

the board to use school rooms for religious services. No distinction can be made, of course, in favor of religious uses. That would savor too strongly of a union of church and state. Consequently it may be assumed that hereafter the school rooms will be available for local public uses, and that the school buildings will become centers of civic as well as educational progress.

ORGANIZED LABOR AND THE NEXT DEPRESSION.

Since it has come to be generally agreed that the "good times" toward which there has been so much pointing with pride are doomed, an attempt is being made to hold organized labor responsible for the inevitable disaster. "In the growth and the demands of organized labor," says one prominent prosperity whooper, "is the first check to our unbounded prosperity."

This graceful sidestep provokes an embarrassing question. If responsibility for the next industrial depression is to be laid at the door of organized labor, why not account for previous industrial depressions in the same way? Why not accuse organized labor of having produced those of 1817, 1837, 1857, 1873 and 1893, if it is to be charged with responsibility for the one that now approaches?

The only apparent excuse is that organized labor was not strong enough in those years to be plausibly charged with producing any kind of calamity; whereas now it has become so great and so aggravating to employers that it might be charged with causing eclipses and sun spots without contradiction in "business circles."

But, really, there is not much sense—not even "business sense"—in accounting for the coming business depression by reference to the growth of organized labor and the demands it makes, if the business depressions of the past were not so caused and the conditions that did cause them still exist.

Organized labor did not cause the depression of 1817. Of that depression Senator Benton wrote that there was "no price for property," "no sales," "no employment," "no sound of the hammer," that "distress was the universal cry of the people, relief the universal demand," and that "the years 1819 and 1820, were a period of

gloom and agony." That language leaves no doubt of the genuineness of the depression, and many reasons have been given to account for it. Mr. Blaine said it was because the war duties were dropped in 1816 and an era of free trade was begun. Others have pointed out that the war duties, instead of being dropped, were increased 50 per cent.; and have claimed that the distress was due, therefore, not to free trade but to protection, then introduced for the first time by our government as an object instead of an incident of the tariff. Benton ascribed it to currency expansion. But no one has ever ascribed it to organized labor, nor could that possibly be done.

There is no more doubt of the terrible genuineness of the depression of 1837 than of the one that preceded it. Benton pictured the collapse of the United States Bank in 1837, and the going "down in squadrons" of the country banks, their paper being "as worthless as the rags of which it was made," and declared that "about 1840-41, the country was in precisely the same condition as in 1819-20." He ascribed this depression also to currency expansion. Protectionists ascribe it to the compromise tariff of 1833, while free traders agree with Benton in regarding it as due to the bursting of a banking "boom." But, here, again, no one has dreamed, no one could dream, of charging the depression to demands of organized labor.

The subsequent depressions are too recent to require citations of authority in confirmation. Even that of 1857 comes echoing down to us in the plaintive song, heard everywhere then, about "hard times and nothing to do." That of 1873 is notable for having evolved the "tramp" as a distinct class. The last one, known as the depression of 1893, dragged its slow length around the world from about 1889 to 1899. For these depressions, also, numerous and conflicting explanations are offered. We are told that they were due to currency expansion, to currency contraction, to tariff protection and to tariff reduction. But no one has ever been silly enough to venture upon attributing them to the demands of organized labor.

Why, then, should organized labor be held responsible for the coming depression? Isn't this pretty clearly a case of "blaming it on the cat"? There is not the slightest indication of any more connection, as of cause

and effect, between trade unionism and the approaching depression than between trade unionism and the depressions of the past, except that trade unionism has acquired a growth now which it lacked then.

But that exception is not enough. No reason exists for believing that there is not present to-day in this country the same efficient cause for industrial depression—efficient now as then, without any regard whatever to organized labor—that operated ten, thirty, forty-five, sixty-five and eighty-five years ago. To ascertain that cause is not only to account for the depressions to which it is obvious that organized labor could by no possibility have furnished even a contributory influence; it is also to acquit organized labor of responsibility for the depression that approaches. For if a cause is disclosed which did produce the effect when organized labor was weak, and which still exists and would produce the same effect though organized labor were still weak, the mere fact that organized labor has grown strong cannot be considered as shifting the guilt.

