

Exploding That Panic Fallacy Again

Ralph Jacoby, Plymouth, Ind., writes: "What I would like to know more than anything else at this time is the true cause of the panic of 1892 and 1893 and whether people are justified in blaming the democratic party for it. The fact of the hard times following democratic occupancy of the presidential chair is going to deter many from voting our ticket. I am a young voter and know very little about the history of those times."

The Commoner has received several letters asking for similar information. The Commoner, therefore, invites its readers' attention to a general article on the panic fallacy.

The republican panic of 1907 provided a forceful denial of the truth of the claim commonly made by republican leaders that democratic legislation and hard times—decreased tariffs and panics—are found coexisting throughout our history.

The panic of 1907 has seriously embarrassed republican orators. But the truth is that every panic since the Civil war originated under republican rule and developed under republican legislation.

The great panic which gave "Black Friday" to history occurred during the month of September, 1869, when the republican party was in power.

The great panic marked by the failure of Jay Cooke & Co., occurred in September, 1873. Then the republican party was in power, and eleven months prior to the beginning of that panic that party had been re-elected to power.

The "panic of 1893" began long prior to that year and, indeed, long prior to the presidential election of 1892; and it is a fact, although republican orators and republican organs try to forget it, that the so-called panic of 1893 began and played its greatest havoc under that famous tariff law known as the McKinley bill.

It may be well for Commoner readers to keep readily at hand some of the facts and figures relating to this question.

The republican party was restored to power March 4, 1889.

The McKinley tariff bill became a law October 6, 1890, and remained in effect until August 27, 1894.

The Wilson tariff law, enacted by a democratic congress, went into effect August 27, 1894.

If any one will take the trouble to examine the republican campaign textbook for 1904, pages 125, 126 and 127, he will find considerable space devoted to a statement of business disasters from July 18, 1893, until November 13, 1894. The republican managers expected their readers to remember that the Cleveland administration was inaugurated March 4, 1893, and that all these disasters occurred under democratic administration; but they expected their readers to forget that the republican tariff law was in force up to August 27, 1894, or covering more than twelve months of the sixteen months' period of business disasters as described by the republican text-book.

In their references to the panic of 1893 republican orators and organs habitually overlook the date when the McKinley law ceased and the Wilson law went into effect. But when in their tariff discussions they are required to face the fact that that panic played its greatest havoc during the life of the republican tariff law they answer that it was the anticipation of tariff legislation growing out of democratic victory in 1892 which brought on these business disasters. For this reason in their list of business disasters they place July 18, 1893, as marking the beginning of that great panic.

Let it be remembered that the McKinley tariff bill became a law October 6, 1890, and that the first indications of the so-called panic of 1893-4 were given November 11, 1890, a little more than thirty days after the McKinley tariff bill became a law. From that date the panic raged.

The Harrison administration was inaugurated March 4, 1889, and when the first indications of this panic were given, President Harrison had not exhausted the half of the term for which he was elected. It is admitted by everyone familiar with the facts that President Harrison's administration had plates prepared for the bonds and Mr. Harrison's secretary of the treasury made a visit to New York for the purpose of negotiating the bond deal. He was wired by Mr. Harrison to return to Washington. Mr. Harrison said that he had concluded not have any bond issues

under his administration and in order to avoid the stigma the Harrison administration warded off the bond issue and unloaded it on the incoming Cleveland administration.

It may not be out of place to point out that when the democratic administration surrendered the reins of government, March 4, 1889, there was in the federal treasury the largest surplus in history. When the republican party went out of power, March 4, 1893, there was a large deficit and the incoming administration was finally persuaded to make the bond issues which its republican predecessor had at one time thought to be necessary, but had skillfully avoided.

The claim that the business disasters of the period referred to were due to the popular fear of tariff legislation to be enacted by democrats is, as has been said, met by the fact that this panic began two years prior to the presidential election day of 1892. The following will serve as reminders on this point:

November 11, 1890, the reports showed financial distress in New York. The New York Clearing House association voted its certificates to banks in need of assistance.

The Boston Clearing House association did the same thing November 17. Barker Bros. & Co., big bankers in Philadelphia, suspended at that time, with liabilities placed at \$5,000,000.

November 19, 1890, there was a run on the Citizens' Saving Bank of New York, and a receiver was appointed for the North River Bank.

November 22, 1890, the United Rolling Stock company of Chicago assigned, with liabilities at \$6,851,000.

November 28, 1890, B. K. Jamieson & Co., the Philadelphia bankers, failed, with liabilities at \$2,000,000.

December 6, 1890, the Oliver Iron and Steel Mills of Pittsburgh shut down, discharging 2,000 employes. On the same date the cotton firm of Myer & Co., of New Orleans, failed, with liabilities at \$2,000,000.

January 3, 1891, the Scottdale Rolling Mills and Pike Works and the Charlotte Furnace and Coke Works in Pennsylvania closed, throwing 10,000 employes out of work.

January 18, 1891, the American National Bank at Kansas City suspended, with liabilities at \$2,250,000.

