow had about as much
to say as to whether the interest or the principal
was reduced as a teacher has about the curriculum of
the university. Durbrow was a salaried employee of the
Nevada Irrigation District, but the fiscal affairs were
undoubtedly dictated by the P. G. & E.
Baum: What about the Irrigation Districts Association? Did Durbrow take a strong leadership position there, or did Wagner run the association?

Mason: I would say Wagner was much the more influential and active man and did the work. I would say that Walter Wagner was the wheel horse. He was the Irrigation Districts Association for a number of years. The different presidents from time to time were nice figureheads, but when it came to doing the work and influencing the legislation, I think Wagner was more influential. He had a very good personality for that kind of work. He was an excellent mixer and he had a marvelous memory for names. He was an able lobbyist. I don't think while he was secretary there was ever a bill that he wanted for the irrigation districts... I think he got just about every bill he wanted passed and signed by the Governor. I think he was one of the ablest administrators I have ever known.

Next question?

Baum: I've noticed that you have said several times that while Walter Wagner was secretary the association was free of any special interests. Does this imply that you feel things have changed since Walter Wagner's day?

Mason: No, I didn't want to create that impression because,
Mason: honestly, I have no idea how the Irrigation Districts Association raises its budget today, whether it gets all of its money from the irrigation districts or gets some money from corporations. I have never asked.

Baum: Do you feel they have changed their policy?

Mason: Well, I haven't heard of the association taking any definite stand on the matter of power by-product in a good many years. In the old days, when Modesto and Turlock built the Don Pedro Dam, who should distribute the power was a very live and debated question in the Irrigation Districts Association. If there has been any such debate or question in recent years, I haven't heard of it.

Baum: Do you feel the association just tries to avoid the question?

Mason: I don't want to say.

Baum: I imagine they have members on both sides.

Mason: I'm sure they have. With all due respect to young Bob Durbrow, who's a very high-class gentleman, I can't imagine Durbrow standing up and saying, "They shall not pass," the way Wagner used to do. I don't say he wouldn't, but he's not quite the same type as Wagner. If Wagner got an idea he was pretty good
Mason: about supporting that idea and defending it, and when he called the power companies names the way he did in 1932 at the convention and accused them of being willing to wreck communities in order to get their own way, that was using pretty clear language. I wouldn't say it was exaggerated language at all because the record is quite clear.

I used to think, maybe Wagner loved a good hard battle. He would stay in the fight and they would knock him down, but he'd come right up again.

Baum: How about Bert Smith now? He's a pretty fiery speaker.

Mason: Oh yes, Bert is a different make-up than Durbrow. But Bert is comparatively a newcomer.

Baum: And he's not secretary.

Mason: No, he's head of the Water Economics section. No, Bert is a very competent, able...and if the top brass would lend their ear to Bert Smith, I think he could help them escape a great deal of very serious difficulties which are ahead if they are not very careful.

Baum: One more question on the Irrigation Districts Association. After you began to fight the Municipal Bankruptcy Act did the association become hostile to you or did some of them agree with you?
Mason: Oh, many of them agreed.

Baum: Wagner was pretty angry with you, I think.

Mason: Well, if he was I never knew it.

Baum: At least he made some statements, just a few men were trying to prevent this refinancing that is going to save these many communities, and then he mentioned you and George Covell and somebody else.

Mason: I had forgotten that. You see, Wagner had gone to work for the R.F.C. and was hired to do a job and I wasn't working for the R.F.C. or for anyone. I just didn't choose to be pushed around. As I said, I went along with the refinancing of the LaMesa, Lemon Grove and Spring Valley. I turned in my bonds and said, "That sounds like a fair cash offer."

There's an old saying, "You can lead a horse to water, but you can't make him drink." When the R.F.C. and the others, regardless of the Constitution, said, "Your money or your life; we're gonna make you do what we say," that put a little different complexion on things. I kind of said to myself, "Well, we'll see."

Baum: Sounds like a stubborn streak in there.

Mason: Oh, I admit it. Stubborn as they make them. I was going to defend that Constitution if I could.
Baum: Did you continue your friendship with Walter Wagner?

Mason: Well, I'm sure of this. If Walter Wagner was really angry at me, he never said so to my face or let on when I met him. Up to the last we never had any words.

Baum: He may not have been personally angry.

Mason: Oh, I'm sure he wasn't. And I was never personally angry at Wagner. Gosh, he was an admirer of Hiram Johnson and Johnson once said, "A man must eat."

Baum: I came across a reference to the National Water Users Conference. Walter Wagner was the chairman of the Refinancing Committee in 1931. Could you tell me what that was?

Mason: I believe that was a forerunner of the National Reclamation Association. There were a number of embryonic associations attempted.

Baum: In the spring of 1933 the National Drainage, Levee, and Irrigation Association got through an appropriation from the R.F.C. for fifty million dollars to permit them to refinance. Were you at the hearings on that?
Mason: No, I was at the hearings in 1930. *

Baum: That's when the irrigation districts wanted to get included.

Mason: Yes, the bill was practically ready for passage, but included only drainage districts. Mr. Wagner of the Irrigation Districts Association found that I was going to be in New York and Washington and asked me if I would be willing to try to get irrigation districts included in the drainage bill. The bill had no opposition until it was suggested that it be amended to include irrigation districts and the pressure against the bill was really terrific. I always had a feeling that it was the private power company influence that lowered the boom because Modesto and Turlock had committed lease majesty when they built the Don Pedro Dam and had not turned over the power to the P. G. & E. The P. G. & E. didn't want any more irrigation districts

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* Loans for Relief of Drainage Districts. Hearings before the Committee on Irrigation & Reclamation, House of Representatives, 71st Congress, Third Session. S. 4123, "An Act to Provide for the Aiding of Farmers in Any State by the Making of Loans to Drainage Districts, Levee Districts, Levee and Drainage Districts, Counties, Boards of Supervisors and/or Other Political Subdivisions and Legal Entities, and for Other Purposes," December 11 and 12, 1930. Mason's comments are on pages 14-36, 51.
Well, the Irrigation Districts Association at their annual convention in 1933 passed a resolution accusing the power trust of being willing to destroy communities and that their propaganda was dastardly. It was quite a battle. The drainage interests were having smooth sailing with no opposition, but when I appeared and testified, the trouble began. As I recall, the bill that was proposed was Senate Bill 4123 and the hearings on that bill contained a good many pages of testimony when they had me on the stand. But I say without any hesitation that the bill would have gone through and drainage districts would have gotten federal aid if irrigation districts had been left out. No drainage district law in any state authorized a drainage district to generate or distribute hydroelectric power. Drainage districts don't build dams.

But whether it's drainage or irrigation, it's all water control and regulation. In either event, a drainage improvement work or an irrigation improvement work will make the land more productive and desirable. It certainly is not consistent to say that drainage works will be paid for out of the federal
Mason: treasury while irrigation works will be paid for by the holder of benefited land, but that was the scheme they had ready to go. The drainage landholders were to get a free ride at the expense of the U. S. Treasury. That was in 1930.

Baum: That didn't pass.

Mason: No.
BIOGRAPHICAL

Childhood

Baum: Would you tell me a little bit about your parents?
Mason: My father was James Lewis Mason. My mother was Frances Baker Mason. I was born in Des Moines, Iowa, September 18, 1886. I went to public school. When I was quite young my father had an accident and died and I was sent to southern Iowa to live with my grandparents, General Andrew J. Baker, my mother's father. He had been Attorney-General of Iowa and he was head of the law firm Baker, Drake & Shonts. One of the partners, Francis M. Drake, later became Governor of Iowa and founded Drake University in Des Moines. Theodore P. Shonts later became famous as one of the men Teddy Roosevelt put on the Panama Canal and he later became head of the New York City Railways. My grandfather was quite an influence on me. He gave me lectures about the Constitution and the philosophy of Jefferson that were very unusual. He impressed me deeply.

My mother had gone to Chicago and got into life insurance and was quite successful.
Wasn't that rather unusual for a woman to be in business in those days?

It was not only unusual, but my mother was unusual even for those days. In Des Moines she had taken up oil painting and water color and china painting and had entries in the state fair. She nearly always came home with the first prize, no matter what she competed for. I remember, for three successive years in Chicago she won a prize of a trip to New York which one of the big insurance companies gave to the agent who wrote the most insurance.

She also, of course, had been influenced largely by her father, who wrote one of the first volumes on the U.S. Constitution, annotated. Later, he was also Attorney-General of the state of Missouri.

So my early education was pretty solid background.

Had your grandfather been a Populist, or was he interested in the farmer movements?

I believe not. I never heard that he was. I remember once that he came home and gathered the family around and said that he had been approached to become attorney for one of the leading railroads and that it would mean several times the salary that he was getting
Mason: as attorney-general, but for reasons that he never explained clearly, but which seemed very sufficient to him, he declined the offer with thanks and stayed on as a public defender.

No, as I recall it my grandfather was a 33° Mason and a Republican and a conservative in the finest sense of the word. That is, he believed in conserving the Constitution and the great principles which it is intended to protect.

Baum: When you were living with your grandfather, was your mother there or was she away most of the time?

Mason: Mother was in Chicago. My grandfather's firm was in Centerville in southern Iowa.

Baum: So would you say you were mostly raised by your grandfather?

Mason: For several years, yes, and very, very sensitive years. When Mother was able to take care of me in Chicago, she brought me to Chicago. I remember the first school I went to in Chicago was the Theodore Parker School on the North Side, a very wonderful school it turned out to be. The next year I signed up as cabin boy on a freight boat, thinking it would be a summer vacation. The freight boat started in Chicago, went
Mason: through the Great Lakes and to Europe.
Baum: How old were you?
Mason: Fourteen. When I got to Antwerp, there was a letter there from my mother telling me to leave the boat and find my way to a school in Switzerland, which I did. I went for a year to this beautiful school at Vevey on Lake Geneva, the Institution Sillig. It boasted among its graduates J. Pierpont Morgan and Louis Napoleon and quite a galaxy of celebrities. I attended that school for one year and by the end of that year I had been given a wonderful excitement and incentive... It was an international school. There were boys there from at least ten different countries and many languages were spoken. At the end of the year I was able to converse in French or German or Italian or Spanish just about as well as English.

Then for a year after that I spent mostly on my bicycle touring Italy and Europe in general and writing articles and little things for newspapers. The Chicago Daily Tribune ran quite a series of them, "A fifteen-year-old Chicago boy seeing Europe alone."

Baum: Why had your mother decided to have you go to this school?
Mason: My mother—many things she decided were always more or less mysterious to me as to why she did it. Mother had never been in Europe but she personally conducted me through the art galleries of Italy and the Louvre in Paris and the cathedrals. By remote control she would tell me just what to see in each city and what art gallery and how to get there and I'd go and find that she was right.

Baum: She sounds like a very strong personality.

Mason: She not only was that, but when she was seventy she became interested in the study of evolution and she set out to get the best experts in the world to each write on his special field of study. She got twenty-four of them and put their essays together to read like a continued story. They were all connected in a sense. That book was called Creation by Evolution. For six months it was practically the best seller in the country. Her second book was called The Great Design.