The probability of such a cause is evident from the periodicity of these depressions and the uniformity of the circumstances. They have recurred with a remarkable approximation to regularity as to periods, and they have all come as bursted "booms." "Abounding prosperity" has each time preceded and culminated in commercial gloom.

In some way, then, there is unmistakably some sort of cause-and-effect relationship between industrial prosperity and industrial adversity. It is the common recognition of this fact, and not any intelligent conclusion that organized labor is conspiring against prosperity, which creates the universal impression that we are soon to enter upon another of these eras of industrial stagnation.

Yet it is inexplicable that prosperity should produce adversity. There must be something wrong either in the observation of facts or our reasoning about them, when we conclude that adversity is caused by prosperity. That conclusion is altogether too much like the absurdity of supposing that good health causes disease. We dare not stop with it. Nevertheless, it is impossible to escape the conviction already noted, that in some way, however mysterious it may be, the relation of cause and

effect between those diverse phenomena does exist.

The paradox may, perhaps, be explained upon the assumption that the industrial prosperity that produces industrial adversity is not genuine. It may be, on the contrary, an unwholesome appearance of prosperity—one manifestation of a disease of which panic and depression are other manifestations. Why, indeed, is it not possible, even probable, that this so-called alternation of good times and bad, which we are beginning to regard as a matter of course, is altogether a social malady, analogous to some kinds of physical ailments? In those cases of malaria which were once known as "fever and ague," the physician did not call the fever phases periods of "abounding health" and only the ague phases periods of disease—not unless he was a quack. He regarded each of these phases as a characteristic symptom of the disease. So it may be with our recurring periods of "prosperity" and "depression." Instead of being alternations of good periods and bad, they may both be bad periods, one of fever and the other of chill.

This idea is really latent in all that has been said or written upon the subject of our periodical depressions. The free trader tells you that your protection prosperity is feverish and bound to produce collapse. The protectionist tells you that your low tariff prosperity is abnormal and necessarily without lasting quality because the protection is imperfect. The money contractionist tells you that prosperity under inflation is commercial fever; while the inflationist tells you that chills are bound to follow the seeming prosperity of contraction. However enthusiastic over prosperity any who predict a resulting depression may be, all of them entertain more or less vaguely the thought that the period of prosperity which produces a period of adversity is not a period of commercial good health.

But neither contraction nor expansion, neither protection nor tariff for revenue, neither lockouts nor strikes can account for the regular alternations of so-called "good times" and "bad times" which are so prominent a feature of American industrial history. The true explanation lies farther below the surface.

Of all the explanations of the collapse of 1837, for instance, that which Edward M. Shepard offers in his ex-

cellent biography of President Van Buren, is most satisfactory. It suggests clearly the cause of that depression, but a cause which examination will show to be as applicable to all the others. Mr. Shepard writes:*

The cause of the panic of 1837 lay far deeper than in the complex processes of banking or in the faults of Federal administration of the finances. Every American under Jackson's administration had before him, as the one universal experience of those who had taken lands at the West, an enormous and certain increase of value. . . . If new lands at the West could be made accessible by internal improvements, the succession of seed time and harvest had for a dozen years seemed no more certain than that the value of those lands would at once increase prodigiously. So the American people with one consent gave themselves to an amazing extravagance of land speculation. . . . There is no longer dispute that the prostration of business in 1837, and for several years afterward, was the perfectly natural result of the speculation which had gone before. . . . During 1835 and 1836 there were omens of the coming storm. Some perceived the rabid character of the speculative fever. William L. Marcy, governor of New York, in his message of January, 1836, answering the dipsomaniac cry for more banks, declared that an unregulated spirit of speculation had taken capital out of the State; but that the amount so transferred bore no comparison to the enormous speculations in stocks and in real property within the State. Lands near the cities and villages of the State had risen several hundred per cent. in value, and were sold, not to be occupied by buyers but to be sold again at higher prices. . . . The disaster which in 1837 overtook so large and so important a part of the community was, in its ultimate nature, not difficult to comprehend. . . . There took place an enormous and speculative advance in prices in the cities where were carried on the operations of important traders and the promoters of enterprises, and in the very new country where these enterprises found their material. When a new canal or road was built or a new line of river steamers launched and an unsettled country made accessible, several things inevitably happened in the temper produced by the jubilant observation of the past. There was not only drawn from the ordinary industry of the country the wealth necessary to build the canal or road or steamers; but the country

*Martin Van Buren, by Edward M. Shepard. American Statesmen series, Houghton, Mifflin and Company, Boston, and New York, 1897. Chapter VIII. pp. 242-77.

thus rendered accessible seemed suddenly to gain a value increased by the best results of former settlements, however exceptional, and by the most sanguine hopes for the future. . . .

