

A STUDY OF THE PANIC OF 1893.

The financial disasters which befell the United States last year will, we trust, remain for ever as the darkest record in American finance. Amid the excitement of the panic it was known that great changes were going on in the banks and monetary institutions, but it has not been until very recently that the extent of them was fully known—the killed, wounded and missing in a war can only be ascertained after the conflict. So important a chapter in the history of finance cannot be omitted from a journal of this character we therefore give a statement of ascertained facts, which have more than a present interest, as they will be referred to for warning and instruction in future years. The immediate effect of the panic, as is usually the case, was a serious withdrawal of deposits. In the months of May, June, July and August last year, the sum of \$413,000,000 was withdrawn from 1,117 banks and savings banks. Indeed, but for this prolonged drain upon the resources of the banks the panic of 1893 would have been only a brief spasm. But so profound, and so general had become the disturbance of confidence, that month after month, when the business of the country was in especial need of all available money, the people took the most effectual means for intensifying and prolonging the financial trouble that had arisen. The inevitable result of this enormous restriction in banking funds was a proportionate stoppage of discounts; this paralyzed the manufacturing and other enterprises, by which armies of workmen were thrown out of work and the store keepers deprived of their spendings. The lack of accommodation compelled merchants to shorten their purchases abroad and to make default in their payments to foreign creditors. Thus, the cause of the panic, which was the withdrawal of confidence in American credit and securities in foreign money markets, was most seriously heightened in its effects by the unreasoning attitude assumed by the American people towards their own financial institutions. Had they remained calm, and left the settlement of the only real cause of trouble to the financiers interested, the disturbance would have not reached beyond a tightening of the money market in the States, which would have done no serious damage to the general business of the country, and probably would have worked its own cure by drawing money into the banks to secure higher interest, while discounts would at the same time have been restricted. The same process would have gone on which is shown to have been in operation since the panic commenced subsiding,—that is, the deposits all over the States have been increasing at double the rate that discounts have been able to utilize, a clear proof that depositors, after striking a disastrous blow at the banks by their unreasonable withdrawals, had been hoarding their money, and so depleting the industrial vitality of the country of its very life blood. From a return published by Bradstreet's, we find that in five of the leading New England manufacturing cities, the savings banks only reduced their deposits during the four months of panic by \$1,100,000 out of 70 millions, a very trifling

sum when the prevailing depression and alarm of the time are considered. We must attribute this to the higher intelligence of the New England people, who had judgment enough to see that business must be paralyzed if the banks are deprived of the funds for sustaining its operations. A study of the panic of 1893 leaves the conviction that it was seriously aggravated by the two intimate connections of the banking system with the Government and its securities. It is manifestly a most undesirable thing to base a banking circulation upon bonds that are liable to serious depreciation from confidence in them being withdrawn by foreign investors. In times of distress, such a system compels the banks to help in depreciating their own securities, and at all times subjects the whole currency of the banks to foreign influences. The panic of 1893 also shows that the depositing classes in the States have not that reliance upon the stability of the banks which the same classes in this country have in our banks. This is demonstrated by the fact that, while for months the United States banks were being drained of hundreds of millions of deposits, the deposits in the Canadian banks during the whole of the panic time of 1893 showed no trace of withdrawals out of the ordinary course.

THE CASE AGAINST AND FOR FIRE INSURANCE BY LLOYDS.

The Committee appointed by the New York Chamber of Commerce to inquire into the subject of fire insurance by Lloyds has sent in its Report. The replies to this by the attorneys and managers of various Lloyds agencies are also published. Both are too interesting to be overlooked, but too lengthy for full insertion, so we give below the gist of both, first premising that our synopsis is a strictly fair digest.

The Committee sees no reason why the business of fire insurance could not be conducted outside the compact portions of cities liable to sweeping conflagrations by Lloyds properly organized by responsible men as safely as by stock companies, with the exception of the important stock feature of capital guaranty. They, however, see no reason why Lloyds should not be required to make as full returns of their business and finances as the stock companies. They also insist that, whatever form of taxation is borne by stock companies should also be imposed on Lloyds. The Committee emphasize the importance of requiring those concerns to hold at all times as a reserve such portions of the premiums as represent the unexpired time of their executory or running contracts. They state that they have reason to believe that many of the Lloyds associations do not hold the premiums representing the unexpired terms of their policies, but that they have divided such unearned premiums as profits, so that they would be unable to meet their engagements were a sweeping fire to occur involving a large number of their risks.

The Committee consider it certain that any such extensive fire would materially reduce the amount re-