

The Oregon Statesman

"No Favor Shows Us; No Fear Shall Ave"
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Law's "System" and the South Sea Bubble

FINANCIAL collapses of modern history, aside from currency inflation in the early days of the French and German republics, which have caused the greatest losses in ratio to the wealth of the time, were John Law's "System" in France, with its Mississippi scheme, and the South Sea Bubble in England. They occurred about the same time, in the first quarter of the 18th century when the old world was flush with optimism over prospects of wealth from overseas. Both France and England were wallowing in debt; and these projects were designed to ease their fiscal cares and augment the public wealth.

John Law was not an Ivar Krueger. He was no cheat, but a man of financial integrity. In some ways he might be described as the Prof. Warren of France with a "new deal," at the time following the death of Louis XIV when the Duke d'Orleans was regent during the minority of the young king Louis XV. Law was son of a Scotch goldsmith, trained in banking, a student of finance. He had wandered over Europe as a speculator or gambler and sought to convince crowned heads of the merits of his System, the fundamental of which was to overcome the "great scarcity of money" by displacing gold and silver as the basis of currency. (How modern such advice sounds!) Quoting from Cambridge Modern History:

"He appears also to have believed that an inconvertible paper-money would circulate, so soon as the people became familiarized with the convenience of paper, provided that it were not over-issued; and if this paper were supplied by the king on his credit, he was confident that it would not be over-issued, because the king would never be so unwise as to ruin his own credit and destroy the property he was creating. Hence he concluded that paper, or in other words, credit—the credit of the State—could serve as money."

So he proposed establishing a great bank drawing in all the specie of the country, and issuing credit money; "increasing or diminishing the quantity as circumstances dictated; in its sovereign wisdom never over-issuing." There would be no hoarding and the supply of money would be abundant. Shades of Senator Thomas and the 1933 inflationists!

As France in 1715 had a huge standing and floating debt so that its government notes circulated at 25c on the dollar, the regent was receptive to Law's scheme and the bank was established. Then Law expanded his plan to create a sort of government trust enjoying trade monopolies. He established the Company of the West which acquired exclusive rights on commerce and colonization of Louisiana. It took over the tobacco monopoly, various trading companies, Senegal, Africa, East India and as "Company of the Indies" added those of San Domingo and Guinea. It paid an enormous premium for the "farms of the indirect taxes," in other words the job of tax-gathering then highly profitable to the collectors. Finally it undertook to assume the national debt by issuing its shares to the public. In short it was the RFC and AAA of the "new deal."

The speculative fever mounted as the company expanded its operations. Shares rose from 550 livres each to a high of 12,000 livres (what was U. S. Steel's high in '29?). Guizot describes the delirium thus:

"The workmen who made the paper for the bank-notes could not keep up with the consumption. The most modest fortunes suddenly became colossal, laqueys of yesterday were millionaires tomorrow; extravagance followed the progress of this outburst of riches."

The pyramid of speculative values could not be sustained in 1720 any more than in 1929. Selling replaced buying, and shares started dropping. To bolster up the notes of the bank the use of specie was prescribed, "and orders were issued to take every kind to the bank on pain of confiscation, half to go to the informer." (Our 1933 gold act was not original!) Ruin was general as the people were loaded up with high-priced shares of the company or bank-notes now falling in price. To quote a ditty of the day:

"On Monday I bought share on share;
On Tuesday I was a millionaire;
On Wednesday I bought a grand abode;
On Thursday in my carriage rode;
On Friday drove to the Opera-ball;
On Saturday came to the paupers' hall."

With the collapse of his system Law went into exile, living modestly in Venice, devising new plans for public finance, and regretting the mistakes he had made. He did accomplish fiscal reforms in France (introduced double entry bookkeeping there from Italy, by the way), and encouraged commerce; but, like so many others in history, he was unable to stop speculation once it got started, and was unable to hold down the issuance of bank credit notes, which he had thought a simple matter.