The so-called "business classes" throughout the country, related as they quickly became, under the great impetus of the national hopefulness and vanity, to the new land, to the new cities and towns and farms, and to the means of reaching them and of providing them with the necessities and comforts of civilization, found their wealth rapidly and largely increasing. . . . On the eve of the panic, the new wealth . . . was permanently represented by titles to lands, stocks in land, canal, turnpike, railroad, transportation or banking companies, and the notes issued by banks or traders or speculators. The value of these stocks and notes depended upon the fruitfulness of the lands or canals or roads or steamboat lines. . . . Before the panic broke, it began to appear that mere surveys of wild tracts into lots made neither towns nor cities; that canals and roads and steamboats did not hew down trees nor drain morasses nor open the glebe. . . . In 1836 and 1837 the operators found that there was no longer a population to give enduring life to their new operations. They had far outstripped all the immediate or even the really promised movements of settlers. . . . The new cities and towns and farms and the means of reaching them would be mere paper assets until an army of settlers was ready to enter in and make them sources of actual physical wealth. . . . Jackson's specie circular toppled over the house of cards, which at best could have stood but little longer. . . . Fancied wealth sank out of sight. Paper symbols of new cities and towns, canals and roads, were not only without values but they were now plainly seen to be so. Rich men became poor men. The prices of articles in which there had been speculation sank in the reaction far behind their true value. The industrious and the prudent, who had given their labor and their real wealth for paper promises issued upon the credit of seemingly assured fortunes, suffered at once with men whose fortunes had never been anything better than the delusions of their hope and imagination.

If Mr. Shepard had been writing of the hard times of 1817-21 he would have been obliged to attribute them also to the same fundamental cause to which in his life of Van Buren he attributed the hard times of 1837—speculation in land. As in 1837 so in 1817, other surface causes were abundant, but ample evidence of the

presence of the deeper cause to which Shepard refers is at hand.

McMaster, in his "History of the People of the United States," seems to have had an inkling of this cause of the depression of 1817; for, after noting that the hard times which had been felt by manufacturers and traders at the opening of the year 1817 began at the opening of 1818 to be felt by the people, he writes:* "They, too, had engaged deeply in speculation, and, carried away by the flush times of 1815, had anticipated the growth of the country by many years."

Indeed, it would have been strange if McMaster had not suspected this reason for those hard times. The circumstances were as significant then as at the later depression of which Shepard writes, and McMaster himself tells about them. A few quotations from him regarding conditions immediately prior to the hard times of 1817 will make the parallel clear:

. . . . The West was almost transformed. Towns grew and villages sprang up with a rapidity which even in these days of rapid and easy communication would be thought amazing. . . . Letters from New York describe the condition of that State west of Utica as one of astonishing prosperity. . . . Villages were increasing in population at the rate of 30 per cent. a year. . . . Auburn, where 20 years before land sold for six shillings an acre, was the first town in size and wealth west of Utica, and land within its limits brought \$7,000 an acre. . . . Emigrants were hurrying up the Missouri river in such numbers that in August the first sale of public lands took place in the Territory and 40,000 acres were disposed of 50 miles west of St. Louis. . . . Such was the demand for town lots [in Alabama] that at a sale at Florence 284 lots brought \$226,000. One sold for \$3,500. Township 4, range 7, west, was bid off at more than half a million, which was something more than \$22 an acre. A company buying a town site for speculation paid \$251 an acre for one-half of a quarter section and \$150 an acre for the other half-quarter. . . . More than \$3,000,000 were realized from Alabama land sales at one public auction. . . . The rapid removal of hundreds of thousands of people from the seaboard to the Mississippi valley gave a new impulse to internal improvements. . . . Every old scheme of inland communica-

tion by turnpike, canal or steamboat was at once revived and urged with a seriousness hitherto unknown. . . .

