that the tribute of affection, gratitude and respect which the Hon. Whitelaw Reid came home to render on the occasion of the Greeley centenary is delayed solely with the purpose of making it as nearly perfect as possible in literary form and finish.

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A Race Question.

In the February issue of that "record of the darker races," The Crisis, of which W. E. Burghardt DuBois is the editor, we find this startling story:

> **Here is a colored boy, the son of a Southern white man, a boy with a fair common school education, good-tempered, pleasant to look upon and a regular worker. He is arrested under a law the essential principle of which has since been declared unconstitutional by the Supreme Courts of both South Carolina and the United States. His plea of self-defense in killing an armed and unannounced midnight intruder into the very bedroom of himself and his wife, after he himself had been shot, would have absolutely freed any white man on earth from the slightest guilt or punishment. Yet it could not free a colored man in South Carolina. It brought a sentence of murder in the first degree.**

Then follows a tribute to the Governor of South Carolina for commuting that death sentence to life imprisonment, as a brave act; not for its justice, but for its defiance of a dominant public opinion demanding the Negro's blood. The same tribute is paid to "strong papers like the Columbia State"; but, asks The Crisis, "what shall we say of the civilization of a community which makes moral heroism of the scantiest justice?" The white man, proud of his race, must give a shamefaced answer if he gives any; unless his race pride is for race iniquities. It is beyond dispute, if the statement quoted above be true, that this Negro boy is punished by white men for an act for which white men would applaud one of their own race. But, after all, is this a race matter? May it not be an instance of that cowardly quality to be found in all races and everywhere which makes the strong side popular and the weak one despised?

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Illinois Land Grabbing.

Revelations of unlawful land grabbing in Illinois have been made recently by a legislative committee. But what of it? What difference to the community will it make a few years from now, whether those lands were grabbed for nothing or bought at full price? It is not as if a horse or a cow were grabbed; or a house, if a house apart from its site could be grabbed. In those cases the owner loses the cow, the horse or the house, and the grabber gets them for nothing. If they are bought instead of grabbed, the value will have been paid, and it is the gain or loss of this that makes all the difference. In a little while the subject of the trade will have passed away. Not so with land. This is the earth itself. To buy it is to trade value for value; to grab it is to get it without pay. But in either case the land will remain in perpetuity a site for industrial life, increasing in value as the community grows.

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What is really grabbed in a land grab, or bought if a price be paid, is not a transient thing. It is the power and privilege of taking in perpetuity for private purposes an increasing premium for the use of that spot on the globe. Nearly all the school land of Chicago—a mile square in the heart of the city—was sold some 70 years ago by the school authorities for $40,000; the same land will now yield an annual ground rent of as many millions. What difference does it make to the people of Chicago to-day that the titles to that land extend back to a $40,000 purchase price instead of a grab? In neither case can the title be impugned at law; and in either case the present owners are enriched by the growth of the city of Chicago. To attack land grabbing may be useful in bringing to public attention the fact that all land monopoly, whether bought or not, is essentially land grabbing. But the simple and practical remedy for it is not to bother about old titles but to make their owners pay all taxes in proportion to their respective interests in the site value of the land, exempting improvements and everything else which by making a city grow make the site of the city increase in value.

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SHRINKAGE OF BANK DEPOSITS.

Interest has been excited by recent news dispatches concerning a decrease of $158,312,849 of individual deposits in the 39 New York national banks.

The assumption in those dispatches that this large sum represented money was surprising. Still more surprising were their statements that "no two Treasury officials agree about where it went."

But editorials in some financial periodicals indicate that their editorial departments are as much puzzled as the Treasury officials. All of them seem to assume that the amount "was withdrawn" from the banks.

The probabilities are, however, that the reported decrease represented no money at all—or very little.

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The possibilities involved in the handling of money understood, little room is left for surprise. There need be no difficulty in understanding it.

Under our banking and financial methods, deposits are almost if not quite as much credits as loans and discounts are, although in bank statements one is called a liability, and the other a resource. Banks are dealers in credits, and money is as much a tool of their trade as their desks and vaults.