The remarkable thing about it, she had no college training. She began her interest in evolution after she was seventy and she did this without office equipment or private secretary. (Gets copy of book).

Baum: (reading) Creation by Evolution, edited by Frances
Mason: No.

Baum: Were you her only child?

Mason: Yes.

Baum: What had been your father's occupation?

Mason: He was a merchant. He had a wholesale and retail millinery establishment in Des Moines.

Baum: And how old were you when he died?

Mason: I think eight or nine.

Baum: Had you had any experience in the store?

Mason: I had experience in a store. I went to work for a little jewelry store in Centerville. My job was to get up before daylight and go to the store and go out to the woodshed and get the wood and build a wood fire, sweep out the store, take the jewelry out of the safe and put it in the show cases, fix up the window, and have the store nice and warm. The boss would come about a quarter of nine and I'd go off to school. Then I sometimes came and relieved him for lunch and came and closed up in the evening, put everything back in the safe, put out the cat, a few other things.
Mason: In winter I'd have to plow through the snow. The woodshed was quite a distance from the store. And clerk all day Saturday. For doing all this, I received the magnificent compensation of $1 a week. That gave me an idea that a dollar was pretty important. It's funny how you get ideas as a boy about the size of something and that more or less makes an impression that is hard to forget. That gave me an early understanding that it isn't easy to earn money.

The knowledge that my grandfather was not a rich man, my father had been anything but a rich man, and my mother was certainly not rich. I had no relatives who were going to leave me a silver spoon. I knew from the earliest time that it was root, hog, or die and there was going to be no featherbed to fall back into if I didn't find out how to paddle my own canoe.

In my year on the bicycle in Europe, my average outlay was five francs a day, one dollar, which paid for hotel, meals, sightseeing, everything.

Baum: You have listed here in your biographical note St. John's Military Academy, Delafield, Wisconsin. When was that?
Mason: Yes, that was when I got back from Europe, 1904. When I got through there I went to work for this bank in Chicago.

That's quite a school. There are a lot of St. John's boys in California. We have an "old boys association" that meets every now and then. We regale each other with old times.

Marriage

Baum: When did you get married?
Mason: November 8, 1915.

Baum: This was when you were in business for yourself in San Francisco. How did you meet your wife?

Mason: Her family had arranged a tea party and a young fellow who was a very good friend of mine had been invited and somebody had suggested that he bring a friend, that there might be more girls than fellows. So I got invited. The party was at their home on Washington Street right near First Avenue. My wife was very much surrounded; I wasn't able to get very near to her. But some days later I made bold to telephone and was quite stunned; I no more than asked if this was Miss Masten and she replied, "Yes it is, Mr. Mason."

Baum: So she'd noticed you.
Yes, and that was helpful. So we had a lovely wedding at the big Episcopal Church, Trinity Church, and honeymooned in Del Monte in Southern California and that was that.

Baum: Her family was Episcopalian?
Mason: I'm not positive. My mother was. I wasn't in very much on arranging where the wedding was to be. That was all, I believe, arranged between her mother and my mother.

Baum: You don't know what her family's religion was?
Mason: I'm not sure.

Baum: What was her maiden name?
Mason: Miss Eugenie Masten. Her father was Joseph Masten.

Baum: What was his business?
Mason: He was an official of the Crocker Bank. Her father's father, well, on both sides they were pioneers. Her father's father was James K. Masten. Among other things, he built a railroad in Arizona, the line that connects the Southern Pacific with Phoenix. I think it's about a hundred mile line. Her mother's father was James Martel who was one of the original founders of the Hibernia Bank and also many other institutions and organizations. The Martel family and the Masten family are both pioneer families in California.
And Mrs. Mason was a native-born Californian?

Mason: Yes. Alameda.

Baum: Did you have any children?

Mason: No.

Baum: Your mother later moved to Southern California, didn't she?

Mason: Yes. She lived in London and Paris for about ten years and then moved out here.

Baum: I know you traveled abroad a number of times in the years following your retirement. Could you tell me briefly where you visited on those trips?

Mason: My first trip to Europe was in 1901 and 1902. We visited Europe twice before my retirement from business in 1927, and frequently after. I made quite a study of land reclamation projects and policies in Palestine, Egypt, Italy, Greece, Turkey, Spain, U.S.S.R., China, the Dutch East Indies, the Philippines, Australia, Peru, Chile, and Mexico, circling the globe three times, and taking plenty of time to study on the ground. I was a delegate to the Pan Pacific Conference in Honolulu in 1927, and the Pacific Science Congress at Bandoeng, Java in 1929.

What I have seen in many arid and semi-arid regions, which once supported great civilizations, con-
Mason: It vinces me that the desert is always fighting to re-
claim its own. Hence the survival of civilization in California depends as much on the irrigation systems, as any other single thing. I am grateful indeed, that I have had a part in the growth of so many communities in the irrigated valleys of Cali-
fornia, Texas, and other western states.

Political Opinions

Baum: What were the preferences of your mother and your grandfather politically, especially your grandfather?

Mason: Oh, my grandfather was a dyed-in-the-wool Republican.

Baum: Your mother too?

Mason: As far as she had any interest in politics. I can't recall that her interest in that field was very serious. Her interest was more in music, painting, china painting, water colors, art.

Baum: Did you grow up a dyed-in-the-wool Republican?

Mason: I never dreamed of anything else. In the Baker family, if you had mentioned you even knew a Democrat, it would be unpardonable.

Baum: When Theodore Roosevelt came on the scene, there was a split in the Republican party. Which side were you on then?
Mason: I'm inclined to think...of course, I wasn't able to vote then, but my sympathy was instinctively with Teddy Roosevelt. Perhaps one of the reasons, which I was not aware of then, was that Teddy Roosevelt had run for mayor of New York City and one of the other candidates was Henry George. It was in that campaign for mayor that Teddy Roosevelt got his first experience in political affairs. He had some debates with Henry George during the campaign which opened his eyes. It was from those debates that Teddy Roosevelt got many of his so-called "Bull Moose" ideas.

Baum: And you liked his "Bull Moose" ideas.

Mason: I did, yes. I thought they sounded pretty American, pretty constitutional. But as Georgists sometimes say, "Teddy never quite saw the cat."

Baum: How did you feel in 1912 when Roosevelt was running against Taft, and Wilson was running on the Democratic ticket, but had many of the same ideas as Roosevelt?

Mason: My recollection is that I had kind of a tough struggle, but I was more inclined to support Wilson than Teddy. In the introduction of this little book, How to Abolish Poverty, by George L. Record, it tells about George L. Record's influence upon Woodrow Wilson, and how George L. Record got ideas from Henry George. So isn't it
Mason: interesting how both Woodrow Wilson and Teddy Roosevelt had been influenced by Henry George.

Baum: Did you vote for Wilson, or do you remember?

Mason: I don't remember for sure, but I think I did.

Baum: That must have been a blow for a Republican.

Mason: Oh, I started being a little rebel...Mother was very wonderful. She trusted me, and she didn't try to pressure me, certainly not on politics, and I had a very inquisitive mind as a boy.

I think Woodrow Wilson will go down in history as a man who tried and the fact that we're no closer to unity in an international sense than we were when the League of Nations was buried doesn't prove for a minute that Woodrow Wilson's basic ideas were in error.

Baum: Are you speaking of his domestic policy or his League of Nations?

Mason: I wouldn't draw too sharp a line between the two, because I think in his domestic policies he was basically a free trader, but he was up against forces... one thing that I was never quite able to reconcile was his failure to oppose the Sixteenth Amendment more strongly than he did, but maybe he didn't think it was going to be adopted.

Baum: I take it you favored the League of Nations.
Mason: I favored a forum where the leaders of the different nations can meet and hold a town meeting, where the world can look on and hear the debate. I don't think any better method has been devised for ironing out misunderstandings. I'm very positive that we've tried time and time again with bullets and bombs and so forth to kill ideas, but there are some ideas you just don't seem able to kill. Nothing would please me more than to hear a town meeting debate between Mr. Dulles and Mr. Krushchev and Mr. Macmillan and Mr. Churchill. Let's hear them debate.

In no sense do I think there should be a world government with super-authority to dictate to everybody. No. I think my ideas on that are quite well presented in my address in Denmark in 1952. I think Churchill is right when he says it is either co-existence or co-extinction.

I believe there is a science of political economy which is as exact as the science of astronomy. I believe that deeply.

Baum: Do you consider yourself a Democrat or a Republican?

Mason: I consider myself a citizen of the world, an independent.

Baum: A world federalist?
Mason: No, I didn't say that.
Baum: I'm trying to put you into a political category and you're not letting me.
Mason: Well, it's difficult when you can't find a bed you would feel comfortable in.
Baum: In an old newspaper I read that you were a Roosevelt supporter.
Mason: Yes, I was a supporter of F.D.R. in the early '30's, before Louis Howe passed away.

Mason Becomes a Single Taxer - 1938

Baum: I'd like to get a little bit about how you first got interested in the Henry George movement. When did you first realize that you and Henry George had come to the same conclusions?
Mason: Well, I began suspecting it in 1936. I knew a number of admirers of Henry George. Judge Jackson H. Ralston, who was a very famous international lawyer, had many cases at The Hague, and was one of the leading attorneys for the American Federation of Labor. Judge Ralston lived in Palo Alto and he promoted a proposal to repeal the state sales tax in California and have the state raise the money that it would otherwise collect
Mason: from sales taxes by means of the traditional ad valorem tax on land. But it was one of the friends of Judge Ralston who got me in the corner one evening. We were discussing the Hetch Hetchy project and the Raker Act. His name was Milligan. He owned a restaurant in San Francisco, down where Kit Carson is now. He ran a good restaurant and he was an able thinker.

He got me in this corner. He said, "Well now, on water and power. Supposing San Francisco got hold of the Hetch Hetchy power and had its own distributing. And supposing San Francisco reduced power rates. Even suppose San Francisco offered to supply electricity free of cost. Who would benefit?" "Well," I said, "It seems to me the users of power would benefit." "Yes, they would, but let's think a little further. If there was free power here, industries would be more attracted to San Francisco, would they not?" I said, "Yes, of course, and wouldn't that be a good thing?" He said, "Yes, it would be a good thing, but let's think. If more industries located here, the industries would need workers and that would increase the population and the competition for locations for homes and business sites would increase. And what happens when the competition for locations increases?" "Why," I said, "Of course,
Mason: The price of land would go up." He said, "That's where the benefit would go."

Well, it hit me, just like an alarm clock in the middle of the night. I said, "My God, to think I've been so blind all these years, that the real interests that are promoting municipal ownership are not socialists. The municipal ownership movement wouldn't have gotten where it has gotten if it depended on a little group of pinks. How stupid can we be! John Randolph Haynes of Los Angeles, the great Haynes Foundation, it comes out that all the time Haynes was promoting the Los Angeles Bureau of Water and Power Haynes was out acquiring land. Haynes made his fortune out of the unearned increment in land values. New population attracted to Los Angeles by cheap water and power.