The South Sea Company was the English parallel to Law's French Company of the Indies, and was operating at the same time. It was formed to hold the monopoly of English trade with the Spanish Indies; and the government hoped by thus venturing into "public ownership" to lighten its load of floating debt. The company made little progress with the Caribbean trade; but its directors conceived the plan of taking over the government's unconverted debt of 31 million pounds, chiefly in irredeemable annuities. The company offered a big premium for this, and then proceeded to sell its shares which were gobbled up by the greedy public—the "In-sul Utilities" of the 18th century. Share prices rose to 300, to 400, to 1000, in 1720.

The South Sea Company was "the giant bubble in a sea of bubbles." One fellow capitalized "a certain design, which will hereafter be promulgated." The Prince of Wales became governor of a copper company and took 40,000 pounds before the judges protested and forced him to resign. It was 1929 all over again.

"Amid scenes of great excitement the shares were hawked in Change Alley. At milliners' and haberdashers' shops, or in taverns and coffee houses, ladies and gentlemen met their brokers. . . . The very bank became a bubble" and lent out money on its own stock. The government remained. . . . only spectators of this melancholy scheme—unable to control the company."

In the fall of the year the deflation set in and shares dropped to 175 by the end of September. The scandal broke. Robert Walpole, who had opposed the Bubble, was made prime minister. The investigating committee of the house of commons exposed "a scene of iniquity and corruption."

"The company's books would not bear examination. Some had been destroyed or secreted. Knight, the cashier, had disappeared with the register called the green book; in others false and fictitious entries, entries with blanks, entries with erasures and alterations were discovered. A fictitious stock of \$574,000 had been disposed of before the South Sea act was passed, and no mention made of the name of any person whatsoever to whom



Bits for Breakfast

By R. J. HENDRICKS

Winema, Oregon Pocohontas: Indian History of Modoc War by Jeff C. Riddle, her son:

A friend has generously added to the book collection of the writer a copy of "The Indian History of the Modoc War," by Jeff C. Riddle, copyrighted by him in 1914.

Who was Jeff C. Riddle? He was a son of Francis Riddle. And who was Francis Riddle? He was the husband of "Toby" or Winema, own cousin of Kientpoos or "Captain Jack," the outstanding leader on his side in the Modoc war. "Toby" Riddle was a friend and friend of our beautiful lake country was won for peace, development and civilization, so that all might see that lessons of loyalty and self sacrifice, and heroic devotion to law and government, can be learned from the humble frontiersman who have helped to open and subdue the wilderness.

"Such a frontiersman was Frank Riddle. Though his life was humble and his sphere limited, he lived an honest, temperate life, was kind and true to his family and friends, and did good work for all in the darkest days that ever came to the Klamath country."

"The foregoing sketch I have written by request of Jefferson C. Riddle, the only son and child of Frank and Winema, whose devotion to our beautiful lake country was won for peace, development and civilization, so that all might see that lessons of loyalty and self sacrifice, and heroic devotion to law and government, can be learned from the humble frontiersman who have helped to open and subdue the wilderness."

"Frank Riddle, well known frontiersman and pioneer, died at his home near Yainax, Oregon, at the age of 80 on Feb. 21, 1914, at quite an advanced age. . . . To old timers especially was Frank Riddle well known, and they also know of the prominent part he took in the trying days incident to the early settlement of the Klamath country. This is the late settler do not know, and I think it may be fair at this time to briefly refer to the story of his life."

"With other gold seeking adventurers, he came to California in 1850. September of that year he arrived in Shasta county, (California), where he spent some years in mining. In 1856 he came to Yreka and followed mining about that place and Hawkingsville, with varying success, until 1862, when he changed his occupation into that of a stock raiser and settled 20 miles east of Yreka on Bogus creek. This place, which is now known as Bloomingcamp ranch, Mr. Riddle sold to David Horn in 1865 and went further into the interior. . . . The winter of 1868 he spent in trapping at the Upper Gap on Lost river. Thus early he invaded the then wild Modoc country, which had already been the theater of many bloody encounters between the races."