No characteristic of that remarkable era is so noteworthy as the development of steam navigation. . . . Private enterprise combined with State aid had [1816] covered the seaboard with a network of turnpike roads and bridges. . . . [In 1817] from New York and Pennsylvania westward to the Mississippi and southward to Tennessee a state of general bankruptcy prevailed. The rush of immigration into this belt had been followed by a wild fever of speculation.*

Here are quotations enough to bring before any intelligent imagination a companion picture of the industrial conditions prevailing up to the hard times of 1817 to that which Shepard has drawn of those that prevailed up to the hard times of 1837.

This glance at McMaster, coupled with Shepard's observations, leaves no doubt of the situation. The panic of 1817, like that of 1837, was preceded and caused by a land "boom." "Business men" were everywhere strenuously buying land, both farming land and town sites,—not to use, but to sell again on a booming market at higher prices; and the collapse came when land prices had risen beyond the point at which the land could be profitably used. In the one case as in the other, "wild cat" banking, excessive loans, premature internal improvements, and possibly tariff changes, may have knocked over the house of cards; but a house of cards it already was. It would soon have toppled without the impulse of any collateral pressure. The fundamental cause of these depressions of 1817-21 and 1837-41 was speculation in land values.

This was probably the fundamental cause also of the panic of 1857. It certainly was the fundamental cause of the hard times of 1873 and 1893. All were the culmination of a period of feverish speculation in land—a speculation which consisted in buying and selling on an upward incline of prices, which, having gone above the level of price where the land could be profitably purchased for the future production of actual physical wealth, were destined sooner or later to reverse their direction with a rush, carrying with them all loans and investments that were in any wise dependent upon inflated land values, and in-

volving in the general crash some that were not so dependent.

This explanation of hard times is essentially identical with that which Henry George has advanced as the principal one. He wrote:*

I do not mean to say that there are not other proximate causes. The growing complexity and interdependence of the machinery of production, which makes each shock or stoppage propagate itself through a widening circle; the essential defect of currencies which contract when most needed, and the tremendous alternations in volume that occur in the simple forms of commercial credit, which, to a much greater extent than currency in any form, constitute the medium or flux of exchanges; the protective tariffs, which present artificial barriers to the interplay of productive forces, and other similar causes undoubtedly bear an important part in producing and controlling what are called hard times. But, both from the consideration of principles and the observation of phenomena, it is clear that the great initiatory cause is to be looked for in the speculative advance of land values. . . . Given a progressive community, in which population is increasing and one improvement succeeds another, and land must constantly increase in value. This steady increase naturally leads to speculation, in which future increase is anticipated, and land values are carried beyond the point at which, under existing conditions of production, their accustomed returns would be left to labor and capital. Production, therefore, begins to stop. Not that there is, necessarily, or even probably, an absolute diminution in production; but that there is what in a progressive community would be equivalent to an absolute diminution of production in a stationary community—a failure in production to increase proportionately, owing to the failure of new increments of labor and capital to find employment at the accustomed rates. This stoppage of production at some points must necessarily show itself at other points of the industrial network, in a cessation of demand, which would again check production there, and thus the paralysis would communicate itself through all the interlacings of industry and commerce, producing everywhere a partial disjointing of production and exchange, and resulting in the phenomena that seem

*"A History of the People of the United States, from the Revolution to the Civil War." By John Bach McMaster, University of Pennsylvania. D. Appleton & Co., New York, Vol. IV., p. 484.

*McMaster's history, vol. IV., pp. 386 to 487.

*"Progress and Poverty: an Inquiry Into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth. The Remedy." By Henry George. Doubleday & McClure Co., New York. Pages 261-62.

to show overproduction or over consumption, according to the standpoint from which they are viewed.

As we have already seen, that explanation fully accounts for the industrial depressions this country has so far experienced. If it is not so obvious with reference to that of 1893 as to the others the reason is not far to seek. By that year the volume of speculative land values had come to be represented, to a degree much higher than formerly, by corporate stock. In greatly-enhanced proportion, therefore, land speculation prior to the hard times of 1893 had assumed the form of stock speculation.

This is also the case to-day. Stock speculation serves to conceal much of the most ominous land speculation in which the country is indulging. Notwithstanding this speculative masquerade, however, any intelligent observer may see in the rising speculative prices even of unincorporated landholdings—in city and town lots and Western farm sites—the infallible signs of a gathering storm.