Baum: You think he was aware of that all the time?

Mason: Why, if he wasn't he was certainly lucky, because he made enough to set up the Haynes Foundation in Los Angeles, which has a lot of backing. Haynes was never a businessman. He never manufactured anything. While he was pushing for municipal ownership of water and power, and low water and power rates were increasing population in Los Angeles which increased land values, he rode the crest of the wave.
Mason: Just as simple as that, which I was completely ignorant of when I used to know Dr. Haynes and used to work with Mulholland and try and protect the poor users of water and power, thinking they were the ultimate beneficiaries, which they weren't at all.

Baum: This was in 1936 that you became interested in the Single-Tax?

Mason: 1938, I believe.

Baum: 1938. That was the last time the Ralston amendment came up for a vote. Did you take part in that campaign?

Mason: Yes, I was on the list of sponsors, along with Glenn Hoover and Louis Bartlett and many other much better-known names than mine.

Baum: Who were some of the prominent Georgists in this area at that time?

Mason: I think I can find a list.

Baum: Louis Bartlett was a Single-Taxer?

Mason: Yes.

Baum: Is he still a Single-Taxer?

Mason: I think if you put the emphasis on the word "still." He is quite "still." Louis has since found an opportunity to do quite well. He acquired some acreage at
Mason: the south end of Lake Tahoe, some years ago, and I believe it has become very valuable.

I thought I had a letterhead of what was called the Sales Tax Repeal.

Baum: I'm sure we have some of that material in the library.

Mason: On the old letterheads you'll find a list of well-known people here and in Southern California, although it was nothing like as large a list as it should have been.

Baum: You mentioned Joseph Thompson, one of the leaders of that time.

Mason: Oh yes, he's a very enthusiastic capitalist, and one of the few capitalists who knows the difference between capitalism and feudalism.

Baum: Thompson's sister is Kathleen Norris.

Mason: Yes. Thompson has done a great deal of work in this field. He is now president of the Henry George School of Social Science of San Francisco and I believe he's a director of the Henry George School in New York, an international organization. And he's a vice-president of the International Union for Land Value Taxation and Free Trade.

Baum: Is that centered in Britain?

Mason: Yes. And of course, he's president of the Federal
Pacific Electric Manufacturing Company in San Francisco,
Mason: which is one of the world's biggest. In this new issue of Land and Liberty that just came yesterday, here's a full page "Letter to Manufacturers," by Joe Thompson. He has written some of the finest material I have ever seen. He knows that the so-called single tax would be a stimulant to private enterprise and would not fall on capital or labor in any sense of the word, and is the one and only tax that cannot put up the cost of living.

Baum: Wasn't Noah Alper active here in those years?

Mason: Yes, he was the secretary, or director of theRalston campaign. Here is Mr. Alper's latest. He has established in St. Louis what is known as the Public Revenue Education Council, "educational, non-profit, non-political, Noah D. Alper, president." He has put out a number of very nice pamphlets. This one is called "Why the Land Value Tax Cannot be Shifted," a chapter from the new book, Constructive Taxation for Free Enterprise by Judge Fuchs.

This morning comes from Oakland a copy of Economic Liberty.

Baum: Oh, by Mr. Wisler. He was active in irrigation districts, wasn't he?

Mason: Oh, and still is. He is the main accountant for the
irrigation districts, has been for forty years. He, like myself, was active around irrigation districts and didn't recognize the Georgism until something hit him. Now he's as enthusiastic about it... Notice, on the third page there he has a picture of Henry George.

Baum: Oh, I see you are a correspondent for this paper too.

Mason: Yes. I've known Les Wisler for over forty years.

He's quite a fellow. I'll take off my hat to him.

He's as serious and sincere and honorable as anyone you'd ever want to meet. For a long time he belonged to the so-called Social Credit group. He had the idea there was a possible way of attaining social justice by controlling the money supply. Well, he's almost dropped that now. He sees that the taxing power is a much more effective tool.

(Discussion of Report of Large Landholdings in Southern California with Recommendations, issued by the California Commission of Immigration and Housing in 1929 in which the single tax as a possible solution was mentioned.)

Baum: Was this put out when Simon Lubin was head of that commission?

Mason: (looking at booklet) Simon Lubin was head of the
Mason: commission, Reverend E. J. Hanna was vice-president, Paul Scharrenberg was secretary.

Baum: Did you know Lubin?

Mason: No, but I have the book on his agricultural institute in Rome. (Further discussion of the report on large landholdings.)

Baum: I'd like to get on the record what you've done with the Single-Tax movement, what organizations you've participated in, what writing you've done.

Mason: Let's see, in 1938 I, as they say, "saw the cat." In '39 I attended a conference in New York of the International Union for Land-Value Taxation and Free Trade, a combined conference with the Henry George School and the Henry George Foundation. There I met the leaders of the International Union for Land-Value Taxation and Free Trade and met F. G. R. Douglas, who is now Lord Douglas of Barloch and in the House of Lords in London and one of the ablest political economists in the world and a very wonderful worker for the principles of justice and sound public revenue and protecting private property from taxation. I was invited to make one of the main speeches at that conference in '39. Samuel Seabury and Mayor LaGuardia were the main speakers at
LaGuardia spoke for forty-five minutes without notes and quoted from *Progress and Poverty*, page after page. The New York *Herald Tribune* and New York *Times* next morning came out with great headlines, "LaGuardia Disciple of Henry George."

They had a special Henry George day for the New York World's Fair, September 2, the birthday of Henry George. Special admission tickets were printed. Everyone who went into the World's Fair that day got a ticket with a picture of Henry George on it. Samuel Seabury, a very famous lawyer, he was LaGuardia's tutor and also the man who conducted the insurance investigation under Charles Evans Hughes. Seabury was to make the oration of the day at the New York World's Fair and arrangements were made to give it world-wide radio coverage. That was the day that Hitler marched and the radio program had to be called off.

Seabury delivered the speech, but the people who were there from England, Denmark, so on, heavens, the trouble they had getting back home. Why, the Danes were over a month getting home. Mr. Ashley Mitchell, the treasurer of the International Union, was lucky to get passage on a flying boat and got home after a few delays. There were flying boats in those days, but no airplanes as we have now, you know.
Mason: Well, that experience gave me an opportunity to get pretty well acquainted with some of the officials of the International Union.

Baum: Wasn't that rather unusual, you had been interested in the movement for only one year and you were already making a major address.

Mason: Why, I had been interested in the subject of public finance for a long time, but I hadn't understood that it was Georgism that I was interested in. As I say, I was almost letter-perfect when I discovered what economic camp I belonged in.

Well, ten years later the International Union was holding a conference in England, in Swanwick, which is right near Sherwood Forest of Robin Hood fame. I received an invitation to attend, just a routine invitation, and I decided to go. When I got there I was asked if I would be willing to serve as chairman of the resolutions committee. Well, I had come completely unprepared for anything of that kind. I said I'd be glad to try. So I was chairman of a resolutions committee composed of nine officials from five different countries, speaking five different languages. Luckily I had gone to this school in Switzerland so I could get along quite well in French
Mason: and fairly well in Italian and passably in Spanish or German, so I was able to understand a smattering. And
by Jiminy, we got together and forged a declaration
of human rights that has since been translated in the
main languages and published in them and circulated
over the globe.

Following the success with the resolutions com-
mittee they asked me if I would serve as president of
the International Union, which was a much bigger sur-
prise.

Baum: Were there many Americans there?

Mason: Oh yes, there must have been many Americans there.
There were four hundred and fifty plus in all, and
they were from over twenty countries. I'm still
puzzled on how such a great opportunity ever happened
to come my way, because it was something you read
about in fairy books but never imagine it would hap-
pen to you. It was just that big a surprise to me.

Baum: Did Mrs. Mason go with you on your trip to England?

Mason: No, not that time.

I chaired the last part of the Swanwick meeting
and all of the Danish meeting and most of the third
meeting in 1955 in St. Andrews in Scotland. At the
Mason: close of the St. Andrews program they presented me with this beautifully done scroll... It reads as follows:

Resolved: On the eighteenth day of August, 1955, by members of the International Union for Land Value Taxation and Free Trade, assembled at St. Andrews, Scotland, that Mr. J. Rupert Mason of San Francisco, president of the Union for the past six years, has during that time devoted himself untiringly in this high office to advancing the ideals of human freedom as set forth by Henry George and to which this Union is dedicated. The termination of his stewardship calls forth this expression of appreciation and gratitude for the inspiration he has given and for the duties he performed with such conspicuous ability, determination, and zeal.

(signed)
F. A. W. Lucas, President
Arthur W. Madsen, Secretary.

Baum: I was wondering if Mrs. Mason went with you and if she was interested in the Henry George movement?

Mason: Mrs. Mason is interested, as much as I am interested in her hobbies, and that is a great deal. Mrs. Mason plays the piano beautifully. Mrs. Mason is very interested in my having a hobby, but her taste is for art and music.

Baum: In other words, she is not politically minded.

Mason: Oh, not in the slightest, excepting she is about the most effective... I was going to say propagandist, which reminds me about the yarn about Mrs. Luce inter-
viewing the Pope. She was supposed to have a fifteen-minute visit and thirty minutes rolled by and she didn't come out. The Pope's secretary opened the door a crack, after a half hour, and saw Mrs. Luce in front of the Pope with her finger going like this at him and the Pope with his cap on one side and the Pope saying to Mrs. Luce, "But Mrs. Luce, I already am a Catholic."

Do you take part in the Henry George School here?

I'm a director, yes, and I'm a trustee of the Henry George Foundation of America with headquarters in Pittsburgh.

Does this involve going to meetings? What do you do for this work?

Yes. Well, the main thing they like you to do is let them have a check once in awhile. The Henry George Foundation does most of its work in Pennsylvania. They can point with great pride to the city of Pittsburgh, which is the outstanding city in the United States today in the way of a rebirth. Since the Henry George idea was put into partial operation in Pittsburgh, the smog and smoke and slums have been cleared out and Pittsburgh has experienced a new birth and there has perhaps been more fine new building going up in Pittsburgh than in any other city in the United States.
Mason: The answer is that they have lowered the city taxes on buildings in Pittsburgh and increased the tax on land values. It's just as simple as that.

Opinions on Taxation and Local Government

Central Valley Project

Baum: Did you take any part in the Water and Power Act campaigns, 1922, 1924, and 1926?

Mason: I was friendly with Rudolph Spreckles and Franklin Highborn and John R. Haynes. While I was an awfully busy young fellow, trying to make a living, in those years, I did have a real interest in the Water and Power Act campaigns.

Baum: Later on there was a discussion of the Central Valley Project, a federal project, being purchased by the state. I wondered if you took any stand on that?

Mason: Oh yes, all the way through I took the stand that the Central Valley Project in the beginning was a state affair and should have remained a state affair and I never favored getting federal gifts. I believed that would have a poisonous effect on the project from the beginning and have always believed the state should assume its responsibility in paying for the project.
Mason: That's one of the examples I had in mind earlier when I talked about state responsibility, not states "rights."

