

THE GREAT BOOM OF THE LAST FIVE YEARS OVER

People Begin to Stagger Under Conditions Caused by Insane Greed and Unblushing Indifference to the Public Weal.

The thoughtful business men of the country have been serious over the financial outlook for some weeks. Some have feared that the liquidation, certain to come as the water is "squeezed" out of the boom stocks, would be sharp and sudden, producing a panic. Others believe the strong financiers will be able to prevent trouble and tide over the period of liquidation by making it a slow process, thus preventing anything like a panic. The United States Investor, one of the ablest papers of its class in the world, gives an elaborate review of the financial situation. It is so valuable that we publish it full below:

The evidence is cumulative that the boom of the last five years is over, and that a readjustment of values on a materially lower level than the present is inevitable. This remark is intended to apply not only to stock market speculation, but to industrial activity as well. It is no doubt disagreeable to have to admit that we have reached the turning point in our prosperity, but there is far more to be gained by so doing than by refusing to look the facts in the face. Refusing to admit the possibility of an impending evil is a trait which intelligent foreigners have long since discovered in us. This unwillingness is not easily accounted for; possibly it is due to the buoyancy of conscious strength, to sublime faith in our ability to overcome all evils as they arise; but possibly it is due to sheer ignorance, to a crude and childish business instinct on the part of the American people. Be that as it may, the fact remains that, as a nation, we are always slow to recognize approaching danger, and are consequently the most surprised people on the face of the earth when disaster of any sort overtakes us. It is far from our purpose to predict disaster at this time; nevertheless, it would be the height of folly to attempt to conceal the fact that the entire material situation in the United States has assumed, in the comparatively recent past, a more dubious appearance than it has worn since the latter part of 1897. It is fondly believed at any rate there is an assumed belief that in no event can this nation recede to such economic conditions as prevailed between 1893 and 1897. It is to be hoped that this is a correct estimate, but if it is to be demonstrated that it is. Such optimistic views are based on the fact that the currency policy of the nation has been reformed, and that capital is capable of more efficient mobilization than formerly. These considerations are of course entitled to great weight; but it must be remembered that the people who talk in the manner just described have merely an hypothesis,—demonstration is as yet lacking. Other things being equal, a sounder currency policy and an increased efficiency or mobilization of capital should have a tendency to diminish the intensity and duration of financial disturbances in the future. It is entirely a question of how far we can rely on other things being equal. We have more scientific currency laws than we had a decade ago, but that very fact has had a tendency to make our bankers less cautious than formerly. Capital can be more easily mobilized at critical moments, but there is some reason to suppose that even more progress has been made in the last five years in over-extending credit than in perfecting methods for the mobilization of capital. Everything considered, there is room for doubt as regards the theory that financial disturbances in the future will never assume the proportions of those of the past. However, as we have previously intimated, we have no desire to indulge in alarmist predictions at this time. In fact, we may state that, personally, we entertain the hope that the financial recession which seems to be before us in the very near future, will not be comparable to the previous hard times of the last thirty years. That is only an individual opinion, based on the facts of the moment; a day may shatter such hopefulness, and cause us to view the future in darker colors. The uncertainty springs from the fact that there are several conceivable methods of readjusting the situation, and no one is in a position to assert, with confidence, which one will be operative. It is of course conceivable, the optimists whom we have cited above to the contrary notwithstanding, that the inevitable readjustment may be accomplished by means of a terrific crash in Wall street, accompanied and followed by numerous mercantile disasters. It is supposable, on the other hand, that it may be brought about by the scientific application of rapidly mobilized capital; that is, by putting a series of props under the situation until the foundations can be repaired. Or it may be, that the industrial situation of the nation is, as a whole, sufficiently sound to be in no danger of a great crash like that of 1893, or to require an artificial prop; a gradual market quotations may be all that is needed. That the boom will be carried to larger proportions than have yet been reached, is, in our opinion, entirely improbable, although there are still plenty of people who profess to believe in that outcome.

VALUES MUST SHRINK.