"Winema, a bright and courageous Modoc girl, a cousin of Kientpoos or Captain Jack, . . . had become his companion, and they together spent most of their time in the lake country, largely with or in the vicinity of her people, the Modocs. Before the Modoc outbreak, which occurred on the morning of November 29, 1872, at the stone bridge on Lost river, some two miles or so below where the town of Merrill has since been located, Frank and Winema, who had loyally cast their fortunes with old Chief Schonchin in favor of peace, did

all they were able to do to prevent the insurrection of Captain Jack.

"After the war came, their efforts were faithfully continued to convince the authorities of the government and to maintain the influence with his people of old Chief Schonchin, who was as firm as a rock in his adherence to the treaty of 1864. Winema's own brother, Charles Riddle, a sub chief of the Modocs, was a strong supporter of the old chief as long as he lived."

"Were it in order to do so, I could detail at greater length the story of these tragic days, . . . when through trials, dangers and privation our beautiful lake country was won for peace, development and civilization, so that all might see that lessons of loyalty and self sacrifice, and heroic devotion to law and government, can be learned from the humble frontiersman who have helped to open and subdue the wilderness."

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"It is good to know that our government has an appreciation of the Winema's valuable services during the Modoc war, granted her a pension of \$25 a month for life, and this has largely contributed to the support of these people for several years. Pure blood Indian, though she is Winema Riddle is a heroine who should be well known in American history as Pocohontas or Sacagawea, and her fame will grow brighter with the years."

"Winema's pension was secured by U. S. Senator Hearst of California, father of W. R. Hearst, the publisher of American newspapers and magazines."

The biographical sketch that follows, appearing in the book under discussion, was taken from an article by A. B. Neichars, who then a citizen of Salem, was a member of the peace mission to the Modocs in the lava beds and was left for dead in the massacre; the title of the article, "Winema and Her People."

"Frank Riddle, the husband of Winema, is a native of Kentucky. His parents were slave holders, and Frank grew to 15 years of age without receiving much attention from them. Several years before reaching his majority, in western parance, Frank 'buck out for himself.' Arriving on the Pacific coast in 1850, he first sought employment in Sacramento City and subsequently drifted to the mines of California. . . . Many thrilling episodes he had lived through before he had rendered to the bright eyes of the

the stock is supposed to be sold. It had helped to promote the bill. The directors laid themselves open to charges of illegality, corruption and favoritism; and some members of the government appeared to have been accomplices."

Just as Law's Company of the Indies hung on till 1769, the South Sea Company continued, its affairs with difficulty were untangled. The former annuitants under the government debt were left with the badly depreciated shares, like those who traded for C.P.S. stock here; but they were partly reimbursed. The company was finally dissolved in 1863.

Thus does the present find its counterpart in history; but how feebly does the "lamp of experience" illumine the path of succeeding generations. . . . "Yesterday's market was up two points."

He rendered to this Modoc, and was married under the forms and ceremonies of his people. During his sojourn upon the western coast he has killed 743 deer and elk and 132 bears of various species.

"During the efforts for peace with the Modoc Indians, in 1873, Mr. Riddle was employed as interpreter. His personal acquaintance with them, and with the difficulties existing between them and the white race, made him the man for the occasion. It is unfortunate that General Canby and Dr. Thomas (assassinated in the lava beds) should not have recognized the real character of Mr. Riddle, and appreciated, as I did, his integrity and good common sense. It would have saved many lives and hundreds of thousands of dollars. . . . I have found him a reliable man and a true friend, even in the darkest hour. . . . He is not ashamed to manifest his pride in his Indian wife and half-breed boy."

"Charka" (the handsome boy), alias Jeff C. Riddle, son of Frank and Winema, was born at Yreka, Cal. He is a remarkable boy, early exhibiting a fair amalgamation of Kentucky frankness and Modoc courage. Inheriting enough of his mother's fatal day on which Gen. Canby was killed, although he was but 10 years of age, saying to them "If the Modocs kill you, I will avenge you if it takes a life time." Taking his father's revolver and field glass, he climbed partly up the bluff commanding a view of

have steps in favor of their needy teacher. What's the matter with Salem? An ex-teacher and taxpayer—MRS. MAY NORTHBURGH, Salem, Oregon.

