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Frenzied Finance Not the Cure For Economic Ills

Lawson's plan to bankrupt "the system" is the plan of the speculator. With one wave of the speculator's wand he solves problems that confuse and baffle our best statesmanship.

This picturesque Boston millionaire argues that if the public will sell its stocks and bonds at present inflated prices "the system" will have the bonds and the public will have the money. He states, however, that the selling of stocks and bonds by the public is merely a necessary incident to a secret plan which he will disclose at the proper time. It is to be hoped that the main plan will be better than the subsidiary plan which he proposed in his Ottawa, Kansas, speech.

The only class of men who make money by a big selling movement are the speculators. The bona fide owners of stock cannot sell at inflated prices because as soon as a pronounced selling movement is under way prices fall and those who are actually selling the stocks are the sufferers. The speculator who joins in this movement borrows a certain amount of stock and sells it. When prices have fallen to a lower level, he buys back the stock and turns it over to those from whom it was borrowed. His profit is the difference between the price at which he sold and the price at which he bought back the stocks. If the "Wall Street Crowd" saw that the people had adopted the Lawson plan and were selling heavily they would join in the selling movement and take advantage of the "bear" device just described. It is apparent that with the great majority on the selling side the prices of industrial stocks and bonds would slump with terrific rapidity. At inflated prices there would be no buyers, least of all among "the system." Only those who are known on Wall Street as "lambs" would buy at high prices. When the lowest possible level of prices was reached "the system" would again buy. They would have made money all the way down from high prices to low prices by "bearing" the market, and they would again make money when they began to buy, for they would only buy at the lowest prices and would not again sell as bona fide owners until the market began to rise.

It will be seen that by this method the speculators would simply be repeating the old game which Lawson described in his speech. But Lawson had another handle to his plan. He said to the public not only "sell out," but "keep out." After the public have sold their industrial stocks and bonds they should not buy them again. If they must invest their money, they should buy federal, state, county or municipal bonds. In passing, it is well to state that if the public confined their buying to only this class of bonds the prices of such bonds would at once start skyward and the four or five per cent that would be obtained at par would diminish to three per cent or less at inflated prices.

Not only would the public be losers by each turn of the wheel, but business generally would be disastrously affected. A panic would be the result. With all buyers out of the market, business would be at a standstill.

It is at this point that the suggestion of Judge Grosscup of Chicago furnishes food for thought. He declares that the great industrial combinations should be "peopolized" as the public domain was "peopolized." His idea is to "colonize" the trusts, so to speak. The wider the dissemination of industrial stocks the safer the people will be from trust oppressions.

Lawson faithfully describes the means employed by "the system" to deprive the people of their money. The process is simply to start a selling movement such as Lawson himself urges, then buy in at low prices and resell on a rising market. This is a great evil and it would seem as though it would be a wise plan to devise such laws as would wholly prevent speculation in stocks, bonds, grain, cotton, etc. If the speculator could be eliminated from the market the creation of fictitious prices would be checked. Natural conditions would control and the public would not be at the mercy of gamblers.

Bewildered by so many patent nostrums, the people may be pardoned for making progress slowly. They are interested but not convinced by Mr. Lawson; neither will they be impressed by the Grosscup plan, which has the same weakness as the Lawson plan, in that it is impracticable.

On the other hand some progress is to be noted. Not only have the people recognized the evil of centralized wealth, but they have scented the remedies. They understand that if the processes by which the great trusts have been and are still being created can be eliminated there will be a more equal distribution of wealth in the future.

There have been two important causes ministering to the centralization of wealth in this country—high tariff rates and discriminatory freight rates. For many years the people were deluded by the tariff-barons, but within the last decade they have learned that the tariff not only created trusts, but is a potent cause of their continued existence. By sheltering monopoly the tariff permits the trusts to fix prices, to sell abroad more cheaply than at home, to meet competition in foreign countries by crushing out competition in the United States. A lower schedule of tariff rates would restore competition and check the trend toward monopoly. A certain amount of combination in industry is a good thing, but combination has been carried to excess in the United States.

The effects of a high tariff have been duplicated by freight rate discrimination. The tendency of such discrimination has been to build up favored shippers, and the favored shippers have become the great trusts and combinations. There have been low rates for the trusts and high rates for the public, and the process by which the money of the people has been taken from them by discrimination in freight rates and placed in the hands of the trust magnates is surprisingly like the process by which the tariff robs the people for the benefit of the protected monopolist.

The remedies, therefore, will be found in those means by which discrimination can be removed and competition restored. In the last analysis this means a radically revised tariff and the government ownership of railways. Those who look upon the trust system as the natural result of economic evolution will not be pleased by such reforms. They will contend that competition has disappeared in accordance with the law of the survival of the fittest, which predicates the elimination of the unfit.

But these high-sounding terms do not tell the truth. In no other country of the world is a trust system to be found. Here and there a monopoly exists, but the European trust is altogether different from the American trust. In European countries the railways have been owned by the government for many years and one cause of trusts, therefore, has been absent. In England, where private ownership still obtains, there has been no high tariff system, and the other potent cause of trusts has been absent.

But in the United States both causes have operated side by side and the people will be drained of their money for the benefit of the few so long as these causes continue to exist.

But while the doing away with discrimination will take from the favored shipper the special privilege which has permitted him to