

THE INVESTORS' REVIEW

The Following Article Is Taken from the January, 1895,

ENGLISH REVIEW, WHICH SAYS INVESTORS Depend on Advice and Reliable Information — The Financial and Commercial World as It Is.

Is Trade Going to Revive?

[CONCLUDED.]

What hope is there, under such conditions, of a recovery of trade like those we have been accustomed to after each crisis in finance between 1840 and 1890? We confess we can see but little. The mere expansion of population does something, no doubt, to increase the demand for common commodities,—staples of life,—so does an extremely low range of prices. But the power hitherto exerted by the latter in stimulating a forward movement, is now so much less than it was, because the financier has no more wiles to conquer. Also it is less because the growing poverty we speak of forbids higher ranges of prices. Consumption can only be kept at its actual point, or enlarged, by continued cheapness. What would the condition of our own working population be were heat to stand for the next five years at 40s. a quarter? Its condition now is not altogether one of Elysian bliss, with bread cheaper than the world ever saw it before. Our overgrown cities can only be kept from becoming centers of revolutionary energy by the excessive, and, probably enough, the increasing cheapness of the necessities of life.

Low prices do not inevitably, or always, mean loss to the producer. They are, of course, in no small degree the legitimate offspring of the augmented power over the forces of nature which man has acquired by his mechanical inventions. A condition of over-indebtedness merely helps to accentuate the tendency, but it does that to a degree sufficient to check new developments of energy in financial speculation. The relative power of each group of forces to send prices down, and keep them down, cannot be measured; but we are safe in saying that money, above all, borrowed money capital, is, of them all, the least able to defend itself from the effects of the reduction in price it has contributed to produce. The margin of profit which goes to pay interest on debt is really the first to disappear, but its disappearance may be kept from becoming manifest by the simple expedient of pouring in more and yet more borrowed money. A state which keeps adding to its public debt may hide the inability of its inhabitants to pay what they owe for just so long as it can continue to borrow; a manufacturing company which omits to write down the original cost of its buildings and machinery, or to extinguish the price charged for "goodwill," may continue for years to pay dividends not really earned; a railway corporation which disdains to admit that there can be such a thing as perishability in any of the works and appliances upon which its capital was originally expended, and which pays every additional lamp, or tie, or wagon-cover with new capital, can easily hide for a generation the decay of its earning powers; but in all these instances the money spent as capital may be perishing as an interest- or profit-bearing factor every year that passes. Too often also the new money put into fresh enterprises has the effect of destroying the value of what has been spent on old. The trade of a maker of old-fashioned spectacles may be destroyed by the new factory for steam-reapers, and a fresh invention in these latter may sweep away the profits of the earlier producers. In the struggle for existence between nation and nation, trade and trade, or invention, the money invested is always the first sufferer.

Because this law rules, it follows that every nation which borrows should do so for as short a period and to as small an extent as possible—that all borrowing should, in fact, be temporary; and it also follows that no kind of interest- or dividend-yielding capital, not even the share capital of powerful monopolist corporations like English or American railways, should be looked upon as everlasting in its revenue-yielding attributes. Within a stated and measurable time, shorter or longer according to the nature of the industries in which it is sunk, it ought to be paid back. Many private manufacturers write 10 per cent off their capital account every year, and find it barely enough. No company or corporation in this direction without some day coming in peril of destruction. Still less can any nation afford to saddle itself with debt for all time. However favorably situated it may be, the debt will one day destroy its good name, and bring its government into disrepute. Especially is this true of nations which borrow abroad. To the debt is a shirt of Nessus, in the embrace of which they gradually lose their vitality.

