

serves that had been entrusted to them; the consequent compulsory cessation of credits in outside banks—these facts were the immediate cause of the panic of 1907.

The more remote cause was the concentration of the funds of outside banks in the central reserve banks, and the loaning of it by the latter until they held but a scanty margin above the cash reserve requirements. Such concentration was the direct result of interest offered for such deposits by the central banks, and the foolish desire of outside banks to convert their reserves into an interest-producing resource.

It makes little difference where the initial movement started that resulted in that panic. The same baneful influences that had created the system had control of the New York city banks, and had, through them, created conditions in financial affairs of which they could at any time take advantage. Those influences had loaded up—not the country, but—the New York market, with stocks of varying and doubtful value, or of no value; and too much of the “capital and credits” had been, by legislative contrivances, sucked into the New York stock markets through the New York banks.

The money of banks outside of New York city, thus accumulated in the banks on the inside, and by them loaned out, amounted on August 22, 1907, to well nigh \$1,000,000,000, and the whole sixty central banks then in existence had less than \$12,000,000 in cash in excess of the cash reserves required by law to be held. They were dependent on this comparatively small excess of cash over reserves required to meet all the demands of daily business, and of individual and reserve depositors.

The situation was dangerous, of course. Under such conditions, a panic might be precipitated by slight causes, or by intentional manipulation.

FLAVIUS J. VAN VORHIS.



PROGRESSIVE NEW ZEALAND.

Articles in American newspapers misrepresenting the results of reform movements in foreign countries, are not uncommon, and in more than one instance *The Public* has exposed them.*

A flagrant example of this type of misrepresentation appeared in the *Los Angeles Times* as unsigned special correspondence under a Milwaukee (Wisconsin) date line of April 26, 1912. It purported to be an interview with “a prominent Milwaukee attorney,” B. K. Miller. He had just returned from “a four months’ visit to New

Zealand,” so the correspondent of the *Los Angeles Times* wrote, “for the purpose of studying Socialism as it is practiced in that country and for the purpose of comparing conditions over there with socialistic conditions in Milwaukee.” As the correspondent quoted him, Mr. Miller said:

Socialistic experiments are a ghastly failure. As a result New Zealand is hopelessly bankrupt. Give them reasonable credit for the property they own (railroads, telegraph lines, etc.) and the net debt still is so large that I do not see how any sane man can believe the Dominion can ever pay it. “But bankruptcy is not the worst of it,” said Mr. Miller. “If a country be improvident it can, like an individual, go into bankruptcy and compromise with its creditors. Socialism, however, has devitalized the people and sapped their initiative. Nowhere else in the world have I seen Anglo-Saxons so casual and inefficient. Bankruptcy and a compromise will not avail. In one town, laborers were digging a ditch, one of the simplest and safest forms of labor I know of. The pay was ten shillings (say \$2.45) a day of eight hours. If the place were damp they got an additional shilling (say 24 cents). So far as I could judge the laborers were doing about half the work which would be required in a like time in America, England or Canada. Similar conditions prevailed all over the country. Several years ago I became interested in the progress of these experiments. After two years of close study I was half convinced that they had proved successful. Then I visited the country. The conclusions I then reached have not been changed by my present visit. The country has been socialized about as much as it can be. The government owns the railroads, telegraph and telephone lines. It issues life and fire insurance policies. It runs banks. Yet it is hopelessly in debt. Why? Because the government has been inefficient and extravagant. Its life insurance, for one thing, has maintained itself. But it has tried so many other experiments that it has had to borrow vast sums to make up deficits and now about 25 per cent of its income is used in paying the interest on these loans. About one person in five is a government employe. Labor unions have been in control and the results have been bad. Capitalistic exploitation is undesirable, but labor exploitation is just as bad. The Socialists have long pointed with pride to New Zealand and insisted that in that country they had obtained industrial peace; that strikes and lockouts were forbidden by law and that judicial decisions had taken their place. Just so long as the decisions were in their favor the laborers were content, but lately there have been several decisions in favor of the employers and the trades unions are withdrawing their subscription to the arbitration act and returning to strikes and intimidation.



Mr. Miller’s statement is altogether misleading. If he gave not four months (as the interview states) but four days to the conscientious study of political conditions in New Zealand, he must have known that the Dominion is unusually prosperous.

*See *The Public* of December 29, 1911, page 1307; current volume, page 411.

The national debt is big, comparatively, but to say the country is bankrupt on that account, is on a par with saying that a big department store, with its numerous activities, is hopelessly in debt because it owes many times more than a nearby one-line store.

