

# Imperial Dress

AND FARMER.

"Water is King—Here is its Kingdom."

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## FINANCIAL PROSPERITY PREDICTED.

A PAPER ON "PANICS AND BOOMS" READ BEFORE THE SOUTHERN CALIFORNIA EDITORIAL ASSOCIATION IN JUNE 1891, BY L. M. HOLT, AT A MEETING HELD AT ALPINE TAVERN OUTLINES CLEARLY THE BUSINESS ACTIVITY OF TO-DAY.

### THE UTAH RAILROAD AND OTHER DEVELOPMENTS FORETOLD.

The United States is passing through one of its periods of business prosperity. In fact this condition of affairs is to be found in most parts of the civilized world at the present time.

For the past four or five years the business world has been recovering from the terrible effects of the last periodical financial panic which commenced in Australia and the South American republics in 1891, and struck

tions and gigantic monied and business combinations, when the next panic does put in an appearance, it will be apt to do its work thoroughly as the accounts to be settled will be large ones contracted on a gigantic scale.

There may be local financial disturbances prior to the date given, but the world-wide settlement is not due yet for about eight or ten years.

In 1886-7, Southern California ex-

pected, it will not be strange if speculative property will be advanced in price beyond what can be maintained during a period of financial depression—a period of paying indebtedness. No one should believe for a moment that the present advance in prices can always be maintained. When prices reach the top there will be thousands of people who will be compelled to sell in order to meet maturing obligations. This will cause a depression in prices, and this depression will cause still further necessities for selling.

In June, 1891, L. M. Holt read before a meeting of the Southern California Editorial Association, held at Alpine Tavern, a paper on "Panics and Booms" that so closely outlined and predicted the present condition of affairs, giving the causes therefor, that we republish the same for the benefit of those who may be inclined

self makes greater business activity. During periods of business depression there is not work for all, and this of itself makes business dull and unprofitable.

The existence of either one of these conditions leads necessarily to the other. It is an impossibility for either prosperous times or depressed times to continue permanently.

During prosperous times, there being work for all, all are supplied with the means of accumulating wealth, and thus all are enabled to provide themselves and families with all the necessaries, and many of the luxuries, of life; and hence, during the prosperous times the demand for goods and property increases, and soon the demand exceeds the supply, and then prices advance.

This rule, which is applied to the laborer, is also applied to the business man. Prosperous times induce business men to branch out in their several lines of trade. The volume of trade. The volume of trade being large, each gets a corresponding proportion of it. Many business men find that they can do more business than



THE ARROWHEAD, ON THE MOUNTAIN SIDE NORTH OF SAN BERNARDINO.

Courtesy of W. M. Bristol, publisher of "Californiana and Sketches of the Southwest."

this country with a terrible crash in 1892. The panic in this country was not so severe as it was in Australia, because the conditions were better here than there.

It generally requires from four to eight years to recover from the effects of a general world-wide financial panic, but the recovery is just as sure to come as daylight is to follow darkness, and then in turn, another panic is as certain to come again in due course of time as darkness is to follow daylight.

There were five financial panics in this country during the century just closed. These were in 1819, 1837, 1857, 1873 and 1892. The next panic is due about 1910. It may come a little earlier or a little later, but it will be about that time, and as the period of prosperity is being used to its fullest extent in heavy financial opera-

perienced a very wild real estate speculative boom. The gait was so rapid that a halt was a necessity before the financial world at large got ready for a general settlement. Hence the bursting of the boom in 1887-8 was a memorable occasion so far as our little corner of the world was concerned, but it was local in character and did not extend its influence beyond these narrow limits. Such a thing may occur again, for present indications point to a very active real estate and business movement in this section of the United States during the immediate future.

The real estate market is liable to approach very closely to the margin of the boom conditions. The conditions here are right for a solid advance in real estate values, caused by legitimate business developments. Under these condi-

to think that the present period of prosperity is to permanently continue:

### Panics and Booms.

Ever since the establishment of the human race on this planet there has been a gradual increase of population and a more rapid consumption of wealth.

Wealth is the result of labor, and without labor there can be no wealth.

Men live and pass away, but as they cannot take their wealth with them a large percentage accumulates for the benefit of their successors. Hence the wealth of the world today, per capita, is much greater than ever before, and it is continually on the increase.

The transfer of wealth, or property, from one person to another creates business. Under favorable conditions, transfers are numerous and business is brisk. Under unfavorable conditions transfers are few and business is dull.

During periods of business activity there is work for all, and this of it-

is allowed by their limited capital They then buy on credit.

Prices are continually advancing, therefore they are able to make margins of profit not only on the capital furnished by themselves, but on the capital furnished through their credit.

This rule also applies to people dealing in real estate. The country is growing; money is easy; the times are good; business is prosperous and therefore speculation is favored. A man worth \$5000 can buy four times that amount of property by using his credit, and sometimes he buys ten times that amount or more. While prices are advancing he not only gets the benefits of the advance in the price of the property represented by the capital furnished by himself, but also on the capital furnished by his credit.

When prices of property and goods during a period of business depression are falling, the loss does not come on the entire property, but only on that portion of it represented by the cash capital the man has invested in it. The debt never shrinks until the real investment is all gone.