

chew." It also proves the economic fallacy of too much consolidation. The combination of thirty retail stores in as many separated cities got beyond the available capital of the mother concern and also beyond the "limits of efficiency."

WILL IT PREVENT PANICS?

When the federal reserve association is in working order do you believe that it will prevent panics?

Answer.—Assuming wise administration, and that, I think, is certain, the new system ought to prove a successful preventive of financial panics. And why shouldn't we assume "wise administration" of the system? The able American mind is not yet obsolete and patriotism is not yet dead! There is abundant material to draw from, not only for members of the federal reserve board, but also for directors of the federal reserve banks. We are usually the slowest people on earth to correct our own abuses, but when we once begin the job we generally do it thoroughly.

We have been trying without avail for almost half a century to reform our banking laws, and then, all of a sudden, we woke up and put upon the statute books the most far-reaching and beneficial piece of legislation since the national bank act.

I look forward to a wonderful period of financial stability, with its inevitable complement of undisturbed confidence, and to an era of unequalled prosperity for this country under the new federal reserve system.

The provisions of the law, which permit our banks to establish foreign branches, together with our new tariff law, will contribute beyond the expectations of even intelligently optimistic men to the expansion of American trade and commerce. A big foreign trade will, of itself, tend greatly to stabilize our domestic trade and make extremes of business depression at home far less possible. Our foreign trade has always been restrained by unwise tariff laws and lack of American banking facilities. The new laws have removed these obstacles.

WHAT CREATED BUSINESS DEPRESSION

Do you believe there is any truth in the rumor that there has been a deliberate conspiracy on the part of a certain group of financiers, politically opposed to the administration, to create business depression?

Answer.—No, I would not say that. It would be fairer to say that there has been a systematic attempt, politically organized, to make the country believe that there is a serious business depression. All the "divine right" and "vested right" interests and most of the big financiers are allied with the political opposition to the democratic party and are helping the calamity campaign all they can. By "divine right" interests I mean those who, because of their wealth, education, social standing and acquired or inherited leadership of great enterprises, believe that they have superior rights and are entitled to be left undisturbed. They resent any sort of change or governmental regulation or control. You may remember that a certain anthracite coal magnate some years ago assumed that attitude when the great coal strike was on. By "vested right" interests I mean those who have been long entrenched in "privilege" through favoring tariff laws and every sort of governmental bounty, and who consider any interference with their "privileges" an invasion of sacred rights. Then we have the soreheads and chronic kickers and Pharisees who are always against an administration they cannot control.

These elements, not so much by concert of action as by common sympathy, have united in a drive against the administration. They have produced the "psychology" of the situation, which, operating upon a time of year when business for perfectly normal reasons, is usually below par, has produced a certain amount of hysteria in shallow minds and a certain amount of fear in timid souls. But on the whole little has been accomplished. Every day their gloomy prophecies are being dispelled by facts and the steady advance of business prosperity. Crops—prodigious crops—are beginning to move and business stimulation is already reported from nearly every section of the country. We are going to have a splendidly prosperous fall season.

SURPLUS IN THE TREASURY

As evidence of the conscienceless efforts to create uneasiness I need only call attention to the solemn predictions made on the floor of congress a short time ago by certain republican leaders that the United States treasury was piling up a huge deficit and that the secretary of the

treasury would soon issue government bonds. The treasury statement issued July 1 shows that the fiscal year closed with a surplus of \$33,784,452.07. This amount and \$1,000,000 more was spent on the Panama canal, but that is for property bought and paid for, and is an asset, not a deficit. And an issue of government bonds is not in sight! In fact one cannot be discovered with a telescope, much less with the over-sensitive obliquity of vision of our highly excitable political opponents.

NO ALARM ABOUT GOLD EXPORTS

Is it true that you have, at any time, felt any apprehension about the gold exports?

Answer.—No, not the slightest. On the contrary, I have regarded the gold exports as a benefit to this country, because we could spare the gold and the exports have secured the foreign financial situation. International finance is so intimately related that a cataclysm in England, France, Germany or any other important country reacts injuriously and directly upon our domestic situation. In time of European trouble, American securities are always sold first because there is a ready market for them. At such times there may be a sudden unloading on our market of large volumes of bonds and stocks, which is always depressing and hurtful. If we can let Europe have gold when she needs it and we don't, and thus conserve the general situation, it protects us. The present movement has not hurt us in the least. If the papers and the political partisans didn't make a noise about it, as little would have been heard of it as has been felt of it, and that is nothing.

When the federal reserve banks are in full operation they can exercise a material influence upon gold imports and exports and furnish a large measure of protection to our gold reserve, if the need at any time arises.

GOLD HOLDINGS HAVE INCREASED

Have the gold holdings of the treasury increased or decreased during the gold export movement?

Answer.—They have increased. July 1, 1913, the total stock of gold in the country was \$1,866,619,157. July 1, 1914, the total stock of gold in the country (after deducting all exports during the year) was \$1,892,154,731, showing an actual increase in the total stock of gold for the year of \$25,535,574. Not only was there a gain during the fiscal year in the total stock of gold in the country, but there was a gain of \$17,363,237 in the amount of gold in the treasury.

