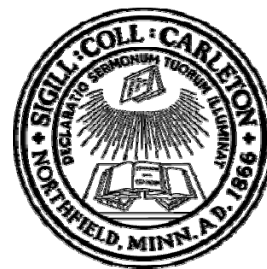


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*Taxation with(?) Representation: The Political  
Economy of Public Finance in Early California*

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## Abstract

Recent studies of public finance in the United States argue that *ad valorem* property taxation came to dominate state public finance during the 19<sup>th</sup> century in part because it aligned the benefits of public enterprises with the associated tax burden. This paper takes a closer look at one state that adopted property taxation in the mid 19<sup>th</sup> century and documents intense inter-occupational conflicts between miners and ranchers over administration of the system of property taxes. These conflicts occurred for various institutional reasons, including differential costs of enforcing tax collection and the short-lived political ascendance of miners during, and in the years following, the Gold Rush.

Taxation with(?) Representation:  
The Political Economy of Public Finance in Early California

I. Introduction

The history of public finance in the United States reveals a highly complex picture of how the government has gone about collecting tax revenues. Not only are revenues collected by governmental units at several different levels (federal, state, and local), but a wide variety of taxing instruments have been used, including taxes on personal and corporate income, sales of goods and services, and real and personal property. In the broadest-brush picture, public finance has undergone a distinctive progression beginning with asset financing by state governments in the late 18<sup>th</sup>-century and early 19<sup>th</sup>-century, based largely upon revenues generated from government-owned or -operated assets such as canals, banks and railroads. After 1840 or so, property taxes came increasingly to dominate, collected mostly by localities and shared by state and local governments. Finally, with the onset of the Great Depression income taxes gradually took center stage, the lion's share of which support the operations of the federal government.<sup>1</sup>

Economic scholarship has attempted to explain this progression and specifically, why different instruments, and different governmental levels, have dominated at different points in time. In explaining the move to property taxes after 1840, many observers have stressed the importance of the financial crisis of the late 1830's and early 1840's, which left many states unable to pay their debts, and some of these states defaulted. In reaction, beginning in the early 1840's many states imposed constitutional provisions circumscribing the assumption of public debt. Recent scholarship has modeled the move to property taxes in a public choice framework in which these constitutional restrictions raised the political costs of asset financing relative to

financing in alternative ways. Concurrently, the demand arose for financing mechanisms that ensured that beneficiaries of localized services also bore the associated tax burden, as a means of defusing political opposition. All of which explains the ascendance of *ad valorem* property tax financing, which went from being a fiscal afterthought in the early 1800's to the primary source of state and local revenues by 1900.<sup>2</sup>

On the surface, this basic story line seems to fit California pretty well. When California became a state in 1850, it labored under a self-imposed constitutional provision establishing procedural restrictions on the assumption of public debt. It then proceeded to set in place a tax system based largely upon property taxation. However, its property tax system was extremely contentious politically, so contentious in fact that it was nearly responsible for a division of the state into two parts, a southern and a northern section.<sup>3</sup> In early California, *ad valorem* property taxation was apparently not sufficient to align the benefits and costs of taxation in order to achieve any semblance of political consensus.

A closer look reveals serious problems in the administration of the tax system, which were exacerbated by inter-occupational struggles between miners and agriculturalists over the incidence of the tax. One important factor complicating the administering of property taxes was that different forms of real property varied dramatically in the ease with which they could be assessed and taxed.<sup>4</sup> For much of the 1850's, the relatively settled nature of farming and ranching permitted property taxes to be collected at lower cost than for gold mining, which tended to

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<sup>1</sup> See, for example, Howe & Reeb(1997); Sylla & Wallis(1998); Wallis(2000a); Wallis(2000b).

<sup>2</sup> See, for example, Heckelman & Wallis(1997); Sylla & Wallis(1998); Wallis(2000a); and Wallis(2000b); Wallis(2005).

<sup>3</sup> Older historical accounts often blamed slavery for the movement for division in California during the 1850's, but more recent studies have concluded that slavery was at most peripheral to division in the state. See Ellison(1950), p. 167; Bean(1968), pp. 176-77.

be prosecuted in a more transient fashion.<sup>5</sup> Another distinction that turned out to be important was whether activity occurred on private or public lands. Under the act of Congress that admitted California to the Union, public lands belonging to the federal government were not subject to state taxation, and this fact was built into the state property tax system through an explicit exemption for lands owned by the federal government. The fact that the relatively transient mining activity mostly occurred on public lands made it doubly difficult to force miners to bear their proportionate share of property taxes.

A second factor was the unique position of miners, who were for much of this period sufficiently dominant politically to capture the administration of the tax system and shift the tax burden onto other groups, mainly southern farmers and ranchers. In California during the 1850's, gold mining was by far the dominant industry and for much of the decade, most of the state's population outside of San Francisco resided in the mining regions. The rapid influx of fortune-seekers after the initial discovery of gold led to frequent reapportionments of the state's legislative districts and the heavy concentration of population in the mining regions gave miners a great deal of political representation and hence, political influence. By 1857, miners were able to exploit this political influence to obtain exemptions for mining claims and mining equipment from payment of property taxes. The result was a further redistribution of the tax burden away from miners, further contributing to the political divisiveness of the property tax system.

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<sup>4</sup> This fundamental point has long been understood by economists. A classic treatment of it appears in Ely(1888). See especially pp. 131-201.

<sup>5</sup> Property tax incidence as a divisive inter-occupational force during the 19<sup>th</sup>-century has not escaped the notice of scholars of American history. A rich literature focuses on taxation of slaves in the South during the antebellum period(see, for example, Kruman(1983), Wallenstein (1984, 1985), Einhorn(2003)). Many studies have remarked on the problem of unequal taxation of real and personal property that became more pronounced over time with the transition to an increasingly urban and industrial economy(see, for example, Benson et. al.(1965), Howe and Reeb (1997)), and some have named farmer grievances over their tax treatment relative to

The remainder of this article develops these ideas at length. Section II examines the 1849 constitutional framework and the subsequent creation of the state's tax system. Section III discusses the difficulties associated with administration of the property tax system and the political divisions that resulted. One important consequence of these divisions was a vigorous movement for a division of the state into two or three entities. This movement was strongly backed by interests in the southern part of the state and may well have been responsible for division had not the Civil War intervened. Section IV turns to an examination of the politics of tax exemption and shows how mining interests were able to obtain favorable tax treatment of mining claims and mining equipment. The discussion also suggests that there were limits to the political influence of miners, particularly over time as the economy diversified and mining became less economically dominant. Section V considers certain economic and institutional similarities between California and other states during this time period and provides evidence from two other important mining states: Nevada and Montana. This discussion suggests that the experience of California may well reflect a broader pattern, especially among western states with large amounts of public lands where major mining discoveries enabled miners to gain political ascendance for awhile. Section VI concludes and offers potentially fruitful avenues of future research.