They make their profits by a sale of credits. They must create credits in order to have them for sale. As they can not make loans without deposits, they must create deposits in order to create credits.

The process is thus described at page 110 of "The Currency Trust Conspiracy": "Very few people appear to be aware that it is possible for banks, with a given sum of money, used as an initial deposit, by loans, redeposits and reloans, to have their deposits increased by an amount on which the total per cent of cash reserve held against such increase will be equal to the initial deposits, and at the same time have their loans and discounts increased by an amount equal to the increased deposits less the initial deposits." That is, the New York banks, with a deposit of $100,000, and without another dollar, can increase their deposits $400,000 and their loans and discounts $300,000. When this has been accomplished, the initial deposit will have become the required cash reserve. This will add $400,000 to both resources and liabilities. In the statement of resources there will be $100,000 cash, and $300,000 of loans and discounts; and of liabilities there will be $400,000 in deposits. On each side of the statement there will appear $300,000 of manufactured credits.

After such inflation of deposits and loans, *suppose the process should in some way be reversed*, and the manufactured credits be cancelled. There would then be left $100,000 of cash resources and $100,000 of deposit liabilities. This, however, is a suggestion only, as to what may have occurred in the 39 New York national banks, between November 10, 1910, and January 7, 1911.

But no withdrawal of money is necessary to explain the situation.

The banks were caught in a position *that reversed the process*, and a few manufactured credits that might well be called fictitious were destroyed.

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Of course, the process has been mixed with and modified by a number of contemporaneous and incidental occurrences of the every day transactions in our methods of banking. Any attempt to follow all these in detail would make this article long; but whoever refers to pages 5 of "Abstracts" 71 and 72, and makes the calculation from the columns headed "Classification of Deposits," will find that the items of which the individual deposits were composed were decreased as follows between the two dates:

Individual deposits subject to check	$ 61,277,954.78
Demand certificates of deposit	1,493,732.62
Certified checks	86,981,242.15
Cashiers' checks	8,932,207.98
Total decrease	$158,685,137.53
Time certificates of deposit—Increase	372,287.78
Net decrease	$158,312,849.75

Those are the classes of deposits from which the *net* decrease disappeared.

Treasury officials may be puzzled, but New York bankers could explain it if they would. The "payment of dividends" and "weak spots among State banks and trust companies" have had very little to do with it. It was *not* withdrawal of money from the New York banks, but *destruction* of fictitious resources by cancellation.

If Bank A holds a check against Bank B, and Bank B holds a check against Bank A for the same amount at the close of a day's business, the amount of the checks will appear in the resources and liabilities of both banks, although one will balance the other. Cancellation of those checks would not require one dollar of money. But it would decrease, by so much, the *stated* resources of each bank.

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Examine pages 3 of the two "Abstracts," and observe that on November 10, 1910, the New York national banks reported "exchanges for the Clearing House" at $288,322,141.34, and on January 7, 1911, at $80,736,737.85, making a decrease in this item of resources alone of $147,585,403.49. Any one who knows anything about banking will know that not much money was required to adjust those exchanges in the Clearing House. Probably fifteen per cent was sufficient. It is quite certain, then, that $120,000,000 or more of this so-called resource was destroyed in the Clearing House adjustment.

The actual decrease of resources of the 39 national banks, between the two dates, is shown by the reports to have been $114,840,003, or $43,472,846.02 less than the decrease of individual deposits. The disappearance of individual deposits was, as a resource no doubt replaced in part by about $50,000,000 received from other national banks, from State banks and from bankers and Trust Companies, which would appear in the

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banks' statements as resources, but not appear in the item of individual deposits. The cash thus received from other banking institutions outside of New York City, and the decrease of loans and discounts that changed $7,577,327 of this resource into cash, will explain why the banks did not show a decrease of cash but did show an increase.

It also indicates that a very much larger amount of manufactured and fictitious credits were destroyed by cancellation than the amount stated above. But for this there would have been much less shrinkage in the aggregate of resources than was shown between the two dates.

FLAVIUS J. VAN VORHIS.

