in 1871 it had gone to $1,538, and in 1894 to $3,-400. It is now as high as $5,000 per foot. Reflect a moment upon what those figures mean. The opportunity to use the planet at this point, worth only $4 a foot in 1813, has increased to $5,000. As these are capitalizations of the earning power of the land, and the capitalized value of the earning power of land is usually put at twenty years' purchase, we can say roughly that whereas the earning power of Fountain Square sites was only about 20 cents a year per foot in 1813, it is now. about $250 per foot a year. Can anybody give a moral or economic reason, fairly valid, for allowing that earning power to enrich the private owners of that space?

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A TEN BILLION DOLLAR LOSS.

I.

Probably few people realized the extent of the vast declines in security values which took place in this country during the period of one year from November, 1906, to the same month in 1907. Facts and figures of value, beyond those recorded on our leading stock exchanges, are not available for the average citizen, and he is therefore apt to think only in the vaguest way of the vicissitudes of the bulls and bears of Wall Street when declines in security values take place. If he is in no way involved, in a direct or personal sense, with a slump or panic in the stock market, or, at any rate, if his friends or family are not, the chances are that he will shrug his shoulders and say, "It serves the gamblers right," at the same time mentally congratulating himself on his own good luck in escaping all harm by not being involved in the cataclysm which he is witnessing.

But as a matter of fact, is he not really involved most deeply in this vast crumbling of values? A brief examination of the matter will demonstrate, I think, that the average man whose interests, in a personal sense, are entirely removed from Wall Street, is likely to be as seriously affected by a pronounced and prolonged crash in security values as is he whose living is snatched right within the feverish atmosphere of the Exchanges.

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For the year 1904 the Census Bureau estimated the total national wealth at about $107,000,000,-000. Since that time expert estimates as high as $115,000,000,000 have been published. While these estimates are necessarily based more or less on opinion or guess, yet they represent expert guesses, and are probably approximately correct. Of the total given in 1904, about $62,000,000,000 was reported as representing realty and improvements, *not including* realty owned by railroads, public service corporations, and so forth. Undoubtedly these corporations include among their assets realty values to the extent of at least $5,-000,000,000. On this assumption, the entire value of all realty, including improvements thereon, would be about $67,000,000,000, leaving $40,000,-000,000 to represent all other property values. The term "improvements" is assumed to include buildings and other structures, but not machinery, movable property or other capital; and has been separately estimated by experts as aggregating about $12,000,000,000. On this basis, the net value of all realty alone would be about $55,000,000,000, or 51½ per cent of the whole.

Now, according to the best and most recent estimates, the total capitalization (par value of all railroads, franchise corporations, industrial trusts, and other enterprises in corporate form in the United States was, at the end of 1907, about $34,-000,000,000. Of this, about 44 per cent is represented by the railroads. Of course, it is more or less of an approximation to say what proportion of this corporate capital is included in the Government's estimate of $67,000,000,000 for the value of realty and improvements, but a fairly reasonable surmise would seem to indicate that about 30 per cent of the corporate capital is so represented. If this surmise is anywhere near the truth, and I personally believe it is very close to it, then, of the total estimated wealth of the nation, outside of realty and improvements ($40,000,000,000), *about 60 per cent* is owned or in the hands of corporations.

Startling as this fact appears on its face, it is still more startling when examined closely. Included as wealth outside of realty and improvements, is all the capital of the country which is invested in machinery or equipment of any kind; all agricultural products, all consumable goods of whatever kind, food, clothing and all other necessaries or luxuries; the capital (cash or goods) of all business undertakings outside of the corporate form as well as that included in it, ranging all the way from the large partnership of the department store, where millions are involved, down to the peanut vender and the shoestring peddler. In other words, of the entire trading, money-making or wealth-producing activities of the people of the United States, of whatever size or nature, about *60 per cent* is now in corporate hands. Six out of every ten dollars' worth of all the capital at work among the eighty or more millions of people in this country to-day is, according to these figures, being handled by the corporations.