## II. The Creation of the California Tax System

In California the story begins prior to statehood in 1849 when a constitutional convention assembled in San Jose to draft a constitution for the prospective state. Ultimately contained in this constitution were two provisions with important ramifications for state finances. The first

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merchants, urban dwellers and manufacturers as contributing to the rise of agrarian activism in the postbellum period(see, for example, Buck(1913), p. 23; Hicks(1961)).

was Article VIII, a provision that established procedural restrictions on the assumption of debt by the state:

“The Legislature shall not in any manner create any debt or debts, ... which shall singly, or in the aggregate, with any previous debt or liabilities, exceed the sum of three hundred thousand dollars, except in case of war, to repel invasion or suppress insurrection, unless the same shall be authorised by some law for some single object or work, to be distinctly specified therein, ... but no such law shall take effect until, at a general election, it shall have been submitted to the people, and have received a majority of all the votes cast for and against it at such election; and all money raised by authority of such law, shall be applied only to the specific object therein stated, or to the payment of the debt thereby created ...”<sup>6</sup>

This provision circumscribing the assumption of state debt was neither original nor terribly controversial. The debates on the convention floor reveal that there was never any serious question that the new constitution would contain some such provision.<sup>7</sup> Virtually all of the brief floor debate was centered on the question of where to set the aggregate debt limit, rather than whether to set one at all, or what form the procedural restrictions should take. Also revealed in the debates is a definite awareness of debt restrictions contained in the constitutions of other states, with specific reference made to the constitutions of Iowa and New York, each recently passed in 1846 and each containing a provision regarding state debt. The final debt provision in fact closely mirrored similar provisions contained in those states’ 1846 constitutions. All of which reflects how California became a part of the general anti-debt fervor of the 1840’s remarked upon by many historians and economic historians.

The second important provision in the 1849 constitution was one that called for “equal and uniform” taxation, that all property in the state “shall be taxed in proportion to its value”. This provision was also unremarkable within the context of other state constitutions during this

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<sup>6</sup> Statutes of California (1850), Constitution of the State of California, Appendix, p. IX.

<sup>7</sup> Browne(1850), pp. 165-66.

time period, many of which contained similar provisions.<sup>8</sup> Yet in California, its proposed inclusion in the constitution sparked a heated debate within the convention because of a proposed amendment, strongly supported by delegates from the southern part of the state, which stipulated that property assessors and tax collectors be popularly elected within the locality in which property taxes would be collected.

Southern support for this amendment ultimately stemmed from the recent rapid influx of gold hunters, who by the time of the convention already vastly outnumbered those living in the south, many of who were living on large private landholdings amassed under Mexican rule. A special census taken in 1852 reveals that the mining counties of Calaveras, El Dorado, Mariposa, Nevada, Placer, Sierra, Tuolumne, and Yuba contained nearly 55% of the entire population of the state and nearly 64% of the population outside of San Francisco.<sup>9</sup> The discovery of gold, mostly in these counties, occurred on public lands belonging to the federal government and in particular not privately owned and therefore not subject to a property tax. This combination of circumstances led southerners to fear that they would bear the brunt of any system of property taxation set in place. In speaking out in favor of this amendment, one southern delegate noted that there were probably about 100,000 people living in California at the time, and:

“Of this hundred thousand persons there may be fifteen thousand native Californians, and of the whole number, not exceeding five thousand are proprietors of landed property, and the great majority of the residue have neither real estate nor personal property that is taxable...”<sup>10</sup>

This delegate also expressed doubt that a system of property taxes would even be able to raise sufficient revenues and recommended the imposition of a poll tax to supplement property tax revenues. It is clear that he believed both that a system based solely on property taxes would

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<sup>8</sup> See, for example, Kettleborough(1918); Einhorn(2001).

<sup>9</sup> Statistical View of the U.S.(1854), p. 394.

<sup>10</sup> Browne(1850), p. 369.

entail considerable costs of collection and that such a system would heavily tax his southern constituents. Both of these beliefs would be borne out by subsequent events.

Opponents of this amendment countered that it would permit localities to avoid paying taxes by allowing local landowners to control the processes of assessment and collection. As one northern delegate argued:

“If the northern portion of the country is to be charged with a design to throw an undue burden of the taxation of the State upon the southern portion, why may not, upon the very same foundation, the charge be thrown back; and why may we not aver that these gentlemen, in assessing their own lands, may avoid their proportionate burden of taxation?”<sup>11</sup>

He added:

“I consider this proposition to be equivalent to this. Let every man send in his assessment of his property; let every county with these divers local interests choose their assessors, with instructions how they are to assess the property. It is but one remove from the odious principle that a man shall have a perfect right to fix his property at what he pleases.”<sup>12</sup>

However, in the end the convention included the amended section in the new state constitution.

The consensus among historians appears to be that the southern delegates feared the political power of mining interests and insisted on inclusion of the amendment to protect them from excessive taxation. Northern delegates acquiesced to its inclusion in the constitution rather than risk withdrawal of the southern delegates from the convention.<sup>13</sup> Article 11, section 13 as it finally appeared in the constitution read as follows:

“Taxation shall be equal and uniform throughout the State. All property in this State shall be taxed in proportion to its value, to be ascertained as directed by law; but assessors and collectors of town, county, and State taxes, shall be elected by the qualified electors of the district, county, or town, in which the property taxed for State, county, or town purposes is situated.”

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<sup>11</sup> *Ibid.*, p. 371.

<sup>12</sup> *Ibid.*, p. 372.

<sup>13</sup> See, for example, Bancroft(1888), pp. 297-98; Hunt(1895), p. 44; Fankhauser(1913), pp. 122-23; Ellison(1950), p. 37.

The constitution was subsequently ratified by an overwhelming margin in a popular referendum in November of 1849.<sup>14</sup>

Within this constitutional framework it was up to the legislature to establish the particulars of the revenue system of the fledgling state, which it did in March 1850 when it enacted a statute creating a system of property and poll taxes.<sup>15</sup> Under this system, with certain exemptions all real and personal property was subject to taxation. Real property included land and buildings, while personal property included goods, furniture, watercraft, and public stock in turnpikes, bridges, and insurance companies. Among the exemptions to this property tax were schoolhouses, courthouses, jails, churches, cemeteries, and the property of the federal government. This statute also called for a poll tax to be assessed on every adult male between the ages of twenty-one and fifty years.

This statute also set in place a detailed set of procedures for assessment and collection of property taxes, which were locally administered by counties and then shared with the State. County Assessors were charged with compiling rolls of all taxable inhabitants within the county, their taxable property, and the value of such property and any improvements made to it. Valuation decisions made by the Assessor could be appealed to the county Court of Sessions, which served as a Board of Equalization. Property and poll taxes were to be levied by county Auditors, with tax rates for state revenues determined by statute and rates for county revenues set by the Court of Sessions. The actual tax collection itself was to be done by the County Treasurer, who was empowered to seize and sell property for nonpayment of taxes and to assess additional 10% damages for failure to pay. Upon collection, Treasurers were required to settle up with the county Auditor and the State Comptroller and were subject to additional penalties for any

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<sup>14</sup> See Fankhauser(1913), p. 118.

revenue shortfalls. True to the constitution, separate statutes enacted by the legislature called for county Assessors and county Treasurers to be locally elected. However, to guard against abuse and dereliction of duty, these statutes also required them to execute bonds as surety for faithful performance of duty.<sup>16</sup> The legislature then enacted one other statute that temporarily set the property tax rate at fifty cents per one hundred dollars of taxable property for state taxes, and mandated a poll tax of \$5 per adult male.<sup>17</sup> These laws formed the fundamental basis for the system of property and poll taxation of the state for many years.

