

We recognize its necessity oftentimes for tactical purposes. Neither are we condemning any of the participants whose records are right; nor yet the candidates of any of the "get together" concordats, some of whom may be good, some indifferent, and some bad. We intend to deal with them as individuals. But political conditions throughout the country are not now of a kind to justify any one with a political soul above a constableness, in giving special aid and comfort to any Democratic concordats anywhere which have no better object than taking advantage of a Republican split to slip into office between the Republican factions.

So far as The Public is concerned, we have hoped too eagerly and waited too patiently for this Republican "split," to fall now into line with any Democratic movement for taking mere office-hunting advantage of the "split." Insurgency in the Democratic party has ebbed and flowed for two decades; and ever since The Public was born it has stood for that insurgency within the party, for democratic Democracy, in spite of all that was revolting or discouraging—and indeed there has been much, in consequence of the influence of plutocratic Democrats and spoilsmen Democrats and mere birth-mark Democrats.

Whether or in what degree it may have been influential in its devotion to that policy, The Public knows no better than its friends or its enemies; and it probably cares less, since caring for it would make no difference in the result. But its pursuit of that policy has been in the confident belief that there are democratic Republicans as well as democratic Democrats, and probably in larger numbers. It has pursued that policy consistently in the confident expectation that the time would come when democratic Republicans would do in their party what democratic Democrats were doing in theirs. It has pursued that policy in the hope, which it trusts may not have been in vain, that this democratic insurgency, when it had come in both parties, would produce, through one of them or the other, or else through a new party, as circumstances might determine, a vital and potent American democracy.

The time for realization of those expectations may not yet be here. But there is that promise of it in the Republican insurgency of the hour and the circumstances surrounding it and developing from it, which should prompt every democratic Democrat to be alert, lest in seeking office for himself or his friends, he do so in such manner as to trample upon budding possibilities in politics that he would wish to rank higher than any personal or partisan advantage.

INCIDENTAL SUGGESTIONS

THE FINANCIAL STORM AHEAD.

Indianapolis, Ind., August 17, 1910.

If a little more care had been taken by business men in examining the Comptroller's Abstracts of the condition of National banks on March 29th and June 30th, enough ought to have been discovered to divest them of the idea that the West is more responsible than the East for present financial conditions and that Eastern business men must look to the West more than to other sections for relief from the danger they very evidently apprehend from inflation of national bank credits.

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The most enormous and rapid increase of "Loans and Discounts" that has ever occurred in the entire history of national banks is shown by Abstract 68 (reporting conditions on March 29th) to have been made in February and March of this year. In those two months the total increase was \$202,589,719.24, an average daily increase of \$4,134,484 for every business day. This is almost four times as large as the average daily increase since 1896, and twice as large as the greatest daily increase during any other period covered by any other Abstract of the Comptroller.

The Eastern States had quite as prominent a part in furnishing this unusually large increase as had the States of the Middle West; and no other State furnished so large a per centum of it as did the State of New York.

During these two months the central reserve banks had as reserve agents increased their holdings of the reserves of other national banks \$16,364,566, so that they held of their so-called reserves \$260,084,064; and had increased their holdings of other funds (not called reserves) of national banks \$24,304,320, holding of such funds \$528,741,482. In the aggregate, then, the central reserve banks on March 29 owed other national banks on those two accounts \$788,825,446. Not only was this entire debt payable on demand, but so also were individual and United States deposits and some other liabilities.

On the same date, March 29, the sixty central reserve banks then existing—38 in New York, 12 in Chicago and 10 in St. Louis—had not, if aggregated, a single dollar of available funds from which they could have returned any part of the reserves they held of other banks, or paid any other obligation if they had been asked to do so.

The twelve banks in Chicago were collectively short in their required cash reserves \$6,542,224.32, and the ten banks in St. Louis were short \$4,309,583.25. The thirty-eight New York banks had collectively, however, the relatively small sum of \$5,408,116.32 in excess of the amount they were legally required to hold in cash. The net shortage, when aggregated, of the central reserve banks that are the center, the most exposed and the weakest place in our national banking system, was \$5,443,791.25.

It was not possible, if it had been demanded, for

the New York banks, much less the banks of Chicago and St. Louis, to have returned to other banks their so-called reserves (to say nothing about paying other demand obligations) without calling in a large per centum of their loans and discounts.

