

### THE COMING BUSINESS DEPRESSION.

Extracts from a paper on "The Next Depression in America," from the pen of Henry George, Jr., in the Westminster Review for May, 1902.

Consider one of our depressions somewhat carefully—that of 1837. . . . Land speculation was what piled the load on the camel; the currency circular was the straw that finally broke its back. Similar examination of the facts will show that land speculation was the main factor in the succeeding crises of 1857, 1873, 1884 and 1893—that tariff changes, currency changes or mere fear of currency changes was in this or that instance the fatal last straw.

But admitting that this may have been at the bottom of the five crises named, . . . in what way does this kind of speculation differ from other forms of speculation?

It differs from other forms of speculation and it is persistent in its operation because it attaches to one of the three fundamental factors in general production, these three factors being—land, labor and capital. Land is at once the resting-place and the storehouse of all mankind. It is as necessary to the existence of human beings as is the air. Build a railroad, start a steamboat or steamship line, cut a canal, spread telegraph or telephone wires, erect houses, clear away timber, break ground, drain a marsh, sink a shaft, construct an aqueduct, displace cobble stones with asphalt pavement, introduce electric lighting, lay out public parks, add to the convenience or the beauty of a locality, introduce labor-saving machinery, develop new methods—and land, the land of that vicinity, whether the vicinity be extended or contracted, is benefited. If there is advancement in all directions—that is to say, if there is general progress—so much the more is land benefited in price. Let a municipality lay out a street; let a Carnegie establish and endow a great concert hall or college or library; let the county authorities build a fine public highroad; let few or many individuals pierce a new country with a steam highway—and land in the neighborhood, be its realm wide or narrow, is bettered in price. Considered as a mere location, and irrespective of any improvements, irrespective of any labor of whatever kind upon it, the market price of a piece of land tends to advance with social growth and social improvement about it; tends to keep step with the increase of population

and the development of civilized ways. The economic value of land—that is, of land considered as bare—depending upon environment, the selling price mounts in anticipation of improved environment. This anticipation becomes a speculation. Quantities of land at once available for primary uses are valued at their possible future availability for higher uses; that is to say, the selling price is based not upon its present, but upon its prospective advantages. This anticipated value in effect discounts the future. It leaps beyond present conditions to what is promised in time to come. And since all present activity quickens expectation, speculation as to the benefits to be at some future time conferred upon a locality increases with the growth or even persistence of present prosperity. Present "good times" will send hope forward with leaps and bounds, and land will now sell for a considerable part of what it is thought it will be worth in the still greater "good times" to come.

This is what occurs to more or less extent in all seasons of prosperity and its operation becomes the more marked as such prosperity becomes broad and general; as it matures and intensifies. Speculation sends the price of land up according to the extent, strength and duration of the prosperity era. Continuing to rise in anticipation of the still larger value to spring from the greater prosperity that mounting hope promises, the price of land overtakes and outstrips the present state of material progress. The price that labor and capital must give to engage productively with land becomes too great to encourage them to remain active. Land gets too much of the fruits of production; labor and capital, too little—distinguishing capital from monopoly of course. Labor and capital, therefore, stop producing; the more abruptly if some extra burden is suddenly thrown upon them, such as increased taxes of any kind or a changed currency. . . .

Now if the main cause of industrial crises in the United States is to be found in land speculation, what sign is there of that kind of speculation overtaking our present extraordinary "business prosperity"? One's eyes naturally first turn for answer to the money center of the continent—New York. . . . There at first glance appear no evidences of serious land speculation. But looking closer rents as a whole seem to be advancing. . . .