To the Editor: Your editorial published in a late issue of the Statesman, in which you quote a San Antonio judge who objected to a tax for the purpose of exploiting people "by misleading and flaming statements that some other part of the earth is to be preferred as a residence or a place of business" is a matter that could well be emulated by you Mr. Editor, and several other western publishers.

When one reads the judge's opinion of the subject and then the blither of your following comment one is immediately struck with the honesty of the judge's reasoning and the unreasonable-ness of yours.

Practically every newspaper in the west is guilty of continually parading the superiority of the climate before its helpless readers and roasting the rest of the country in the hope that some eastern people will be persuaded to come west and spend their money.

Such words as these quoted from your aforementioned editorial "But when it comes to the paradise of the Pacific, this western coast where nature is kind . . . is an attempt to exploit the homeseeker and for the benefit of the natives with the inevitable result that we have some badly diseased people in our midst. Such stuff can only cause harm for many people are still simple minded enough to believe all you read. Consider your own words that have been printed thousands of times before, 'paradise of the Pacific . . . where nature is kind.' In the first place this is neither paradise nor a paradise, it's just one of the many rather desolate places on the old globe to live, and as for 'where nature is kind,' well if a howling northeast wind, such as we had last winter, with a near zero temperature that swept the country clear of vegetation and left it as below and bare as the deserts of that other 'paradise' of earthquakes and floods that is southern California, is being kind then may Heaven protect us from this same nature if she ever gets in a vindictive mood. And then some years ago the temperature dropped so low that it froze . . . but may be it shouldn't be mentioned, it's poor advertising you know."

All this is in line with the policy of some newspapers, car-

ried on rather extensively some years ago of exploiting the farmer and new comer, by planting programs, with the result that literally thousands of acres have been planted to berries, flax, orchards of fruit and nuts, and other crops for which the land was unsuitable and thousands of people were persuaded that they would be made independent for life by such crackpot propaganda with the inevitable result that

ment, while it may help to relieve the discomfort, will be of little avail if the offending pollen or substance is not removed. As I have told you so often, there are many inflammations of the skin. The treatments for them vary, depending upon the cause. Every day I receive letters requesting information and advice about eruptions and lesions for the cure of skin inflammations.

Avoid Home Remedies Many of these are soothing, promoting comfort and allaying irritation. But there are certain inflammations of the skin which demand wise medical advice, for home treatment may prove detrimental, rather than beneficial. Do not be misled in such cases by well meaning friends who strongly recommend this or that treatment. You have a persistent irritation of the skin, be on the safe side and consult with your physician. He has been trained in this work and is, of course, in far better position to advise and prescribe for you.

If you know you are sensitive to certain foods, common sense tells you to avoid them. Include plenty of fresh vegetables and fruits in your diet. If your skin is sensitive, avoid fried and greasy foods, sweets, pickles, and condiments.

Simple foods and hygienic living are important. Cleanliness of the body, inside and out, will go far towards giving a clear and healthy skin.

Answers to Health Queries R. D. Q.—What causes pulsating head noises? A.—This may be the result of some constitutional disorder, or disturbance of the circulation, as well as ear disease. Consult your doctor for an examination.

M. V. G. Q.—What causes very sharp pains in the breast? A.—This may be due to indigestion. It would be well to have an examination.

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"I Take This Woman" By ALLENE CORLISS

He flung his cigarette away, put his arm about her, tipped her head back against his shoulder. "Like to be kissed?" he asked her softly, bringing his mouth close to her parted lips.

"Not—promiscuously." She wanted to close her eyes. She forced herself not to. She must keep them open. Laugh at him with them—now that her lips refused to do so.