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One of the chief reasons why the far-reaching effect of a great slump in values, such as we have recently witnessed, can be more easily demonstrated than ever before in the history of industry, is because of this predominance of corporate control. Panics of earlier decades have had similar effects, of course, but the extent could not be measured in the manner that can now be followed. Quotations of securities are, in a very real sense, reflectors or measurers of the real values back of the securities; and in direct ratio to the proportion of a given undertaking or industry which is represented by corporation securities, can we measure the extent of the effect of a shrinkage or inflation in the condition of that enterprise or industry. Under the old partnership methods, or where but a small percentage of the industry was under the control of corporations, this opportunity for measuring effects was, of course, not available. It is for this reason that it is not possible to compare the effects of the present depression with those of earlier times. No facts are available covering the period following 1873, for instance, which can in any way accurately demonstrate what we can probably demonstrate in 1908. In those days there were no industrial trusts; the railroad industry represented less than $2,500,000,000 of capitalization, in comparison with over six times that amount at the present time; there were no trolleys, telephones or electric lights; the steel and iron industries were small and were carried on by partnerships or close corporations; in short, the modern era of corporate activity had not in any real sense been inaugurated. Thus, while the effects of the panic of 1873 were deep-seated and prolonged, their ramifications could not be traced as they can be to-day.

II.

What, then, are the significant facts in relation to the recent panic? In the first place, the big, bald fact that stands out before all others, is that the entire corporate capitalization of the United States, of a par value of approximately $34,000,000,000, underwent a shrinkage, in but twelve months' time (from November, 1906, to November, 1907), of more than $10,000,000,000. That is, the market values of the great mass of securities, representing about 60 per cent of the entire commercial and industrial life of the nation, melted away in one short year from about $34,000,000,000 to less than $24,000,000,000; a net shrinkage of over 30 per cent.

This Ten-Billion-Dollar shrinkage is greater by over 100 per cent than the entire wealth of the nation only seventy years ago. It is greater in amount than the total capitalization of all the railroads a decade ago; it is more than double the amount of all the money (gold, silver or paper) in circulation in the country to-day; it is equal to the total amount of the funded debts of England and France combined, and is ten times the amount of our own national debt. In the steam railroad field alone, we find that the slump in prices reached over $4,400,000,000, and that the average shrinkage in the prices of stocks was over 43 per cent, with a decline in bonds averaging, during the same period, about 16 per cent. Among the industrial enterprises, the fall was equally pronounced. Stocks of this general class underwent an average drop of about 56 per cent, and bonds nearly 17 per cent, while in the public utility field a drop of over 40 per cent was recorded for stocks and about 15 per cent for bonds.

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Turning to the actual figures on which the foregoing percentages are based, we find the following: At the high point in November, 1906, the active quotable steam railroad stocks of the country, amounting in par value to $3,999,642,000 (out of a total of $5,279,904,000), were worth, as quoted in the markets, about $5,208,000,000, while at the time of the low point in the latter part of 1907 these same stocks were worth, as quoted, only $2,935,479,000. That is to say, nearly 76 per cent of the entire steam railroad capital stocks of the country were quoted at over 30 per cent above their average par value in 1906, while the same stocks were again quoted, only one year later, at more than 26 per cent below their par value; the fall from the high to the low point in this one year being no less than $2,272,561,000. Applying these same averages to the remaining 24 per cent of more or less unquotable stocks, we get the total shrinkage of steam railroad stocks alone from $6,863,875,000 (the high point in market value in 1906), to $3,907,129,000, a net loss of $2,956,746,000, or more than 43 per cent of the value at the high point, and 56 per cent of the aggregate par value.

In the field of steam railroad bonds, we find, by working out averages on the same basis, that at the high period in 1906 the total aggregate market value of all the known steam railroad issues in this country, was about $9,187,819,000, which was more than 6 per cent above their average total par value, the latter being $8,628,553,000. By November, 1907, the figures covering this class of bonds had shrunk to about $7,715,641,000, a decline from the high point of 16 per cent and from the par value of over 10 per cent.