One other institutional factor would intimately affect the operation of the tax system; namely, the conditions under which California became a state. Statehood did not formally occur until September of 1850, when Congress passed a law admitting California into the union. As was true of all admission acts, this law set forth the legal conditions under which California would become a state, laying out the relative rights of the federal government and the state. Most importantly for our purposes, this law mandated that the public lands belonging to the federal government were not subject to state taxes:

“... the said State of California is admitted into the Union upon the express condition that the people of the said State, through their legislature or otherwise, shall never interfere with the primary disposal of the public lands within its limits, and shall pass no law and do no act whereby the title of the United States to, and right to dispose of, the same shall be impaired and questioned; and that they shall never lay any tax and assessment of any description whatsoever upon the public domain of the United States...”<sup>18</sup>

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<sup>15</sup> “An Act prescribing the mode of Assessing and Collecting Public Revenue,” Chapter 52, Laws of the State of California, 1<sup>st</sup> Session, 1850, pp. 135-144.

<sup>16</sup> “An Act concerning the office of County Treasurer,” Chapter 42, Laws of the State of California, 1<sup>st</sup> Session, 1850, pp. 115-17; “An Act concerning the office of County Assessor,” Chapter 43, Laws of the State of California, 1<sup>st</sup> session, 1850, p. 117.

<sup>17</sup> “An Act defining the amount of revenue to be collected to defray the expenses of the Government of the State of California, for the year eighteen hundred and fifty,” Chapter 18, Laws of the State of California, 1<sup>st</sup> Session, 1850, p. 65.

<sup>18</sup> U.S. Statutes, 31<sup>st</sup> Cong., 1<sup>st</sup> Sess., chapter 50, p. 452.

This law thus affirmed what many southern delegates to the convention had feared; namely, that the mining regions that mainly lay in the central and northern parts of the state were unlikely to bear their proportionate share of the tax burden.

### III. “Equal and Uniform”? The Politics of Property Taxation

After creating its system of property and poll taxes, the state quickly moved to use it to generate tax revenues, which were badly needed to pay for the burgeoning operating expenses of the state. However, it quickly found itself falling short. In the very first fractional fiscal year ending June 1850, not a single dollar of property or poll taxes was paid into the state treasury, as the state set its administrative system in place. Simultaneously the state was incurring nearly \$350,000 in administrative expenses that included little more than paying salaries and expenses of public officials and printing public documents.<sup>19</sup> In order to pay its initial expenses, the state used the proceeds of a \$300,000 bond issue while issuing treasurer’s warrants for most of the remainder. Property and poll tax revenues began to flow into the treasury in the following fiscal year, during which the state managed to collect nearly \$300,000 in such revenues. By that time, however, annual total state expenditures had climbed to nearly \$742,000, forcing the state to float another bond issue and to issue additional warrants. This pattern of spending well in excess of revenues persisted for several years through fiscal year 1856(See Figure 1), at which time total civil debt stood at about three million dollars.

The early inability of the state to raise revenues to match expenditures was a result of a number of factors, including a loss of federal revenues resulting from never having enjoyed territorial status and the rapidly increasing expenditure demands for schools, hospitals, etc.

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<sup>19</sup> Annual Report of the Comptroller of State(1850), pp. 522-23.

associated with the rapid influx of gold seekers.<sup>20</sup> An important additional factor was broad-based difficulty in tax collection efforts relating both to tax evasion and to corruption among local collecting officials. By the end of the first full fiscal year, for example, it has been estimated that roughly two-thirds of those owing a poll tax were delinquent on their payments.<sup>21</sup> By 1857, enforcement of the poll tax had not improved much, according to the state comptroller who reported that the state was receiving less than 38% of its expected poll tax revenue.<sup>22</sup> But even when taxes were paid, revenues flowed into the state Treasury slowly and by 1853, the state had brought suit against several county treasurers and other local tax officials in Tuolumne, Calaveras, Sonoma, and El Dorado counties for delinquent tax payments into the state treasury.<sup>23</sup> By the end of the decade, additional suits had been brought against the treasurers of Sacramento, Santa Clara, Sierra, Trinity and Yolo counties.<sup>24</sup>

Available evidence strongly suggests that tax collection was especially problematic in the mining regions, particularly early in the decade. In his very first annual report in 1850, the state Comptroller commented on the state's financial difficulties, making obvious reference to the recent rapid influx of miners and its effect on the state's ability to raise tax revenues:

“The population and wealth of the State are of such a character that in many cases they cannot be reached by taxation. Our population is more unsettled and changeable than, perhaps, that of any other State in the Union. As a consequence, property is in like condition.”<sup>25</sup>

Two years later, the situation had not changed much when the Comptroller again bemoaned the sad state of tax revenues, again mentioning the seemingly insuperable problem of taxing a tran-

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<sup>20</sup> Report of Committee on Ways and Means, 1849 CA Constitutional Convention, cited in Fankhauser(1913), p. 120; Annual Report of the Comptroller of State(1850), pp. 545-46.

<sup>21</sup> See, for example, Ignoffo(1999), p. 69.

<sup>22</sup> Report of the Controller of State(1857), p. 6.

<sup>23</sup> Annual Report of the Comptroller(1853), pp. 48-49.

<sup>24</sup> Annual Report of the Comptroller(1855), p. 32; Annual Report of the Controller(1859), p. 5.

sient population but adding that the public lands nature of the mining regions exacerbated the difficulties of raising revenues from this population:

“The real difficulty that affects the finances of the State, arises from the insecurity of Land Titles, the large Territorial possessions in our midst, claimed by the General Government; their consequent immunity from State taxation, and the transient and movable character of our population, rendering the collection of the tax imposed per capita, impracticable and impossible to a certain extent.”<sup>26</sup>

In 1854, he was more explicit in singling out mining activity as being difficult to tax:

“During the three first years of our existence as a State, the mining portions of the country paid comparatively little into the Treasury. Although assessments were made in these localities, the collecting officers were in many instances unable, a few months after, to find the parties or property assessed, so migratory and changing was the population.”<sup>27</sup>

In response to these difficulties, the legislature instituted a number of reforms in the manner in which property and poll taxes were collected. In 1851, the legislature attempted to improve collection enforcement by putting tax assessment and collection duties in the hands of county Sheriffs and providing them a larger share of collected tax revenues. It also attempted to direct more tax revenues into the state Treasury by explicitly mandating that the state receive two-thirds of all poll-tax revenues and placing a legislative ceiling on the property tax rate that could be set by counties. In the following year the legislature placed the onus on officers of mining companies to provide county assessors with written statements of the value of property owned by their companies, with specific penalties for noncompliance. The same statute also provided for payments for informants on those engaged in tax fraud. A separate statute authorized the State Comptroller to bring suit against county treasurers and other local collection officials for failure to perform their duties. Further laws were enacted by the legislature in 1853 and

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<sup>25</sup> Annual Report of the Comptroller of State(1850), p. 546.

<sup>26</sup> Report of the Comptroller of State(1852), p. 510.

<sup>27</sup> State Comptroller’s Report(1854), p. 38. See also Annual Message of the Governor, Journal of the Assembly(1856), p. 20.

