

in Hamilton, deposed that the plaintiff's reputation was "not very good," and in reply to another question "I should say it was bad."

Extracts from Mr. Livingston's examination under oath before a special examiner taken previous to the trial, were tendered by us as evidence and rejected by the court. It was admitted that our counsel would have had the right to enquire into all these matters if the plaintiff had entered the box, but his legal advisers were careful not to give us an opportunity of subjecting him to cross-examination. He would have been asked, for instance, to explain the purchase of a claim, in respect of a loss, one half of the amount being afterwards received by him from the company while he was adjuster of that company. And again, as to the receipt of certain gifts of money, admitted on his examination, from certain parties whose losses he had adjusted and a number of similar matters.

Whether a shilling damages sufficiently compensates the plaintiff for having his reputation aired in court after this fashion, and such damaging testimony given by prominent men, is of course for him to judge.

#### LESSONS OF THE WALL STREET CRASH.

Within a time to which the memory of many men extends, frauds in connection with the management of banks were far from being an usual occurrence in the United States. The dark transactions recently brought to light in Wall Street, now rare, were then common. People who forget these things, or more likely, never knew them, speak of the official frauds of the present time as being unprecedented. There can be no greater mistake than this; the contrary is true. The amounts stolen now, when thefts do occur, may be larger because transactions are on a greater scale. When the amounts to be handled were large, as in the case of the Bank of the United States, the sums appropriated by the officials were not small. The defalcation of President Biddle will readily occur to those who have read the contemporary history of these times. From 1815 to 1840, banks were frequently set on foot by sharpers, for the sole purpose of robbing the public, by issuing unsecured and worthless bills, and resorting to other fraudulent devices. These banks were qualified as "wild cat." They were often started almost without any capital at all. The necessary amount requiring to be on hand before a bank could start, was borrowed for the occasion, and then sent back. Stock was paid for out of nothing, notes being discounted at the bank for the purpose. To check these frauds, both the States of New York and Massachusetts passed laws requiring bank stock to be paid in gold; but again, as before, the gold was borrowed for the purpose, and as soon as it had done duty, was sent back to its owners.

The United States has got over this "wild cat" period, and as a rule, the banks are now honestly organized and honestly conducted. The frauds in connection with the New York Bank failures come as a revelation. It was known that there were speculating bank officials in New York, and when

so much is known, the worst may be feared. That the frauds of bank officials should have brought down a number of banks is a startling fact, and one for which the public was by no means prepared. After the banks failed, the public was not long left in surprise, as to their condition. An official examination immediately took place, and the cause of the trouble was at once traced out. The offenders were denounced, and when they could be found, speedily arrested. It remains to be seen whether punishment will follow. All this contrasts favourably with the dilatoriness which has marked the proceedings that followed the collapse of the Exchange Bank, of Montreal, which dragged along for months, before the true state of the facts became known, and it is even now uncertain whether the whole story has been told.

Much is gained by arriving at the true cause of the failure of the New York banks. All the banks were brought down by the defalcations of the r own officials, occupying the highest positions of trust in which the shareholders could place them; and every one of these unfaithful servants owes his downfall to gambling operations on the stock exchange. The lesson is one which may be of use outside the country in which the opportunity for learning it arises; it teaches the sacred duty, on which we have often had occasion to insist, of bank officials to avoid engaging in the gambling transactions which cast deep discredit on the chief operators, and create so great a danger for stockholders and the public. There was one extremity of wrong doing of which the New York bank officials, who have brought ruin on the institutions with which they were connected, and disgrace upon themselves, appear not to have been guilty. They do not appear to have made the stock of the banks under their control an object of speculation. Of that form of breach of trust they seem not to have been guilty. The time when this was possible in the States has passed with other antics of the "wild cat."

Speculation in bank stocks is a survival which, for the States, have become historical and of which there is no return. To leave that danger behind was a great step. But bank officials merely changed the object of speculation. The next step will be that they will cease to engage in any form of dangerous speculation. This the shareholders and the public will require at their hands. It does seem as if nothing less than a serious catastrophe could cure either form of those evils. Speculation in bank stock by bank officials—few in number we believe—still survives among us, and it does seem as if no amount of warning or denunciation would put a stop to it. Shareholders should see to it, that the practice shall cease, and that high officials notoriously engaged in speculating in the stock of the banks they control, should be required to mend their ways, on pain of dismissal. But shareholders are not always in a position to know what their executive officers are doing; and such legal remedies as experience shows to be necessary should be provided. Already a bill has made its appearance in the Senate of the United States to make a criminal offence the engaging in speculation by the

executive officers of a bank, for their individual profit. The objects in which this bill forbids speculation, on margin, by these officials, directly or indirectly, are stocks, bonds, or other securities, grain, provisions, produce and oil. And Mr. Hewitt, of the House of Representatives, has brought in a bill which makes guilty of embezzlement, any president, cashier, teller, or other officer of any National Bank, who shall, for his own benefit, or the benefit of any co-partnership, association, or company of which he is a member, obtain a loan from a bank of which he is an officer. The *Commercial Bulletin* says the necessity for this bill "has been made too evident by recent events. It is, however, an extreme remedy, which, in cooler moments, Congress would hesitate to apply."

The success of one bank gambler does more mischief than the drawer of a high prize in a lottery. Imitators rush into the game, in the hope of securing a like success. The adventurer who succeeds, if judged by his success alone, is proclaimed a miraculous financier; if he fails he has to face an indictment for crime. And yet, whether he win or lose is always more or less of a lottery. Whatever tends to give certainty to his chances is not likely to be of an innocent nature; the turn of the chances in his favor he owes to the secret use of loaded dice. He uses as his own, information which is the property of his employers alone, and he can scarcely use it to his own advantage without using it against them. If he buys or bears the stock of the corporation by which he is paid, he must do so at the expense of the buyers or sellers of that stock. To use official knowledge for his own advantage is treachery to his employers; to use it against them is to add robbery to breach of trust. To steal a bank's funds for outside speculation, when the thief is a trusted official, is to add treachery to robbery; to do the same thing for the purpose of influencing the price of the stock of the bank, with the inevitable effect of deceiving the stockholders, is a crime of still deeper dye.

There is no doubt that certain bank stocks are systematically bullied by inside buying, and that very often prices are run up, in this way, far beyond the line they would reach, if the laws of supply and demand were left to adjust themselves, without artificial contrivances. Is there not reason to believe that, in one form or another, the money of these banks is employed in these dangerous and discreditable speculations? Nobody doubts the fact. It is done in open defiance of the law, whether the operation be direct or through their disguise of an extemporized intermediary.

#### OUR EXPORTS IN 1882-3.

A table which was prepared for this journal last year has been frequently quoted as furnishing a very great deal of valuable information in little space. We refer to the table of exports for 1882, issued by us in March, 1883. (*MONETARY TIMES*, Vol. XVI, page 1004). The various classes of our exports, their extent and value for the fiscal year last past, presented in a concise shape, will be welcomed, we doubt not, by many of our readers, at home and abroad. And