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Now observe what occurred between March 29th and June 30th, and the condition of those banks on the last date. One new bank was organized in New York and one in Chicago, so that on June 30th the whole number of central reserve banks was sixty-two. It appears by the Abstract that these banks had since March 29th increased their aggregate individual deposits about \$62,000,000. United States deposits had been increased about \$2,000,000. About \$54,000,000 of their "Loans and Discounts" had been called in. This amount of loans paid in would release about \$13,500,000 of the cash reserves and would make available an amount of about \$67,500,000. On the questionable assumption that the \$62,000,000 of individual deposits represented cash, there was therefore available during the two months, \$131,500,000.

The Abstract shows that the banks were able to reduce their liability as reserve agents for the reserves of other national banks about \$23,000,000, and for other funds not called reserves over \$52,000,000. They decreased their liabilities to "State banks and bankers" and on account of "bills payable" over \$20,000,000, and increased their liabilities to "trust companies and savings banks" about \$60,000,000. They increased their showing of resources over \$100,000,000 by "exchanges for the Clearing House."

Without following out in detail all their changes in resources and liabilities the condition of the New York banks, in fact all the central reserve banks, on June 30th, as shown by the Abstract of the Comptroller, tells a story in the figures of which The Financial World significantly says that "some students of finance will search in vain for any great comfort."

On this date these banks held over \$237,000,000 of the reserves of other national banks, and over \$75,000,000 of their funds not called reserves; but collectively they held less cash than their legally required cash reserves by \$4,728,297. The ten St. Louis banks were short in their required cash \$777,653, and the thirteen Chicago banks were short in their required cash \$4,225,622. The thirty-nine New York banks had less than \$275,000 in excess of their legal requirements.

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Does this have the appearance of avoiding a crisis?

That it may be avoided will, of course, be the desire of "every well wisher of his country," but it requires extreme optimism to see in those figures anything to encourage the belief that they point to any "beginning of the journey towards stability and soundness."

There is not much either in the conduct of New York financiers to indicate that they are even moderately optimistic as to the future. It is very evident that they see danger and the probabilities of financial distress in the not distant future, and are

trying to keep the other sections of the country in an optimistic frame of mind while they prepare for their own safety when the storm comes by the organization of a currency association under the act of May 30th, 1908. When this act is measured by its purposes and possible consequences it is probably the most infamous legislative act in the whole history of bad currency legislation. It is doubtful if in the end it will accomplish what its promoters hope it will, but any benefit they may derive from it will be at the expense of other banks and of other sections of the country.

The Financial World of August 13th, page 3, reported a "high official of a leading national bank of New York City," as telling the country that "the New York banks are in splendid shape to help the West if aid is asked." This banker is further quoted as saying that his bank "has \$30,000,000 surplus cash that is not working but is ready to work if needed."

It would be interesting to know where this \$30,000,000 was on June 30th, when the last report of the condition of national banks was made and when it appeared that the thirty-nine national banks in New York City had in the aggregate less than \$275,000 in surplus cash.

It is possible that his bank had that amount of money. It is possible that some other banks had a considerable surplus in excess of their legal requirements. But if so, then some of the banks in New York City are in a dangerous condition.

If the Comptroller's Abstract of the condition of national banks on June 30th is correct, and similar conditions still exist—about which there can be little doubt—then the assertion of this bank official is pure "bluff."

The very fact, if it be a fact, that one or more banks in New York City have so large a surplus, when the aggregation of all reports shows a surplus so small, is in itself evidence that the optimism professed is fictitious, and that in apprehension, banks that can do so are, with sensible precaution, accumulating as large a surplus as possible—not to aid the West, but to take care of themselves when the storm comes.

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In another editorial on the same page The Financial World said that the Canadian banks have in New York, on call loans, nearly \$250,000,000.

If New York has that amount of Canadian money on call, and her national banks alone hold, of the reserves and other resources of other banks of the country, approximately \$750,000,000 payable on demand, the financial situation in New York is even worse than indicated by the Comptroller's Abstract.

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The patronizing air of some of the New York bank officials and financiers towards other sections of the country, borders on the ridiculous. If the banks outside of New York had back the money they have been foolish enough to send into that maelstrom of gambling transactions, that city would be financially helpless.

The "high official" injects into his interview something of the overworked fake about the cotton,

wheat and corn crop prospects, as though that could change conditions in New York, where the danger is. He reiterates the often repeated talk about "auto-madness and extravagances"—bad enough no doubt but nothing to compare in evil results with the never-ending schemes for the issue and sale of stocks and bonds that represent more "hot air" than tangible property and by which the unwary often do not get even an automobile for their money.

FLAVIUS J. VAN VORHIS.

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SPANISH WRITERS ON PRIVATE PROPERTY IN LAND.

San Fernando (Cadiz), Spain.