1857 that tightened and streamlined procedures for collecting tax revenues. However, even by 1859 the state comptroller was expressing serious concerns about “the inefficient manner in which the laws for the collection of the revenue are enforced.”<sup>28</sup>

One important consequence of these tax collection difficulties was that different portions of the state ended up bearing very different tax burdens, despite the constitutional mandate for equal and uniform taxation. We have already seen that southern delegates to the 1849 convention were concerned that the southern counties would bear a disproportionate amount of taxation. In 1852, Governor McDougal confirmed these fears when he reported that the tax system was operating unequally upon different sections of the state, with southern counties bearing considerably more than their proportional share of taxes while enjoying much less than proportional legislative representation, and he provided figures to support this assertion. For example, six largely agricultural counties in the south enjoyed less than one-third the legislative representation of twelve mining counties, while paying *thirty-seven* times as much in per-capita property taxes. Similarly, the same six southern counties, despite having a population estimated at about five per cent of the twelve mining counties, were actually paying slightly more in total poll taxes.<sup>29</sup> Governor McDougal concluded:

“The interests of the southern counties are in many respects inimical to those of the north. To remedy whatever evils exist, seems impossible under the present Constitution, for that instrument provides that there shall be no special legislation, declaring that ‘all laws of a general nature shall have a uniform operation’. It declares, also, that ‘taxation shall be equal and uniform throughout the state.’ This equality now exists only a legal sense; for while the southern counties, which are mostly covered by grants and in the possession of individuals, pay a heavy tax upon every acre of their land..., the mining counties, exceedingly prolific in the

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<sup>28</sup> Annual Report of the Controller(1859), p. 5.

<sup>29</sup> Annual Message of the Governor, Journal of the Assembly(1852), p. 13. See also Caughey(1940), p. 336.

returns they make to their occupants, being almost entirely the property of the Federal Government, pay nothing, comparatively, into the State Treasury.”<sup>30</sup>

Five years later, the state Comptroller was declaring that the “burthens of taxation” were not being “equitably borne” under the then-current tax system, with regard to both property and poll taxes.<sup>31</sup>

The reaction of the southern counties to this unequal incidence of taxes was predictable: they did not at all like it. And this dissatisfaction gave rise to concerted, repeated attempts by southern legislators throughout the remainder of the decade to have the state split up into two or three smaller entities, either states or territories. As early as 1851, representatives of various southern counties convened in San Diego and Santa Barbara and called for division of the state, citing laws oppressive to the south and disparities in taxation.<sup>32</sup> Beginning the following year, the issue of division was repeatedly advanced by southern delegates, mostly through attempts to call for a constitutional convention to effect the constitutional changes that would permit a division. In 1852 and 1853, bills enabling the calling of a convention were passed in the assembly but defeated in the senate.<sup>33</sup> In 1855, an assemblyman from San Bernardino County introduced a bill creating a new state consisting essentially of the southern half of the state, which was reported to a select committee. This committee reported back a substitute that would have divided the state into three portions, a southern, a central, and a northern portion. The report argued for division on the basis that the existing state was essentially too big and cumbersome and that the interests of the different regions were “widely dissimilar”.<sup>34</sup> It also made reference to the redistributinal consequences of the existing state:

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<sup>30</sup> Ibid., p. 13.

<sup>31</sup> Report of the Controller of State(1857), p. 6. See also Cleland(1975), pp. 121-24.

<sup>32</sup> Ellison(1950), pp. 174-75.

<sup>33</sup> Ibid., pp. 178-81.

<sup>34</sup> Report of the Select Committee with reference to Division of the State(1855), p. 6.

“The center reaps all the benefits, enjoys all the advantages of government favor, while the extremities are compelled to bear a large proportion of the burden of taxation. All improvements of a public character, colleges, asylums and State buildings of every description, are made at or near the seat of government, and the greatest interest the inhabitants of distant counties can have in them, arises from their sufferings as tax-payers.”<sup>35</sup>

Finally, it added, within the arena of national politics it would not hurt to have six senators instead of two. The legislative session ended, however, before full action could be taken in both houses on the bill. Further legislative attempts proposing division died without action being taken in 1856 and were narrowly defeated in 1857.

Finally, in 1859 an assemblyman from Los Angeles introduced joint resolutions in the assembly proposing division of the state and the creation of the Territory of Colorado out of five southern counties. The resolutions argued that the state was too large and diversified and that legislation that was nominally uniform was in fact unfair to the south.<sup>36</sup> The resolutions were referred to a special committee (chaired by the same Los Angeles assemblyman) that came out with two reports, a favorable majority report and an unfavorable minority one. The majority report tersely argued that inhabitants of the southern counties had “good and valid reasons” to want to separate from the rest of the state and reported a bill that would effect division.<sup>37</sup> The minority report, authored by two northern assemblymen, contained a more expansive discussion that questioned the constitutionality of effecting division through a simple legislative act.<sup>38</sup> The bill accompanying the majority report was narrowly passed in both the senate and assembly and signed by the governor. The final law called for the question of division to be submitted to the voters of the affected southern counties, with a two-thirds majority required for passage. In such

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<sup>35</sup> Ibid., p. 7.

<sup>36</sup> Sacramento Union, February 5, 1859; Los Angeles Star, February 19, 1859; cited in Ellison(1950), p. 184.

<sup>37</sup> Journal of the Assembly(1859), pp. 341-42.

<sup>38</sup> Ibid., pp. 350-52.

an eventuality, the Governor was directed to send the law and the results of the election to the President and to Congress for action. In the popular vote among residents of the affected counties conducted in September of 1859, the law was comfortably ratified by a nearly three-to-one margin.<sup>39</sup>

In conformity with this law, Governor Latham transmitted the statute and the election results to President Buchanan in early 1860, along with a letter detailing his views supporting the constitutionality of the statute.<sup>40</sup> The state was of course never divided and indeed, there is no evidence that division of California was ever even considered in Washington. The 1860-1861 Congressional Globe contains no record of the issue being debated or even raised on the floor of Congress, despite the fact that Latham was present as one of the senators from California, having been named to the position upon the death of the sitting senator, David Broderick. In explanation, historians have argued that after 1860 Congress became increasingly occupied with the Civil War, which left no time for consideration of division.<sup>41</sup> I would add that what the southern counties were requesting – the reversion of part of a state to territorial status with the prospect of readmission as a separate state – may well have caused serious political difficulties given the highly charged issue of slavery in newly admitted states that was prominent in national politics in the 1850's. The admission of California into the Union as a free state as part of the Compromise of 1850 had been extremely controversial, and many in Congress may have viewed division as potentially reopening the slavery issue in that portion of the country.<sup>42</sup> Indeed, a minority report in the assembly on the Governor's message to Buchanan expressed concern that division

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<sup>39</sup> Ellison(1950), p. 187.

<sup>40</sup> Journal of the Assembly(1860), p. 125.

<sup>41</sup> See also Ellison(1950), p. 189.

<sup>42</sup> Fogel recounts that the position of the U.S. Supreme Court in the 1850's was that neither Congress nor a territorial legislature could exclude slavery from a territory. See Fogel (1989), p. 343.

could lead to intramural struggles over slavery similar to those that had occurred in the wake of the Kansas-Nebraska Act of 1854:

“The civil discord which now so trammels Congress and threatens our Federal Union had its origin in questions growing out of our territorial organization, and California, occupying a position so eminently conservative, should be the last to offer another opportunity for the enactment of new Kansas difficulties.”<sup>43</sup>

Congress may have lacked both the time and the political will to consider division.