The same method of analysis applied to the industrial field discloses a shrinkage in stocks from a high value in 1906 of $8,949,701,000, to a low value in 1907 for the same stocks of $5,309,738,000; applied to industrial bonds it discloses a shrinkage for the same period from $2,163,916,000 in 1906, to $1,843,240,000 in 1907. And in the public utility field (electric tractions, gas and electric light, telephone, telegraph industries, etc.), the decline in stocks is represented by a fall from an average high point in 1906 of $3,743,591,000, to an average low in 1907 of $2,297,204,000; the decline in bonds in this same field being from a high figure of $3,266,670,000 in 1906, to $2,800,200,000 in November, 1907.

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Joining the total figures of the three great classes of industry which go to make up such a large part of the wealth and material life of the nation, we have the net result, demonstrating an aggregate decline in stocks from a market value in 1906 of about $19,557,167,000, to a market value at the end of 1907 of about $11,516,071,000, a total fall of $8,041,096,000. And in total bonds of the three classes a total market value of about $14,618,405,000 shrunk to about $12,359,081,000, a fall of $2,259,324,000. Thus it will be seen that stocks and bonds together underwent a total aggregate shrinkage of about $10,300,420,000, of which about 80 per cent has been in stocks and 20 per cent in bonds.

III.

To the thoughtful citizen the remarkable facts brought to the light by this analysis should have more than passing significance. Certainly they mean one thing, and that is, that a large proportion of our boasted national wealth is of an ephemeral or speculative nature. Bonds and stocks are the evidences or certificates of ownership in property rights or privileges, and the market quotations of these evidences or certificates are, in general, the reflectors of the value of the property rights or privileges. That, therefore, there is an enormous element in the "value" of these rights and privileges which is not necessarily permanent nor substantial, and which can, for special reasons, disappear like the morning mist, should be apparent to every thinking man. As has been shown, this "value," whatever it is, apparently represents nearly one-half of the total "value" of all the property rights and privileges in question. That is, something like 40 per cent of the market value of all stocks in this country in the three great lines of industry which we have analyzed, and about 16 per cent of the market value of the bonds, have been reflecting, in their great rises of a few years ago, a vast inflation in the value of property rights and privileges which is not substantial or permanent, and is essentially ephemeral and speculative in character.

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Now what is this enormous speculative element which we find so clearly reflected in the prices of corporation securities? The Census figures which were referred to at the beginning of this article, will, I think, shed some light on this matter. We found that probably about one-half of the total national wealth reported in 1904 was made up of realty values. Realty values are essentially reflectors of all other values. That is to say, productive industry, while creating wealth directly through the manufacture and distribution of goods, the application of labor and capital to the soil, and so forth, also invariably creates, in direct ratio to its own wealth-creating capacity, an increment of value to realty. This latter value is of a spontaneous nature, of course, and responds accurately to commercial and industrial conditions. With the growth of population at a given center, it expands. With the shrinkage of population or general wealth, it declines. Wherever commercial or industrial development is greatest or the comforts and refinements of civilization are present, it expands; good government, the presence of good educational facilities, a high standard of civic virtue, the presence of good churches and other public institutions, good roads—all these have the effect of expanding realty values. Improvements in transportation and communication, the erection of handsome and commodious public buildings, the development of improved facilities for rapid transit, the expansion of public library systems, the growth in popular use of newspapers and magazines, and the general education of the masses in all channels—such things are all reflected (in a broad sense) in the growth of realty values.

On the other hand, such things as set-backs in general business, commercial and financial calamity and other material distress; political agitation and legislation inimical to certain lines of effort—these cause a contraction of realty values. If the population of a given locality is declining in number or in character, real estate will fall in price; if a railroad ceases giving good service or cuts off communication with a given point, the realty values fall at that point.