GOLD IMPORTS, \$65,232,067

Since January 1 the gold shipments from the port of New York to Paris, London and Berlin amounted to \$78,000,000. Does this imply that the balance of trade between this country and Europe is no longer in our favor by reason of foreign competition?

Answer.—No, it certainly is not due to foreign competition. I believe that the gold exports since January 1, which, by the way, have been abnormal only in the month of June, do not necessarily indicate that the actual balance of trade is against this country. They are due principally to the constant sale, for several months, by European holders, of American securities. The total exports of gold for the fiscal year ended June 30, 1914, were \$112,432,165, whereas the imports of gold for the same year (June estimated) were \$65,232,067, so that the net exports of gold for the entire fiscal year just ended were only \$47,200,098. This is a bagatelle so far as affecting the strength of our position is concerned, and has no particular significance. For the same fiscal year, as already stated, our total stock of gold, in spite of these exports, increased \$25,535,574. I want to call attention particularly to the \$65,232,067 of gold imported during the year. This is, at least, a very tidy amount, but very little is ever heard of gold imports, whereas gold exports are played up furiously. Why? Because gold imports are not palatable to the calamity howler and it suits his purpose best to suppress all knowledge of them.

CROPS WILL CREATE HUGE BALANCES IN OUR FAVOR

Do present indications point to a return flow when the grain and commodity export season is in full swing?

Answer.—Yes, there is no doubt that we shall be able to import gold in the fall if we want to. The marketing of our crops must necessarily create huge balances in our favor. Gold imports do not, however, always follow because the balance of trade is in our favor. If our credits can be more profitably employed in Europe they

will remain there until such time as they can be more profitably employed at home. Then they will be recalled and gold imports will naturally follow.

THE GOLD BEHIND THE GREENBACKS

With the abolition of the endless chain greenback system will there be any danger in the future of a gold outflow in sufficient volume to be a serious menace to the treasury holdings of specie?

Answer.—There is no danger now of any such gold outflow as will menace the treasury's holdings of specie. The "endless chain greenback" is practically a thing of the past. Your question implies the existence of a fear with the American people inherited from the experience of the last Cleveland administration, more than twenty years ago. At that time, the conditions were essentially different. Then we had only a small and depleted gold reserve behind the greenbacks; now we have \$150,000,000 of gold behind the greenbacks. Moreover, the country's total stock of gold at that time was relatively small, only about \$500,000,000. Now we have the greatest stock of gold of any nation on earth, namely, \$1,892,154,731, of which we hold in the treasury of the United States \$1,276,581,594. When gold is withdrawn for export it is usually upon presentation of gold certificates against which there is 100 per cent. of gold on deposit in the treasury. The amount of greenbacks presented is relatively small.

I consider the position of the treasury of the country impregnable so far as gold is concerned. Moreover, our stock of gold is increasing each year, not only through domestic production, which is large, but also through the constant increase in the wealth of the nation.

We have only \$349,120,016 of greenbacks and treasury notes outstanding, against which we have a gold reserve of \$150,000,000. We shall in time get 100 per cent. of gold behind the greenbacks, provided the surplus earnings of the federal reserve banks shall be used as the act authorizes, "to supplement the gold reserve held against outstanding United States notes." This is a very wise provision of the law.

PAYING DEBTS OR LENDING MONEY

It has been claimed that the present outflow of gold has been due to the unfavorable balance of trade, as well as to the enormous expenditures of American tourists in Europe during this season of the year. Is it also true that, because of the railroad and other Wall street scandals, Europe has been sending American securities back to us in enormous volume, and that the gold shipments, to a great degree, represent liquidation of the indebtedness thus created?

Answer.—The outflow of gold at any time shows that we are either paying debts abroad or that we are lending money abroad. If we are paying debts, they may represent either imported goods, expenditures of American tourists, or the purchase of American securities which have been sent back to this country. As before stated, I think that the principal cause for the recent exports of gold is the sale of American securities by European holders who need the money and have found that they could get gold more advantageously by that means than by any other. Europe has simply needed gold which we could easily spare, and she has got it by paying for it in one form or another, either by the sale of our securities at prices which attracted American purchasers, or by borrowing from us at interest rates which are profitable to American lenders.

MUCH DEPRESSION TRACED TO THE RAILROADS

What, in your opinion, is the cause of the present depressed state of business, which has reduced the operating capacity of steel and other trades and thrown many people out of employment?

Answer.—Business depression has been grossly exaggerated. The treasury department touches intimately business in all parts of the country, especially the banking business of the country. The reports which have come to me from many reliable and well informed sources convince me that the chief depression exists in those industries and businesses which are dependent largely upon the railway for orders. There is no doubt about the fact that the railroads have withheld orders for supplies and have deferred maintenance of way and equipment to the utmost possible extent for the past six months. I don't say this is illegitimate. They have been suffering from reduced earnings during this period, and caution would induce many of them to proceed slowly, but the greatest impelling motive undoubtedly has been their desire to make