#### IV. How Shameless Can You Get? Property Tax Exemptions for Mining

The political story does not end here. The story being told is not merely a discussion of the economic and institutional factors that raised the costs of collecting property and poll taxes in an “equal and uniform” way and in doing so almost tore the state asunder. Rather, while all this was occurring, another separate but related political story was unfolding; namely, legislative attempts by mining representatives to secure exemption from property taxes for mining claims and mining machinery. They actually managed to accomplish this in 1857 when the legislature, in enacting a revision to the existing revenue law, added mining claims to the list of property explicitly exempted from property taxes.<sup>44</sup> This could not have sat well with the southern counties and probably contributed to their desire to separate from the rest of the state. Indeed, in his 1860 communication to President Buchanan, Governor Latham specifically mentions this tax exemption as contributing to the dissatisfaction of the southern counties, who:

“complain that the taxes upon their land and cattle are ruinous – entirely disproportioned to the taxes collected in the mining region; that the policy of the State, hitherto, having been to exempt mining claims from taxation, and the mining population being migratory in its character, and hence contributing but little to the

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<sup>43</sup> Journal of the Assembly(1860), p. 233.

<sup>44</sup> “An Act to provide Revenue for the Support of the Government of this State,” Chapter 261, Laws of the State of California(1857), p. 326.

State revenue in proportion to their population, they are unjustly burdened; and that there is no remedy, save in a separation from the other portion of the State.”<sup>45</sup>

How the mining representatives managed to secure exemption from property taxes is the issue to which we now turn.

The property tax exemptions secured by miners in 1857 were part of an interesting, and in some ways quite telling, larger progression in the tax treatment of mining claims and machinery during the Gold Rush. Placed within this context, the 1857 mining exemptions represented the height of tax liberality with regard to miners throughout the entire period from 1849 to 1865. Laws passed early in the 1850's gave mining no special tax treatment, subjecting mining in essence to the same taxes as a wide variety of other economic activities. The revenue law enacted in 1852 specifically subjected gold dust and stock held in mining companies to taxation. The law enacted the following year explicitly subjected mining machinery to taxation, and, reflecting the rapid development of water supplies to service the mining industry, also made canals and water races taxable. The 1857 legislation that expressly exempted mining claims from taxation was for miners a significant liberalization of existing property tax law. This provision was controversial and the Senate Finance Committee, to whom the bill had been referred, proposed striking the mining claims exemption. However, the exemption was retained, and each house ended up passing slightly different versions of the bill by wide margins, which were quickly reconciled in conference committee. An amendatory law passed the following year also retained the mining exemption.

In 1860, however, the legislature began to enact tax legislation that clamped down on mining exemptions. In that year, the legislature amended the existing revenue law by subjecting

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<sup>45</sup> *Ibid.*, p. 125.

mining machinery to taxation, while retaining the exemption on mining claims. The exemption was embodied in the following provision contained in Section 2, subdivision 8:

“Mining claims (shall be excluded from property taxation); provided, that all machinery used in mining claims, and all property and improvements appurtenant to, or upon, mining claims, which have an independent and separate value that can be estimated and taxed, without taxing such mining claims, shall be subject to taxation.”<sup>46</sup>

Then in 1864 miners faced an even stiffer, and ultimately insurmountable, challenge to their tax-exempt status when a bill was passed by the legislature that simply repealed the exemption for mining claims.<sup>47</sup> The legislature had come full circle, through a period of tax liberalization back to its original stance: treating mining claims like any other form of property. The question is: how do we understand this legislative history, and what were the reasons for the legislative reversals observed both in 1857 and again beginning in 1860?

#### A. Evidence on Political Support for Tax Exemptions

Certainly an important part of the answer is the fact that during this period, mining representation in the state legislature rose and then fell, owing to rapid demographic shifts. The discovery of gold in 1848 triggered, in the early 1850's, a major influx of immigrants mostly headed for the mining regions. The result was dramatically increased representation of mining regions in the state legislature as legislative districts were added and existing districts were subdivided, to more accurately reflect the shifting population realities in the state.<sup>48</sup> From 1850 to 1854 the number of state assemblymen from mining counties increased from 29% to nearly 48% of the

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<sup>46</sup> Statutes of California(1860), pp. 365-401.

<sup>47</sup> “An Act supplementary to an Act entitled an Act to provide Revenue for the Support of the Government of this State, approved May seventeenth, eighteen hundred and sixty-one,” Chapter 416, Statutes of California(1864), p. 471.

<sup>48</sup> During this period, the state underwent legislative reapportionments in 1851, 1852, 1853, 1857, 1861, 1863, and 1864. See Allen(1965), pp. 81-91.

total state assembly, while mining senators increased from 25% to 47%.<sup>49</sup> After 1860, however, declining gold production and the continuing growth and diversification of the state economy resulted in a decline in mining representation. Whereas in 1860 mining counties accounted for nearly 48% of all senators and 43% of all assemblymen, by 1864 these percentages had fallen to 37% and 35% respectively.

To provide a better sense of the overall pattern of representation of miners versus non-miners during this period, Figure 2 shows the ratio between the number of senators and assemblymen representing mining counties and the number representing non-mining counties for every year from 1850 through 1864. In 1850, the ratio of mining to non-mining representatives was a little over 41% in the assembly and only 25% in the senate, meaning that mining senators were outnumbered four to one. These ratios rose steadily throughout the early 1850's, reaching nearly 90% in the senate by 1854 and actually exceeding 100% in the assembly in 1855 and 1856. The level of mining representation in the senate remained steady at around 90% until 1860, when there began a noticeable decline. Mining representation in the assembly fell from its peak in 1857 but remained steady at about 75% until 1861 when it, too, suffered a decline. In terms of being able to command a majority coalition within the Assembly, the period from 1854 to 1861 was clearly the "golden age" for miners in California. Throughout this period, mining representatives could succeed in enacting pro-mining legislation if they voted as a bloc and enticed a handful of other representatives to go along. By 1864, however, a solid voting bloc of mining representatives would not have commanded anywhere near the majority necessary to get a bill

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<sup>49</sup> Here "mining counties" is defined as: Amador, Calaveras, El Dorado, Mariposa, Nevada, Placer, Plumas, Sierra, Siskiyou, Trinity, Tulare, Tuolumne, and Yuba counties. These were the most-heavily gold-producing counties in the state in 1860, with the exception of Yuba. See U.S. Census of Manufacturing(1860), pp. 23-33. Yuba is included because histories indicate it was an important mining county in the early 1850's, though the 1860 census does not reflect this. See, for example, Paul(1947), p. 92.

successfully through the legislature. The rise and fall of mining representation during this period is broadly consistent with the enactment of mining exemptions from property taxes in 1857 and their subsequent repeal.

The changing numbers of mining representatives alone cannot, however, explain the observed pattern of property tax treatment of miners. It seems anomalous, for example, that mining exemptions were enacted in 1857, after mining representation had declined to 43% of the total assembly, well down from its peak of over 52% in 1855 and 1856. One might expect mining exemptions to have been enacted earlier, when mining counties enjoyed an absolute majority in the assembly and a near majority in the senate. Recall, however, that the state had been suffering sizable budget deficits since 1850, including a massive shortfall in 1856 when revenues were less than half of total expenditures. These continual deficits added up to a \$3.2 million civil debt by the beginning of 1857. By that time, however, the financial picture had brightened, and in 1857 the state incurred the smallest deficit in its short history. The easing of financial conditions may well have reduced political opposition to the exemptions among non-mining legislators.

