

His conception of money is that it is a certificate from the community as a whole to the individual who possesses it, that he has contributed to the general prosperity so much wealth—"a hundred bushels of wheat, or a trundle-bed," etc., and that this certificate ought to yield in any kind of wealth the equivalent of its possessor's contribution to the aggregate of wealth. That position also is impregnable.

Mr. Lawson then touches upon corporation stock. Here his phraseology may be open to doubt and his views to controversy. But in a large sense, he is certainly following faithfully the true economic path. To him society seems to be largely organized upon a corporate basis, with corporation stocks added to money as certificates of title to wealth; and broadly speaking this is true. But right here he stops. At any rate his declarations, and the primary step in the remedy he intends to offer, do not indicate that he has gone any farther in analyzing industrial conditions or solving economic problems.

Observing that a company properly capitalized at, say, \$10,000,000, may have its capital doubled and be thereby enabled to exact from the aggregate of wealth twice as much as before, he proposes to remedy economic maladjustments and equalize wealth, by reducing stocks to the real value of the wealth they are issued for, and keeping them down to that point.

We wholly agree with Mr. Lawson in this, in so far as wealth is represented by stock certificates. If stock certificates were kept down to the value of the actual wealth for which they are issued, then economic problems, in so far as they are affected by corporate ownership, would be settled and settled right.

But hasn't Mr. Lawson set the cart before the horse? Hasn't he assumed that wealth distribution is controlled by stock values, whereas, in fact, stock values are controlled by wealth distribution?

Let us suppose, for illustration, that a corporation capitalized at \$10,000,000 owns that much of actual wealth—buildings, machinery, cars, locomotives, etc., etc.—

and that this wealth, after payment for all privileges, such as sites, rights of way, mining rights, etc., would yield free and clear, over and above all other expenses, say \$1,000,000. Now, if interest is about 5 per cent., and 5 more would cover risk and replacement (we use the figures arbitrarily and only for illustration), that stock would be worth \$10,000,000, which is its nominal and equitable value, as both Mr. Lawson and we should agree. But suppose, further, that the right of way, or the site, or the mining rights were a free gift to the company from the public. (And whether a gift or a purchase the principle is the same. Such property is not wealth; it is a privilege, the annual financial benefit of which belongs to the public but goes to the corporation.) How, then, will those privileges affect the stock?

If the privileges yield annually \$500,000 net, then the corporation will receive, in addition to its 5 per cent. net on its \$10,000,000 worth of wealth, 5 per cent. net on its \$10,000,000 worth of privilege. In these circumstances could not the stock of that corporation be raised to \$20,000,000, and in a free and open market would it not stay at that point, no matter what scheme for reducing it again to \$10,000,000 were adopted? In other words, isn't \$10,000,000 of "water" in corporate stock simply a capitalization of some monopoly privilege which would yield an unearned income to the stockholders whether the stock were "watered" or not?

At \$20,000,000 in the example used by Mr. Lawson and discussed above, the dividends would be 5 per cent. Reduce the stock to \$10,000,000, and the dividends would be 10 per cent., which would force the stock back to \$20,000,000, if interest were 5 per cent. And even if it could be kept down to \$10,000,000 by some contrivance or other, nevertheless the owners would get an income on their privilege of site, right of way, or whatever else the privilege might be. Is it not evident, then, that any real reduction of values to an equitable basis necessitates going farther than to stock values?

Stock does not give value to the privileges it represents; privileges give value to the stock that represents them.

We understand, or think we do, that Mr. Lawson has especially in mind the jobbing of stocks, whereby stocks that are really worth \$10,000,000, because they represent that amount of property of all sorts, are forced, now down and now up, by manipulation—that is, in a market that is not open and free.

If stocks could be firmly fixed at the actual value which they represent, this juggling would of course be stopped if Mr. Lawson's plan is what he thinks it. But, equally of course, if we could make it rain we should seldom have a drought. And even if the miracle of fixing stock values were accomplished, the value of such privileges as sites, rights of way, mining rights, etc., as well as the value of the real capital, would be included in those stock values unless Mr. Lawson's proposed remedy goes further than he has yet indicated.

When stock values are fixed securely at the value-point of the real capital, exclusive of the value of the privileges, the work of making wealth distribution equitable, so far as it is represented by corporation stocks, will, we think, have been accomplished. But we do not see how that can be done without eliminating the value of privileges from stock values, in some manner which Mr. Lawson has not yet suggested. In any view of the matter, it is the value of privileges and not the value of stocks that is the more fundamental fact for consideration in connection with economic problems.

NEWS NARRATIVE

Week ending Thursday, July 20.

The Japanese-Russian war.

A dispatch of the 18th from Tokio reported the investment by a Japanese army (pp. 199, 214, 232) of the fortress at the Russian port of Vladivostok.

The expected appointment of Witte as principal ambassador from Russia at the peace conference (p. 232) has been made. In an Associated Press interview at St. Petersburg on the 17th Mr. Witte said:

I have been designated by the Emperor as his ambassador extraordinary for pour parlers to ascertain whether it

is possible to conclude a treaty of peace. My personal views are of secondary importance, but my ideas are in entire accord with those of my friend, Count Lamsdorf. In serving my Emperor, I have received precise instructions from his majesty and shall follow them. The ultimate decision remains in the hands of the Emperor, and it is for him to decide the destinies of Russia. The Emperor is the friend of peace and desires peace, but I fear that the Japanese terms will be such that we will be unable to reach an accord.

