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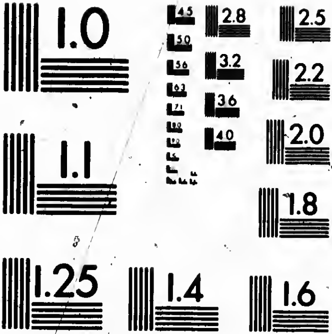


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# ADDRESSES

OF

# B. E. WALKER,

President

Delivered at the Third and Fourth Annual Meetings of the Canadian Bankers' Association

(Extracted from the Journal of the Canadian Bankers' Association)

TORONTO:
Monetary Times Printing Company Limited,
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# ADDRESS

Delivered at the third Annual Meeting of the Canadian Bankers' Association, held at Halifax 26th and 27th July, 1894

When at the second annual meeting in Toronto, a little over a year ago, we elected a President to fill the position which Mr. Hague had occupied for the year and a half which measured the short existence of our Association, I little expected, as you know, to address you to-day. It had been understood that the Presidency would be offered to one of the bankers of Toronto, but we in turn, while deeply conscious of the honor, desired that it should be offered to the chief of our leading bank, both for his own sake, and because of his high position, and, as you know, he was elected. Mr. Clouston, however, was unwilling to accept the office. The Executive Council were then courteous enough to request the bankers of Toronto to express an opinion as to who should be appointed to fill the vacancy for the balance of the year, and we desired that the honor be conferred upon our highly esteemed friend and veteran banker, Mr. James Stevenson, but because of advancing years he also declined, and when the Executive Council met, 6th December, 1893, I was appointed. Up to this time Mr. Hague had not been relieved of the duties of the office, and I ask you to remember that I therefore only assumed them a little over seven months ago. This must be my excuse for many things which might otherwise have been accomplished.

While on the one hand a mere business association having in view the interests of the banks of Canada as a whole, we are on the other hand a scientific association, consisting of a body of associates anxious to understand the principles of banking and finance; and after the manner of scientific societies, it is expected that the President will set forth annually before the associates the events of the past year which are deemed of importance as objects of study for those concerned about the science of banking and finance. Although he may do so, he will not be expected to discuss the causes and effects of actions with much fullness, and he will perhaps have done his duty if he merely indicates the events worthy of record and study. In any event, on this occasion it is the less necessary that the causes and effects of the recent panic in the United States should be set forth by me, as the senior essay in the prize competition of the year deals with that matter, and the paper by the winner of the first prize has been printed in our JOURNAL.

I will not, therefore, rehearse the facts connected with the crises in South America, Australia, Italy and elsewhere, during the last three or four years, and the effects in London and the bourses of Europe, which seem to have been a prelude to the American drama of 1893, although perhaps not in any very direct way contributing to it. The historical events in the United States, dating back even to 1836, the logical outcome of which was the terrific panic of last summer and autumn, are the real prelude to the drama, and I had the honor of speaking to you on that subject at the dinner of the Association in Toronto, although I have not yet quite reconciled my conscience to the unwarrantable advantage I took of your comfortable after-dinner condition in asking your attention at such a time to such a tedious subject. I will then, with your permission, merely sketch rapidly the leading events in the United States connected with banking and finance, and in another paper which I hope to read during this meeting I will ask your attention to one particular feature of United States panics, from the close study of which we in Canada may learn something.

In the closing days of the Republican administration the fear of trouble from the operations of the Sherman Silver Purchase Act was so strong that it was fully expected resort would be had to the power which the Secretary of the Treasury possessed to sell bonds in order to strengthen the Treasury gold-reserve. The gold-reserve which had maintained an average as high as $200,000,000 throughout 1888, fell in the succeeding years as follows:

| | | | | |
|---|---|---|---|---|
| 1889, | maximum | $197,000,000, | minimum | $182,000,000 |
| 1890 | " | 190,000,000 | " | 148,000,000 |
| 1891 | " | 149,000,000 | " | 117,000,000 |
| 1892 | " | 125,000,000 | " | 110,000,000 |

By February, 1893, the reserve had declined still further to $108,000,000, the lowest point touched since the redemption of specie in 1878, although two or three times it had fallen nearly as low. Large exports of gold had taken place, and further large exports being in sight, some of the leading New York banks, viewing with alarm the fact that there was in the Treasury only $8,000,000 over the reserve of $100,000,000 supposed to be held against the War Legal Tenders, voluntarily deposited with the Treasury a few millions of gold. Humiliating as it was to the Treasury, it was hoped the action would help to renew confidence.

