

Why Does The Republican Party Protect John R. Walsh?

John R. Walsh, proprietor of the Chicago Chronicle and president of the wrecked Chicago National Bank, seems to enjoy all forms of protection at the hands of republican officials now that he has been exposed, just as he did before his peculiar methods were made known. Senator Tillman has labored industriously to obtain a thorough investigation of the Walsh bank failure at Chicago while Senator Hopkins of Illinois, supported by several of his republican colleagues, has rushed valiantly to the defense of the famous bank wrecker. There have been several tilts in the senate upon this subject between Senators Tillman and Hopkins. On earlier occasions Mr. Tillman was not fortified with the information he should have possessed, but later he obtained such information that concerning his showing in the senate the Washington correspondent for the Chicago Record-Herald said: "It created a profound impression."

Mr. Tillman said that Mr. Walsh was contemplating a trip to Europe, and that he thought the Walsh affairs should be investigated. Mr. Tillman demanded to know why the United States district attorney did not press the charges against Walsh to the attention of the grand jury. He showed also that in the Walsh affair the comptroller of the currency had been derelict in his duty, and long before the crash came the comptroller knew of Walsh's breaking of the law.

Mr. Tillman read from testimony, given by W. T. Fenton, president of the National Bank of the Republic, and a member of the Chicago clearing house; before the house committee on banking and currency Mr. Fenton testified that the members of the Chicago clearing house realized that Walsh's bank was hopelessly insolvent, and they assumed the obligations, in order to avert what they thought would be a calamity. Mr. Fenton said that the immediate cause of the failure was overloans to concerns in which Walsh was interested. He said that three years before the bank closed, the comptroller's department knew that Walsh, as president of his bank, had loaned \$5,000,000 to a concern in which Walsh was interested, and when the clearing house took over the assets of the bank, Walsh had used \$15,000,000 of the assets, all of this being known to the comptroller's department. Following is an extract of the Record-Herald's Washington report relating to the scene in the senate:

"Basing his statement on this evidence, Senator Tillman declared the comptroller had known of the \$5,000,000 loan and had done nothing about it. Senator Aldrich defended Comptroller Ridgely against a charge of having overlooked a transgression of the law, but Tillman insisted he should have closed the bank and declared its charter forfeited. Mr. Aldrich started to say that if the loan had not been repaid it might have made some sort of difference, but Tillman exclaimed: 'It has not been repaid, but it has been added to by \$10,000,000 more. So that, according to the testimony which has been produced by Mr. Fenton before the House committee on banking and currency, Mr. Walsh not only loaned himself \$5,000,000 three years ago—and no steps were taken by the comptroller of the currency to forfeit the charter of his bank, as was required by law—but Mr. Walsh went on and loaned himself \$10,000,000 more, making \$15,000,000 in all; in fact, clearing the bank out, making it absolutely insolvent and causing the destruction of all its assets, so to speak.' Senator Tillman refused to be quieted, moreover, by Senator Aldrich's assurances that Walsh's case is now before the courts. There are many things the courts may not reach, which ought to be investigated. Finally Senator Aldrich said that if the senator from South Carolina would state definitely that the comptroller of the currency had violated his duty, had violated the statute and had been guilty of malfeasance in office, he had no doubt the senate would appoint a committee to examine into the facts of the matter."

For reply Senator Tillman said he would give the committee more facts to work upon, if it wanted them, and he then read a letter written by William Kent of Chicago. Mr. Kent is a bank director and was formerly president of the municipal voters league. His letter follows:

"Chicago, June 16, 1906—Senator Benjamin R. Tillman, Washington, D. C. Dear Sir: My knowledge of the Walsh banks is derived from the public press and verified by some of my acquaintances in the banks.

"The details of the transaction are jealously guarded by the clearing-house committee, but should be fully known by the comptroller of the currency, and, if there is anything at all in the federal inspection of national banks, these facts ought to be easily obtainable in Washington. To quote from a long statement in a Chicago newspaper of March 3, 1906, the capital of Walsh's banks was:

Chicago National	\$1,000,000
Home Savings	100,000
Equitable Trust	500,000
Making a total capital of the three banks of	\$1,600,000.

The deposits of the Chicago National were about \$20,000,000, of the Home Savings \$4,000,000 and of the Equitable Trust \$2,000,000, making total deposits of \$26,000,000.

"Both the state law and the federal law provide that no bank shall lend over 10 per cent of its capital to any one borrower. According to this report there was loaned by Walsh to Walsh \$15,000,000, or 800 per cent of the capital of the combined banks. These loans were ingeniously handled so as, if possible, to avoid liability. The banks carried a vast amount of bonds of his railroads, coal mines and stone quarries, and in some cases an amount stated to be \$2,000,000 was loaned on notes signed by the names but not with the signatures of people who either were ignorant of their names being used or, at any rate, had no interest in the transaction. Bonds were put up as collateral for these loans. It is for the legal authorities to determine the legal aspects of this signing of other men's names.

"It was contended by Secretary Shaw, as quoted in the Chicago press and not denied by him, that Walsh, in this system of finance, did nothing beyond which most banks do in making excess loans, for which, as I understand, there is no criminal liability, although directors may be held personally liable should loss accrue on such excess loans. But the difference in degree is so great as to make a difference in kind.

