

debt. Such a reduction would occasion a gradual and natural contraction of credit money which would not affect industrial enterprise. Third, balance of trade. He views the export of gold as logically resulting from the realization of a better rate of interest abroad and is distinct from that resulting from the exchange of commodities. Gold export is only alarming when due to a feeling of distrust in regard to business conditions at home. Fourth, value of gold if "demonetized." Its value would not be disturbed. Bullion or bullion certificates would take the place of the coined product and be used as money. The volume of gold circulating as money would probably be the same. Mr. Yates gives a terse and pointed analysis of the main principles of the bill.

THE VALUED POLICY LAW.

THE CONSERVATIVE has received a communication,

criticising the opposition of this paper to the valued-policy law. Our critic states that: "The law has been in force in this state for several years and I do not believe there has been any increase in suspicious fires. I do not think the law 'places a premium upon arson' nor that it 'gives the indorsement of the law to the act.' Nor do I believe it 'leads men to insure property for more than its real value in the hope that it will burn.'"

If the views of the CONSERVATIVE'S correspondent were supported by facts and upheld by fire statistics they would make a strong case against the repeal of valued-policy laws. Unfortunately his statements are not corroborated by the testimony of the best authorities obtainable in fire insurance, viz., state insurance commissioners.

Mr. A. F. Dean, in his work upon the Rationale of Fire Insurance, says:

"That the law has raised the aggregate cost of fire insurance to the American people; that it is the direct cause of an untold amount of arson, perjury, and murder,—no one familiar with fire statistics can for an instant doubt. The dangers of the law to life, property and morals have repeatedly been pointed out by state officials. During the past year, on the ground that it offered an incentive to crime, the law was vetoed by the governors of Colorado, Nevada, and Utah, and the governor of West Virginia refused his signature. In his last annual report, the insurance commissioner of Ohio published statistics showing the increase in fire losses in that state since the enactment of the law, and ends with the following comment:

"I have no hesitation in believing that over-insurance, sanctioned and encouraged by the valued-policy law, is the cause of the greater portion of this increased fire waste, and that this unnecessary waste will continue and grow

worse so long as this statute remains a part of the insurance code."

"The state insurance commissioner of Michigan, in his last annual report, condemns the law in language equally strong, and estimates the losses from moral hazard, arising from over-insurance in his state, at twenty-five per cent of the aggregate fire waste; in other words, that incendiarism is the cause of one fire out of every four.

"The long law-sanctioned reign of Thuggee in India seems incredible to American intelligence, yet American legislation has unchained an influence no less destructive to life, property and morals. The Thug needed for his work at least a modicum of physical courage; the fire-bug does not. The Thug cuts his victims' throats with neatness and dispatch, one at a time; the bug subjects his victims, regardless of age or sex, to the slow tortures of fire, a houseful of people at a time."

This testimony, of the insurance commissioners of the several states in which valued-policy laws are in vogue, shows that the law has resulted in increasing suspicious fires and consequently increased the fire rate; that it has "placed a premium upon arson;" and that it "leads men to insure property for more than its real value in the hope that it will burn."

Only dishonest and unscrupulous men will misrepresent the value of the property insured. Honest insurers report the true valuation. As the law increases fire rates it is then in favor of the dishonest insurer, and opposed to the interests of the honest policyholder. Misrepresentation in any other contract constitutes fraud and vitiates the contract. In an insurance contract it is made legal and the companies are held responsible for losses by reason of it. Is there any reason why a different principle should be applied to a policy of fire insurance than is applicable to other forms of contract? We believe that the public interest would be best conserved by repealing the valued policy law and having the state insurance department exercise greater diligence and make more careful and thorough inquiry into the character and integrity of the men applying for agent's certificates. This would better protect the community from the acts of dishonest agents than a law which enables dishonest agents and dishonest insurers to mutually profit, the former by reason of the larger premium and the latter because of the over-valuation.

RAILROADS AS PRODUCERS.

"Railroads as Producers" is the name of a pamphlet, issued by George Frazee, of Burlington, Iowa, that deals with railroads as joint producers of the products they

transport. In order for a thing to have value it must be of use. This capability of use means not only that the article in itself must be useful but that it must be accessible to the consumer. The process of production is not complete until the product is placed within reach of the one intended to use it. Transportation is then a factor in production. The transportation of wheat from the Dakotas to the eastern consumers is just as much a part of its production as is the labor of the farmer in tilling the soil, sowing the seed and harvesting the crop. Transportation in many cases is the most important factor in this joint production and contributes most to the value of the thing produced.

Mr. Frazee reviews the industrial growth of this country from 1860 to 1890, the period of great railway construction, and shows how population doubled and wealth increased over four fold. That which contributed most to this enormous increase in wealth was the improved facilities of transportation. It was the railways that converted what was once a barren tract west of the Missouri into fertile fields, wonderfully prolific, and made possible the establishment of beautiful and happy homes for millions of people. These railways gave value to the surplus products of the soil which otherwise would have been without value.

In support of his theory of production Mr. Frazee cites Professor Ely of the chair of political economy in the University of Wisconsin:

"The farmer in changing the places of things, gives direction to forces of nature, and the result is new combinations of matter which add to our stock of economic goods. The operations of those engaged in transportation add new properties to goods, for example, the property of being in places where they are most wanted. Particles of earth have no value as human food while they are mixed with the soil, but when they are taken up into wheat or potatoes they have value, provided they are in the right place at the right time."

Mr. Frazee makes a strong case against the theory of the old economists who taught that the farmer was the only real producer. After reading his pamphlet and realizing more completely what the railroads have done to increase the wealth of all the people, one has less patience with the demagogic agitation against, and wholesale denunciation of, railway corporations. It is difficult to understand why that, which is so inseparable from the industrial life of the community and contributes so much to the wealth of each individual member of it, should be so insanely regarded as hostile to public interests.