Baum: You think the state should handle that, and pay for it.

Mason: Definitely. I think the states have a taxing power as great or greater than the federal Congress has. I see no possible excuse for the state expecting Congress to pass laws to raise all the money needed for Congress and every state in the union and every country in the world.

Baum: You favor the 160-acre limitation.

Mason: Definitely, under the circumstances. But under the irrigation district law we got rid of the big holdings in Modesto and Turlock without any arbitrary limitation.

Baum: The people who favored taking over the Central Valley Project by the state are those who are opposed to the 160-acre limitation, aren't they, largely?

Mason: Some of them are, yes. And some of them may be confused. The Grange is opposed to the state having anything to do with it, which in effect is the answer to the absentee landlord's prayer and the Grange, without realizing it, is playing the tune that the absentee landlords hope they'll keep on playing. The absentee landlords know there can be no federal tax on land in
the Central Valley Project unless the federal government taxes land values all across the country.

So the Grange and George Sehlmeyer, without his realizing it, are really in bed with the big absentee landlords. I've known George Sehlmeyer for a long time and it's a tragic thing that George doesn't understand... Well, George never did like the irrigation district act, always opposed it. He never thought the holders of benefited land should pay the cost of irrigation works. Just who he thought should pay he never would say, unless it would be Uncle Sam, and his idea is that if Uncle Sam pays for something, that means it's free.

Well, A. P. Giannini was prejudiced against irrigation districts too. Of course, he was very enthusiastic about the great land reclamation projects under Mussolini in Italy, praised them highly. I don't question A. P.'s sincerity or the honesty of his opinions, because I am frank to admit that I had a blind-spot myself in those days. I studied Mussolini's great Bonifica Integrale on the ground. I knew that it was receiving a very substantial government subsidy, and as I look back on some of my comments, I thought that was a pretty good thing. (Reads from a speech
Mason: written by himself and published in the February 1935 Reclamation Era praising Mussolini's Bonifica.

(Discussion of an article by a Columbia University professor, Dr. Schmidt, in the September 1937 Political Science Quarterly, "Land Reclamation in Fascist Italy," in which Professor Schmidt criticized the land reclamation program because the cost of the irrigation works was not charged against the benefited land. Further discussion of a book by Professor Schmidt, The Plow and the Sword, 1937.)

Baum: Did you begin to change your mind about 1937?

Mason: That's just about the time.

Baum: So since you wrote that article in 1935 you have changed your mind.

Mason: Why, I was as blind as a bat when I made this speech. That's what I was saying the other day. Here, I'd been handling these irrigation district securities and I knew there was something good about the districts that had made California very different than any other part of the world I'd ever been. I was groping for what it was. I was warm at times. Why, I quoted this speech by Teddy Roosevelt on federal reclamation of arid lands with a great deal of gusto, and I was just as mistaken as Teddy was.
Mason: Why, when the Bonifica Integrale was completed, instead of creating lasting activity for the people, what's been happening? The U.S. taxpayer has been billed to make the payments for land reclamation in Italy, but the lands of the great Italian landlords are still tax-exempt.

Opposition to Federal Aid to Local Government

Mason: Did you have an opportunity to attend the meeting of the Constitution Party in San Francisco this week?

Baum: No. Aren't they mainly held together by their ideas on revenue?

Mason: Yes, T. Coleman Andrews is the spark plug. He was the Collector of Internal Revenue. After he resigned he made a number of speeches and wrote a number of articles giving his opinion of the federal income tax statute and that led to a lot of people taking heart who had previously been timorous about even discussing taxation. I would say the Constitution Party basically is an attempt to find our way back to the Constitution in fundamental respects. Obviously, the most fundamental point revolves around how public revenue should be levied and collected. That is the question they have been willing to look in the face although they
Mason: have not yet announced any agreement. There is seemingly little hope in getting any constructive action out of the Republican administration.

Baum: Were you active in the formation of the Constitution Party?

Mason: Oh no. And I have not signed up but I feel very strongly we need to make a re-examination of taxation. The U.S. Constitution guarantees equal rights to life, liberty, and property in the Fifth and Fourteenth Amendments. How can there be equal rights to life, liberty, or property if all the taxes are laid on people without any land and those holding valuable land are allowed complete federal tax exemption as long as they hold the land unused and idle?

I feel that T. Coleman Andrews has been the most forthright and courageous man in public life that has appeared on the scene in a long time.

Baum: You've shown me some correspondence from Archibald Roosevelt. Did you meet him at the Congress of Freedom meeting?

Mason: Yes, possibly three years ago. The Congress of Freedom was the forerunner of what seems to be evolving into the Constitution Party.

Baum: Didn't the Congress of Freedom meet in San Francisco in 1956?

Mason: Yes.
Baum: Do you think the Congress of Freedom is united on states rights?

Mason: They are no more united on anything than is the Republican party and I would say neither the Republican party nor the Democrat party is united on anything. I hope the time never comes when any political party has members who are all united, about everything like they were in Germany under Hitler.

The Constitution Party is in a very embryonic stage. I have no idea what their platform will look like, but I am going to encourage the members of that party in any way I can in the hope that their efforts will at least stimulate discussion.

Baum: Would you favor reducing the total amount collected in taxes, or keeping the same amount of revenue coming in and shifting the burden to land?

Mason: There's no man living who would be happier if it were possible for us to live and work together without any taxes. We know from experience that whenever a local government contemplates an expenditure, we see the forces of economy unite and oppose any extravagant expenditure. The same economy forces would unite to oppose any federal expenditures if they knew they were going to be paid for by an annual ad valorem tax on the land.
Baum: What aspects of government do you think are extravagant?

Mason: I would put the brakes on all federal aid to state governments. I would insist that states and local communities raise their own money without handouts from Uncle Sam. If the community cannot afford to pay for an improvement, it has no right to make others pay for it.

I saw the same trend creep over Germany. We were in Germany in 1934 when the Reichstag, the central government, passed a statute simply usurping the sovereign powers of the Weimar states. There was no longer any state authority or responsibility, any states rights, any protection for individual rights. From then on Hitlerism had no obstacle. We are losing the most precious safeguard of rights in our Constitution, which were insured by home rule and state and local responsibility for traditionally local affairs.

And really, nothing has happened in a long time that I think deserves more enthusiastic applause than what Senator Knowland did in firmly opposing federal "aid" to schools despite the President's insistent demand. And when the party leader in the Senate takes
Mason: issue with the President on an issue of that kind and takes issue as clean-cut and square, head on, as Knowland has on the education aid subject... I haven't always been able to agree with Knowland's focus, but here is something I think we all have occasion to thank Knowland for. I believe it might be the turning point that could save us from centralized and federal control of all public education.

I have not always been on what some might say is the ultra-conservative side, but in a sense I'm not sure that I haven't been on the ultra-conservative side in the sense of being in favor of conserving the most important and desirable provisions in the U. S. Constitution, the supreme law of the land, without which there can not possible be "equal justice under law."

On the public school segregation issue, the constitutional issue involved there is at bottom the same as was involved in the Municipal Bankruptcy Act. Let us say that there are school districts that can't afford proper schoolhouses and that the local people don't approve bonds for a school building. In my opinion, that does not entitle the local taxpayers
Mason: to look to Washington for the money to build the schoolhouse. It is an issue that should be settled in the community, just like the old New England town meetings. If the community decides they'd rather have no schoolhouse, that is the business of the community. If the people in the community won't vote the school bonds, they'll have no schoolhouse and fewer people will want to live in that community. It's no business of Congress to come and say, "Now, you don't want to put up your own schoolhouse, we're going to insist you put one up and we'll give you the money to do it, and send in the army to see that you obey the U.S. Supreme Court."

If the Southern states elect not to have any schoolhouses, that isn't the business of California or any other state. Each state has to supply education or no public schools will exist in that state.

Preference for Ad Valorem Land Tax

Baum: Is your objection to income tax especially to a progressive income tax?

Mason: That is one objection, yes.

Baum: What would you think of an income tax all at the same rate, say a flat 20%?
I believe it is necessary to break down that word income. There are two kinds of income, earned and unearned, and they should not both be taxed the same. The ad valorem land tax is a graduated tax. If one person holds land in the city with an assessed value of $100 and another holds the same sized piece of land assessed at $1000, the person with the $1000 land would pay ten times the tax the person with the $100 piece would pay. It would be the same tax rate per $100, so the tax would be graduated according to assessed valuation. That is the traditional American "graduated" tax. The assessment roll is the "graduating" machine.

My mother used to tell a good story about a butcher who missed a ham. He had about twenty charge accounts and he decided to send all his charge accounts a bill for the ham, feeling that those who hadn't gotten it, would object. Lo and behold, not one of them objected. That's a little like some assessors. It used to be that the board of equalization day was the big day of the year, when the people would march into the assessor's office to examine the assessment rolls and make sure that their assessed value was not out of line from their neighbors.
Mason: They don't do it now. They have an idea it would be petty. Those assessment rolls are public property and can be seen by anyone, but if you are unwilling to go and see whether the assessor has overbilled you, don't expect the assessor to look out for you. He's often there to look out for the friends who help him get elected and he does.

I won't name names, but I know of instances in San Francisco where friendly interests got the assessor to value land on the assessment roll at $100 an acre that should have been valued at over $1000 an acre. It was a very sizeable tract, but did anybody complain? I never heard of it.

I know the assessor in Alameda County quite well, have known him for about forty years. He is one of the most conscientious and honest men I ever knew, but he has often told me that he wishes there would be more citizen participation and interest. He can't personally inspect every property and know whether the assessment roll is the way it should be. He hasn't enough budget, to do the job as well as he would like to.

There was a time when people in fright would hide their money under the ground. At other times they sink their money in land. When they get an idea that
Mason: money is losing its value, they get into panic. They'll give up any amount of paper money for something they deem lasting or tangible. And we're on the brink of seeing more people rush in with money to exchange for title deeds to land at prices that will make present prices of land seem small.

That's the way it works any time land values are tax exempt.

In England there is no tax at all on land, none. You can hold the most valuable locations in the heart of London, and many of them are still idle. They were bombed in World War I and never re-built upon. Why? Because it costs the holder nothing to hold the land out of use.

Like A. A. Tiscornia here on Montgomery Street. He holds that whole solid block, doesn't allow anyone to occupy any of those stores or offices in that whole block, except for the little building with his own office in it. A slum, unused block. Why is he doing it?

I know Mr. Tiscornia. He was a good customer of J. R. Mason & Co. He's perfectly frank in saying, "As long as the public is willing to allow people to get rich by merely withholding land from use, as long as
Mason: the door is left open and it is looked upon as the most respectable way to get rich..."

Baum: He is going to hold it until the prices go up.

Mason: Yes. There was an item in the paper the other day that some Eastern bank was negotiating to buy the block and offered him a fantastic figure for it, which he is thinking about.

Baum: Do you think the failure of the states to exercise their sovereign powers has tended to aid land monopoly?