While these alarming gold shipments were going on, the agitation for the repeal of the purchasing sections of the Sherman Silver Purchase Act was daily growing stronger, and at the same time the public dislike of monopolies, which had already produced the Anti-trust Act of 1890, was manifesting itself in many ways, and many of the large industrial companies, especially the so-called Trusts, were distinctly losing credit because of the exposure of their methods of making money, both in the conduct of their business proper and in the stock-jobbing connected with their bonded debts and capital stocks. So that when President Cleveland took office and it was known that to silver agitation, gold shipments, and shaky trusts, there was to be added all the uncertainties of a thorough revision of the tariff, the time was surely ripe for great events.

By the middle of April, Secretary Carlisle, in obedience to the law, suspended the issue of gold certificates, that is, Treasury certificates for which the actual gold was held in trust, the gold-reserve against legal-tenders having fallen to $100,000,000, the point at which he was required to take this action. In Canada the public began to be anxious as to what our trade and financial relations with the United States would be should that country fall from the gold to a silver basis, which to some seemed every day more probable. At this moment Secretary Carlisle apparently determined to stop paying in gold the legal-tenders of 1890 issued under the Sherman Silver Purchasing Act. Had this been done the worst would soon have happened, but President Cleveland promptly interfered, and it was made clear to the public that the reserve of $100,000,000 would be broken into for any purpose necessary to protect the credit of the United States Government.

Large gold exports continued, and the receipts of the Custom House, about the only source apart from the sale of bonds by which the Treasury could obtain gold, had so changed in complexion that whereas the proportion paid in gold or gold certificates had been not far from the entire receipts at one time, the payments were now entirely in legal-tenders. The public had been demanding before the inauguration that the first act of the new President should be to call Congress together and repeal the purchasing sections of the Sherman Silver Purchase Act, that being the only thing likely to restore credit, but the President seemed strongly averse to acting hastily. Later it was said, perhaps in grim satire, that the Administration wanted the politicians to have an object lesson first. Towards the close of April meetings were held between Secretary Carlisle and the New York bankers, and while an attempt to borrow $50,000,000 for the Government in connection with a bond issue failed because of inability to agree as to terms, the result of the interviews was to steady matters, and it was thought that the dread of a suspension of gold payments was about at an end.

May opened with the collapse of the National Cordage Co. and a wild panic in industrial and railroad stocks, values falling in every direction, banks stopping discounting commercial paper, while the appalling news every day from Australia unnerved many London operators who might otherwise have come to the support of the New York stock market. The panic was now fully under way, gold shipments were still being made, and by the end of May the gold reserve had fallen to $90,000,000.

During the latter part of the month demands upon New York banks for loans and re-discounts from the west and south became alarming in extent, and with the opening day of June bank failures in the west began. There had been fourteen failures of National banks from March to the end of May. During June and July about 100 National banks suspended, while of all kinds of banks about 200 failed. At the end of the year this had reached for financial institutions of all kinds, National, State savings and private banks, and trust and mortgage companies, to 600, of whom about 200 had by that time resumed. By the middle of June three things of considerable interest to bankers had taken place:

1. Savings banks in some cities had effectually stopped runs by uniting in a public statement that the legal notice would be required.

2. Banks to a large extent, and all over the country, refused to credit or undertake the collection of cheques, drafts or other bills, unless owners remained responsible for the payment of the drafts eventually remitted by the bank where the bill was payable.

3. The New York banks decided to issue clearing-house certificates.

Just before and after the decision to issue clearing-house certificates there had been extraordinary shipments of currency from New York to the west, for many days at the rate of $1,000,000 per day. Nothing in the trade situation seemed to warrant this and eventually it became clear that it was due to a loss of confidence in the general situation which made banks and individuals in the west desire to have any cash they could command within immediate reach. This dread spread rapidly over the whole country to such an extent that Comptroller Eckels in speaking at the meeting of the American Bankers' Association, stated that the drain upon the deposits of National banks alone from 4th May to 12th July amounted to $193,000,000, while he estimated that as much more had been drawn from State, savings and private banks.

