was before the press was unshackled. If the Gompers case stands as now decided, editorials and speeches and magazine articles on any subject whatever and in any publication whatever may be forbidden by injunctions in advance of publication. This is as it used to be under despotic governments, but not as it has been or should be under democratic governments. It is the long expected next step in the direction of what the late Governor Altgeld denounced as "government by injunction."

THE MORGANATIC PANIC.

Senator La Follette recently said, regarding Mr. Roosevelt's connection with the Tennessee Coal & Iron Company transaction, that "Morgan and the Standard Oil had started the panic" of 1907, and that "it was an artificial panic, rigged up to order, to enable certain interests to hammer down stocks and to buy in dangerous competitors." Commenting upon this, a New York financial weekly characterized it as "fine campaign material," but as "a charge not supported by the facts."

What the editor thought the facts were he did not state very fully. He did, however, practically admit to be true what is said and generally believed about the Morgan and the Standard Oil influences controlling the New York banks. If so, then the charge made by Senator La Follette is true; for the reports covering the time preceding, during and following the panic, make it clearly appear that it was those banks that caused it.

Mr. Roosevelt may not have "connived with the Morgan interests" to bring about a panic. He may have been only a victim of their cunning. He has never shown, by pen or by tongue, that he had sufficient knowledge of financial economics or grasp of financial conditions to save him from being deceived by them. This may not be the correct view of his relations with the Tennessee Coal & Iron Company transaction, but it is the most charitable view that can be taken.

But no difference what were the motives that prompted Mr. Roosevelt's action in this matter, the panic of 1907 was primarily the result of the control and conditions of the New York central reserve banks. If the facts concerning these banks at that time are known and understood, it will clearly appear that the charge of Senator La Follette is supported by them, and that the responsibility for the "collapse of 1907" rests on Morgan and Standard Oil.

It cannot be intelligently contradicted that there has not been fifteen days, at any time within the last fifteen years, during which the influences controlling the New York central banks could not have caused to order, inside of forty-eight hours, just such a panic as that of 1907.

The editorial alluded to above refers to "the great inflation" that preceded the panic, and says that "Mr. Morgan and his friends were not responsible" for it.

As usual, the inflation is attributed to "nation-wide extravagance." But what was this inflation?

It was an inflation of loans and discounts and other bank credits. The loans and discounts of national banks were increased during 1907 and prior to August 22d, at a rate of over $1,300,000 for every business day. The central reserve banks of New York city furnished a larger proportion of these credits, when compared with resources, than any other class of national banks. Immediately following August 22, 1907, a tremendous decrease of $260,000,000 of national bank credits occurred. Just prior to this date, the central reserve banks had suddenly decreased their loans about $40,-000,000, while the reserve and country banks kept up about the usual increase to that date. On that date the central banks held about $800,000,000 of the money resources of banks outside of the central reserve cities. Of this sum over $200,000,000 was from the reserves of outside national banks.

Can it be forgotten how frantic was the effort of many outside banks to get their reserves out of the central banks, and how audacious was the disregard of law in the refusals to meet such demands?

It is reported to have cost one bank in Indianapolis about $1,000 to get $100,000 of its reserves out of the hands of a reserve agent.

A country bank in Indiana had accumulated quite a large amount of United States checks, and sent them to a bank in New York city, with specific directions to collect and to return the proceeds by express. The New York bank collected the money, entered it as a deposit, and refused to return a dollar of it until the panic was about over. Many similar transactions were reported to have occurred in the business of outside banks with the New York city banks.

The cessation of bank credits and the sudden decrease of loans in New York city, beginning prior to August 22, 1907; the continued decrease of such credits after that date, and the refusal of these banks to honor demands for a return of reserves that had been entrusted to them; the consequent compulsory cessation of credits in outside banks—these facts were the immediate cause of the panic of 1907.

The more remote cause was the concentration of the funds of outside banks in the central reserve banks, and the loaning of it by the latter until they held but a scanty margin above the cash reserve requirements. Such concentration was the direct result of interest offered for such deposits by the central banks, and the foolish desire of outside banks to convert their reserves into an interest-producing resource.