If these statements are true,—and the very exceptions which may be cited will be found on examination to prove them to be so,—then what the world is now suffering from most of all is an overburden of interest- or profit-exacting capital which has become dead. Dead capital, capital whose interest- or profit-earning capacity has perished, which has left nations with excessive taxes to pay for which they get no return, lies clogging all the avenues of trade, stifling new enterprises at their birth. This dead money capital—whose profit-yielding power has spent itself or been absorbed by the competition of rivals, or killed by the poverty of a people or by the demands of the working classes—is kept in a state of apparent vitality by being transmuted into "banking deposits," into "public securities," with "quotations on the Stock Exchange"; but it is none the more really alive for these, and the mass of it has now become so great that it seems almost an impossibility for a new manifestation of speculative energy to have free play on a large scale until some at least of the dead rubbish shall have been cleared out of the way. A great increase in the output of gold cannot supply the necessary lifting force, for, after all, gold is not the life of man-

kind. Spain had once gold and silver in an abundance exceeding that of any other state, ancient or modern. Yet old Spain decayed, and the Spain of today will never more recover aught of the former magnificence.

The reader must not run away with the idea that the truth of these observations involves an immediate world catastrophe. Nations, even debt-consumed nations, do not perish in a night. All we wish to indicate is the drift of events in this modern world of steam and electricity, unprecedented capitalisation of the inventions, pawning of human lives. The turning-point of a descent towards universal decay may not have been reached, and still what is said above may be true in every particular. And even if we are on the downward road, the descent is nearly sure to be for a time slow, because the expedients of mankind are numberless, because the capacity of mankind itself to stagger along beneath burdens which seem intolerable has again and again in the world's history proved itself to be immeasurable.

We are simply dealing with the scope for, and probabilities of, a revival of trade on the old lines, and of a like magnitude to those which have been the sequel of former collapses in the world's airy structure of credit. And our contention is that existing circumstances give hardly anywhere a ground for hope that what has been in this respect will be. A slow expansion may take place, and should China be thrown open, a great, but transitory, outburst might once more occur; but over the greater part of the world the avenues of trade are filled with the wreckage and used-up refuse of the past to an extent which precludes the hope of a revival great enough to send prices up so as to revive money capital whose vitality has been exhausted, and to give employment to the enormous masses of idle "banking credit"—a great deal too much of it based on capital, money already spent, whose vitality has died out—which now encumber every great money market in the world. A languid commerce, prices which, if they spurt up a little, fall straightway back again to the "knockout" level, "cheap money" begging to be employed—these are the present characteristics of business, and to all appearances they will remain the predominant characteristics for many a month to come, for as long, in fact, as we deliberately continue to ignore manifest insolvency; or for as long as we can do little more than float loans to help those who are, by means of these alone, enabled to keep up an appearance of a capacity to pay their way.

Some new discovery is required to allow the shapers of modern national development, with the help of borrowed money, to begin their work anew; and even with that the ruins of the past must first in many places be swept out of the way, else there will be no room to operate in. If Mr. Maxim should enable all mankind to take to flying, who would supply the money to buy flying machines for Portugal, for Brazil, for the Argentine country, for Australia, for any of our debtors over the earth? May we not say of the grand modern system of developing the world by borrowed money, "The revels are over, gentlemen; it remains but to gather up the debris of the feast"? Financial cooks may construct "resurrection pies" a la Baring, and beautifully sugared pie-crusts out of this debris,—articles which go to a market premium before they reach the consumer and become as ashes in the mouth,—gawags of credit which fill the city with wonder, but the substance and the life are gone all the same. Of a truth here also "The old order changeth, yielding place to the new," and what the new will be no mortal can yet say—whether a higher brotherhood among the nations and races of mankind, or an Armageddon of feuds around which the civilization of which we boast shall disappear as completely as those of ancient Rome, or still more ancient Egypt. What we can see is the dead calm which preludes and ushers in a change. And all Europe stands armed, its best energies devoted to a preparation for wars, which will be the letting loose of hell. Sanguine, indeed, must the mind be which can expect a "revival of trade" on the old lines under such conditions.

L. P. Davis, D.D.S., dental office over C. R. L. & P. R. ticket office, sw. cor. 11th & O.

BOYD FARMERS SPEAK

Some More Must Be Done at Once, if Done at All

Editor WEALTH MAKERS:

At a meeting of fifty men held on January 30, 1895, in Bush precinct, the east precinct of Boyd county, containing fifty-four square miles, and polling 125 votes at last election, which meeting was to see about getting seed and feed for next spring, a committee of three men was chosen to draft suitable resolutions for publication, which resolutions are appended:

Resolved, That we view with alarm the vacillation of the Legislature in making provision for seed and feed for drought sufferers; for what is done must be done quickly, before winter breaks up and it spoils the roads.