"Now, as to the present status of the situation. The banks, having stepped in and having taken the assets of the Walsh institution, paid off the Walsh depositors as they agreed to do, and thereby released the stockholders of the Walsh banks from the stockholders' liability. Certain of the directors of the Walsh banks put up securities said to amount to \$4,700,000, but probably more nearly worth \$3,000,000, to be used by the banks to make up any deficiency that might result.

"The banks do not own all of the bonds of the Chicago Southern and Southern Indiana railroads, certain of these bonds having been sold prior to the earthquake. The stock of the two roads is trusted in the hands of a lawyer friendly to Walsh, named A. W. Green. There having been no default on interest up to date, there are no foreclosure proceedings, no receiver, and it rests with Messrs. Walsh and Green to name the price at which the railroads can be sold. Should these railroads bring a price of \$22,000,000, it is believed that these obligations to the banks would be canceled, principal and interest, without recourse to the deficiency guarantee fund. Any thing less than this would use up the deficiency fund, as well as the capital stock of the banks. I am informed that no bid has yet been made for these roads.

"The construction of the two southern roads is of an excellent character, but they are unfortunate in not being joined together to make a through route. It is not to the interest of rival roads to buy these roads and link them together. Therefore, it is hard to market them in their incomplete state. It is estimated that it will take \$2,000,000 to complete the system, when the line would at once have a much greater value. It can not be stated that Mr. Walsh was guilty of bad judgment in locating these roads, which may and probably will eventually, by the use of considerable money, be an asset of great value—whether of sufficient value to pay off all indebtedness or not I have no means of knowing. This, however, is not a point at issue except as affecting the judgment of the Chicago banks in going to the rescue of the situation.

"I would not for a moment criticize the fine

public spirit as well as the realization of the necessity for self-preservation shown by the bankers in that crisis. For, in spite of the political reputation of Walsh and his reputation as a citizen, he had in the panic of '93 shown himself a conservative banker, and the Chicago National bank was regarded as eminently sound, although criticised for the large proportion of public funds in its deposits. Had the other banks allowed him to collapse there would have been a bank panic in Chicago of the most severe type, and to avert this was worth a large sacrifice.

"After realizing on what assets could be turned into cash, including the bank building, there is still due to the Chicago banks from the Walsh aggregation, between \$11,000,000 and \$12,000,000. This is being carried by the state and national banks of Chicago, having an aggregate capital of \$40,000,000, and is prorated among them on the basis of their capital, so that at the present time more than 25 per cent of the bank capital of Chicago (excepting a few minor institutions) is tied up by this Walsh failure.

"I notice the statement of Senator Hopkins that the stockholders of the Walsh banks would receive par for their stock. There being no market for this stock, it is impossible to determine its value, but the surplus funds of the three banks were wiped out to the detriment of the stockholders and there seems no probability of the stock paying out much of anything. These surplus funds, according to published statements in a reliable publication known as 'Chicago Securities for 1905,' amounted to about \$2,000,000, as follows:

Chicago National surplus and undi-	
vided profits	\$1,402,444.23
Equitable Trust surplus and undi-	
vided profits	446,317.33
Home Savings Bank surplus and un-	
divided profits	149,618.11
Total	81,998,379.67

"It would seem to me, whether or not any legal crime had been committed, that his stockholders had been abominably dealt with.

"Although not having access to the data held by the clearing-house committee, which committee is unquestionably doing all in its power to alleviate the situation and pull through with the minimum of loss, I feel sure from talks with a number of bankers that they would be extremely glad to accept a loss of from 5 to 10 per cent and be rid of the mess.

"Had Walsh succeeded in his plans and made a profit that profit would have been his and would not have redounded to the benefit of either his depositors or his stockholders. As he failed, it was merely incidental that the other banks saved his depositors. His stockholders certainly lost. This was a colossal game of 'heads I win, tails you lose,' and if Senator Hopkins is correctly quoted as stating that it was to the credit of Mr. Walsh's bank that the depositors were paid, he is overlooking the fact that they were paid by others in the face of Mr. Walsh's delinquency.

"How this cumulative, long-drawn-out, financial scheme, which, whether criminal or not, was opposed to every principle of fairness and responsible finance, so long escaped the scrutiny of the federal government it is difficult to understand. It may be that Walsh had evaded all criminal statutes, but to an outsider it would look as though there must have been either collusion with bank examiners or some strange book-keeping. The signing of the names of others to dummy notes has a painful resemblance to an offense recognized by law. The loaning to himself, through various subterfuges, of such a vast sum of other people's money does not create a pleasant impression, and whether or not he properly exercised his trust to his stockholders brings up another set of questions.

"The average embezzler takes his employer's money to gamble or to speculate with it. If he wins the employer gets it back; if he loses the employer takes the loss. Is a bank president an employe of his stockholders?

"The statements above made are as nearly correct as can be given without access to the data of the clearing house. They have been published and reiterated in the Chicago papers without denial. Should there be any denial made a senate committee properly authorized to subpoena witnesses could obtain these facts and many more.