It makes little difference where the initial movement started that resulted in that panic. The same baneful influences that had created the system had control of the New York city banks, and had, through them, created conditions in financial affairs of which they could at any time take advantage. Those influences had loaded up—not the country, but—the New York market, with stocks of varying and doubtful value, or of no value; and too much of the "capital and credits" had been, by legislative contrivances, sucked into the New York stock markets through the New York banks.

The money of banks outside of New York city, thus accumulated in the banks on the inside, and by them loaned out, amounted on August 22, 1907, to well nigh $1,000,000,000, and the whole sixty central banks then in existence had less than $12,000,000 in cash in excess of the cash reserves required by law to be held. They were dependent on this comparatively small excess of cash over reserves required to meet all the demands of daily business, and of individual and reserve depositors.

The situation was dangerous, of course. Under such conditions, a panic might be precipitated by slight causes, or by intentional manipulation.

FLAVIUS J. VAN VORHIS.

PROGRESSIVE NEW ZEALAND.

Articles in American newspapers misrepresenting the results of reform movements in foreign countries, are not uncommon, and in more than one instance The Public has exposed them.*

A flagrant example of this type of misrepresentation appeared in the Los Angeles Times as unsigned special correspondence under a Milwaukee (Wisconsin) date line of April 26, 1912. It purported to be an interview with "a prominent Milwaukee attorney," B. K. Miller. He had just returned from "a four months' visit to New Zealand," so the correspondent of the Los Angeles Times wrote, "for the purpose of studying Socialism as it is practiced in that country and for the purpose of comparing conditions over there with socialistic conditions in Milwaukee." As the correspondent quoted him, Mr. Miller said:

> Socialistic experiments are a ghastly failure. As a result New Zealand is hopelessly bankrupt. Give them reasonable credit for the property they own (railroads, telegraph lines, etc.) and the net debt still is so large that I do not see how any sane man can believe the Dominion can ever pay it. "But bankruptcy is not the worst of it," said Mr. Miller. "If a country be improvident it can, like an individual, go into bankruptcy and compromise with its creditors. Socialism, however, has devitalized the people and sapped their initiative. Nowhere else in the world have I seen Anglo-Saxons so casual and inefficient. Bankruptcy and a compromise will not avail. In one town, laborers were digging a ditch, one of the simplest and safest forms of labor I know of. The pay was ten shillings (say $2.45) a day of eight hours. If the place were damp they got an additional shilling (say 24 cents). So far as I could judge the laborers were doing about half the work which would be required in a like time in America, England or Canada. Similar conditions prevailed all over the country. Several years ago I became interested in the progress of these experiments. After two years of close study I was half convinced that they had proved successful. Then I visited the country. The conclusions I then reached have not been changed by my present visit. The country has been socialized about as much as it can be. The government owns the railroads, telegraph and telephone lines. It issues life and fire insurance policies. It runs banks. Yet it is hopelessly in debt. Why? Because the government has been inefficient and extravagant. Its life insurance, for one thing, has maintained itself. But it has tried so many other experiments that it has had to borrow vast sums to make up deficits and now about 25 per cent of its income is used in paying the interest on these loans. About one person in five is a government employe. Labor unions have been in control and the results have been bad. Capitalistic exploitation is undesirable, but labor exploitation is just as bad. The Socialists have long pointed with pride to New Zealand and insisted that in that country they had obtained industrial peace; that strikes and lockouts were forbidden by law and that judicial decisions had taken their place. Just so long as the decisions were in their favor the laborers were content, but lately there have been several decisions in favor of the employers and the trades unions are withdrawing their subscription to the arbitration act and returning to strikes and intimidation.

Mr. Miller's statement is altogether misleading. If he gave not four months (as the interview states) but four days to the conscientious study of political conditions in New Zealand, he must have known that the Dominion is unusually prosperous.

*See The Public of December 29, 1911, page 1307; current volume, page 411.