Resolved, That we disapprove of counties and precincts voting bonds for seed and feed, as time will be consumed and seeding made too late, and because our precinct lacks enough taxable property to afford sufficient bonds for seed, as there is only personal property to tax.

Resolved, That we must have seed, or much land must be idle; because without feed our horses cannot tend much corn, and without hogs a large corn crop will not be worth much, as it is too far to market.

Resolved, That we disapprove of food supplies or grain being all sent to our county seat, as nearly half is given to favored men for hauling from the railroad to the county seat and from there, here, when some of our men stand ready to haul free from the railroad at Verdigris or Running Water.

Resolved, That we condemn the selfish misrepresentations of the real estate men who write to the Omaha Bee, denying the widespread destitution, lest the knowledge of it should hurt the sale of land.

JOHN A. EUSKINE,
CHRIS JETZ,
THOMAS LEVI,
Committee.

Mr. John Erskine was chosen committeeman to look after seed grain for the people of Bush precinct, and Wm. Alford, Thos. Levi and Chris Larson were chosen to assist in distributing the grain according to the acreage.

JOHN A. EUSKINE, Sec'y.

Dr. Davis, crown and bridge work, 11th & O.

THE ECONOMIC SITUATION

(Continued from last page.)

—the laborers starve. Land is the material upon which labor is bestowed. It embodies labor.

This is the orthodox view. But the new economists add to the three factors of production named a fourth, and a very powerful one, viz: the sovereignty of the state—the law-making power.

This will mark an epoch in the economic thinking of the people.

The factor land—all natural means of production—without which factor wealth or economic goods cannot be produced—this factor is reduced to private property by the sovereignty power. This enables the owner to exact rent for its use whether he uses it himself or leases it to a tenant or other user.

Capital is private property and the owner of capital exacts interest for its use whether he uses it himself productively or loans it to some one else.

Labor, where slavery and serfdom have disappeared as legal systems of labor, is viewed as the private property of the laborer, and hence is bought and sold for a wage. Labor is private property. This established legally, slavery and serfdom disappear. Thus the three factors of production are owned as private property.

Land alone produces no economic goods. Capital alone produces none. Labor alone produces none. Kept absolutely separate, all wealth production ceases. In time the laborers starve. Landlords and capitalists survive longer, but ultimately their ranks are thinned out, and if any are left they become savages, and individualism disappears.

This organization of the features of production was effected by the sovereignty power of the state. This power in all states means practically the power of the dominant social class.

Only by bringing together the factors, land, labor and capital, is wealth, economic goods—means to support life and make it endurable and pleasant—produced. Under the system of private property what force brings them together? Self interest. Natural wants.

But what are the terms on which the factors shall come together? Let us see. If landlords and capitalists permit others—laborers—to use their land and capital to produce the means of subsistence—the one demands rent, the other interest; because the users—laborers—have produced the means of subsistence by use of their private property—land and capital—and for this boon the laborer must divide the product of his labor into parts, and retain only a share of it himself. Further on we shall see how his share is determined.

The user of land or capital or both, must produce commodities from the sale of which he must obtain the money, or means, with which to pay rent and interest to landlords and capitalists. The sovereignty power has established the doctrine of private property in land and thus clothed the owner of land with the power to exact rent for its use. If the owner of land himself uses productively his land, he exacts rent for its use from the public. He strives to exact this by sale of his products to the public at such a price as will enable him to distribute to that factor its reward or legal privilege.

If, on the other hand, he leases his land to a tenant, he exacts from the tenant rent for the use of his private property, and then the tenant must look to the public, i. e., to the market, to recoup enough to pay rent to his landlord from sale of his products. This arrangement removes from the lord of the land all risks of bad seasons and a poor market. In case rent is paid by giving a share of the crops, this divides the risk between the landlord and tenant.