On the 26th June, news came that the Indian Government had closed the mint to the free coinage of silver. However great the consternation, and the inability to understand the policy of the Indian Government, after the first few days of excited discussion, one thing became clear, that the purchasing sections of the Sherman Silver Purchase Act must be repealed if absolute ruin was to be averted. But on the very day when in England the statement was made in Parliament, a body of silver agitators in Washington were organizing to prevent repeal. On the 30th June, the President at last issued his message calling Congress for the 17th of August. June closed with a money panic, the rate for call loans being for a few hours in the neighborhood of 75 p.c. p.a., but trouble was averted by the bold action of several banks in taking out several millions of clearing-house certificates and lending freely to the brokers.

In July and the first part of August, the striking features were the scarcity of currency and the expedients resorted to to supply the wants of the very restricted business that was being done. At the outset, as you will remember, it was merely the hoarding of gold that was feared, but now everything in the nature of currency was being abstracted, and, owing to the inelastic nature of all paper currency in the United States, there was practically in many places no financial machinery for the carrying on of business. But the nature of this hoarding of currency is misunderstood by many. It will not do to lay the blame upon the private individual who sought safety in a stocking, or, what is practically the same, a safe-deposit vault. The New York savings banks were said to have increased their holdings of cash by $10,000,000, and Trust companies suddenly developed a yearning for large cash-reserves, although some had been content to lean on the banks before. But more serious than all was the attitude of the country banker who desired to sleep comfortably at night whether city bankers were able to do so or not, and who, after being satisfied with a reserve consisting largely of credit balances with bankers in reserve cities, say in New York, suddenly wanted not only to increase the percentage of his reserve, but to have it all in cash in his own vaults. This of course was his strict right, but it wrought very great mischief, and is one more added to the many defects arising from the presence of innumerable small banks instead of comparatively few large ones with branches.

When this scarcity was at its height a very high premium was paid for currency, and such rates as 2 and 3 per cent. lasted for many days. Naturally many devices were suggested to minimize the difficulty. A Buffalo banker proposed that Buffalo banks should issue specially prepared drafts on New York for such sums as 1, 2, 5 and 10 dollars, payable to bearer, and secured by deposit of collaterals lodged with the Buffalo clearing-house for one-third more than the amounts issued. Western grain men talked of moving the crop with post-dated cheques, while border banks, mindful of ante-bellum days, obtained Canadian bank-notes and circulated them.

Banks were enabled to settle between themselves in any particular city by clearing-house certificates, loans, or other devices, but no machinery was created to enable the banks in the large cities to settle with banks in other large cities, and in many cases there was absolute dead-lock. New York would not send currency to Chicago. Philadelphia was unable to pay New York or other cities. What percentage of the entire inland exchanges were thus affected I am unable to say, but as the inland exchanges of the National banks alone have amounted to sixty-three billions in a year, some idea may be formed of the discomfort arising from the paralysis referred to.

The sale of gold and paper currency at a premium, chiefly by New York specie brokers, at first excited the indignation even of bankers, and this fact shows how unwilling we are sometimes to take the only medicine that will effect a cure. Even the premium induced few people to part with their hoards, but it induced gold imports. August had opened with a complete collapse in the speculation in pork, following upon similar conditions in wheat. Railroad and other stocks had fallen enormously, and the export of the now released pork and wheat, together with foreign buying of the now low priced securities, created an exchange situation, which, further aided by the premium paid for gold to arrive, resulted in importations large enough to bring relief. By the middle of August there was $23,000,000 of gold on the way out. By the end of the month an entire change for the better had taken place, currency came readily from its hiding places, and the panic, as such, was over.

Meantime Congress had assembled, the President had issued a message recommending immediate repeal of the purchasing sections of the Sherman Silver Purchase Act, and with the wrecks of hundreds of banks and industries about, factories closed in every direction, railroads in the hands of receivers, and that army of idle men which eventually reached a million—all as the object lesson, Congress began its debate. We cannot say that the House was slow to come to a conclusion, for by an overwhelming vote they decided for repeal on the 30th of August. A month later the Senate was still arguing; early in October there was serious talk of compromise; about the middle of October the remarkable continuous session took place, giving the silver men a physical victory, and not until the first of November did the Senate, and then only by a majority of eleven, vote in favor of repeal. On the 3rd the President approved, and a sanguine people imagined that honest money had won a victory for all time. Many, indeed, when the tariff bill was introduced at the end of November, felt that the country could safely give its undivided attention to that important subject and that no dangerous schemes would be attempted in the interest of silver. But the question of using the seigniorage on the silver was under discussion when the purchase sections of the bill were repealed, and within seven weeks a bill to coin the silver held as bullion into standard dollars and thus turn the seigniorage on the same into money, was offered. This particular bill opened the discussion, which in the end took shape in another bill to which I shall refer later.