Mason: Definitely. As land values become exempt from taxation, the opportunity for making a profit by merely holding land and not making use of it has flowered to the point where our national anthem is now to put federal taxes on those who produce the wealth in order to raise the money to pay the absentee landlords not to use the land, but to "retire" it in the so-called "Soil Bank."

Baum: Do you think that if the states now levied a larger share of the taxes and contributed money to the federal government, that they would lay the taxes on land, or wouldn't they just use income taxes or sales taxes themselves?

Mason: They would as long as they could. But among the forty-eight states there might be one state that would levy taxes in proportion to benefits received.
Mason: And if one state was to adopt a sane tax system, people and industry would be drawn to that state exactly as they have been drawn to Puerto Rico in recent years, and the other states would have to do the same or soon lose population. Maybe some of them would become depopulated. I'm not saying that all would ever wake up.

Belief in Free Trade

Mason: The Constitution is the supreme law of the land and any statute adopted by any state legislature which infringes or impairs those inalienable individual rights secured by the U. S. Constitution must be disallowed by the courts. It took almost 40 years for the Supreme Court of California to disallow the so-called Alien Land Law, over ninety years to disallow a statute prohibiting mixed marriages. It took the United States Supreme Court a very long time to disallow "restrictive covenants," a long time to tell DuPont that they must get rid of their General Motors holdings.

Baum: All these decisions you feel are progress?

Mason: Oh yes. I haven't seen the decision on the DuPont case, but I cannot forget a recent trip to New York
Mason: and an interview with one of the top officers of
J. P. Morgan & Co. who told me that General Motors
would be greatly benefited by free trade and General
Motors heads would come out for free trade just as
Henry Ford did, except that General Motors is con-
trolled by DuPont and DuPont wants tariffs. So that
ruling may affect our tariff policy.

Baum: I take it you favor freer trade?

Mason: Free trade. Completely free trade.

Baum: Including free trade with Red China?

Mason: I believe you should have an absolute right when you
go into a store, to spend your money for what you
want to buy, regardless of where it was made. Should
the government tell you, you must pay more for it, or
force you to buy domestic merchandise? There are a
lot of loose thoughts around today, such as the idea
that foreign aid is a good idea providing we give
away the products of our factories and farms, but if
we receive anything in return (imports) it would be bad
for our economy. Could anything be more unthinking?

For a better understanding of the consequences of
tariffs and other obstructions to trade, I recommend
"Protection or Free Trade" by Henry George and "Econ-
omic Sophisms" by Bastiat.
In these papers you gave me you included an open letter to President Hoover commenting on the hostility of the Department of Agriculture toward reclamation. That was in 1929. Could you enlarge on that?

Mr. A. M. Hyde, the Secretary of Agriculture before Wallace, another Iowa man... there had long been a campaign against irrigation and I believed that in the background the strongest influence that was opposing land reclamation was the influence of the power companies, after Modesto and Turlock built Don Pedro Dam in the 1920's and decided to distribute their own power. Then came an attack against Muscle Shoals, before T.V.A. Seattle and Tacoma already had their own municipal power distribution systems, and Los Angeles also acquired its own water and power system. The Saturday Evening Post ran article after article by Garret Garrett, and others attacking the Reclamation Bureau and criticizing land reclamation and contending that it was a waste of money to reclaim land in the West when there were so many farmers in
Mason: the East going broke. On the surface it sounded reasonable, but I always felt it would be as prudent to protect land from flood and drought, as it would be to insure your home from fire.

Baum: You think the power companies were behind this?

Mason: There was no question about it. Why, in the 1924 National Electric Light Association convention in Atlantic City, read the speech by Owen D. Young, where he warned that they were making a great mistake attacking federal reclamation and the Boulder Dam project.

Baum: Oh, I know they were attacking Boulder Dam and Muscle Shoals.

Mason: As I said, I don't favor cities going into the power business, but if the people build a water storage dam, it's just as foolish to give away the power by-product as it would be for Armour to slaughter cattle and give away the meat and keep only the hides.

Baum: Did you come into contact with Elwood Mead?

Mason: Yes, I knew Elwood Mead. I attended the Pan Pacific Reclamation and Recreation conference in Honolulu in 1929 with Dr. Mead. I was with Dr. Mead in Palestine. He used to tell me about his experiences in Canberra, the capital of Australia. He was the man most respon-
Mason: sible for setting up the capital of Australia on "single-tax" lines that prevent land speculation.

Baum: Oh, he was a Georgist?

Mason: Indeed he was. And Arthur P. Davis, his predecessor, was too.

I was with Elwood Mead when he selected the site for Boulder City. If you wanted a lot for home or business in Boulder City, you didn't have to pay some land speculator a bonus to get permission to use the site. You'd go to the "ticket office," the city manager, and examine his map of the city. Pick out the site you wanted, every site had a price tag of so much rent a year. Boulder City was expected to become a ghost town once the dam was built, but instead of that, people found they could go to Boulder City and get a lovely site overlooking Lake Mead for $10 or $15 or $20 a month ground rent. Now they have passed an act in Congress to change the original Boulder City. I have it here, very terrible. The speculators want in.

Baum: What sort of a man was Elwood Mead?

Mason: Wonderful man. I don't think there was ever a man of more complete integrity and devotion to his position. He took his work very seriously. They just
Mason: don't make Elwood Meads anymore. I know of nobody in government service today who stands up and defends the general welfare the way Elwood Mead always did. No, Elwood Mead had a great mind and a great heart and a great character. It pleases me more than I can say that they named Mead Lake after him.

And when it comes to naming the dam, the record shows that Mr. Hoover never gave that dam any help. The Boulder Canyon Project Act was signed by President Coolidge. I was there, I worked three winters in Washington, just an interested citizen. I never even got a postage stamp for my time and trouble. I believed in the benefits of the Boulder Canyon Project. Reed Smoot, Senator from Utah, tried in 1932 to get the Senate to agree to change the name from Boulder Dam to Hoover Dam. I was in Washington at the time. His suggestion was all but hooted down by the Senate. A few days later, I was at Las Vegas, and they were driving the spike to start the branch line railroad from the main line to the dam, when Secretary Ray Lyman Wilbur tried to christen it Hoover Dam, right after Smoot had lost out in the Senate. Boulder Dam was the official name, but Wilbur, without any authority whatever, tried to rechristen it Hoover Dam. I was as
near Wilbur at the time as I am to you now, out there in the sun at Las Vegas. And as he drove the spike he said, "I rechristen you Hoover Dam." Well, he had no more authority to do that than I had.

Baum: It didn't stick then.

Mason: No, because Ickes saw it had been changed without any authorization whatever. In none of the official documents was it ever called Hoover Dam until much later.

If it had been correctly named, it should have been called Anti-Hoover Dam, because Mr. Hoover would have vetoed the legislation without a question, had Coolidge not signed it. We knew it was either get Coolidge to sign it or it was curtains. We were never able to get any sympathetic help from Herbert Hoover. That's a big story that has never been fully written. I don't mean just Hoover's part, I'm thinking about the whole Boulder Canyon Project battle. And the fact that a man named Samuel Insull was working in the background, expecting the power to be created in the Boulder Dam would drop in his lap.

Baum: Is that right?

Mason: Yes, he was banking on that, and when it didn't materialize, Insull had extended himself in expectation of getting the Boulder Dam power. Ray Lyman Wilbur,
when he became Secretary of the Interior, first recommended the lease of falling water. I heard about it in Japan and I wrote Mr. Wilbur a letter from Japan, and I wrote Mr. Hoover about it. Mr. Wilbur and Mr. Hoover replied to my letters and this little thing, (shows printed brochure) I had 5,000 of them made. I sent them to every congressman and every senator and to the leading newspapers generally. Mr. Wilbur reconsidered. The wind-up was that the power companies only got about 9% of the Boulder Dam power and the government installed, owns and operates the power machinery. The city of Los Angeles, the Metropolitan Water District are getting the bulk of that power today. At the time of the allocation the Edison Company only got about 9%. They've been getting more since due to trades and swaps and so on with Nevada and Los Angeles.

But at first Mr. Wilbur, under Herbert Hoover, had the idea that they could so manipulate this power that the city of Los Angeles would distribute none of it. It didn't work out that way.

In this little pamphlet, I see you printed up all your correspondence with Wilbur.

Yes, it's to show what Wilbur recommended at first...
Mason: I always thought very highly of Mr. Wilbur. I thought the first recommendation was made for him by somebody, that he hadn't thought about it much before he put his okay on it.

Baum: This must have been a pretty expensive little pamphlet for you to have printed up. One of your civic pro bono publico...

Mason: Yes. If there's one thing about my efforts that is funny, it's like this letter from Mr. Kizer, where he suspects I have a personal interest that I'm trying to push and that I put that interest ahead of everything else. My God, if I had been thinking of my own pecuniary interest, I could and would have gone along with the robber barons and could have become very rich.

Baum: Before we leave Elwood Mead, I wondered what you thought of Arthur P. Davis.

Mason: I think that Arthur P. Davis and Elwood Mead are the finest characters, the highest integrity, that have ever been in public service, to my knowledge. Arthur P. Davis was Commissioner of Reclamation before Elwood Mead. They tried to get Arthur P. Davis discharged on the ground that he was an engineer and that the Boulder Dam Project needed something bigger than an engineer.
Mason: Well, they didn't get him fired, but a few years later they tried to get Mike Straus fired from the same job on the ground that he was not an engineer, which makes an interesting study.

Baum: They just wanted to get rid of both of them.

Mason: And that was just an alibi.

Arthur P. Davis later was engineer for the East Bay Municipal Utility District and you in Oakland and Berkeley can thank him very much for a great job done there. After that he accepted an assignment in the U.S.S.R. and helped design some of the greatest irrigation works in the world which have since been completed in Turkistan and the southern part of U.S.S.R.

No, Arthur P. Davis was a world influence for good. So was Elwood Mead. If we had either of them in the State Department today, we'd be doing much better in our struggle to win friends and influence people around the world.

I met Samuel Insull in Athens after his utility-holding empire had collapsed. I had known Samuel Insull in Chicago when he was the "king" of Chicago. Among other things that he did that were good, he gave Chicago its grand opera. I always thought that Insull
Mason: was a man of good intentions. George M. Reynolds was head of the bank in Chicago that did most of Insull's financing. I was born next door to George M. Reynolds in Des Moines, Iowa, and my mother used to tell me that George Reynolds was the first man to change my diaper. He became head of the second largest bank in the United States, the Continental Bank. Later, I saw a good deal of George Reynolds in Pasadena after he was no longer head of the bank. The strain of the Insull financing and the suddenness with which the whole Insull holding-company empire disintegrated was such a shock that George Reynolds never recovered his equilibrium. He was a pathetic person. Something happened that he just didn't imagine could happen. It was almost worse than if the Rock of Gibraltar crumbled under the Prudential Insurance Company.

Baum: Did it effect Insull? You said you met him in Athens.

