



Depression Impressions

One thing that might be said in favor of depressions is that they are dependable. Every 6 or 7 years another one comes along. This week several news items, buried unnoticed in the newspapers, foretold the approach of the next depression. Because neither Dick Tracy nor Orphan Annie commented on the items, few of us were aware of the unmistakable signs.

All depressions follow a set pattern. Step by step, all are alike.

STEP #1--Land speculation. Anyone looking for a place to live, a place to start a business, or a place to do some farming knows that land speculation has been going on for some time.

STEP #2--Zooming prices for farm commodities. The newspapers tell us, in spite of a recent plunge, cotton is still far above the world market price. Wheat hit \$3.05 per bushel last week; an all-time high.

STEP #3--Bumper crops. Encouraged by high prices, farmers raise as much as they can. The Department of Agriculture announced, this week, that this year's crop will be 56 million bushels better than 1946.

STEP #4--Farm mortgages. To raise more crop, farmers must have more land. To get it, they mortgage everything they have. This week, Dept. of Agriculture announced that an ever-increasing number of farms are being mortgaged as much as 75% of the purchase price. In most cases, the mortgage is greater than the price of the land before the land speculation began.

Step #5--Prices tumble. Cotton prices took a considerable drop recently. They are expected to take a bigger one any day now. Wheat should plunge below \$1.20 by the middle of May. The drop in price

will result from the larger crop expected, and the smaller demand from Europe. Other crops usually fall and rise in price with wheat.

Step #6--Mortgages foreclosed. As the price of a crop falls, the small farmer raising it on low-yield land (the best he can afford) cannot make enough to meet his expenses. So he loses his farm to whomever holds the mortgage--usually a bank or insurance company.

Step #7--Banks swamped with foreclosed properties. Everyone tries to sell his land to escape disaster. The banks can't unload properties as fast as they foreclose them. To cover risk, banks demand higher interest rates. This week, interest rates went up for the first time since 1922--the year the last depression began.

Unemployed farmers cannot buy manufactured goods. This forces manufacturers to cut production, lay off labor, buy less raw materials--coal, steel, oil, lumber, etc. The result is unemployment in those industries, which means still less demand for goods. Unemployed farmers and industrial workers compete for jobs, and that drives wages down. That means still less demand for goods, and even more unemployment and still lower wages.

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Judging from the above--and a few other signs--a good guess might be that the next depression will be news to the newspapers around May 16th, 11:45 A.M., E.S.T. Immediately after, the "workers" will blame the "bosses" and the "bosses" will blame the "workers." Everyone will blame the Communists, and they will blame the Capitalists. No one will blame the land speculator! He's only the guy who started the mess.

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