Apart from this financial matters were improving. Gold receipts at the Custom House, a barometer of public confidence in regard to the maintenance of the gold standard, had fallen during the first half of 1893 to one per cent. of the total receipts. But during the last half the proportion had risen to one-third, and this very great improvement dated from the issue of the call for Congress to meet regarding the repeal of the purchase sections in the silver bill. Many of the miners of Colorado had already turned their attention to gold instead of silver, and the world's product of gold for 1893 is said to be the largest on record. On January 17th, bonds were at last offered for sale to the extent of $50,000,000, and early in February bids were accepted, and in accordance with the terms of sale, payments were made therefor in gold. Although the Government were facing an enormous deficit between receipts and expenditures, and were proposing a great reduction in tariffs at the same time, the facts I have quoted practically reinstated the Treasury in public confidence. But on 10th February, Senator Bland, the author of the Silver Act of 1878, introduced a Seigniorage bill which was passed by the House by a vote of 168 to 129, on 1st March, and by the Senate on 19th of that month. So strong was the political force in favor of the measure that some of the best informed financial journals, even those favorable to Mr. Cleveland, believed that he would approve the bill, but on 29th of the month it was vetoed. To outsiders like ourselves the bill seems to be so amazingly dishonest that it is impossible to understand how it received such support even from those who merely wished to throw one last sop to the silver advocates, and who honestly thought the country wanted more currency. The intention of the Sherman Silver Purchase Act was that the silver bought should be held as bullion unless more actual silver dollars were wanted by the public, and all knew that no more would be required. The silver was represented, not by the issue of silver-certificates, as under the Bland Act, but by legal-tender notes payable at the discretion of the Secretary of the Treasury in gold or silver, Congress having expressed the policy of the United States to be that the parity of gold and silver should be maintained. This Seigniorage bill proposed that the bullion should be coined into standard dollars. So that if there was in the Treasury fifty dollars worth of silver bullion, which was, however, enough in weight to make 100 standard dollars, the additional fifty dollars should be issued in legal tender notes—shorn of all verbiage introduced to give another appearance to the measure, this was its true meaning. Had the bill become law, fifty-five millions of legal-tenders based on nothing but the credit of the Government would have been issued. As a matter of fact the legal-tenders already in circulation, issued under the Sherman Act of 1890, far exceed the market value of the silver bullion held against them, owing to the decline in the price of silver since it was purchased.

There is still another question perhaps of greater interest to us than anything I have mentioned, and certainly of greater importance to the United States than anything except silver repeal. I refer to the necessity of reform in the banking system. The question has been persistently and ably discussed by the great financial journals of the United States, and has been the most prominent feature in the reports of the Comptroller of the Currency for years past. Several proposed systems are now before the people, more than one being copied largely from our own system, so far as security for bank-notes is concerned. It is the subject also of earnest study in the universities and the journals strictly devoted to economics, and yet there is so little settled opinion on the subject that it would be almost fruitless for us to discuss it until some action is taken or public feeling is further developed. One of the burning points is the repeal of the tax upon State-bank circulation, levied by the Federal Government during the war, but retained ever since. An attempt to have it repealed failed, and this is about the only actual result of the agitation for banking reform as yet.

In order, however, that banking reform may be effective, means should be found, either to relieve the Treasury from its present responsibility of providing gold, when required for export or other purposes, or to increase its power of obtaining gold. This would doubtless involve the funding of the war legal-tenders and the legal-tenders issued under the Sherman Silver Purchase Act. Although many bankers and economists in the United States see the necessity for this course, it is hard to believe that the people who control the polls, misled as they are as to their true interest, will consent to non-interest bearing legal-tenders being funded into interest-bearing bonds. Without this reform, however, the Treasury must remain more or less at the mercy of the general public and the banks. It is practically required by law to redeem in gold about $500,000,000 of paper money, representing the two issues of legal-tenders above referred to, and it has no source of obtaining gold except by the sale of bonds or by the receipts from dues to the Government. For a short period following the panic, as we saw, the Treasury experienced several months during which the proportion of gold paid into the New York Custom House maintained an average of about one-third of the whole receipts, and this, together with the sale of the bonds referred to, in February, built up the reserve to fair proportions. But gold being again required for shipment, and the reserve beginning in consequence to rapidly fall, the bankers and the public again became alarmed and the receipts of gold at the Custom House in the month of June fell to less than one per cent. of the whole, a repetition of the worst experience in 1893. In the four months ending with the close of June the Treasury had suffered a loss of gold, this time amounting to $40,000,000. The people of the United States certainly should be courageous enough to admit failure. They may as well face the fact at once that they have imposed upon the Treasury a contract impossible of performance should conditions arise which we now see may arise at any moment. It is reasonably safe to assert that the business and financial interests of the United States cannot be placed on a sound basis until a cure for this evil is found.