Mason: Oh yes, Insull was just blubering. That's all he could do, just blubber. He was broke, absolutely broke. But it didn't effect his mind like it did Reynolds. These things I've seen happen to men that were considered in their lifetime as infallible... It's been an invaluable lesson.
Marginal Land Removal vs. Soil Bank

Mason: We were discussing the too-frequently-held opinion that there is an overproduction of food. Obviously there are only two ways to cope with that problem: first, by dealing directly with the tenure of land itself and second, by attempting to govern and control and dictate the crops that any landholder may plant and reap. The second approach is the one which we have been experimenting with, but before that second approach was adopted, beginning in 1930, I got quite busy urging a practical attack. I became well acquainted with Cordell Hull when he was United States Senator. Cordell Hull had made some speeches in favor of free trade which appealed strongly to me, so I made it a point to contact the Senator. We discussed not only the advantages of free trade but the so-called farm problem. It was a very interesting contact.

The suggestion that I presented to Mr. Hull was simply this: that no one can be a better judge of whether land is worth using, whether for plowing or building in the city or any other purpose, than the holder of the title deed. When people have an old, worn-out automobile, it isn't considered un-American
Mason: to allow them to abandon that automobile on a junk pile and it is not considered American to offer to subsidize the owner of the worn-out automobile so that although his car will only do two miles to the gallon, he'll get the equivalent of twenty miles to the gallon with the aid of the public subsidy.

Beginning in 1929 and 1930 absentee speculators and others who had bought or inherited land that they didn't have any need for or use for defaulted their ad valorem taxes. Having been in the municipal bond business with Harris and knowing that in some of the states the law regarding delinquent taxes on land was very simple, very direct, and very sure, it occurred to me that when the owner of land himself decides that the land is not worth paying the taxes on and allows that land to stay delinquent longer than the time permitted, that instead of allowing that land to become a no-man's land, that land should be put into a land reserve or soil bank. If the state would enter into a contract with Uncle Sam, Uncle Sam should advance to the state the equivalent of the back taxes that had not been paid on the land and the state would secure the federal government with the land. It could also give
Mason: the local governments the money due them and so protect the local government and give the state an option, the first call on such land, in case Uncle Sam decided ever to sell it. So the state could make any arrangement it wished to with the original owner, perhaps giving the original owner the first right to repurchase, but those are details.

Baum: Then Uncle Sam would pay the yearly local property taxes.

Mason: Right, so the collection of taxes from landholders would be assured. This idea was enthusiastically approved by Mr. Hull. He was very helpful in many ways. In fact, both he and Louis Howe... (I don't think F.D.R. ever made an important policy decision without first consulting with Louis Howe. Louis Howe, I understand, had been F.D.R.'s tutor as a boy and Louis Howe, I believe, was a great man, although he was a cripple and kept out of the limelight.) But Louis Howe put me in touch with F. A. Delano, who was the uncle of F.D.R. and was head of the National Resources Planning Board. In September 1934, F.D.R. earmarked twenty-five million dollars to launch the program, but before the ball could get rolling there had to be some policy matters ironed out and an inter-
departmental committee was set up by the Secretary of Agriculture and the Secretary of the Interior with four men from each department. The sole function and duty of this committee was to formulate ways and means for implementing this marginal land removal program. A Miss M. A. Schnurr, who had been private secretary to Elwood Mead, was named secretary of this committee of eight. Miss Schnurr wrote me later that the committee never met, never made a recommendation or report of any kind, and somehow the marginal land removal program didn't get off the ground. Instead that twenty-five million dollars, as nearly as I could ever find out, was used up by the Department of Agriculture experts traveling over the United States hunting for marginal land without any instructions as to what would be marginal acres if they saw them, without any instructions whether to use a slingshot or a lasso or a gun to "remove" the marginal land. The whole twenty-five million was used up in expense accounts by these so-called experts wandering around... A group of them went to Santa Cruz. I remember, they marked a certain area of Santa Cruz County as a marginal area and recommended that it be "removed." You should have heard
Mason: Santa Cruz County scream to high heaven. The idea of labeling any part of Santa Cruz County "marginal" was an insult...

Louis Howe in the meantime had been taken quite ill and Mr. Delano recommended the idea strongly in the National Resources Board and they put out a report in support of this idea as a way to meet the so-called agricultural surplus. But for some reason the idea was shelved and instead we got the idea, not of retiring the land because of the unpaid taxes, but of handing federal money to landowners and land speculators to give them the money with which to pay land taxes and make a profit to boot. How much of our present federal debt can be traced to shifts in farm policy would make a study.

The beauty of the marginal land removal proposal that I presented was that it would be automatically self-stopping because obviously when people got the idea that enough land had been "removed," they would be more inclined to keep the taxes paid on the remaining land and no one who paid his taxes would be told what he could not grow on the land.

Baum: Under your plan, how was the federal government to recoup the money they had put out for the delinquent
Baum: taxes and the taxes they paid every year? Was the federal government to get this money back eventually?

Mason: Oh definitely, in case the land ever went back into private ownership. They certainly would get back what they put out, if not more.

Baum: So this was self-liquidating.

Mason: That was the idea, no subsidy, no give-away at all. Just a clean-out, banking operation. I would call that real partnership between the federal and state governments. This present idea of the federal government levying and collecting federal taxes to give them to the states as "aid", that's not partnership.

Baum: Did you work for the Resettlement Administration?

Mason: No, but I worked closely with the Resettlement Administration. M. L. Wilson and Walter Packard and Tugwell... I have in the basement about a five-foot shelf of correspondence regarding the so-called marginal land removal program, running from 1930 to 1938. The letters are arranged by years, but not alphabetically, but there's correspondence there with Wallace and F.D.R. and Mr. Delano. I don't know who all. Some day we will have to come to that policy which would not infringe anybody's rights, could not be labeled bureaucratic or totalitarian in any sense of
Mason: the word. It would be wholly constitutional.

Baum: What did Walter Packard think of your idea?

Mason: Oh, he was completely sympathetic. None of them ever even intimated that there were any "bugs" in it.

Hetch Hetchy and the Raker Act

Mason: So this marginal land problem had my very deep interest for a long, long time, as it has today. In that connection there have been many court test cases in which I directly or indirectly had an interest or took a hand, by conference usually with the attorneys employed in the litigation. One of the hardest and most interesting cases involved the San Francisco Hetch Hetchy water and power. It took almost twenty years before I could get a Secretary of Interior to even examine the violation of the federal law granting San Francisco certain rights and privileges in Yosemite National Park. We know that no power company has ever been granted a dam franchise within a national park. The concession was granted to San Francisco to build a dam and power plant in Yosemite National Park under strict conditions set down in the Raker Act, and Section 6 of that act provided that San Francisco must never sell or grant for resale any water or power
developed in the Hetch Hetchy Project to any private company. Three Secretaries of the Interior had a blind spot and wouldn't even look at the Raker Act or try to ask the courts to have it given respect. The power from the project was turned over to the P. G. & E. The city bought the transmission line to reach San Francisco and stopped the line at Newark across the Bay and the last eleven miles or so of transmission line was left in storage to rot and rust. The P. G. & E. conveniently built a substation at Newark to receive the city-owned power. The power was brought from Yosemite to Newark and there turned over to the P. G. & E. for about two million dollars a year and it's said the P. G. & E. wheeled it a few miles across the Bay and let the people buy back their own power for about ten million dollars a year. That went on for years and years.

Finally Harold L. Ickes became Secretary of the Interior. After some correspondence Mr. Ickes decided to bring a test case to find out if the Raker Act meant what it said and whether or not San Francisco was obeying the law. Secretary Ickes was called every name in the book. That went on for some years, and then the United States Supreme Court upheld Secretary Ickes
and said that San Francisco had long been violating the law. But the people in San Francisco are still not getting their Hetch Hetchy power.

After the Supreme Court decision had become final and a petition for rehearing denied and the mandate came down from the Supreme Court to the District Court in San Francisco, the mandate lay held up on the shelf for several years. I learned that there are no rules in the federal court limiting the time that a lower court may take before it has to enforce mandates from the United States Supreme Court.

Finally a deal was made by San Francisco with Modesto and/or Turlock Irrigation District whereby San Francisco turned over our Hetch Hetchy power to the irrigation districts and then the P. G. & E. buys it from the irrigation districts. The Raker Act doesn't prohibit the sale of this power to irrigation districts. So that is the gimmick which is now in effect. Some day it may be possible for the people of San Francisco to get their own power the same as they get their own water, although it took three bond elections before the people voted the bonds to buy out Spring Valley Water Company and acquired a distribution system for Hetch Hetchy water.
Baum: I believe there have been a number of bond elections in San Francisco to get money to finish that power transmission line and in each case they have been defeated, probably by P. G. & E. propaganda.

Mason: P. G. & E. propaganda was very prevalent in each of those campaigns, but I believe an examination would reveal that not one of those campaigns was a real, fair campaign, because in none of them were the people given an opportunity of saying whether San Francisco should buy out the P. G. & E. or build its own distribution system in the event that the P. G. & E. refused to sell.

When Los Angeles acquired the Edison Company system, the people were given an opportunity of voting bonds to buy out the Edison Company or build their own system if the company refused to sell. The Edison Company did refuse to sell at first, but when the company discovered the city meant business and was going to build their own electric distribution system if they wouldn't sell, then they came in and said they were willing to talk. They made a deal fair to the Edison Company and fair to the city, but there was that bargaining weapon that was never present in any of these bond elections in San Francisco
Baum: Did you take any part in those elections?

Mason: Well, I took a part in that I wanted the elections to be held. I can't say that I was any great influence. I was never in the official circle that drafted the various measures. I was never given any opportunity to suggest how the propositions should be drafted. Every one of those seven propositions, in my opinion, was a phony. Every one had gimmicks in it.

Secretary Ickes was not only an honest public official, but a courageous public official who took abuse and attacks... He was literally lynched by the San Francisco newspapers. I have a file perhaps four feet thick of newspaper clippings of attacks on Ickes during the Hetch Hetchy power campaigns.

Baum: You had written to Ickes?

Mason: Yes.

Baum: Had you written to any of the previous Secretaries of the Interior?

Mason: Oh yes. Secretary Work and Secretary Wilbur both pretended they couldn't hear my Raker Act letters. It wasn't even a brush off; I was just ignored.
Tidelands Oil Controversy

Baum: You were interested in the tidelands oil controversy, weren't you?

Mason: I'm glad you asked that. My interest in the Raker Act brought me in contact with Secretary Ickes... Secretary Ickes told me that I was the first person that he knew of to question the "ownership" by the states of the so-called submerged, off-shore lands, and ask whether the United States Supreme Court had ever had a test case brought before it to determine whether the Pacific Ocean is owned by the state of California or by Uncle Sam or by either, and if the Pacific Ocean is owned by either, how far out does that ownership extend? Had this ever been tested in court?

Baum: This is what you brought up to Ickes?

Mason: Yes, and upon inquiry Mr. Ickes found that there had never been a test case decided by the U. S. Supreme Court.

Baum: Did you bring this up to Ickes by correspondence?

Mason: I am sure that I did, and also by personal interview. Mr. Ickes would frequently come to California in connection with the Hetch Hetchy and I saw him a number of times when he was here. I believe it was here
Mason: in San Francisco that I, in a conversation with him, brought the tidelands question up. I have a pretty fat correspondence file of letters to and from Mr. Ickes.