Already production is being checked. Railroads are reported to be postponing intended improvements; mines are reported to be restricting output; building investors are reported to be shrinking from the risk.

For all this the high cost of materials and labor is offered as an explanation. But investigation will everywhere disclose the fact that the principal obstruction is speculative land values. An instance is given quite inadvertently by a well known Republican daily paper of New York,* in an appeal to workingmen to be moderate in their demands for wages. This paper offers an instance within its own knowledge to "illustrate the situation." It says:

Three years ago some capital purchased a site and erected a new building for half a million dollars. The investors were content to go into the undertaking for a five per cent. net return, or \$25,000 a year. Since that time labor and cost of material has advanced to such an extent that to erect the same building would cost \$110,000 more than when it was put up. The boom in real estate in that neighborhood has carried up the value of the same land there another \$130,000. Here is an increase of cost for capital going into an investment to compete with

the first-named property of very nearly a quarter of a million dollars on half a million dollars, or very nearly 50 per cent.

The illustration is a good one. But it is not a good one to show that the cause of the inevitable crash to come is organized labor. The total increase for labor and building materials in three years is put at \$110,000. Of that amount part is due to the arbitrary exactions of monopolists, for which organized labor is certainly not responsible. And so much of the amount as goes for wages, does not obstruct the industry unless it is fixed arbitrarily. If it is a normal increase, then the wages of all labor are proportionately increased and the greater cost for labor products is at least neutralized by the greater purchasing power of the earning classes. This part, therefore, of the \$110,000 cannot be regarded as a check upon our "abounding prosperity."

But what about the increased price of the building site? While the total cost of materials and labor (monopoly exactions and all) has increased in three years by \$110,000, the price of the building site, without which no building there is possible, has increased \$130,000!

Is it not fair to say that speculative land value is in this instance a far more important factor than organized labor, in obstructing industry and bringing on hard times?

The instance is typical. Though some production is prevented by organized labor, it is only as a drop of water in the bucket in comparison with the production that is prevented by speculative prices of land. As with the depressions of 1817, 1837, 1857, 1873 and 1893, so with the approaching depression—the principal cause, the cause which is always sufficient though no other be present, the cause which is fundamental no matter how many superficial influences may appear, is land speculation.

This principle is vividly exemplified by "boom" towns. In any of these towns there is a period of land speculation which all the "boomers" exploit, and all the enthusiastic inhabitants regard, as evidence of "unbounded prosperity."

Building lots "go off like hot cakes."

On some of them buildings are erected, but most of them change owners on the basis of great expectations alone.

To suggest that this is not prosperity is to be unpatriotic and disloyal to your town.

To throw any obstacle in the way of brisk trading in the real estate exchange is to incur obloquy for imperiling the "unbounded prosperity."

If mechanics were to lay themselves open to the charge of discouraging a homeseeker from building they would be held up to public scorn.

Yet every speculative sale of a building lot at an advanced price, proof of local prosperity as it is regarded, is in fact the most effective discouragement to building.

After awhile prices for building lots in the boom town run so high that contracts for buildings begin to fall off, and then the crash comes. An unwholesome "prosperity" has run its natural course and collapsed.

The present industrial "prosperity" of the country, like the "prosperity" of the "boom" towns, and of all previous periods of national "prosperity," is destined to produce industrial collapse because it is not wholesome prosperity. Like them it is one phase of industrial conditions poisoned with the malaria of land speculation, the symptoms of which are alternating spasms of fever and chill, recurring paroxysms of brisk times and dull times.

So long as this cause of industrial depressions persists, it does not comport with the dignity nor testify to the intelligence of full grown business men to accuse organized labor of bringing on the hard times that are coming.

NEWS

Week ending Thursday, Sept. 24.

Matters in British politics (p. 376) are taking shape. On the 17th the resignations of three members of the ministry were accepted by the King. They were those of Joseph Chamberlain, as secretary for the colonies, of Charles T. Ritchie, as chancellor of the exchequer, and of Lord George Hamilton, as secretary for India. Mr. Chamberlain's resignation had been tendered on the 9th, and must have been the principal subject of consideration at the mysterious cabinet meeting (p. 376) of the 14th.

Mr. Chamberlain's reasons for

*The New York Press, May 8, 1903, editorial on "Capital's Present Attitude of Abandoning New Activities."