Then, too, . . . through the construction of the time-and-distance-destroying electric roads, which have made a sudden spring into existence, land value has risen tremendously in new urban and suburban districts. . . . There has also been a considerable rise in the value of farms of New York state . . . What is true of New York is true to more or less extent of most of the eastern states. Land as a whole is appreciating faster than the ratio of population. But for obvious and extensive speculation we must look to the middle west. . . . A recent report says that a few years ago there was but little farm land in Illinois valued at higher than \$50 or \$75 an acre, whereas a farm in Kankakee county has recently been sold at \$112.50 an acre, and another at \$120 an acre. At Roanok, Woodford county, a farm of 160 acres has just been transferred for \$150 an acre, and \$140 an acre has been refused for a farm of 240 acres lying between Kappa and El Paso. The Champaign Gazette reports a 160-acre farm near Ellsworth selling for \$130.50 an acre. All these farms have but moderate improvements, and they indicate the rise of prices all over Illinois. . . . A direct report from South Dakota says that "land sales have during the past year been enormous," and that "prices have advanced from 25 to 100 percent." Similar reports come from southern Minnesota, Nebraska, northern Missouri, Kansas, Oklahoma, Indian Territory, and Texas. Eastern money is pouring in for investment—largely in mortgages—so that is another way in which the east will suffer when the "slump" shall come.

Yet serious as this state of things may appear, it does not include a form of land speculation now involving many parts of the country, chiefly the large money centers and notably New York. This is embodied in the concentration or "trust" movement. Take steam railroads and steel making as two of the many types of this kind of speculation. . . .

Now what is the first important element in a railroad? The land. It is set apart for transportation purposes; land devoted to a steam highway; land commonly spoken of as a "right of way." This land mounts in value with increasing traffic, and consequently increasing toll, or with the expectancy of such, so that speculation in railroad stocks and bonds is a very important kind of land speculation.

Turn to the enormous steel-making consolidation—the United States Steel corporation. Its president, Mr Charles

M. Schwab, practically admitted, when cited before the United States industrial commission, that the plants of its constituent companies could be reproduced for the corporation's bonds (\$304,000,000), and that its stock, preferred and common, aggregating \$1,100,000,000 par value, was based on a land speculation—to wit, on the corporation's coal and ore supplies, his claim being that it had an absolute monopoly of the Connellsville coal fields of 60,000 acres, making the best coke in the world, and that it had "in sight" in the northwest 500,000,000 tons of the best steel-making ore to be found in the country. These mineral lands, he thought, gave more than sufficient basis for the Steel corporation's prodigious capitalization, and it is upon that kind of foundation that the company's stock is now being placed upon the market. What is this but a colossal capitalised land speculation—a speculation founded upon the assumption that the present extraordinary demand for steel and steel products will continue? What if this demand should not continue?

When one realizes that practically the same few hands controlling this steel operation control the centralizing railroads, the supply of copper, of petroleum, of linseed oil, of anthracite and bituminous coal, of salt and of borax, and that they have great banking facilities scattered over the country—one estimate for New York alone being 85 per cent. of the aggregate deposits of the banks there—for financing their enterprises, we get some suggestion of the stupendous speculation involved. The public is investing in these trust securities not at the price of the old constituent companies, but at "watered" and vastly higher price. These combinations in turn are putting up the price of their products, that unquestionable authority, Dun's Review, for January 7, showing an increase of 40 per cent. in the price of 350 typical commodities within less than five years. High prices must sooner or later shorten demand, when, of course the trust revenue must shrink and with it the value of trust stocks.

Here, then, is another and tremendous form of land speculation in full progress, with this difference from the speculation in city lots and farms, that the latter is slow to start and slow to stop; whereas, with its Wall street princes of speculation who have access to every channel of information, this steel trust—and the other great combinations are like it—is as sensitive to speculative conditions as a barometer

is to those of the atmosphere. The trust managers are first to read indications of advantage and first to see the sign of warning, and where trusts are operating under conditions of general prosperity, as at present, these managers will probably "discount" the business boom and be prepared for a downward stock market long before the mass of the people realize that the summit has been reached and a decline is imminent. Nothing is so timid as money, and any one of scores of apprehended dangers or accidents may shiver confidence and chill credit. Some speculators will immediately sell their securities. That will start others, and then, if the other forms of land speculation have reached their limit, the deluge.