A similar lack of confidence in a favorable result at the peace conference is expressed by the Japanese. An example is furnished by the Japanese minister at London, Baron Hayashi, who is reported in an interview on the 18th as saying:

We do not know what powers have been delegated to the Russian plenipotentiaries, and after the events of the last eighteen months Japan puts faith only in accomplished facts. The terms will be communicated only at the conference. Then we shall discover what powers the Russian plenipotentiaries possess. I cannot see where people get the idea that the Japanese terms would be moderate. The public evidently mistakes the Japanese for angels.

Russian domestic conditions.

An order having been issued by Gen. Trepoff positively prohibiting the publication of news relating to labor strikes or other revolutionary events, no trustworthy reports of the domestic situation in Russia (p. 231) are obtainable. But that disorders continue is evident from the rumors that break through the censorship.

A regiment stationed in a small village in the mountains near Tiflis, in the Caucasus, was reported on the 14th as having "murdered all its officers and joined the revolutionists." Rioting in Lodz, Warsaw, Odessa and the Caucasian provinces, together with bomb-throwing at Baku, Batoum and Moscow, were reported on the 16th. On this day, also, an Associated Press dispatch described a proclamation at Moscow, issued by revolutionists, which announced that Count Shouvaloff, the chief of police at Moscow, who was assassinated on the 11th (p. 234), had been executed pursuant to a revolutionary death sentence on account of "the black and cruel activity of this satrap at Odessa [where Count Shouvaloff formerly was prefect], and his subsequent re-

turn to the active service of reaction at the call of Trepoff, the pan-Russian dictator, to stamp out the revolution in Moscow." The proclamation concludes:

Let this execution serve as a joyful signal to the Russian millions in revolt and as the death knell of the dying autocracy. Let it remind all dogs of the autocracy of national justice.

It is expected that Gen. Trepoff will be the next victim. An Associated Press dispatch of the 13th from St. Petersburg reported that—

he is constantly in receipt of letters signed by the executive committee of the fighting organization informing him that his hour has come. A remarkable feature of all the communications is that the writers take pains to say that no safeguards will avail to avert his impending doom. At the same time they tell him he need not be afraid to go abroad in the streets. They add: "Your sentence will be executed in your own room. You will die in your bed." The terrorists seem to take pride in issuing a challenge involving a demonstration of their power and resources to penetrate the armor of the police. Moreover, General Trepoff knows enough of the resources and desperateness of the organization to believe firmly that the terrorists are able to execute their threat. He makes no concealment of the fact that he expects to be killed, but his nerve is unshaken. "I will at least die at the post of duty," he says. Privately General Trepoff takes a gloomy view of the future of the autocracy, in which he believes. The General is confident that if given untrammelled power he could restore the old status quo in a year, but the present vacillating policy he thinks will end only in ruin.

Thirty of the crew of the Potemkin, who had surrendered (pp. 231, 232), were shot for mutiny, according to a Kustenji (Roumania) report of the 14th; and a Berlin report of the 15th declared that the leaders of the Odessa outbreak (p. 199) were "tied to the muzzle of shotted cannon and blown to fragments by General Trepoff's orders, according to reports received here from that city." Dispatches of the 13th purporting to be directly from Odessa, indicated that the civil and the military authorities there are out of harmony. "Of 202 persons arrested," says this report, "74 were acquitted to-day, owing to a lack of evidence, while 28 who were found guilty were sentenced to six weeks' imprison-

ment, the two weeks which they were in jail awaiting trial to be credited to their sentences;" and in contrast with that leniency by the civil magistrates the report states that "24 of the leaders of the uprising, held as prisoners of the military government, were hanged in the various prisons to-day."

A session of the Zemstvo congress (p. 183) was called to assemble at Moscow on the 19th, but the Moscow police, under advice from Gen. Trepoff, forbade the meeting. Nevertheless the executive committee met on the 16th at the house of the president of the district Zemstvo of Moscow, to prepare a programme for the congress. The police appeared and demanded that this committee disperse; but the members of the committee refused to comply. It was positively declared that the congress would be held at the appointed time, and these declarations were verified. At the palace of Prince Dolgorouki, one of the leaders of the Liberal party of Russia, on the 19th, 225 delegates met. Mr. Golovine, president of the organizing committee, called the congress to order and was stating that promises had been secured that no extreme measures would be taken by the authorities, when the presence of the police was announced. Invited to enter, five police officers came into the room. They demanded that the congress disperse, in accordance with the Prefect's order forbidding such meetings as calculated to produce disorder. The congress refused to obey the command, explaining that the congress was in session with the Czar's authority, as personally expressed on the 19th of June. The names of the delegates were taken by the police, who thereupon withdrew, and the congress proceeded with its work, of which the following news report is cabled by the Associated Press:

The scheme of a national assembly on the basis outlined by the committee presided over by M. Boulligin, minister of the interior, was minutely and critically discussed and denounced as totally inadequate to remove Russia's internal grievances, because, including a property qualification and an electoral system by classes, it prevented the assembly from truly interpreting the will of the nation, while the exclusion of