At the moment, however, questions of currency and finance are hidden behind the confusion of tariff debate, the amazing exposures of political corruption, and the business disorganization and losses incident to strikes upon a scale never witnessed in America before, and perhaps not elsewhere.

Some lay critic may tell me that the incidents more or less connected with banking and business in Canada during the past year would have been a more fitting subject for my remarks, but our Associates will not, I think, agree with this view. The addresses at the bank meetings and the reports of the Executive Council and Sub-Sections of this Association cover a fairly complete history of the events in Canada, during the past year. It has been a quiet and uneventful year for us, and remarkably so considering the conditions elsewhere in the world. This may be, however, but a happy accident, and we may have unpleasant history forced upon us at any moment. It is by the study of important events, occurring where the stage is larger than in Canada, that we may learn how to be prepared when we have serious trouble to meet.

During the year we have suffered the loss of one of our Associates, Mr. J. L. Brodie, chief executive officer of the Standard Bank of Canada. Owing to his delicate health he was rarely able to attend conventions of bankers, especially if it involved travelling from home. During the year 1893 he was, however, Chairman of the Bankers' Section of the Toronto Board of Trade, and was at all times ready with wise counsel, which, from his long experience as a banker, both in India and Canada, he was well prepared to give. A short sketch of his career appeared in the last number of our JOURNAL.

# ADDRESS

Delivered at fourth Annual Meeting of the Canadian Bankers' Association, held at Quebec, 11th and 12th September, 1895

The year or more which has passed since we met at Halifax has not been a very eventful one in the financial world, but it has made many changes among us as individuals. While we were meeting at Halifax, news reached us of the death of Mr. J. Murray Smith, well known in Quebec and Ontario, and doubtless elsewhere, as the manager at Montreal, for many years past, of the Bank of Toronto.

In December, James Stevenson, one of our honorary presidents, and the general manager of the Quebec Bank, passed away full of years and honors. He was not only the venerable teacher and adviser, but the genial friend and fellow sportsman of many throughout Canada. A graceful writer on all subjects, who even gave to the early history of banking in our own country the charm of picturesque incident, we shall mourn him as a personal link in that history stretching back to the rebellion.

In March, Robert Henry Bethune, general manager of the Dominion Bank, one of the most active and successful bankers in Canada, died. At one time an officer under Mr. Stevenson, whose junior he was by a generation, his death in the prime of life, so shortly after his octogenarian friend and preceptor, startled us all. There were those, I believe, who knew that he was not as well in health as his firm bearing and cheerful speech indicated, but to most of us his death came as a sudden grief for which we were all unprepared.

We have also lost by retirement Mr. R. R. Grindley, general manager of the Bank of British North America, but we must hope that in his well-earned repose he will not forget the country in which he lived so long and his fellow workers in the business of banking. With strong convictions as to the usefulness and a clear view as to the future of the Association and its JOURNAL, his advice was always helpful to his fellow members of the Executive Council.

By the resignation of his position as cashier of the Banque du Peuple, immediately before the suspension of that bank, Mr. Bousquet also ceased to be a member of the Executive Council.

I hope it will not be thought out of place if one who was not politically a follower, also offers at this moment his tribute of admiration to the late Sir John Thompson. Without entering upon the qualities he possessed for which he will be remembered in history, I may safely assert that those who had to do with the various important measures of legislation in which banks were deeply interested, know how much we owe to his great ability and profound sense of right.

### NEWFOUNDLAND

In December a financial collapse occurred in Newfoundland, serious enough to involve the credit of the island, and to cause the failure of a large number in the mercantile community, including the only two joint-stock banks existing there.