#### SONG OF THE CAPTAIN OF INDUSTRY.

When I was a lad I managed to squirm  
In as office boy for a brokerage firm;  
I cleaned the rug and the cuspidor,  
And at last bought and sold things on the floor—  
I pushed along so successfullee  
That now I am a captain of industree.

I watched the ticker and I took a chance,  
Now and then, on a slump or a sharp advance;  
Things happened somehow to turn my way,  
And I bought out the brokerage firm one day—  
Then I was the firm and the firm was me,  
I'd become a captain of industree.

I watched my chance and I gobbled blocks  
Of what I knew to be gilt-edged stocks—  
I gobbled stocks wherever I could  
And wrecked roads where it would do me good;  
The money came rolling in to me,  
And so I'm a captain of industree.

I've a marble shack on the avenue,  
And a brownstone cottage at Newport, too,  
I've a splendid yacht and a private car,  
And my fame's wherever the railroads are—

I have pulled the strings so successfullee  
That now I'm a captain of industree.

I have dined where a prince sat down to dine,  
And few have wads that are bigger than mine;  
I possess two hundred million plunks;  
When I travel I take along eighty trunks—  
Oh, I tell you what, it is great to be  
A glorious captain of industree.  
—Chicago Record-Herald.

"You are charged with burglary. The complaining witness says you broke into his house and forcibly possessed yourself of all his money and valuables. What have you to say?"

"I admit all he charges, your honor, but the next morning after robbing him I spent the money for

books and gave some of them to his children."

Courts are great on following precedent, therefore the judge felt impelled to discharge the prisoner and fine the complaining witness for contempt.—The Commoner.

He that dies shall not die lonely,  
Many an one hath gone before;  
He that lives shall bear no burden  
Heavier than the life they bore.

—Wm. Morris.

#### BOOK NOTICES.

##### PROF. ABBOTT'S "ROMAN POLITICAL INSTITUTIONS."

This book by Prof. F. F. Abbott, of the University of Chicago, published by Ginn & Co., is primarily intended for use as a text-book in colleges, but it is worthy of a place in the library of all who are interested in historical reading. It is well that the publishers have taken pains to present it in an attractive binding, suitable for the library itself as well as for the classroom.

In spite of the many points of difference, American history finds its most instructive parallels in the history of Rome. Material for modern comparison can be found in every period of Roman history. Especially is this true of the century between the final overthrow of Carthage in 146 B. C., and the murder of Caesar in 44 B. C. It is a real satisfaction, therefore, to have a book which deals with this important epoch with clearness of statement and with insight into the social problems of the times. Prof. Abbott's brief work has both these virtues, and it can be highly recommended as a companion volume to any general history of the Republic or Empire.

Its treatment of a particular epoch was mentioned because the treatment of the history of that time may be taken as a touchstone of the writer's conception of all history. In that period the same widening of the breach was going on between the masses and the privileged classes, as we see in America to-day. Prof. Abbott enumerates very clearly the causes of the breach, giving due prominence to the concentration of the land of Italy into the hands of rich Romans who lived in the city.

The arrangement of the book is excellent. Each of the three periods—Monarchical, Republican, Imperial—is dealt with in two ways: First, historically; secondly, with a description of the political institutions of the time. The index is quite inadequate. For example, the important headings, Taxation and Revenue, do not appear.

It is a pity that a book so clear and correct as this should lack the distinction of style. It seems inevitable that books written for the purpose of being text-books should be ipso facto dull and colorless. I know of but one historical text-book that has life and spirit—John Fiske's School History of the United States. If Fiske had become a teacher, perhaps his book would be like the others. Teachers, for some mysterious reason, seem to think it necessary to make text-books as stiff and stilted as possible. To break the ice it would be a good idea for some enterprising publisher to engage Edmund C. Stedman to get out a series of Arithmetics and Mark Twain an English Grammar.

J. H. DILLARD.

The third edition, that for 1902, of Moody's Manual of Corporation Securities, has just appeared. It is larger than the previous editions, and much more comprehensive. This Manual is intended for the information of investors and business men interested as such directly in financial affairs. But it bristles with information of excep-