Also important to note were some subtle changes in the political dynamics of support for mining exemptions that occurred after 1860. These changes are illustrated most clearly by comparing the legislative histories of the exemption laws enacted in 1860 and 1864. Both laws were hotly contested in the legislature. In 1860, mining representatives in the assembly barely managed to defeat two hostile amendments that would have either abolished or emasculated the mining exemption. One amendment, to strike the mining exemption entirely, was defeated 32-22. The other amendment also struck the exemption but provided that mining claims would be assessed according to the value placed upon them by the owners. This amendment was even more narrowly defeated, 29-25.

A closer look at the roll-call votes on these two amendments reveals a sharp division between the votes of representatives of mining districts and those of all other representatives. Columns (1) and (2) in Table 1 lists the twelve mining counties along with the votes of their representatives in the assembly on these two amendments.<sup>50</sup> These data reveal that the two amendments (VOTE1 and VOTE2) faced unanimous opposition among representatives of these twelve gold mining counties, while enjoying overwhelming support among non-mining counties. In 1860, miners were apparently able to retain tax-exempt status for their claims because the mining counties enjoyed a substantial majority of representatives in the assembly and voted largely as a bloc.

By 1864, however, the solidarity earlier enjoyed by mining representatives began to crumble. Passage of the 1864 bill was perhaps even more vigorously contested than had been the 1860 bill. The 1864 bill survived a proposal to indefinitely postpone consideration before it was brought up for a vote in the Senate, and then after passage survived a vote to reconsider passage. In the Assembly, passage of the bill survived an amendment proposed by a representative from a mining district that would have stipulated that the law apply only to mines located on Spanish or Mexican land grants, and then after passage survived another vote to reconsider passage. What is even more interesting than their evident contentiousness, however, is that the roll-call votes on the 1864 mining legislation reveal definite cracks in what had previously been virtually monolithic support among mining representatives for tax-exemption. For example, in 1864 when the senate declined to indefinitely postpone consideration of the bill, seven of the twenty-one “No” votes were cast by senators who represented mining counties. Had these seven votes gone the other way, the bill would have been indefinitely postponed. Similarly, three of

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<sup>50</sup> Yuba County is now excluded because by 1860, its mining industry had all but disappeared.

the twenty-three votes in the Senate vote not to reconsider passage were cast by senators from that same group of mining counties. In the Assembly, six of the forty-two votes for passage of the bill were by assemblymen representing mining counties, as were four of the forty-one votes not to reconsider passage (See Table 1, VOTE3 and VOTE4). Other factors were apparently at play.

#### B. Econometric Analysis of the 1864 Legislation

To understand the reduction and then finally the elimination of tax-exemption of mining claims, one must recognize that miners were not the only group that had an interest in the issue. Revenues raised through property taxation could be used to reduce other forms of taxes, or to fund expenditures on a variety of services that could benefit both miners and non-miners alike. Elimination of tax-exemption for mining claims could mean a sizable redistribution of net benefits to non-miners.

The main hypothesis I investigate here is whether support for the 1864 law is correlated with reasonable expectations of non-mining groups that they stood to gain from the attendant increase in property tax revenues. I measure these expectations in two ways. The first is using the total population of the legislator's district, which simply assumes that more populous counties would expect to receive a proportionately greater amount of expenditures by the state government. To capture this effect, I created the variable POPULATION, defined simply as the total population of the county or counties comprising the legislator's district.

A second way to measure expectations would be some index of actual expenditures enjoyed by each legislative district at the time the 1864 law was being considered. Here the assumption is that current total expenditures are an accurate predictor of future expenditures on the margin. The annual reports of the State Controller contain a breakdown of expenditures by

the state, though most items are not apparently allocated to individual counties. One item that is listed by county, however, is state expenditures for public schools. To capture the actual expenditure effect, I created the variable SCHOOLEXP, which is defined simply as the total expenditure by the state on schools in the legislator's district. In order to test the robustness of my results, I will consider POPULATION and SCHOOLEXP as alternative measures of expectation of benefit by legislators.

In addition to expected benefits from increased expenditures, roll-call votes of legislators will be influenced by the interests of miners in retaining their tax-exempt status. Specifically, one would expect that legislators whose districts more heavily depend upon mining would be more likely to support a tax exemption for mining claims. To measure the extent to which a district depends upon mining, I constructed the variable MINING%, defined as the annual value of mining production as a percentage of total annual manufacturing value for the district. Finally, in the regressions I control for the party affiliation of the legislator with the dummy variable PARTY, which equals one if the legislator was a Union Democrat (the most prevalent political party at the time) and zero otherwise.

Table 2 reports the results of logit regressions on several key roll-call votes in both the Senate and Assembly on the 1864 bill to end the mining exemption. Two key results should be noted. First, the estimated coefficients on MINING% reflect a consistent pattern of significant opposition to the bill by representatives of mining interests. This result is not surprising, and indicates that all else equal, miners viewed this bill as definitely contrary to their interests. Second, the estimated coefficients on SCHOOLEXP and POPULATION indicate support for the bill among interests that would have been more likely to benefit from termination of the tax exemp-

tion. Though not as significant as the results on MINING%, the pattern is definitely observable, especially in the votes by the Assembly.

These estimated coefficients may be used to calculate the effect of each regressor on the probability that a legislator would have voted “Yes” in any roll-call vote. Table 3, reports various estimated probabilities for a vote for passage of the 1864 exemption bill by the Assembly, based upon the coefficients in column (5) of Table 2. For example, when SCHOOLEXP and MINING% both take on their sample mean values, the predicted probability of a Yes vote is 0.69.<sup>51</sup> One thing that is notable about the figures in Table 3 is that changes in SCHOOLEXP can have a large impact on the probability that a legislator would support terminating the tax exemption. Notice that this is particularly true when MINING% takes on higher values. Most relevant for our purposes, legislators from heavily mining counties may have opposed the tax exemption when those counties stood to gain more from the extra tax revenues. This result may help explain the earlier observation that in 1864 a significant number of legislators representing mining counties apparently “defected” and voted to get rid of the tax exemption for mining claims.

My results suggest that the demise of the tax exemption on mining claims in 1864 occurred due to two related factors: a decline in legislative representation of mining interests, and an increase in other demands on state funds. Both of these occurred, of course, because of changes in the state’s demographic patterns as mining declined and the economy diversified. Miners apparently fought hard to retain their favored tax status, but by 1864 lacked the legislative numbers to stem the tide. Just as significantly, however, by this time mining counties were themselves divided, perhaps because some stood to gain from termination of the tax-exempt status of mining claims.

## V. How Unusual was California?

California was by no means the only state to experience difficulties in administering its property tax system in 19<sup>th</sup>-century America. The particular issues experienced by California during its early statehood seem, however, different from southern states struggling over taxation of slaves or northern states struggling over taxation of real versus personal property or intangible industrial personalty, which are issues stressed in the economic history literature. Indeed, on the surface, California's early tax woes seem unique, stemming from a large historical shock – the Gold Rush – that dominated the state economy for an entire decade and enabled miners to capture the state legislature, while the transient nature of mining and its location on public lands exacerbated its difficulties in administering its system of property taxes.