EDITORIAL CORRESPONDENCE

THE RECALL IN SEATTLE.

Seattle, Wash., Feb. 8.

The first exercise of the recall power by the citizens of Seattle occurred yesterday when Mayor Hiram C. Gill was removed from office and George W. Dilling elected to fill out the unexpired term.

Mayor Gill is a typical big business machine politician of the Busse type. His removal from office under the circumstances amounts to a revolution in Seattle politics.

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Prior to his election Seattle had been for ten years engaged in an effort to put an end to open privileged law-breaking of the kind permitted in so many American cities. The first time this effort was successful at an election was in 1904 when Richard A. Ballinger, now Secretary of the Interior, was elected mayor. But Mr. Ballinger proved too amenable to Big Business influences to carry into effect the law-enforcement policies he had promised, while his subservience on the economic side aroused a revolt against franchise-grabbing which in 1906 brought on a municipal ownership campaign that swept Wm. Hickman Moore into the office of mayor on a closed-town and municipal ownership platform. Moore's administration was successful on the law-enforcement side, but a disappointment on the economic side. The issue of a municipal street car system was submitted to the people and defeated with the aid of a big corporation "slush fund."

Moore was succeeded in 1908 by John F. Miller, who like Gill was a machine politician, although elected under pledges of strict law-enforcement. Like Ballinger, Miller failed on the law-enforcement side through his subservience to the business interests, and a year ago the tide turned again and Gill was elected on a semi-wide-open platform.

Immediately word went forth to the sporting world that Seattle was to be wide open, and hundreds of undesirable characters flocked here for "easy pickings" under protected lawlessness. For several months last year Seattle reverted to the lawless conditions existing during the Klondike days of unpleasant memory.

Late last summer conditions grew so bad that a committee of the City Council instituted an investigation which exposed the police department as both lawless and inefficient. Law-breaking privileges were farmed out to certain persons, and the sporting world was alive with rumors of graft paid for police protection.

The people of Seattle five years before had submitted by petition and adopted under a State statute a charter amendment reserving the recall power. Until now this had lain dormant on the statute books. But when the Council committee began its investigation the Public Welfare League was organized under the patronage of Lawrence W. Colman, a young millionaire, which organization, after exhausting other available remedies, started a recall petition against the Mayor.

The Seattle charter provision requires a 25 per cent petition to invoke a recall election. The experience of this organization indicates that this percentage is too high rather than too low. Despite the fact that the city was aroused to a high pitch of indignation, much volunteer effort, several weeks time, and the expenditure of some $3,000 was necessary in the effort to get up a petition. Some 8,000 signatures were required.

This petition was filed just before Christmas, and on December 28 the Council designated February 7 as the date for the election. About the same time Mr. Dilling was agreed upon as the opposition candidate and the campaign for his election inaugurated.

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Mayor Gill and his supporters first appealed to the courts to stay the proceedings. The State courts declined to interfere, but Judge C. H. Hanford, an ultra reactionary Federal district judge, issued an injunction against the proposed election on the application of a cousin of the mayor's private secretary. The cousin claimed to be a resident of Illinois and charged that his taxes would be increased by the expense of the election. Calculation made by volunteer investigators disclosed that his possible loss from increased taxation would have been nine-tenths of one cent. On appeal Circuit Judge Gilbert of Portland promptly dissolved the injunction and the case was dismissed.

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In the campaign the moral issue was paramount, though almost equal importance was given to an economic question.

The city owns its own electric light and power plant, and has as a competitor the Seattle Electric Company, a factor of the national water power trust. Immediately upon taking office Mayor Gill had appointed an employe of the Seattle Electric Company superintendent of the city lighting department, one Richard M. Arms. Arms abandoned extensions of the plant into Seattle Electric territory, turned down much profitable business and reduced the margin of profit from the plant's operations to one of loss, all in less than three months. These facts, also, were all disclosed by the Council's investigation.

Mr. Dilling is a vigorous young real estate man, has shown marked independence in politics, and has held but one public office. As a member of the State legislature in 1903 he voted for such pro-

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