New Zealand owed, March 31, 1911, £80,078,122 (\$400,390,610). A heavy debt for one million population; and anyone who wants to mislead can shriek in alarm that its democratic experiments have driven the country to bankruptcy. But wait a minute. Shouldn't the people be told how much of that huge debt is interest-producing? Shouldn't it be stated, for instance, that the £25,602,948 (\$128,014,740) spent on the railroads is now earning 4 per cent? The £6,303,485 (\$31,517,425) spent by the Government to purchase land for close settlement, the £6,974,935 (\$34,874,675) advanced to settlers, the £4,882,000 (\$24,410,000) loaned to local authorities, should be included, as they are, in stating the total debt, but it should not be forgotten that these are all interest-earning investments. When we classify the total indebtedness under the four heads (a) reproductive business undertakings by the state, (b) investments, (c) indirectly productive public utilities, and (d) unproductive service, we find that 63.02 per cent. of the national debt is *directly interest-earning*.

Another thing which should show an unbiased investigator that New Zealanders are prosperous is the fact that the Post Office savings deposits amounted (on December 31, 1910) to £15,620,515 (\$78,102,575), or roughly £15 (\$75) per inhabitant.

So much for Mr. Miller's bankruptcy fiction.



"Bankruptcy," he says, "is not the worst of it, for Socialism has devitalized the people, sapped their energy and deteriorated their citizenship."

If he knew anything about Socialism and about New Zealand, he would know that there is no Socialism there. It can be truthfully stated that in New Zealand they have successfully tested woman's suffrage, public ownership of public utilities, and the efficacy of much palliative industrial legislation; but of true Socialism, or anything radical except an extremely limited form of the Singletax, New Zealand is absolutely innocent. When anyone accuses Socialism of causing the degeneracy in New Zealand, he only proves his ignorance or a desire to mislead.



But are the New Zealanders devitalized, degenerate, lacking in initiative?

They have led the world in at least a dozen democratic movements. The people run with success their own railroads, telephones, telegraphs, and their own electric car lines. Doesn't look as if everyone was asleep all the time.

In sports their record is creditable. Their Rugby football team is the best in the British Empire; in tennis and rifle shooting they are always amongst the prize winners. We who hate war don't pride ourselves particularly on foreign-brother-killing proclivities, but to give the lie to reckless statements about devitalization and degeneracy, it might be worth reminding Mr. Miller that after the British reverses in South Africa, New Zealand promptly sent to the mother country's aid more fighting men, in proportion to the population, than any other British possession. This doesn't seem to stamp the race as lacking in battle courage or national initiative.

Nor do the vital statistics show this terrible devitalization and degeneracy. New Zealand's death rate is one of the lowest in the world, her death rate for infants under one year (62 per 1,000) is the lowest recorded, with one exception—South Australia, which was in 1910-1911 61 per 1,000.



If industrial arbitration has not been an unqualified success in New Zealand, few who have studied the system thoroughly are prepared to say that it is not vastly superior for the worker, employer and the public to the old method of strikes. Since the inception of the Industrial Conciliation and Arbitration Act in 1894, the official records show that to March 31, 1911 (a period of sixteen years), the total number of strikers in the Dominion was only 1,565 and the total number of men rendered idle by strikes, 2,853. Surely this proves how insignificant have been the few strikes called.

No one expects any piece of legislation absolutely to stop strikes or lockouts, any more than by making burglary illegal we think we can end the burglary business. All a law can do is to check a tendency.

One or two of the larger unions (notably the miners) have recently joined the newly-formed New Zealand Federation of Labor. Much has been made of this by opponents of industrial arbitration. The aim of the Federation of Labor is to abolish all craft unions and unite all workers in one great union which would have power to call a paralyzing universal strike. Unions which join the Federation withdraw from the provisions of the Arbitration Act to come and continue under which is optional. But notwithstanding these with-

drawals the great majority of the unions still elect to come under the Act,—still believe that argument is better than force. In the minds of the New Zealand public on this point, there is no doubt whatever; and even the employers have come to believe in arbitration, to which at first they were bitterly opposed.

STANLEY BOWMAR.

EDITORIAL CORRESPONDENCE

COMMISSION GOVERNMENT FOR NEW ORLEANS.

New Orleans, June 19.