May 8, 1891, the Spring Garden National Bank at Philadelphia closed its doors, and the Pennsylvania Safe Deposit and Trust company made an assignment.

The Homestead strike and other strikes during 1892, and prior to election day, are well remembered by the people.

The record discloses that the first indications of the so-called panic of 1893 were given November 11, 1890, a little more than thirty days after the McKinley tariff bill became a law. From that date the panic raged, and while its effects were felt for several years it reached its worst stage in 1893, and during the early days of 1894, during all of which time the republican tariff law was in effect.

The late Thomas B. Reed, after his retirement from the speakership, delivered a speech in New York in which he said: "Another thing which led this whole country into the error of 1892 was the history of the last thirty years. During all that time we have been prosperous." The New York World called this "cold, colossal and impudent falsification of history," and said that it must have astonished those among his hearers whose memories were more than one year long. Then this New York paper gave Mr. Reed these interesting reminders:

"The panic of 1873, under republican rule and twelve years of high tariff taxation, was the most disastrous and the period of business depression for five years thereafter was the most severe of any in history. It was officially estimated that 3,000,000 workmen were out of employment. Bankruptcy was widespread. A tidal wave of ruin and distress swept over the country.

"From 1881 to 1886, under two republican tariffs, there were labor strikes involving 22,304 establishments and 1,323,203 workmen. Of these strikes 9,439 were for an increase of wages and 4,344 against reduction of wages.

"Mr. Reed's party tinkered the tariff in 1883. In that year there were 9,184 business failures, involving \$172,874,000. In 1884 there were 10,968 failures, involving \$226,343,000. In the next year, still under the republican tariff and currency laws, there was a general business de-

pression. More than 1,000,000 men were out of employment.

"In 1890 the McKinley bill was passed, and there were 10,673 failures in that year, and 12,394 the next, with liabilities in each year amounting to nearly \$200,000,000. The tariff was raised to nearly fifty per cent, but wages either stood still or declined, while the prices of necessities advanced. The protected manufacturers kept all their 'bonus' as usual.

"Tramps and trusts, the twin products of a monopolists' tariff were practically unknown in this country until we had endured uninterrupted republican rule for a dozen years.

"The worst labor troubles, the bloodiest riots, the most destructive strikes, the most brutal lockouts ever known in any country have occurred here under the high tariffs, bought, made and paid for by the contributors of the republican campaign funds."

MR. HARRISON PREPARED THE BOND

It is a fact that during the closing hours of the Harrison administration in 1893, the republican secretary of the treasury caused to be prepared the plates for a bond issue. This issue was by the hardest kind of effort postponed, and it was finally made by the Cleveland administration. Sometimes republican politicians deny that the Harrison administration contemplated a bond issue, but they do this only when there is no one present prepared to show the truth. The records at Washington show that Secretary of the Treasury Charles Foster issued an order February 20, 1893, directing the chief of the United States bureau of engraving and printing to prepare plates for these bonds. The story is told very briefly in "Thirty Years of American Finance," a volume written by Alexander Dana Noyes, financial editor of the New York Evening Post. This volume may be found in almost any public library.

On page 183 the following appears:

"By the close of January, 1893, the treasury's gold reserve had fallen to a figure barely eight millions over the legal minimum. With February's early withdrawals even larger, Secretary Foster so far lost hope of warding off the crisis that he gave orders to prepare the engraved plates for a bond issue under the resumption act. As a last resort, however, he bethought himself of Secretary Manning's gold borrowing operation of 1885. In February Mr. Foster came in person to New York to urge the banks to give up gold voluntarily in exchange for the treasury's legal tender surplus. (See New York Financial Chronicle, February 11 and February 18, 1893.) From a strict commercial point of view, there was good reason why the banks should not make any such exchange. But the plea that a panic must at all hazards be averted, combined with the argument of patriotic support of the government, at length prevailed. The New York banks turned over to the treasury, in exchange for notes, six to eight million dollars in gold. (See New York Tribune, February 9, 10 and 11, 1893; New York Financial Chronicle, February 11, 1893.)"

HARRISON BOND PLATE ORDER

When any one denies that plates for bonds were ordered under the Harrison administration, show him this letter written by Lyman J. Gage, when he was secretary of the treasury, to Representative Gaines of Tennessee:

"Treasury Department, Office of the Secretary, Washington, D. C., March 25, 1897.—Sir: I have the honor to acknowledge the receipt of your letter of this date, requesting the original letter, or a certified copy thereof, written by Mr. Secretary Foster, February 20, 1893, addressed to the chief of the bureau of engraving and printing, authorizing the preparation of certain plates. In compliance with said request I submit below a correct copy of the letter in question, also a copy of the text of the proposed bond."

[Copy of letter.]

"Treasury Department, Office of the Secretary, Washington, D. C., February 20, 1893.—Sir: You are hereby authorized and directed to prepare designs for the 3 per cent bonds provided in a senate amendment to the sundry civil bill now pending. The denominations which should first receive attention are 100s and 1,000s of the coupon bonds, and 100s, 1,000s and 10,000s of the registered bonds. This authority is given in advance of the enactment, in view of pressing contingencies, and you are directed to hasten