While there must be room for a variety of opinions regarding the method by which a readjustment of the situation to a lower level of values is to be accomplished, there can be no question in rational minds that the time for readjustment has about arrived. The only thing that can avert it is a general rise in wages and salaries throughout the length and breadth of the land, and that seems hardly likely. Average income in this country must increase, or average price must decrease. The nation has apparently reached the point which, for several years past, we have known it must inevitably reach; namely, the point where the cost of living so far outstrips the purchasing power of the people as to necessitate drastic measures. Prices have risen unduly in comparison with incomes—even when full allowance is

made for the steadier employment of labor in recent years—and the people have had a strain imposed upon them which it will be impossible to stand up under much longer. That was probably the main cause of the coal strike. The mine workers found that their income was not going as far as it formerly did, and they were incited by that fact to demand better terms from their employers. The mass of people throughout the country are in a situation analogous to that of the coal miners; their money does not bring them in as many of the comforts of life as was the case a few years ago, and they are trying to find out why this is so. Many of them have already begun to find out; consequently we are hearing a good deal nowadays about the probability of strikes, and about the necessity of lower commodity prices. The railroad employes, who are a very intelligent class of persons, are muttering rather loudly over the fact that their pay has not kept pace with the rise in commodities; and if they have become dissatisfied, why should not others become equally so? Prices cannot go on advancing forever. A limit to the inflation must be reached some time, and it looks as if that time were now. But the inflation of the last few years has been of no ordinary sort; it has been more than a normal increase, based on a large demand for commodities for legitimate purposes; it has been a feverish, excited movement of a super-heated imagination. Consequently, when prices have reached their top they will be subject, it is feared, to very adverse conditions. It is not to be expected that quotations will hold for a considerable period at the maximum level; that might be possible provided they had reached that level by legitimate means; but it is hardly possible in view of the methods actually employed. Therefore, there are sound a priori reasons for the belief that the boom of the last five years is over, and that a readjustment of values of every description to lower levels is inevitable.

DEPLETION OF LOANABLE CAPITAL.

There are other causes (beyond the very general cause just mentioned) for assuming that we have entered upon a period of financial and industrial recession. Among these additional causes is this: you cannot keep up steam after your fuel has given out. That is to say, you cannot sustain prices at inflated figures after you have used up the available supply of loanable capital. Just so long as our financiers could borrow large amounts from the banks of this country, they could keep on launching new speculative schemes; and even when they had practically exhausted the resources of the American banks, they were able to continue their operations on loans obtained abroad. There is reason to believe, however, that they have about come to the end of their rope. Obviously the banks of the United States are in no mood to extend further assistance to speculative schemes such as have characterized the last few years. They may have to render an unwilling assistance to some of the schemes which have already been launched; but that new projects can draw on their resources for some time to come, is not to be believed. They will do what is absolutely necessary for them to do in order to avert serious results to the financial situation from the speculative deals of the past, but it does not look as if it would be in their power to do very much. There is not such reason to suppose that the European money markets will render us further material assistance. In fact, their attitude toward us is likely to be of the opposite character. Our financiers have worked the money markets of Europe very powerfully since the beginning of 1901, and it is estimated that we must at present owe Europe several hundred millions on short bills. It is not likely that we shall be able to expand this amount; on the contrary, there is every likelihood that we shall be asked to pay up without much delay. There is reason to suppose that Europe wants to see her cash. Her financiers have kept a sharp eye on our situation, and, if we may place any reliance at all on their published utterances, they are now disposed to view our future with more or less concern. The crux of the whole American financial situation is here: how is it going to be possible to shift on to the shoulders of the banks of this country the great floating indebtedness which our trust and community-of-interest promoters have contracted in Europe? On its face, it looks like a very unmanageable problem. It has been obvious for a number of weeks that something distressing was the matter with the financial situation in this country. Some day it will be known what was happening at this time; but it may not be until enough years have elapsed to admit of all the manifold factors which make up the present situation being seen in their proper perspective. We venture to predict that when the financial history of the present time is written, it will be found that the factor which so greatly disturbed American finance in the fall of 1902 was the repayment of a heavy indebtedness to Europe. It may be difficult to discover traces of such a movement at this particular moment, but possibly such traces are not entirely lacking on close scrutiny. The heavy selling which has characterized the stock market this fall, and which has had such a drastic effect upon Wall street quotations, has been imputed, in very large measure, to a wealthy, but not highly respectable, coterie of speculators. It is not assumed that the large loans placed abroad during the last year or two for American account were negotiated by these people. The real borrowers were of a higher caste,—the "barons," not the freebooters, of finance. The prestige of these real borrowers has been enormous in the recent years, and of the world in the money markets it would no doubt be exceedingly hard for some persons to suppose that these people could have any difficulty in repaying their loans abroad. Why, it may be asked, do we not see our heaviest and most respected financiers selling stocks freely, instead of the irre-

sponsible coterie of western gamblers, if Europe has called her loans for American account? That is a pertinent question, and we do not pretend to be in a position to answer it categorically. We make one suggestion, however. The banking situation of New York is largely controlled by the financiers who have negotiated the present heavy floating indebtedness of this country to Europe. It may be suspected that in an emergency these men would be given a preference in dispensing accommodation. In short, the thought naturally forces itself upon the mind of one who has followed the situation carefully, that perhaps the recent selling in the stock market by the big, irresponsible gamblers has been the forced result of calling loans, in order to provide funds to take care of the maturing loans in Europe of our real "barons of finance." This view is, of course, advanced in a purely conjectural manner. One generally does not see smoke unless there is a fire, and the financial community of the United States has not listened for weeks past to all the talk regarding the desire of Europe to see once more the money loaned on short time bills to the United States, without a deep-seated suspicion that some one must be remitting rather heavily about this time.

