

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY.

R. WILSON-SMITH, *Proprietor.*

GUARDIAN BUILDING, MONTREAL.

Annual Subscription, \$2.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, NOVEMBER 29, 1907.

THE FINANCIAL CRISIS AND ITS "REMEDIES."

There is something almost pathetic about the manner in which the financiers, professional and amateur, of the United States, are discussing "relief measures." Just as in a time when some epidemic is playing havoc with public health, a natural but unreasoning cry goes up from the people to constituted authority in every form, to "Stamp it out! Stamp it out." In all such cases the best service that the most scientific authority can render is educational, it is of the nature of correct diagnosis. The issue of government funds, the creation of new national securities, may be, no doubt are, of service as palliatives, but they do not strike at the roots of the disease. It is stated upon the authority of Secretary Cortelyou that the issue of Treasury certificates is already a success, but the financial convalescence of the United States is not we imagine altogether dependent upon such empirical remedies. The present crisis will not be an unmixed evil, if it causes the American people, and especially their leaders in political and financial circles, to take serious thought of the causes which have brought it about. The symptoms should be studied less with a view to the administration of drastic and desperate remedies, than with the purpose of removing the sources of trouble. It has been truly, though to all appearance paradoxically said, that the United States is suffering from too much prosperity. This is literally the case. An era of exceptional prosperity has tempted American enterprise into extravagant expenditures, and what is worse into the assumption of abnormal liabilities. To repeat our argument of last week, let us again quote the Preacher: "To everything there is a season and a time to every purpose under the heaven. A time to cast away stones and a time to gather stones together." And these times do not necessarily synchronise, for every people, in every clime. The business of the United States, speaking generally, is absolutely solvent, but it is doubtful if there is in the whole

world, enough money to meet all the liabilities assumed by American national, municipal, railway and industrial enterprises, in recent years. There are thousands of immensely wealthy, prosperous and perfectly solvent institutions which under normal conditions, could get all the money they need for their business at reasonable rates, but under the present abnormal conditions are under the necessity of curtailing their operations, and what is worse, and what intensifies the difficulty of the situation, of discharging hundreds of thousands of their workmen. The "liquidation" in labour is a painful necessity, even more regrettable than the liquidation in stocks. It is estimated that over 200,000 men have been discharged in the United States during the present crisis. Apart from the privation involved upon them and their families, this means a greatly decreased spending power in one direction, and a correspondingly decreased earning power in many directions.

When the American people come to a correct diagnosis of the situation, they will realize a number of important if simple truths, about money. They will realize that capital cannot be bullied, cannot be cajoled upon a large scale, and cannot be manufactured on demand, by the most beneficent government, but that it can be easily frightened, and can be recklessly scattered, like chaff before the wind. To-day the situation has many hopeful features. Gold is pouring into the United States more rapidly than ever before. The total amount of gold engagements from Europe since the trouble commenced is over \$95,000,000, a fact which shows that there is no lack of confidence across the Atlantic in the soundness of American business. About \$56,000,000 of this has arrived since November 5, and no doubt the \$100,000,000 mark will be reached. The American farmer has enjoyed a decade of exceptional prosperity in crops and prices, and he still has great spending power. It is natural that commercial failures are more numerous, and greater in amount than last year, but the increase is by no means alarming. Then, if the published forecasts of President Roosevelt's message to Congress are trustworthy, it will be practically innocuous. There is scarcely a stock offered for sale in the principal stock markets of this continent, that is not intrinsically worth much more than its present price, to the man who can afford to pay for it. The marketing of the grain and the cotton will bring much relief, by natural and legitimate means, the return of the American people to sane habits of thought on questions of finance will bring much greater relief, because in that event every dollar of gold in the country will have ten-fold more vitality and activity, ten-fold more power for the transaction of business.