No man, or class of men, made the land. None can destroy it. One generation uses it, must use it to live. It passes away and leaves it to the next. Private property in land is purely a legal right.

A franchise is defined as a particular privilege conferred by the state. A little reflection will show that private property in land is a franchise in a natural monopoly, and one of gigantic proportions. I only wish to bring your attention to this point, and to leave it with a few quotations from eminent men in different spheres of social life and thought and in different stages of civilization:

"The earth (land) is the common property of all men."—Pope Gregory the Great.

"The land of every country is the common property of all the people of that country, because the Creator made it as a voluntary gift to them."—Right Rev. Nulty, Bishop of Meath.

"The earth belongs in usufruct to the living; the dead have no right or power over it."—Thomas Jefferson.

"No man made the land; it is the original inheritance of the whole species."—John Stuart Mill.

"Soldiers, not lawyers, were the first conveyancers of land, and blood was used instead of ink."—Herbert Spencer.

That was when the dominant social class instituted their legal right to private property in this primary factor of production—land.

Having quoted the convictions of two religionists, two political philosophers, one speculative philosopher, whose thoughts have influenced and still are influencing the world, let us call to the stand two eminent savages:

"What! Sell the sky? Why not sell the air, the sea, the sky?"—Red Jacket.

"The Great Spirit has told me that land is not to be made property, like other property. The earth is our mother."—Black Hawk.

The "Great Spirit" of the savage was an intuitive insight of the same reason as were those of the "civilized" philosophers.

To continue the explanation of the productive process in connection with the landlord, it should be added that, in the case in which the landlord uses his own land and cannot tax the public, by



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AT THE WORLD'S FAIR

sale of his products, enough to pay rent, owing to a low market, in such case he loses his rent, and if the same condition of the market prevails in case of the tenant, he has to take out of the shares that belong to his capital and labor the amount of the landlord's rent.

Under our legal system rent is paramount to labor in the case supposed.

Thirty-four persons in England own 6,211,000 acres of this primary factor of production—land.

The Duke of Sutherland owns 1,358,000 acres of land. His rent income is \$500,000 a year. The labor and capital of an army of tenants contributes to this income.

Capital is private property and demands interest for its use. If the owner of capital uses it productively, he exacts from the public interest for its use. He recoups from the public this interest by sale of products or services.

In case he loans his capital to another he exacts interest from the party borrowing who, like the tenant, must recoup from the public by sale of products or services enough to pay interest. If he cannot get back from the public by sale of products or services enough to pay the capitalist he must take from such factor of production as he owns—labor—and pay it. Interest is above labor, legally, in this case. The borrower of capital must fulfill his contract. It is the function of the courts—the government—to enforce contracts.

Thus it is that land and capital through the institution of private property become silent, persistent and steady forces in drawing to themselves a share of the social wealth. If the owners of land and capital have enough of either or both, they can live on the income drawn by these two factors and devote themselves to the pleasures of the world, or masquerade under the humanitarian hypocrisy called philanthropy—a term which has come into the language since the rise of the present industrial system.

The factors land and capital are things that exist outside of landlords and capitalists. They are not a part of the physical being. The factor labor is the laborer, laboring.

We speak of it as a commodity to be bought and sold in the market like cotton and iron.

When the laborer is separated from the factors of production, land and capital, the only way by which he can produce the means of subsistence is to sell the exertion of his labor power—measured by time—for a wage.

Thus it is seen that the wage system of production is the necessary outcome of an industrial system based on private property in each of the three factors of production.

It is also plain that rent, interest and wages can be distributed to the factors of production only out of proceeds which arise from sale of the product, and also that the share which each factor shall draw in the distribution of the proceeds depends on the price at which the commodities are sold, relative to the cost of production.

"The greatest discovery of my life is that the men who do the work never get rich."—Andrew Carnegie.

Have the men who do the work found out how the men who do not do the work get rich?

It should be remembered that a man's real wage is not the money price he receives for a fixed time of labor, but the quantity of good things he can get for the money price.

[TO BE CONTINUED.]

Dr. Davis, teeth on gold plates, 11th & O.

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