The fact is that Mr. Ickes had at one time said that the submerged lands were in the dominium and imperium of California, but later he admitted he had said that without making a careful first-hand study. Lawyers had assumed all along that these off-shore lands were within the boundaries of the state. The nearest case that reached the United States Supreme Court that had anything to do with this question was the Pollard case where the court was asked about the tidelands, namely, the land along the coast between the high tide and the low tide. But the land below the low-tide line was not involved at all in the Pollard decision. And when the Supreme Court took out their strongest glasses and started looking, well, they came up with this famous decision in U.S. vs. California, 332 US 19, which was more of a bombshell than a hundred atomic bombs would be, because California, Louisiana, and Texas had been assuming, of course, they owned the ocean and that any oil royalty from land under the ocean belonged in the state treasury.
Mason: Well, after the California decision, Texas and Louisiana were not satisfied and they insisted on a test case for each of their states, which were decided against them by the United States Supreme Court in U.S. vs. Louisiana, 339 US 699, and then U.S. vs. Texas, 339 US 707. Those decisions are historic and very final.

The Hearst newspapers and other so-called authorities estimated the value of the oil royalties from these submerged lands at over one hundred billion dollars and other estimates ran as high as three hundred billion dollars, which is more than enough to pay the federal debt. Teapot Dome wasn't even a grain of sand compared to this. Truman vetoed two attempts by Congress to give away this fabulous treasure and as Secretary Ickes said, "It's too bad Secretary Albert B. Fall didn't put over the Teapot Dome affair now, because if he'd do it now the Republicans would erect a monument to him and make him their national hero instead of sending him to prison."

Baum: From what you say, I gather you don't believe in these tidelands going to the states.

Mason: I believe the Supreme Court settled that; they shouldn't.

Baum: I ask because I know you believe strongly in states'
Baum: rights...and I believe that many of the people who favored states' rights were also for the tidelands oil going to the states.

Mason: That is a very good point you raise, because it was the argument used all the way through in the briefs before the United States Supreme Court. You see, I do believe in states' responsibilities and states' duties... I believe individuals have rights under our Constitution and I don't believe states have rights any more than I believe Congress has rights. Congress had duties and authority and responsibility, but the only rights under our Constitution are individual rights as I understand our Constitution.

So I had been battling for years for the states to respect their obligations, their duties, their responsibilities, and not ask Congress to pass a bankruptcy law allowing them to repudiate their contracts. I wanted the states to be responsible and act responsibly. But when I saw most people wanted Uncle Sam to do everything, to give money to the states, and I saw the states going to Uncle Sam with a tin cup in their hands, why, then I said to myself, "Somebody has sure got to look out for Uncle Sam or Uncle Sam is going to be holding an empty bag. You can milk Uncle
Mason: Sam dry. And it then seemed to me perfectly proper for the Court to decide that Uncle Sam get this money for the federal treasury.

Alien Land Law and Restrictive Covenants

Baum: Another point where you don't seem to fit in with the typical "states'-right" person is on the Alien Land Law. I believe you were against that.

Mason: I worked over twenty years to get the courts to disallow it.

Baum: On what grounds did you object to the law?

Mason: On the grounds that for California to have a law which prohibited persons lawfully within the United States from even occupying farm land—(the law included occupying as well as ownership)—that California had violated the constitutionally protected rights of aliens lawfully within the United States.

Baum: You didn't object to it on the grounds that it was making unfavorable relations with Japan?

Mason: Oh yes, that was also in my mind all the time. We had visited Japan three times and I knew this law was giving the feudal war lords of Japan the tool they needed to build up hatred against the United States. They used the Alien Land Law to foment hatred against
Mason: the United States. I would go so far as to say that had it not been for the Alien Land Law it is doubtful that there would have been a Pearl Harbour.

Baum: Did you know any of the Japanese in California who had been either leasing or owning land?

Mason: Yes, I was one of the earliest members of the Japanese-American Citizens League.

Baum: What part did you take in agitating about this law?

Mason: I have a very large file on that. I collaborated with the American Civil Liberties Union attorneys who took the Fred Oyama case to the United States Supreme Court. It was a kind of complicated test case. There was Fred Oyama, who was native born, of Japanese ancestry, and his brother, born in Japan. The case involved both of them. The attorneys had gotten promise of a fee from the native-born Americans of Japanese ancestry, but hadn't gotten any money from the alien-born, so they didn't want to have the court help the aliens if they weren't going to pay anything.

Baum: This was not the A.C.L.U.?

Mason: Oh yes, I can document it. I took it up with John Haynes Holmes, the chairman. Two of the judges in the Oyama case said the reason they were not deciding the basic constitutional question was that it hasn't been asked.
Mason: Also, the Civil Liberties Union attorney took the view that if the fundamental constitutional question was presented to the United States Supreme Court, it would be such a hot question that he was afraid the court would deny the petition and if the petition was denied it would mean the California Supreme Court decision approving the law would stand. I don't say that he wasn't in his own mind fully justified in having that fear.

But the fact is that in the Oyaas decision in 1948 there were five opinions. Four of the opinions were signed by two judges each and one opinion was written by Jackson alone. So it turned out to be a five-to-four decision in favor of allowing the law to stand; only four of them were in favor of killing the law as being unconstitutional. But it wasn't long until another constitutional test case was on the way to the Supreme Court in the restrictive covenant case, and I got in touch with a young attorney in St. Louis by the name of Miller, who I found was representing one of the parties in the case, a colored client. I went to St. Louis and had a confab with Mr. Miller.

Baum: What was his first name?
Mason: It slips me at the minute. A well-known attorney in St. Louis. He had a brief in the Shelley vs. Kramer case. He and I discussed the basic question, the Fourteenth Amendment question, to present in the Shelley vs. Kramer case. And the Shelley vs. Kramer decision came down just a few months after the Oyama opinions. And where there were five different opinions in the Oyama case, the court was a unit in upholding the Fourteenth Amendment when they had a request to do so. So the Civil Liberties Union lawyer's fear was quite groundless.

It was the Shelley vs. Kramer decision in 334 US 1 and the Burd vs. Hodges decision, 334 US 24, which came down the same day in 1948 and which involved District of Columbia restrictive covenants, which gave us a springboard for another test case on the Alien Land Law. The Sei Fujii vs. California (38 Cal (2) 716) case was decided by the California Supreme Court in 1951. The California Supreme Court reversed their previous ruling on the strength of the Shelley vs. Kramer decision. Justice Carter, on the California Supreme Court, wrote a separate concurring opinion in the Fujii case, which is a classic. Justice Carter traced the history of aliens and the Constitution and
Mason: how the equal protection of the laws applies... The Fourteenth Amendment says "any person," not "any citizen." That's the hook that turned the court right around. So we finally got the Alien Land Law declared unconstitutional.

I had battled for years in the Commonwealth Club, in the Immigration Section. Certain members of that section were partly responsible for putting the Alien Land Law on the books in the first place. Mr. V. S. McClatchey, Senator Grant, and certain others whose names could be found among the membership of the Immigration Section of the Commonwealth Club.

Baum: Did you know Judge Carter?

Mason: Yes.

Baum: I wondered if you and he discussed this.

Mason: Well, I knew Judge Carter when he was a practicing attorney in Redding, forty years ago. I knew him well before he got into political or judicial affairs at all. We see each other perhaps once a year. He always sends me a message at Christmas. I have always believed Judge Carter had a better grasp of the fundamental political-economic principles in our Constitution than most members of the judiciary. I think
Mason: Judge Carter, although frankly, he has been, in my humble opinion, on the wrong side in some cases, I've known him to get back on the right side at the first opportunity.

**Mercury Herald vs. Moore Case**

Mason: The Mercury Herald vs. Moore case was one, in 1943, where Judge Carter, I believe, was on the wrong side in the first decision. I didn't hear about the decision until ten days after it came down and then only by accident. I got busy... The attorney who had brought the action was in the Navy and away and his partner said they had no client wanting to file a petition for rehearing. Well, I said, "If I prepare the petition for rehearing and pay the fee for filing and so forth and guarantee that you'll be under no expense, will you sign your partner's name to a petition for rehearing?" He said, "Why yes, I'll be glad to." So I had the petition prepared and filed it on the last day. Attorney General Bob Kenny somewhat reluctantly supported the rehearing petition and argued for the court to reverse its opinion. They granted the petition for rehearing and the court just marched right
Mason: back down the hill and reversed itself completely. You'll find the reversed opinion in 138 Pac (2nd) 675. It was a historic reversal because the court, without realizing what they were doing, I'm sure, came within an ace of allowing mortmain in California and re-establishing the old Spanish grandee laws. They actually had held in the first case that if a landlord refused to pay his land tax, that he thereupon came into a vested property right for not paying his tax which the state could never take away from him.

Baum: What was the issue involved in that case?

Mason: In the first decision the court held, in effect, that non-payment of the ad valorem tax on land when lawfully due gave to the tax defaulter a right to keep title to the land without time limit when the law allowed an indefinite redemption period at the time of the tax default.

The reversed opinion still stands as the controlling one in such cases of tax delinquency and escheat of the delinquent land to the state or a political subdivision of the state. It has been cited in countless decisions since issued by the lower courts and the Supreme Court. Had the original decision stood, it would be comparable to a holding that the umpire has no right to call a batter out after he has had
Mason: three fair strikes, that the batter can keep the bat as long as he wants to.

Baum: Why did you enter that case?

Mason: Because I believed I saw the constitutional mistake the court had made.

Baum: It was through your interest in landholding.

Mason: Yes. I had already taken some thirty or forty land tenure cases to the Supreme Court of the United States and I had studied many decisions.

Puerto Rican Acreage Limitation Litigation

Baum: You mentioned that you had taken an interest in the 500-acre limitation in Puerto Rico.

Mason: Yes, I had known Gifford Pinchot personally. Gifford Pinchot and Mrs. Pinchot were visitors in our home in San Francisco when they were passing through and before they went on their South Seas cruise in that wonderful boat that Governor Pinchot had made over into a sea-going yacht.

The Puerto Rico affair I looked upon as not unrelated to the 160-acre limitation provided by Congress in the 1902 Reclamation Act. It was an attempt to prevent the monopolization of land by powerful interests. This 500-acre limitation statute had been on the books
Mason: for many years and had been violated by the big sugar companies in Puerto Rico. I forget exactly what put me on the scent of this Puerto Rico problem, but somehow I heard about this law in Puerto Rico which had been flouted just as the Raker Act had been flouted. Secretary Ickes also tried to get this 500-acre law obeyed in Puerto Rico and a test case was taken to the United States Supreme Court. I collaborated with the federal attorneys who presented the test case. The highest Puerto Rico court issued its decision in People vs. Rubert Hermanos, 53 P.R. 741,750. (1938). This was upheld by the U.S. Supreme Court in Puerto Rico vs. Hermanos, 309 US 543 (1940). The Court upheld the law and said:

The continuous violation of the statute cannot be invoked by the violator as the basis or source of its alleged right to continue ad perpetuam in the ownership and control of lands in excess of the amount permitted by statute. (53 P.R. 741,750)

Whereupon Secretary Ickes, as secretary of the Interior, appointed Rexford Tugwell as governor of Puerto Rico. And our good friend, Walter Packard of Berkeley, was chosen by Tugwell to come to Puerto Rico and help enforce this law. Packard went to Puerto Rico and spent several years with Tugwell.
Mason: The hearings that Governor Tugwell conducted, having the big sugar company operators testify, were extensive. It wasn't called un-American activities when those barons were being examined, I assure you, but it could be so labeled. I have many volumes of the hearings conducted by Governor Tugwell.