As Henry George has said in his incomparable "Progress and Poverty": "It was the energy of ancient freedom that, the moment it had gained unity, made Spain the mightiest power of the world only to fall to the lowest depth of weakness when tyranny succeeded liberty." (Book X, Chapter 5.)

In those times of freedom the people had municipal ownership of the lands known as "bienes de propios," the rent of which was used as public revenue; they had "dehesas boyales," for free pasture; the "ejidos" for free threshing of corn; the "baldios" to distribute periodically among the peasants. Of all these institutions there still remain vestiges which have been preserved from time immemorial.

The "antecedents" referred to in *The Public* of May 6 (p. 429) by Dr. C. L. Logan, are as follows:

In 1526 the philosopher Juan Luis de Vives (born in Valencia, Spain, in 1492) published his book "De Subventione Pauperum," in which he argues that land has been and must be common property. He conceived of the city as a living organism and said: "Neither in a Christian city nor in a heathen city where man lives under human law should it ever be suffered that while one set of men have plenty and spend thousands to gratify vanity—for mausoleums, towers, palaces, banquets and the like—that the chastity of a girl should be imperilled for want of a little money, or the health and life of a good man ruined because he could not support his family." He teaches that "he who will eat must work," but with the condition that "he who will work may find opportunity open forever."

The same teachings may be found in "De Rege et Regis Institutione," a book published in 1599, and written by Father Juan de Mariana, who was born in Talavera in 1536.

We may also mention Pedro de Valencia, born in Cordoba in 1554; Gonzalo de Cellorigo, 1600; and Lope de Dera, 1618; all of whom proposed such measures as to fix a maximum limit of extension for agricultural land, to prohibit sub-letting, and the like.

In 1785, Antonio Xavier Peros Lopez, born in Sevilla in 1736, published his book, "Principles of the Essential Order of Nature" (Principios del Orden Esencial en la Naturalera), in which he asserts that "each man has an inalienable right to occupy enough land from which to earn a livelihood." These are his words: "It is impossible under natural order that one or several persons should in justice appropriate large tracts of land, leaving thousands landless—without a square inch of land which, I say, the Cre-

ator intended for all men and without which they can not live."

By this time Rafael de Floranes, born in Santander in 1743, had already written many books and pamphlets devoted to historical research, and had found that private property in land was introduced into Spain by the Romans. To this fact he attributed all evils, and the loss of peace and happiness which for centuries the Spanish people had enjoyed: "For the loss of men may be restored by the coming generations, but the quietness and tranquillity that of old the Spaniards enjoyed, and lost through the introduction of the strange system of private ownership of land—this is without remedy and is growing worse. Civilization is poisoned at the core and there is no remedy save death."

Francisco Martinez Marina (1813-1820), in his book, "Teoria de las Cortes," attributed the origin of poverty and all social disease to the unjust distribution of the products of land. He proposed to the House of Representatives the following remedies: (1) to bring into use all land by the state's renting it—without compensating the landlords who keep land out of use; (2) to prohibit the holding of great estates or "latifundiae."

Last of all comes the Spanish Wallace—the economist of Spain who, forty years before Wallace, advocated the nationalization of land after compensation—Senor Alvaro Flores Estrada. He is mentioned in the "History of Political Economy in Europe" by Adolph Blanqui, principal of the Trade School in Paris in 1837, as author of a notable book, "Curso de Economia Política," published in 1828. He was elected to membership in the French "Academy of Moral and Political Science" in succession to Frederic Bastiat in 1851. Seven editions of this book, "Curso de Economia Política," have been published: the first in London in 1828, the second in Paris in 1831, and five others in Madrid from 1835 to 1852. It was translated into French by L. Galibert in 1833.

Senor Estrada was a follower of Adam Smith and looked upon labor as the only origin of property. He wholly condemned private property in land, and to it attributed the poverty of the people. He referred to the teachings of Moses, Lycurgus, Licinius, and the Gracchi, as historical examples.

We may quote his own words: "Private property in land is against nature and is condemned both by natural law, and by its results." "The few having appropriated the land, the many can not work." "The working people do not have the full earnings of their labor and fellow men live in perpetual war with each other." "The source of the evils of poverty and war is the degrading poverty of the laborer who is legally deprived of the right to what he produces." "When understood, legal rights are a privilege by means of which the idle enjoy the fruits of the work of the people. The laws which uphold this private ownership of land are an offense to reason and the moral law." He concludes with the same remedy as Wallace: abolition with compensation, and for the state to assume the ownership of land and to rent it to the highest bidders.

For the propagation of this doctrine of land nationalization, he published in 1839 a pamphlet under the title, "La Cuestion Social" and an article in the *Encyclopaedia Britannica* on "Private Property in Land."