"Meaning what?" "Meaning that I don't know you." "Then—you don't want me to kiss her?" "No." It was a mere whisper of words.

He let her go immediately. Reached for another cigarette. "Very well. You do, you know, but if you'd rather we'll pretend you don't—though why you should want to pretend that—"

She turned back to him, clenching a grry hands. She was trembling with desire and choked with frustration. "I suppose you can't understand a girl not allowing you to kiss her—"

"You're quite wrong," he contradicted her quietly. "What I can't understand is a girl not allowing me to kiss her when she wants to be kissed as badly as you want to be."

"I'd like to go back to the party." She walked rapidly away from him, toward the hallway. The sky seemed to come down very close. A spatter of rain struck her hair and lay like tears on her face. She had quite reached the opening before she realized that he was not following her. That he was standing where she had left him, the tip of his cigarette glowing brightly in the thick darkness.

"Come back here," he said slowly. She did not turn. Neither did she go on.

"Come back here," he repeated gently. "No." "Yes."

She turned and stared at him. On her shoulder, Perry's gardenias trembled in the little breeze. But Perry no longer existed. She went toward him slowly, inevitably, as if she had known all the time that in the end she would go. That in the end it would be like this.

"Tell me about—," he said, letting his arm brush her shoulder, not looking at her at all. "All I know about you is that I have never seen you before, that you have a boy's name and very, very disturbing eyes."

Stanley laughed. She was surprised to find she did it quite easily. She had thought perhaps she couldn't manage to be as casual, as though this was just like any time, anywhere.

"You've never seen me because I've been in Europe for three years and my father gave me his name and my mother was entirely to blame for my eyes. You see it's all very easily explained."

"You're so good at it," he told her evenly, "perhaps you can explain why we suddenly see each other for the first time and are—as we are. Feel as we do."

"I don't know what you mean." Stanley stared straight ahead, her chin once more lifted defensively, her voice steady with a fierce steadiness.

"Oh, yes, you do. You know exactly what I mean. It's what made your hand shake so when I touched it—it's what made you leave the party and come up here with me—why, you're trembling right now—your poor little devil!"

Stanley was very quiet as Perry drove her home through deserted streets. She sat slumped beside him, her chin buried in the deep fur of her coat.

"Stanley, that is, I don't know, Perry." "Yes—no, that is, I don't know, Perry."

Perry stared straight ahead, his hands quiet on the wheel. He had been drinking quite a bit and when he spoke again his voice was rough.

"What happened between you and Armitage tonight?" Stanley did not turn her head to look at him. "Why?"

Perry shrugged. "You know what I mean—did he make love to you and did you like it?"

Stanley answered him at once, and a bit defiantly. "I don't have to answer that question, Perry, but I will. He did make love to me and I did like it."

"I'm sorry, darling," he was rude as the denance. Perry's voice was suddenly contrite. A minute later he said, "Are you in love with him, Stanley?"

Stanley considered a moment. Not his question but her answer.

"I suppose I am." "So it's like that?" Perry looked slowly. "I thought it was like that—but I had to be sure."

"There's no good lying to you—or to myself. I don't mind telling you, Perry, I'm a little bit frightened."

"That's because you've never been in love before. You're afraid of it, don't you?" "Of course, Perry." "I'm jealous as the dickens. I love you myself."

"I'm sorry." "Don't be sorry. It's not your fault. I'll get over it. I did once before—at least, I almost did." Perry laughed shordly, mirthlessly. "It's quite all right with me, darling—if he can make you happy. In the darkness he scowled suddenly. "I wish only I could be sure, darling, some way I'm not."

"Listen, Perry. About Drew—tell me about him—everything." Stanley's voice was huskily impetuous. "What shall I tell you? That he is outrageously good-looking and about thirty and single? That he's a friend of Johnnie Crampton's—remember Johnny? They roomed together at Amherst. Johnny brought him on here from the Chicago branch last fall. I have an idea he hasn't much money. But he doesn't need much—he has about everything else. Is that enough or do you want to know more?"