BURDEN ON LEADERS OF FINANCE.

Appropos of our previous remark, that you cannot keep up steam after your fuel is exhausted, one can reflect very profitably for a few moments on the recent Trust Company of the Republic episode. We need hardly recall the facts. It is sufficient to say, that certain Paris underwriters of \$1,250,000 of the capitalization of the steamship building trust declined, at the last moment, it is alleged, to pay up, and the Trust Company of the Republic, which seems to have been closely identified with the promotion of the combine, had to step forward and put up the cash, in order that the scheme might go through. The result was witnessed in a drop of the shares of the Trust Company of the Republic from 355 to 110, and it was found necessary, recently, to organize a syndicate to relieve the trust company of the burden thus acquired. A good many interesting points arise in one's mind in connection with this affair. In the first place, it was apparently found necessary at the start to invite Europe to take a large part in the underwriting, which establishes the presumption that capital for such purposes was growing scarce in this country. In the second place, the fact that the promoters selected as French underwriters men who deliberately went back on their word, seems to indicate that reputable European financiers some time ago may have concluded to have nothing more to do with "recapitalizing the future" of American industry. In the third place, it looks as if even those European financiers whose word is not "as good as their bond" have at last become conservative in the matter of putting up money on our "combines." And in the fourth place, the fact is emphasized anew that American investors have had practically no desire to relieve trust underwriters by absorbing the securities which they have had to take so unwillingly. This particular instance illustrates perfectly our theory that you cannot keep up steam after your fuel is exhausted. But just here an interesting question arises: What will happen if our "barons of finance" do not keep up steam? That is really an exceedingly disagreeable question. We have pretty tangible evidence that the underwriters have practically all the securities of the ship building trust. But Mr. Morgan has his own steamship trust to float, and there is little doubt in any one's mind that the securities of this combine will have to be laid on the shelf besides those of the ship building trust. How many more trusts there are whose securities are reposing on the shelf, it would be impossible to state with any accuracy; but the number is probably very large indeed. This is a very serious matter; for it implies the locking up of a great amount of the available resources of our "barons of finance," which they may need now, or a little later, for the purpose of bolstering up the general stock market. Heretofore, the market has relied on the ability of a coterie of great financiers to come to its rescue whenever the sky became black. These men have had almost unlimited credit at home and abroad, and it is to them that our thoughts instinctively turn when the gain from a "more perfect mobilization of capital" is talked about. But if these people are going to have one unsalable "combine" after another come back on their hands, does it not follow that eventually their ability to come to the rescue of the financial situation in critical moments must be greatly impaired? The immense financial activity of this country in the last few years has been largely built up on a name, and it is highly important that that name should lose none of its prestige.

HOW THE END WILL BE REACHED.

We might go on multiplying reasons why a recession in our industrial prosperity may be looked for, but those already mentioned are sufficient. Prices of commodities have outstripped purchasing power, and the supply of capital for huge enterprises has been practically used up. The one cause ought to be sufficient without the other to produce a certain amount of economic revulsion. We have already very clearly implied that neither cause can be easily got out of the way. There is bound to be a fall in commodity prices, rather than a rise in incomes. And as regards the supply of capital available for large schemes, it will be necessary for our financiers to wait for new wealth to be created, before embarking on any more schemes, such as have occupied their attention in recent years. It becomes necessary, therefore, to ask how far commodity can be reduced, and how long the scarcity of loanable capital can continue, without materially diminishing the industrial prosperity of the nation. These, of course, are questions which it is not in the power of any man to answer with any approach to exactitude; but, in a general way, it can be affirmed that in both cases the limit would be quickly reached. It is needless to attempt to explain how the resultant effect would be produced. It might be reached in a number of ways; such, indeed, would most likely be the case. The money market and the industrial situation act and react upon each other. A drop in commodity prices might be expected to curtail corporation dividends, which in turn would affect the stock market unfavorably, and lead to a general contraction of credit in the money market. On the other hand, a continued scarcity of loanable capital might conceivably affect the great spec-