While it was evident that this was the natural result of a long period of trading and banking on an unsound basis, the readjustment of which will prove beneficial to the colony, it was unfortunate for Canada that there should be in the minds of many foreigners a doubt as to the political relations of the island to us. Although we owe them no duty, except the good will arising from geographical adjacency and a common ancestry, it will doubtless be remembered in our favor, when at some future time the question of the annexation of Newfoundland with Canada is again discussed, that at the hour of their severest financial trial three Canadian institutions, the Bank of Montreal, the Bank of Nova Scotia and the Merchants Bank of Halifax, stepped into the breach and aided largely in rehabilitating the commerce and the finances of the island. Many of the bankers here present are much better informed as to Newfoundland affairs than I am, yet all will be glad, I think, to hear that during the ensuing year we hope to have in our JOURNAL a very complete article, by a thoroughly competent writer, dealing with the commercial and political conditions of the island.

## CANADA

It is with regret that we have to record the suspension of one Canadian bank during the past year, but as the period has not yet expired during which the institution is permitted by the provisions of the Bank Act to resume, it would not be proper for me to enlarge upon the event, deeply interesting as the circumstances surrounding it have been to all of us. Whatever there is in the history of the institution which is materially connected with the history of banking in Canada, will doubtless be recorded in the JOURNAL sooner or later.

It is probably inexpedient for the President of this Association to attempt to deal in his annual remarks with such conditions of banking in Canada as the present almost unparalleled plethora of money, but I hope that it will not be regarded as improper if I draw attention to the unfortunate degree of competition which appears more and more to be characterizing our relations with one another as bankers, and which is particularly to be regretted at a time when it would seem as if the dictates of self-preservation would induce us to co-operate in order to bring about many reforms. We seem to be in very great danger of almost entirely losing the minor profits coming from inland exchange and similar operations, not simply by the constant cutting in two of the commissions charged, but by the wholesale manner in which these commissions are being waived in favor of the mercantile public. The same spirit of reckless determination to secure business at any cost is seriously affecting all branches of profit in banking at a time when the natural conditions are all adverse, and one would expect that prudence would cause us to jealously preserve all legitimate sources of profit.

## UNITED STATES

In this connection I wish to draw your attention to the very rapid growth of bankers' associations in the United States. The great federal body, the American Bankers' Association, was, if I remember aright, alone, or almost alone, a very few years ago, as a body of co-operating bankers. There are now local associations representing thirty States, in all thirty-two associations, one federal and twenty-nine State bankers' associations, and two savings bank associations. While at the present time these associations are discussing banking reform for the nation, the avowed purpose of many of them, and the distinct good many of them are able to perform, is in the direction of improving the practical conditions of banking in their own district, such as rates of interest and commission, and the profits of banking generally, provisions against fraud, and the avoidance of undue competition. There is also noticeable among all of them an admission of the benefit of actual personal contact, that is, they are beginning to feel, as I hope we are also beginning to feel, that by becoming personally acquainted with each other the desire for friendly co-operation is increased, while they are less disposed to enter into unfair competition with one another.

Financial events in the United States during the past year have mainly centred around three points of interest: (1) The position of the gold reserve of the Treasury, (2) The possibilities of the free coinage of silver; and (3) The reform of the currency and banking. And these three points may be said to be inseparable in any discussion of United States finances at the moment.

We noticed, in speaking on this subject a year ago, that the gold receipts at the Custom House in June, 1894, had fallen to less than one per cent. of the whole payments. By July there were practically no gold receipts, and by November another bond issue of fifty million dollars became necessary in order to replenish the Treasury gold reserve. This was offered to the public in 10-year 5 per cent. bonds (issued under an old Act), to be sold on the basis of yielding the buyer not more than three per cent. per annum, or at a premium of 116.008. Although these bonds were payable in *coin* and not expressly in *gold*, the entire issue went to one syndicate at 117.077, or a return of 2.878 per cent. per annum, showing that thus far the faith of Congress and the ability of the Treasury to redeem in gold was fully credited.

In December the Committee on Banking and Currency decided to report favorably to the House a bill looking to the reform of banking and currency, the main feature of which was the issue of bank-notes not secured by Government bonds, but resting on the general estate of the bank, in a manner avowedly copied to some extent from our own system. This proposal, commonly known as the Carlisle plan, differed in some details from that suggested at Baltimore in the preceding October by the American Bankers' Association, but both were the outcome of the same school of reform. But the bill was opposed on the one hand by the Republicans and most of the National banks, and on the other by the advocates of the free coinage of silver, and after much discussion, and the offer of many substitutes, by January it became evident that no action could be taken. Among the many who gave evidence before the Committee on Banking and Currency, I cannot forbear quoting the following terse statement from one of the ablest writers on financial subjects in the United States :

" In respect to silver money, I assume that though the policy of increasing or diminishing its volume is still a seething question, yet it does not specifically concern the problem immediately before your Committee.