The great bulk of the speculative value in stocks and bonds is simply the capitalization of realty values, either direct or indirect. This is true of the railroad field, where probably nearly half of the prices represented in the outstanding securities is value of the right-of-way, terminal sites, advantages of location, etc.—all realty values. In the public utility field it is the same. The franchises, ordinances, or private rights-of-way, all more or less exclusive, are largely capitalized, and are realty values. In the industrial and transportation and commercial fields, the locations, the more or less exclusive rights given in a territory, such as those conferred by tariffs, and so forth, are realty values.

But the fact that these realty values appear, and rise and fall as a result of the growth or decline of actual wealth-producing industry and general development of society in a given community, does not in itself account for the greatly fluctuating and wildly speculative nature of these values, such as was reflected in the prices of stocks and bonds under last year's astonishing shrinkage. There is a further fact. It is this. The realty values, as distinguished from all other values, are created without labor or capital; that is, in the ordinary sense. To produce $1,000 worth of shoes a man must invest capital and supply labor, either his own or that of someone else. On this $1,000 worth of goods he may make for himself a profit of $200. But if he can let someone else in his town build up the shoe business, while he supplies the realty on which that shoe business is to be built up, he may fare far better than the shoe manufacturer. The real incentive, then, for every man who can command the means and devise a method, is to acquire or control some sort of realty value. This creates an abnormal demand for this sort of value at all times, and thus the speculative, or inflated, element in it is subject to constant expansion and change, with, at times, sudden and unexpected contraction. The periods of expansion are usually, in a growing country like ours, of comparatively long duration; so long, in fact, that the inflation always takes on an appearance of genuineness and substantiality, and even the less venturesome and the cautious begin to turn their attention to it. This has the natural effect of diverting more and more capital and legitimate effort from other quarters to the speculative fields, and the bubble of inflation grows and grows, until finally it becomes unwieldy and the cataclysm follows. This is what happened last year, and it is exactly what has happened in every panic and depression that this or any other civilized country has undergone.

This fundamental fact, which is the real cause of all panics, industrial or financial, is nowhere more clearly exemplified than in the stock markets. Here we see two distinct classes of securities constantly dealt in, and two classes of buyers and sellers. The high-grade securities, such as most of the first mortgage bonds, many preferred stocks, and so forth, represent the ordinary, substantial, labor-created property values and are sought for by the conservative and careful. There is little or no speculation in these securities. But when we turn to the less stable and less secure stocks and bonds, the fever of speculation is ever present. Here we find that vast army who wish to get rich quick; who seek to avoid irksome effort and try to make short cuts to wealth and opulence. During periods of general and prolonged inflation of realty values throughout the country, this army of speculators swells in size and advances in daring; the "bull market" which is on, carries all before it; even the timid and cautious begin to flock to the Street, until finally, just at the culmination, everybody, almost, makes a grand rush to "get aboard," and then—the deluge! All of which is simply a concrete reflection of what is actually going on in all parts of the country and among practically all classes of people who have the wherewithal to take advantage of one or other of the many "opportunities" which every period of inflation is sure to bring.

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When the final and permanent solution of the "watered stock" and allied questions in this country is reached, it will doubtless involve a general recognition, now more or less hazy in the public mind, of the spontaneity of realty values (employing the term in its broadest sense) as the basic cause of all periods of speculative mania and general inflation. Measured in the field of corporate activity alone, we have found that the recent inflation easily exceeded ten billions of dollars, practically all of which was swept away in a much shorter time than it took to create it. If we could apply the same measurement to the shrinkage in property rights or privileges held outside of the corporate fold, we might find figures equally great as affecting the unincorporated wealth of the nation.

JOHN MOODY.

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A great deal of charity is an admission of guilt.—The Silent Partner.

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We lose our health gaining wealth, then we spend our wealth gaining health.—Commonsense, of Cleveland.