CHAPTER XXVII.

CAUSE OF, AND CURE FOR, INDUSTRIAL DEPRESSIONS.

Wall street chills and fevers are premonitions of an advancing panic. But there are such a diversity of interests in that thoroughfare given up to stock gambling operations, as well, in a small way, to legitimate trade, that extreme caution is necessary before forming opinions based on reports from such a quarter. The great men of the stock exchange own papers outright or at least control their utterances on financial matters, and according as they are "bulls" or "bears" are their recommendations and prognostications of the condition of the market.

A Wall street report before me at this writing talks of "a tight money market," a probable drop in the prices of stocks, a big loss to the banks in available cash, and the necessity of J. Pierpont Morgan loaning a brokerage concern $1,000,000 to $1,500,000 to save it from ruin. For, had the house gone to the wall, "the effect would have been disastrous in the extreme." As a matter of fact the bank statement the next day was optimistic; stocks held fairly well, and in all probability Morgan didn't lend anybody a million or so to prevent failure.

I am not going to inflict upon the reader an article on the stock market. The point I wish to make is that increasing perturbations in the range of prices of stocks—sudden drops and quick recovers—indicate a commercial crisis, when the water will be drained out of trust stocks—mainly those not based on some monopoly. Whether it is coming swiftly or slowly I do not know. There are too many factors in the problem for anyone to make an infallible prophecy. Like the track of storms forecasted by the weather bureau, complications often arise that shift its direction or speed, and sometimes even dissipate it before it has half run its course. Still the panic is on the way. The signs are sufficiently numerous to be sure of this.

A panic is the sudden marked stoppage of business exchanges. There is a fall in the price of manufactures of every kind subject to natural conditions. On a declining market measured in dollars, the middlemen of the country refuse to buy anything that will not be immediately consumed. This compels a slowing down of production, which, in turn, by increasing the number of unemployed, reduces consumption. The problem of the tramp once more becomes a burning question, and soup houses increase in every industrial and commercial center.

Wages can be reduced in several ways. Most employers make a direct cut, particularly where the employes are unorganized. Another method is to run the factory on half or three-quarter time. Still another way is to increase the amount of work done by a certain number of employes, by adding new duties without any corresponding increase in pay—an actual reduction in wages compared to the wealth produced. The janitor is expected, often, to help in other departments, releasing a packer, or fireman, or carpenter. The engineer, in addition to attending to his legitimate duties, becomes a machinist of the concern and oversees the repair of breakdowns, while the power is left to take care of itself. And the bookkeeper, even, is expected to make estimates or act also as cashier. Thus often, in "hard times," the expenses of a manufacturing concern is materially reduced, without an equivalent reduction in its producing capacity.

At any rate large numbers are thrown out of employment, and the power of the country to consume is materially curtailed. There is an apparent over-supply of goods—not an over-supply of what is needed, but of what can be bought with the wages of the employes —and many manufacturers are compelled to slow down either by a reduction in the force employed, a shortening of the season, or a lessening of the working hours, in spite of practicing all sorts of economies in order to be able to undersell competitors. And such a condition of affairs is as objectionable to the employer as to the wage-worker. The shoemakers' children go barefooted, the tailors' ragged, the bakers' hungry. As to money, the banks report a plethora, with low rates of interest and few borrowers. On every side is seen a lack of purchasing power.

The real fact is that employment began to be hard to get before the panic was recognized. Reports from the unions showed an increasing number out of work, and employment bureaus had more applicants for jobs than applications for work. Factories and stores, by their frantic attempts to attract customers, indicated that trade was falling off, while expenses, measured by the cost of living, were increasing. All this, almost imperceptible at first, and only beginning to be perceived as some "Black Friday" makes the panic recognizable, is ascribed to this or that cause—to everything, in fact, but the real one: the inability of the wealth producers of the land to meet the burdens imposed upon them by those monopolizing natural resources. For every dollar demanded by monopoly there is a dollar less to buy labor's products.

When the price of land—urban or suburban—sails skyward the only source of employment—for without land there could be no production—is restricted. This immediately reacts on all labor. There is less building, and the trades suffer, which in turn affects everything entering into a building—even the furnishing. There is a drag to commerce, and transportation slackens, affecting all activities. Enterprise and industry are as much restricted as if brakes were placed on every pully and shaft. They can only produce in proportion to the ability of the people to buy, and people can buy only in proportion to the opportunity to produce; only as they are left free to expend their exertion on land and the products of land—on the raw material from which wealth comes.

This is what always takes place before a panic: There is a "boom" in the value of land. In addition to the natural demand that comes with the increase of population there are sprung schemes of colonization, suburban platting, the projection of railroads through new territory, etc., and great sums are diverted from productive to speculative enterprises based on the monopoly of the soil. Immediately farming lands go out of use for agricultural purposes, and nothing takes its place. It often, indeed, becomes the hotbed for noxious weeds, where before rich harvests rewarded the toiler.

Pingree's potato patches in and around Detroit were on such land. They put to good use what was going to waste, and if the idea had accomplished nothing else it would have been well worth trying. But it did more than this. It proved conclusively that if labor is given a chance to employ itself on the land, there will be no need to increase the poor commission's funds by thousands of dollars. While raising potatoes and other vegetables may not be the best use to which this land can be put, it is much better for all concerned that it should be so used than having it lying idle while men and women anxious to work are out of employment.

This, then, is the cause of business depressions: The tying up of the soil—the exclusion of the laborer from the land by the price demanded for it—and the preventing of its best use. The laborer can get along without capital, though in a halting way, when he has free access to natural opportunities. He can manage to exist and produce wealth which, in turn, as capital, will aid production, though starting with nothing but hands and brains, when the soil and the forests and mines are at his disposal to use as best he can. But when man-made laws deny him the right to employ himself on vacant land except at a price impossible for him to meet and live, the stress of a great commercial revulsion is near at hand.

In the course of time, after a panic, the price of land will fall to a point where it will return a living to those who can use it. Then the business revival commences, and the wheels of industry soon again sing their glad song of work, wages and prosperity.

Commercial panics also come from causes other than land monopoly. Still as a rule they are of short duration, and produce no very disastrous effect on the material prosperity of the masses. A war may suddenly cut off a natural market, and produce distress, as in the case of the cotton operatives of England during the civil war in the United States. Changing the base of a nation's money, as the shift from gold to silver in this country in the '70s, and reducing the per capita, thus seriously affecting prices, and giving manufacturers a falling market, has wrecked many a promising business. Optimism is also a fruitful source of local business depressions. The horizon is too contracted to get a clear perspective of the world's desires, and proportions are outraged. But a country quickly recovers from such interferences with trade. Land monopoly alone is the cause of long continued industrial depressions of far-reaching consequence.

The cure for the major panic is as simple as the cause. Destroy land monopoly by making it unprofitable to speculate in land. Absorb, in the shape of a tax, all values created by the community, leaving the possessor the value of all his improvements, and free from any tax. That would render such a thing as holding land out of use an impossibility. Freedom to employ one's self would do the rest.