One thing that certainly was not unique about 19<sup>th</sup>-century California was the large concentration of public lands in the state. Indeed, during the 19<sup>th</sup> century the federal government owned a great deal of public lands throughout the vast majority of the country west and south of the original thirteen colonies. These lands were acquired both through treaties and purchases from foreign countries and also by the ceding of claims to certain lands by some of the original states. By 1850, the federal government owned some 1.2 billion acres of public lands and as late as 1880 still owned about 900 million acres in the lower forty-eight states.<sup>52</sup> Throughout the late 19<sup>th</sup> century, nearly every state outside the original thirteen colonies contained significant amounts of federal land. As a general rule, these states were prohibited by their acts of admission to the Union from levying taxes on those lands. In addition, prior to 1820, acts of admission

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<sup>51</sup> PARTY is assumed to equal zero.

<sup>52</sup> Atack and Passell(1994), p. 251.

for states containing federal lands commonly prohibited states from levying taxes on lands for five years after passing into private hands.<sup>53</sup>

This exemption from property taxes was apparently a source of continual early tension between the federal government and public lands states, which periodically agitated for the right to tax federal lands. Beginning in the 1820's, Congress debated the desirability of retaining the provision that exempted federal lands from state taxation for five years after privatization. In 1825, the Senate Committee on Public Lands reported favorably on a bill that would have repealed this exemption, arguing:

“In most of the new states with the greatest abundance of real estate, there is very little personal property ... the consequences of this has been, and must continue to be, that the revenue of their governments have been derived almost exclusively from land taxation.”<sup>54</sup>

During this time, congressmen from public lands states repeatedly called for the federal government to relinquish its legal right to federal land within their boundaries. In doing so they argued, among other things, that cession of the federal lands would benefit farmers, who were bearing a disproportionate tax burden under the current system.

“The public lands in the hands of the new States would put those States on an equal footing with the original States. They would be sources of revenue for the improvement of those States, and they would relieve their agricultural interests from the heavy burdens they at present bear to sustain their treasury. Few of the old States are reduced to the necessity of a land tax to meet their current expenditures, but in the new States, having few objects of taxation, lay heavy contributions on their agricultural interests for that purpose.”<sup>55</sup>

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<sup>53</sup> These prohibitions on post-disposal sale stemmed from the fact that under federal land disposal policy prior to 1820, settlers could buy federal lands on credit and were given five years to complete payments.

<sup>54</sup> Cited in Hibbard(1924), p. 86.

<sup>55</sup> Senator Hendricks of Indiana, cited in Winter(1979), p. 57.

Extensive hardrock mineral strikes occurred on federal lands in various western states in the 19<sup>th</sup> century, including Nevada, California, Colorado, South Dakota, Idaho and Montana.<sup>56</sup> Evidence suggests that the rise of mining sometimes generated political tensions between the newly-ascendant miners and other occupational groups such as farmers, ranchers and merchants. In at least some cases, miners were able to wield significant political influence in order to obtain their desired political outcomes, including favorable tax policies. This occurred in Nevada after the discovery of the Comstock Lode in 1859 and in Montana during its territorial period, to give just two examples.<sup>57</sup> Indeed, the 1884 Montana constitution expressly exempted mining claims for “valuable mineral deposits” from property taxation.<sup>58</sup> One observer has described this provision as “supported by a well organized mining interest and opposed by a bewildered and weak agrarian group.”<sup>59</sup> And though this provision was amended five years later to eliminate the exemption, Spence(1975) has concluded that “nowhere was the impact of the mineral interests more apparent than in the tax structure of the [Montana] territory”.<sup>60</sup>

Johnson(1982) documents the role of lode silver miners in the creation of the new Nevada constitution in 1864. According to Johnson, this constitution was a heavily politicized document whose final form was shaped by political struggles involving large industrial miners, small miners, ranchers, farmers, merchants, businessmen, and laborers.<sup>61</sup> A key issue in the convention was the treatment of mining taxes and specifically, whether mines should be taxed like any other form of property. Miners argued that a distinction should be drawn between producing and not-yet-producing mines so as not to discourage mining development, and they

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<sup>56</sup> See, for example, Marks(1994), pp. 21-51.

<sup>57</sup> See, for example, Johnson(1982); Mayer and Riley(1985), pp. 71-72; Spence(1975).

<sup>58</sup> Constitution of the State of Montana(1884), Article XII, p. 25.

<sup>59</sup> Smurr(1955), pp. 223-24.

<sup>60</sup> Spence(1975), p. 205.

<sup>61</sup> Johnson(1982).

avored taxing the net proceeds from mining operations, as opposed to the market value of mines. Other groups countered that taxing mining proceeds would create a loophole that would permit mining companies to reduce the amount of taxes they paid. Miners apparently prevailed, as the final constitution taxed only mining proceeds.<sup>62</sup> This evidence speaks to the political influence of miners under circumstances similar to the California Gold Rush, as the Comstock Lode discovery in proportionate terms was arguably as great an exogenous shock to the Nevada economy, if not greater.

## VI. Conclusions

Scholars of American public finance have argued that the prevalence of property taxation by local governments in the second half of the 19<sup>th</sup>-century reflected their ability to align the benefits and costs of state projects and thus defuse political opposition. This explanation masks certain potentially serious problems faced by states in mandating and collecting property taxes. Economists and historians have long noted the special difficulties associated with taxing personal property. However, real property such as land and mining claims carried serious challenges of their own, both in terms of assessment practices and the actual enforcement and collection of taxes. In early California, two salient factors combined to make uniform collection of property taxes extremely difficult. One was the fact that the prosecution of mining was inherently much more transitory than agriculture. The second was that public lands belonging to the federal government were not taxable. Since mining occurred largely on public lands, these two factors combined to dramatically lower the relative burden of property taxes on miners. Successful attempts by mining interests to obtain selective exemptions from property taxes only exacerbated political divisions, which was almost responsible for a division of the state by 1860.

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<sup>62</sup> Kettleborough(1918), p. 890.

Future research will broaden the focus and examine the property tax experiences of other states during this period. The evidence provided here hints at the richness of the strategies of states in devising methods for taxing mines. Though early California seems to have considered only *ad valorem* property taxation or exemption therefrom, other states such as Nevada and later on, Montana, opted for systems based upon taxation of mining proceeds. Indeed, historical inspection of western mining states indicates wide variation with regard to reliance on *ad valorem* property taxation of mining. By 1944, for example, Warren Roberts reported that a strong minority of mining states relied on *ad valorem* property taxes, the remainder relying on other types of taxes, most notably taxes on mining proceeds.<sup>63</sup> The interesting political question concerns how and why the differential tax treatments came to pass under different political and economic circumstances. Characterizing the dynamics that resulted in these varied outcomes in the cross-section of western mining states should go a long way toward providing a better understanding of the true causes and consequences of property taxation in the 19<sup>th</sup> century.

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<sup>63</sup> Roberts(1944) lists Arizona, New Mexico, Alabama, Michigan, and Minnesota as states relying on *ad valorem* property taxation, while Nevada, Utah, Idaho, Montana, Louisiana, Arkansas, South Dakota and Colorado used non-*ad valorem* systems. See Roberts, pp. xi – xiii.