" As to the system of note issues provided under the National banking laws, I shall take it for granted—as I think I safely may—that, among economists, practical bankers and intelligent students of monetary questions, it is the largely preponderant conviction that the system has outlived any adaptation it may have originally possessed for satisfying the currency wants of the country ; the main grounds for that conclusion being :

" 1. That the bond form of guarantee has been found incompatible with elasticity of issue ;

" 2. That said guarantee leaves no sufficien[illegible] of profit to the issuer, and consequently prevents issu[illegible];

" 3. That the bonds themselves must, in a few years, mature and be retired ;

" [illegible] That the Government's engagement to pay the notes is an [illegible] exercise of federal power ;

" [illegible] owing to obstructive restraints, the volume of notes c[illegible] readily a[illegible]mented to meet public emergencies;

" 6. That the arrangements for insuring current redemption of the notes fail of their purpose, thereby keeping the volume rigidly inflexible at the season when it should automatically contract or expand ; and

" 7. That, for these reasons, the National bank circulation has shrunk to one-half its former volume, while the public requirements for money have been increasing."

The Carlisle plan had many excellent features, along with others, in my opinion, not admirable, but it is clear that before any comprehensive legislation can be obtained the silver heresy must disappear, and many who are not advocates of cheap money must be educated out of unsound ideas born of the financial expedients of Andrew Jackson and Salmon P. Chase.

All this discussion at Washington of the shocking condition of United States finances, accompanied by the usual recklessness in statement by politicians, did no good, and while it was going on the Treasury was drifting into a terrible position. The gold received from the February and November bond sales amounted to $117,000,000, but the withdrawals were on such a scale that the net balance when the last sale was concluded was slightly less than the figure of $100,000,000, which the Treasury endeavors to maintain and the public has come to regard as danger point. Withdrawals continued, and towards the end of January the largest withdrawals occurred ever made in one week since the Treasury was established. By the 28th the reserve was down to $56,000,000, and in the next five days over $14,000,000 went out, leaving less than $42,000,000. While Congress refused to reform the currency the free-silver advocate caught the ear of the public, and aided by the great depression in business and a new species of illustrated economic literature, his opinions flew like wild fire again over many parts of the west and south. Another bond issue was absolutely necessary, but the faith of November was gone in January, and eventually a sale was negotiated so different in results from the sales of 1894 and surrounded by such pregnant facts that it will doubtless find a place in history for many years to come. President Cleveland was strong enough to enforce the repeal of the Sherman Silver Purchase Act, strong enough to enable the Treasury by bond sales to keep up gold payments, but he was not strong enough to enforce the passage of a comprehensive measure of currency and banking reform which would sound the knell of free silver and begin at once the relief of the Treasury from its intolerable obligations.

This failure to pass a banking and currency bill, accom-

panied by the clearest evidence that the free-silver advocates were still a power, and at a time when the Treasury had barely strength to stand the drain for a few weeks longer, greatly weakened the belief in the good faith of Congress to continue payments in *gold* of obligations made payable in *coin*, and it was for this reason that the President in his message of 28th January, appealed once more to Congress for power to make the forthcoming bond issue expressly payable in *gold* instead of *coin*.

Congress failed to act, and a bargain was made with a syndicate of bankers, representing in a large measure the wealth of Europe and America, by which, under power conferred by the resumption of specie Act of 1875, the Government bought from the syndicate 3,500,000 ounces of gold, paying for it in bonds. The practical result of this was that for $62,317,500 of 30-year 4 per cent. bonds the Government obtained $65,117,500. The price, therefore, in dollars was 104.49, yielding in interest to the purchaser 3¾ per cent. p.a., about the price at which a first-class city can borrow money in America, and an astounding price for the great Government of the United States to pay. Let us make sure that we understand the reason for such a transaction.

You will remember that in the previous November, as in the previous February, bonds had been sold to yield less than 3 per cent. Did any one in 1895 doubt the *ability* of the United States to pay the bonds when due, who had not doubted it in 1894? It would be absurd to suppose so—there was no doubt. But would they pay in the money of the world, in gold? The syndicate, in order to leave no doubt as to what the high rate of interest meant, offered to take 30-year 3 per cent. bonds at par if payable in *gold* instead of *coin*. Congress had expressed to the world its intention to pay in gold all obligations made payable in coin. Why not say so in the obligation itself? The President having obtained this option, as opposed to the terms already mentioned as those in which the sale was finally made, put upon Congress the responsibility of declining to authorize gold bonds, and thus causing an enormous loss of both money and credit. Congress, however, refused, and the direct loss to the country in excessive interest to be paid during the term of the bonds exceeds $16,000,000, while the less direct loss by this wanton disregard of national credit is incalculable.