The upshot of it was that the sugar companies defied the law and told Tugwell that they would only respect the law if they were paid a hundred and seventy odd million dollars. Otherwise they were going to keep the land in violation of the law, and what did Mr. Tugwell propose to do about it? How many soldiers did he have? They took the position that if the law was obeyed it would cause the bankruptcy of the big sugar companies, they would no longer be operating units, and it would create great hardship on the sugar company stockholders and therefore it would be impossible to obey the law.

Governor Tugwell was very conscientious. He tried to nail them down, but they were slick, they wouldn't stay down, they defied him. Tugwell got no support from Congress. In the meantime in Puerto Rico, the big landholders got Puerto Rico to adopt a new constitution with no acreage limitation.
Baum: So this effort was a failure.

Mason: Complete. Yes. The law and Supreme Court decision were flouted utterly by the sugar companies holding the largest acreages. The exodus to New York of Puerto Ricans resulted very largely from the power of the lawless absentee landlords who still monopolize so much of the best land in that beautiful U. S. possession.
CONCLUSION

Baum: We have come to the end of the subjects that we outlined together for you to discuss.

Mason: I can't tell you how grateful I am for this opportunity of more or less trying to excavate from the past. It's helping sharpen my memories. Reflecting upon my activities and interests, my best advice to young students and also older persons is to learn the fundamental reason why nations rise and fall. The libraries are filled with volumes about this, but not very many explain the economic causes and effects.

Baum: What books do you recommend for this study?

Mason: Among the favorite books in my library, I would include: Federalist Essays; the Declaration of Independence; Preamble to the U. S. Constitution; the Constitution of U.S.A., Revised and Annotated, 1952; Rise of American Civilization, Charles and Mary Beard, 1930; The Epic of America, James Truslow Adams, 1931; A History of the Public Land Policies, Benjamin H. Hibbard; Thomas Jefferson, Writings, Monticello edition; Our Landed Heritage, Roy M. Robbins; Land in our National Economy, Roy Foulke, V.P., Dun & Bradstreet, 1958;
Baum: And how would you sum up your experiences with irrigation districts in California?

Mason: I'm very happy that I had an opportunity to help local communities in California find the money to put in some of the biggest dams in the world at the time. They did a grand job and nobody can tell me that local self-government is unattainable because we saw it to fruition in California, particularly around Modesto and Turlock and Manteca and Oakdale. There has been no finer example of democracy at work anywhere in the world than in that part of California.

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Transcriber: WB
Typist: RL
APPENDIX
COURT CASES REGARDING FEDERAL
MUNICIPAL BANKRUPTCY ACT

Court cases regarding the Municipal Bankruptcy Act, (Chap. IX, 11 USCA 301-304, 401-403) in which proceedings Mr. J. R. Mason appeared as an owner of bonds, both through counsel and in Propria Persona, or consultant of counsel defending the Constitution and laws, as applied in the Ashton case.

In re Cameron County Texas Water Improvement District, 9 Fed Supp 103

Ashton v. Cameron County Texas Water Improvement District, 298 US 513. (Rehearing denied.)

Brush v. Commissioner, 300 US 352, 366-369


Re Merced Irrigation District, California, 114 F(2) 654; 311 US 718. (Rehearing denied, 312 US 714.)

126 F(2) 920, 317 US 645. (Rehearing denied, 317 US 707)

165 F(2) 634, 334 US 858. (Rehearing denied, 335 US 837)

Jordon v. Palo Verde Irrigation District, 114 F(2) 691; 312 US 693. (Rehearing denied, 312 US 716)

Mason v. Palo Verde Irrigation District, 132 F(2) 714; 318 US 785. (Rehearing denied, 319 US 780)

Glenn-Colusa Irrigation District v. Mason, 143 F(2) 564; 323 US 758. (Rehearing denied, 323 US 816)

Anderson Cottonwood Irrigation District v. Mason, 135 F(2) 112
Wright v. Coral Gables, 137 F(2) 192. (Affirmed 321 US 753, 4 to 4)

Wells Fargo Bank v. Imperial Irrigation District, 136 F(2) 539; 321 US 787. (Rehearing denied, 322 US 767, 4 to 4)

J. R. Mason v. Imperial Irrigation District, 325 US 862

Mason v. El Dorado Irrigation District, 144 F(2) 189; 323 US 758. (Rehearing denied, 323 US 816)

Mason v. Banta Carbone Irrigation District, 149 F(2) 49; 66 S.Ct. 98. (Rehearing denied, 66 S.Ct. 166)

Holander v. Butte Valley Irrigation District, 132 F(2) 704

Mission School District v. Texas, 116 F(2) 175; 313 US 562

Green v. City of Stuart, 135 F(2) 33; 320 US 769. (Rehearing denied, 320 US 810)

Mason v. Summer Lake Irrigation District, 216 F(2) 609. (Certiorari denied by United States Supreme Court)

In re Summer Lake Irrigation District, 33 F Supp 504

Mason v. Lane, 237 Pac (2) 273. (Hearing denied by California Supreme Court)

Mason v. Paradise Irrigation District, 326 US 536. (Rehearing denied.)

In re South Beards town Drainage District, 125 F(2) 13

Berry v. Root, 148 F(2) 945; 326 US 755

Ware v. Crummer & Co., 128 F(2) 114

Leco v. Crummer & Co., 128 F(2) 110

Spellings & Dewey, 122 F(2) 652

Clark v. City Royal Oak, 38 NW(2) 413; 338 US 890

Gowan v. Fallbrook Public Utility District, 131 F(2) 513. (Certiorari denied, 320 US 735)

11 USCA 401-403 includes any and all bonds issued by any county, city, school or other district, or Port of New York or other Authority, etc.
QUOTATIONS FROM THE ASHTON CASE

Quoted from the U.S. Supreme Court decision in C. L. Ashton, et al v. Cameron County Water Improvement District, Texas, May 25, 1936, reported in 298 US. 513. Rehearing denied.

The power 'to establish...uniform laws on the subject of bankruptcies,' can have no higher rank or importance in our scheme of government than the power to 'lay and collect taxes.' Both are granted by the same section of the Constitution, and we find no reason for saying that one is impliedly limited by the necessity of preserving independence of the States, while the other is not...

Our special concern is with the existence of the power claimed—not merely the immediate outcome of what has already been attempted. And it is of first importance that due attention be given to the results that might be brought about by the exercise of such a power in the future...

If obligations of States or their political subdivisions may be subjected to the interference here attempted, they are no longer free to manage their own affairs; the will of Congress prevails over them; although inhibited, the right to tax might be less sinister. And really the sovereignty of the State, so often declared necessary to the Federal system, does not exist. (Citations)

The constitution was careful to provide that 'no State shall pass any law impairing the obligation of contracts.' This she may not do under the form of a bankruptcy act or otherwise. (Citations) Nor do we think she can accomplish the same end by granting any permission necessary to enable Congress so to do.

Neither consent nor submission by the State can enlarge the powers of Congress; none can exist except those which are granted. (Citations)

The difficulties arising out of our dual form of government, and the opportunities for differing
opinions concerning the relative rights of State and national governments are many; but for a very long time this court has steadfastly adhered to the doctrine that the taxing power of Congress does not extend to the States or their political subdivisions. The same basic reasoning which leads to that conclusion, we think, requires like limitation upon the power which springs from the bankruptcy clause. (Citations)

The challenge to the validity of the (Municipal Bankruptcy) statute must be sustained. The judgment of the Court of Appeals is reversed...
Further Remarks by Mr. Mason with regard to the Federal Municipal Bankruptcy Act

The intent of the framers of the amended Bankruptcy Chapter IX is made clear in the following statement by Hon. J. Mark Wilcox, shown in the Hearings, before a House Judiciary Subcommittee, 75th Congress, 1st Session, on H.R. 2505-6, 5403, 5969, March 17, 1937, pages 146-147, as follows:

Mr. Wilcox: We did not make it plain enough before, and I think this time we have made it plain enough that neither the Court nor the Congress nor anybody else has any right or power to say to any municipality, after it goes into court, "We will order you to do thus and so," or "We are going to change your method of payment, or your system of taxation," or anything else... If the court confirms it, the court has not ordered the municipality to do anything.

But, it is submitted that the force and effect of the 1945 U.S. District Court decree, as construed and applied by the District Court of Appeal, 237 Pac(2) 273, is the same as though the U.S. Court had ordered the district to disburse money without regard and in fact, contrary to the priorities and order of payment commanded by state law, as steadfastly construed and applied.

The opinion of Justices Douglas and Black in New York v. United States, 326 U.S. 572, together with the opinion of the four other justices in that case, hold tremendous
hope, because these two learned Justices exert a great impact upon the thinking of our law schools and younger lawyers. The fact that the states object to federal taxation, but not to federal bankruptcy, proves nothing at all. The power to veto the enforcement of mandatory state tax laws, can destroy a state, as surely as the federal power to tax a state, or its instruments could.

* * * * *
Reflections of a Californian Banker

BY J. RUPERT MASON

President Emeritus of the International Union for Land Value Taxation and Free Trade

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. The 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 specialized 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.

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 realize 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 Rue Bjørner, F. C. R. Douglas, M.P. (now Lord Douglas of Barloch), E. J. Craige, 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 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 the land separately 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 the 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 Act of 1934 in the Weimar Republic of Germany, which
gave the Reichstag the power to annul taxes on land values according to the laws of each of the Weimar States.

In Spain, an attempt to tax the beneficial 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 lords to float the laws taxing land, as they did. He did not uphold the basic political-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 Swannwick, 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 voice. This great Declaration was reaffirmed 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.

JOIN THE INTERNATIONAL UNION FOR LAND-VALUE TAXATION AND FREE TRADE
Membership is open to all persons irrespective of sex, race or nationality, who in good faith sign a written declaration of adherence to the Objects of the Union, and pay a minimum annual subscription of 10s. sterling or $2 (U.S.A. and Canada).

THE OBJECTS OF THE UNION ARE
To stimulate in all countries a public opinion favourable to permanent peace and prosperity for all peoples, through the progressive removal of the basic economic causes of poverty and war, as these causes are demonstrated in the writings of Henry George. Specifically, towards the realisation of these objects, the Union favours the raising of public revenue by taxes and rates upon the value of land apart from improvements in order to secure the economic rent for the community and the abolition of taxes, tariffs, or imposts of every sort that interfere with the free production and exchange of wealth.

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