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Table 1: Summary, Roll-Call Votes on Key 1860, 1864 Votes

COUNTY	Value of Gold Prod as % of Total Mfg Value, 1860	1860				1864			
		(1)		(2)		(3)		(4)	
		VOTE1		VOTE2		VOTE3		VOTE4	
		YES	NO	YES	NO	YES	NO	YES	NO
Mariposa	0.987	0	2	0	2	1	0	1	0
Nevada	0.880	0	3	0	3	0	3	3	0
Tuolumne	0.852	0	0	0	0	2	0	1	1
Sierra	0.830	0	2	0	2	1	1	1	1
Calaveras	0.775	0	2	0	2	0	2	2	0
Amador	0.726	0	1	0	1	0	2	2	0
Trinity	0.706	0	0	0	0	0	0	0	1
Tulare	0.659	0	0	0	0	1	0	1	0
Placer	0.610	0	4	0	4	1	2	1	1
Siskiyou	0.582	0	1	0	1	0	2	2	0
Plumas	0.395	0	2	0	2	0	0	0	0
El Dorado	0.295	0	6	0	6	0	4	4	0
TOTAL, Mining Counties		0	23	0	23	6	16	18	4
All Others		25	6	23	8	36	8	4	37
TOTAL		25	29	22	32	42	24	22	41

VOTE1: To substitute that owners could specify how much their claims were worth, for purposes of assessment.

VOTE2: To strike section subjecting mining equipment to taxation.

VOTE3: To repeal mining exemption.

VOTE4: To reconsider repeal of mining exemption.

Table 2: Determinants of Roll-Call Voting on Bill Repealing  
Property Tax Exemption for Mining Claims, 1864

	Vote1		Vote2		Vote3		Vote4	
CONSTANT	-1.90 (-1.11)	-1.78 (-1.01)	-1.82 (-1.15)	-1.78 (-1.15)	0.95* (1.94)	0.94* (1.81)	-1.14* (-1.71)	-1.14* (-1.71)
MINING%	4.07** (2.06)	4.22** (2.14)	4.65*** (2.62)	4.84*** (2.78)	-2.54*** (-2.80)	-2.65*** (-2.87)	4.21*** (3.64)	4.50*** (3.91)
SCHOOLEXP	-0.08 (-1.09)	-- --	-0.10 (-1.46)	-- --	0.06** (2.05)	-- --	-0.12** (-2.15)	-- --
POPULATION	-- --	-0.047 (-1.10)	-- --	-0.049 (-1.44)	-- --	0.033* (1.75)	-- --	0.064** (-2.45)
PARTY	0.17 (0.12)	0.15 (0.11)	0.38 (0.28)	0.32 (0.24)	-0.70 (-0.77)	-0.68 (-0.75)	0.14 (0.13)	0.05 (0.04)
% Correct	0.793	0.793	0.765	0.765	0.730	0.730	0.820	0.820
N	29	29	34	34	63	63	61	61

Figures in parentheses are t-statistics.

\*\*\* Significant at 99%.

\*\* Significant at 95%.

\* Significant at 90%.

#### KEY TO VOTES

Vote1: Vote in Senate to indefinitely postpone bill.

Vote2: Vote in Senate to reconsider passage.

Vote3: Vote in Assembly to pass bill

Vote4: Vote in Assembly to reconsider passage.

Table 3: Estimated Probabilities of a Yes Vote in the Assembly to Pass 1864 Bill

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		MINING%		
		MIN	MEAN	MAX
SCHOOLEXP	MIN	0.72	0.54	0.17
	MEAN	0.83	0.69	0.28
	MAX	0.97	0.95	0.70

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Figure 1: Annual Revenues and Expenditures, State of California: 1850-1862

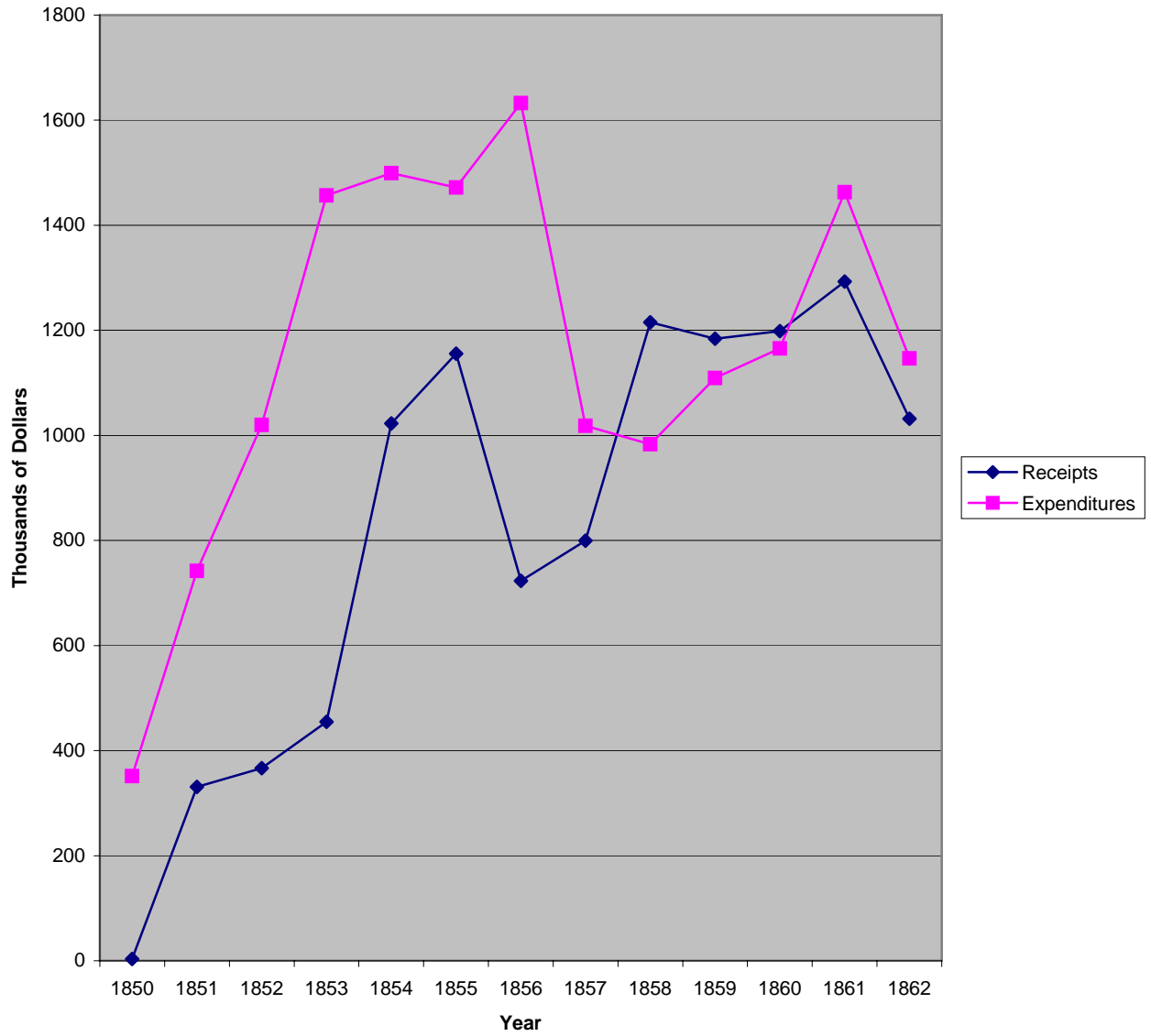


Figure 2: Ratio of Number of Representatives from Mining Counties to Representatives from Non-Mining Counties, State of California, 1850-1864