There is but one party in control in Louisiana—the Democratic party, which is made up of the New Orleans ward bosses, and the so-called “owners” of the various counties, which in Louisiana are called parishes. Up to the time of the recent general election, held this spring, these men had met with practically no serious opposition. They had, consequently, continued to perpetuate themselves in power, dividing the spoils as they wished.

Previous to the last election, however, one of the leading cotton factors of New Orleans, Mr. John M. Parker, a public spirited citizen who was prompted solely by the desperateness of the situation, organized the “Good Government League.” Many citizens who had never before taken an interest in politics joined this reform movement, and under Mr. Parker’s determined and energetic leadership the entire State was canvassed and a campaign such as has never before been witnessed here was inaugurated.

The reform platform embraced most prominently the adoption of the Recall, Commission Government for all the cities in the State that desired it, anti-lobbying, anti-dual-office-holding laws, and a complete revision of the existing farcical primary and election laws. The result was that the League’s candidate for Governor, Judge Luther E. Hall, was elected, as were also a fair majority of the candidates for the legislature. However, the New Orleans ring proved too strong locally and all but one of the “regular” candidates for the legislature from this city were elected.

But a mass meeting of the citizens of New Orleans was called and a demand made upon the legislature to grant this city a charter embracing the essential features of Commission Government, the same to be submitted to the local electorate for adoption or rejection. A Commission Government committee was appointed, with Mr. John M. Parker as chairman, to draft the measure, and in the early part of this month it was presented to the legislature—now in session.

The bill (introduced by Mr. Sere) follows the lines of the old charter as far as practicable, but contains many of the provisions of the charters of Des Moines and Grand Junction. It provides for the complete centralization and concentration of all power and responsibility in a Council of five members for elections at large, for the appointment of all administrative officials, for a civil service commission to pass upon the qualifications of all subordinate officials (reserving the power of removal to the Council); for

the Initiative, Referendum and Recall, and for non-partisan elections with the preferential method of balloting.

In appointing its committees the legislature, following a long established procedure, selected all New Orleans legislators as members of the committee on “City Affairs.” As before stated the city delegation, with one exception, were all “ringsters,” the most rabid member being the “boss” of the “red light” district, hence the proposed measure met its first rebuff when it was referred to committee. Of course, it was fully expected that an unfavorable report would be returned, but this committee went further and refused to allow certain amendments which were of little real importance, but which were necessary in order to retain the support of the “country.”

It was at this juncture—June 14th—that an editorial appeared in the Times-Democrat, giving an excellent view of the matter as it then stood, and from which I quote:

By a vote of 15 to 2, the Committee on City Affairs yesterday reported unfavorably the bill introduced by Mr. Sere of this city providing for a commission form of government for New Orleans. Mr. Sere of the Twelfth Ward and Manion of the Fourteenth (a regular) voted for a favorable report. The adverse majority of fifteen included thirteen ringsters and two Aswell-Ewing men, while eight of the ringsters failed to vote. The Aswell-Ewing representatives declared that they were in favor of a commission form of government, but do not like the bill in its present shape. Other Representatives are on record as having expressed themselves in favor of the Commission system for New Orleans, but they weakened before the pressure and threats of the bosses, and surrendered their convictions. The ring threw off all disguise, showed clearly its purpose at any hazard and by any trick known to politics to prevent the legislature from voting on this question and the people of this city from enjoying the advantages of a more economical and efficient government such as Shreveport possesses, Monroe is soon to get, and New Iberia has just voted for. . . . A majority of the people of New Orleans want a commission form of government and demand the right to vote that way; the ring is anxious to prevent such vote, and defeat this desire of the voters. It remains with the members of the House to determine whether they will permit this outrage on the city electorate, and become a party to a conspiracy to deny the people of New Orleans a chance to establish good government, a chance to escape the tyranny and oppression of a horde of hungry politicians.

Two courses lay open to the friends of the bill—first, to amend it on the floor of the House; or, second, to withdraw the bill, making the necessary changes and reintroduce. In deference to the wishes of the League’s floor leaders the second course was adopted, and on the 17th the bill was introduced in its amended form in the Senate.

Every inch of the way will be fought by the “ring,” which stands solid in its opposition, and which is making a strong appeal to the country members to vote against the bill, submitting to them, as “Democrats,” that the non-partisan election feature would disrupt the Democratic party.

We are advised that this senseless argument is having a decided effect on the country members. But rather than eliminate the non-partisanship feature we are willing to suffer defeat; for the election and primary laws have not been changed, notwithstanding the fact that it was part of the platform of the “Good Government League,” and under the existing election