While the sale of bonds brought $65,000,000 into the impoverished Treasury, it had become clear that the mere selling of bonds, even directly for gold, would not alone save the situation. There is no real relation between revenue deficits which have to be met by the sale of bonds and the requirements in gold of the public for export or for hoarding. It is to some extent an accident that the gold receipts from the bond sales of February and November, 1894, met the public's requirements, at the time, of gold for export. The real evil is the absence of gold in the receipts at the custom houses; and only confidence, and the stoppage of excessive gold shipments, will cure that.

For such reasons the Government came to an understanding with the syndicate, that the latter would, in supplying the gold referred to, bring one-half of it from Europe, and would "exert all financial influence and make all legitimate efforts to protect the Treasury of the United States against the withdrawals of gold, pending the complete performance" of the contract, which has been generally understood to mean until the 1st October, 1895.* So far as it enabled the Treasury to maintain its gold reserve for the time being, this part of the scheme has been successful. At the lowest point reached, 9th February, 1895, the gold reserve had fallen to $41,393,212. By the bond sale it received $65,117,500, and this addition would make a reserve of $106,510,712. On the 1st of August the reserve was $107,236,486, but during that month considerable gold was shipped, the syndicate, however, replenishing the Treasury sufficiently to have the reserve at 31st ultimo a trifle over $100,000,000.

The syndicate being composed of the leading European and

* The New York *Tribune* of 14th instant contains the following authorized statement by the syndicate:

The impression has become general that the members of the bond syndicate entered into an agreement with the United States Treasury to maintain the $100,000,000 reserve until October 1st, and that upon that date said obligation will cease. Such is not the case. The bond syndicate fulfilled all its obligations to the Government in June last, and has not since been bound in any way to the Treasury. It is true that it has, from time to time since last June, paid over various sums in gold coin to the Treasury, which have sufficed to maintain the reserve, but it has done so voluntarily, and will continue so to do in the same spirit, and from the same motive. It will continue to deposit gold until November 1st, and December 1st, and January 1st if necessary, and if existing conditions make it feasible to do so.

American bankers, and being bankers and not a government, were able to do many things not open to the Treasury to do. In order to avoid gold shipments they must supply the sterling or continental exchange necessary to take its place; and such is their strength they have been able to do this at a price exceeding the actual cost of shipping gold by an abnormal profit. The high price was made possible by creating a feeling against gold shipments so strong that ordinary bill-drawers did not care to incur the odium of creating exchange in that way. And of course there has been a strong desire on the part of prudent bankers to do nothing which would militate against a return of confidence. But great as is the wealth and credit of the syndicate, they could not issue an indefinite amount of exchange against nothing. No doubt they have used their credit to a great extent, but we are told that they have by their influence, and the improved feeling regarding American finances, sold securities abroad to the extent of over $100,000,000.

This statement is made by a leading financial journal, a list of the securities being given. Of the amount about one-third was in United States Government bonds, presumably the European share of the syndicate purchase. That such a large volume of United States securities has been placed by the syndicate is not generally credited, and certainly of those sold a considerable proportion has already been resold and returned to New York. In any event it cannot be doubted that the syndicate has averted large shipments of gold by its ability to place a very considerable amount of securities abroad.

Whatever criticisms may have been made regarding the large profits of the syndicate in this transaction, it is, I think, probable that the profits are not out of proportion to the services rendered by the syndicate to the Government, and therefore to the people of the United States. The general public are not apt to understand the extent of the financial peril in that country at the moment when the transaction was entered into, and they are also not apt to understand, as bankers will, the amount of skill, courage, resource and confidence in the future, shown by the leaders of the Syndicate, in practically carrying such a great country through the past four or five months. The Treasury has now passed safely through the summer, and the export of the country's products will doubtless avert heavy gold shipments for some months. The rapid advance in the prices of all commodities which began practically in May, has so stimulated business that the silver advocate may not be able to charm much longer, and confidence may return and American securities go abroad in quantities sufficient to put off the evil day. But this is uncertain, and apparently there can be no financial rest for that country until new measures are adopted, based upon what the majority of the world regards as honest and free from political truckling to silver miners.