ulative schemes of the leaders of finance and cause such pronounced liquidation of securities as to demoralize credit, and make it impossible for legitimate industrial enterprise to obtain the funds necessary for its efficient operation. We must again insist that we have no desire to overdraw the picture, but we cannot close our eyes to the fact that everything points to our having reached the full limit of our industrial and speculative expansion for the time being; and such being the case, we cannot see that anything is gained by ignoring the circumstance. Let us hope that those who control the financial and industrial affairs of the nation will face the contingency with courage, and act with discretion and high-mindedness. We can see plenty of opportunities, in connection with the process of readjustment which is before us, for selfish aggrandizement at the expense of the public good. The present situation has been compounded out of insane greed, arrogant self-conceit, and unblushing indifference to public good. The people who have dominated the material interests of the United States have much to answer for. The course which they have pursued in producing the present state of affairs, creates a fear that they may be equally entitled to reprobation in the course which they may pursue in attempting to straighten out the situation.

Orphan's Day.

No cause appeals more strongly to the hearts of our people or has a greater hold upon them than that of the orphan child. The work being done in the orphan's homes of the State is great in the spirit which prompts and pervades it, great in its magnitude and great in its far-reaching, beneficent results. Something of the work is known, something of its importance is seen, but the grandest results are yet in the unseen and eternity alone will fully reveal them. The good people of the State are from year to year growing more and more deeply interested in this effort to rescue and save to God and the world homeless boys and girls. At Thanksgiving time especially their hearts filled with gratitude have impelled them to reach out their hands to aid those who without their help would be helpless indeed. They have then given so largely of their time, efforts and means to our orphan's homes that Thanksgiving Day is beginning to be recognized as distinctively "Orphan's Day" in North Carolina. Thus working and giving to a great cause in the sweet spirit of love they have made thank-offerings which must be most pleasing to the Father of the fatherless. We as a people have been signally blessed this year and we have much for which to be profoundly grateful. Let us express and record our thankfulness by generous aid to the institutions in North Carolina which are caring for our homeless little ones.

May the Thanksgiving donations, cash and in kind, to this cause this year be larger and more liberal than at any previous Thanksgiving time.

The Education of Deaf Children.

Possibly few readers of this paper are aware of the number of deaf children in the United States; children without speech, because of their deafness, without language until they are brought within the schools provided for their special instruction. There are 118 such schools in the United States, in which 12,685 pupils are being educated by 1,385 teachers. Of these 118 schools, 57 are public schools, 46 public day schools and 15 are denominational and private schools. Sixty-two of these 118 schools are known as combined method schools, that is, two methods are employed in teaching—the oral method, by which a portion of the pupils are taught speech; and the Manual method, by which a portion of the pupils are taught by signs and the manual alphabet. In fifty-four of the 118 schools mentioned—the oral method alone is employed, and in two schools, namely, the school for colored deaf youth in Texas and the state school in Oklahoma, the manual method alone is employed. The manual method and the oral method of instruction have the same end in view, educating and fitting for citizenship. Dr. A. L. H. Crouter, the superintendent of the Pennsylvania Institution for the Deaf, the largest but one in the world, in speaking of the oral method says: "This method seems to be commending itself more and more to heads of schools for the deaf, and their instructors in this country. In the oral schools it is always applied; in the manual or combined schools, the number of pupils receiving the benefits of this form of instruction is constantly increasing. No less than 6,167 out of a total of 11,022 taught in the schools for the deaf in this country, last year, were taught wholly, or in part, by oral methods. "This is a remarkable change, when it is remembered that a generation ago, there was no school in the country in which oral methods of instruction were pursued. Speech to the deaf child is doubly important, it not only enables him to hold social converse with his fellows, after the manner that is common to almost all men, it places him in a position where he can the more readily command the means of self-support. "The deaf man who can speak and read the lips, even imperfectly, commands positions and employment much more readily than one who has never enjoyed the benefit of such training."

And now, what is our own State doing for the education of her deaf children? A school for white deaf children is located at Morganton, and one for the colored at Raleigh. In the school at Morganton there are at present 221 pupils. In line with the majority of the combined method schools, as shown by the figures above, the number taught by the oral method is steadily increasing. There are now 114 pupils in the oral department. The policy of the school is to give all entering children an opportunity to learn to speak, and to carry on their education by this method if possible. Whenever children do not acquire speech and are not able to understand the speech of others sufficiently to make it practicable to continue them under this method, they are placed in the manual department, where, with the exception of speech, they receive the same education.

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