Secretary Carlisle would take steps to replenish his reserve or not. They could not know whether any steps he might take would be effectual or not. Being not exactly fools, they took care of their own interests by keeping their own gold and compelling the exporters to supply themselves from the Treasury. I should not want to own stock in a bank that would do otherwise under like circumstances. When the situation became clear, when it was known exactly what the government would do, the banks were not slow in turning their gold over to the government.

PANIC OF 1893.

When Secretary Carlisle came into office he was faced with an appalling condition of the Treasury. There was a constant demand for gold and no gold receipts to meet it. He followed his predecessor's example by soliciting gold from the banks in forma pauperis. The banks responded by turning $8,000,000 into the Treasury in exchange for legal tenders. This was quickly licked up by the gold exporters, and on April 15 the Secretary was obliged to acknowledge that the $100,000,000 fund had been encroached upon. It was the first time that this had happened since the fund was created. The announcement went like an electric shock through all the fibres of commerce. There was no town which had a bank that was not affected by it. A run on the banks began at once. I do not mean that everybody who had any money on deposit went to the bank and drew it out, but that a great many did so who would otherwise have left their deposits intact. The shrinkage of deposits in national banks from May 4 to July 12, 1893, exceeded $235,000,000. This drain on the banks compelled them to curtail their loans and discounts, and the curtailment of loans and discounts compelled merchants and manufacturers to draw down their balances still further. The alarm extended to savings bank depositors, who either called for their deposits or stopped depositing their wages, and kept their earnings in their stockings and their chimney corners, thus producing further contraction. There was a sudden tightness of money in all parts of the United States. The country banks usually keep their surplus funds on deposit in New York, because they can earn a small rate of interest in that way. They began to call for these balances, and the cash went away from the city banks at the rate of $10,000,000 per week. On the 24th of June the rate of interest for call money in New York was 74 per cent, and time money was not obtainable at all. Both private individuals and corporations were failing right and left.

New York banks began to issue clearing-house loan certificates. These are a device by which the stronger banks unitedly and systematically help the weaker ones, securing themselves by the bills receivable and other assets of the weaker ones. The operation is well adapted to the purpose of soothing public alarm, and it had that effect in this instance. Nevertheless there were very few banks in New York that did not make difficulties about paying checks in cash. The course they pursued was highly commendable and, indeed, indispensable, but the truth is that they were for a while in a state of virtual suspension, although fortunately they did not close their doors.

The evidence that they were in this state is proven by the fact that their certified checks sold for some weeks in Wall street at a discount ranging from 1 to 4 per cent. Of course nobody would sell a certified check at a discount if he could go to the bank and draw the money for it.

Other parts of the country did not fare so well. One hundred and fifty-eight national banks suspended, with a capital stock of $30,350,000. All but five of these bank suspensions were in the Southern, Western and Pacific states and territories. During the same period there were 415 failures of state and private banks, with liabilities of $97,-193,000, a mortality unprecedented in our financial history, except, perhaps, at the beginning of the Civil War. It should be added by way of comparison that the number of national bank failures in the previous year was only seventeen, and of state and private banks sixty-nine.

The number of mercantile failures during the year was 14,212, with liabilities of upwards of $190,000,000, During the previous year the failures had been 10,344, and the liabilities $114,000,-000.

CONGRESS REFUSES TO REPLENISH THE TREASURY.

The commercial crisis became so severe that congress was compelled by the force of public opinion to repeal the silver-purchase act of 1890. This was done in the special session of August-October, 1893, but it did not put an end to the crisis. The foundations of credit had been too profoundly shaken. The government income fell off heavily (both duties on imports and internal revenue), so that the Secretary was obliged to take money from his gold reserve to pay current expenses. This created fresh alarm. Congress reassembled in December, and, although appealed to in moving terms by the Secretary to pass some measure to replenish the Treasury, it did nothing.

This is a picture of greenbackism that should be dwelt on for a moment. Here was the nation rushing upon bankruptcy. The gold reserve was down to $74,000,000 and was falling at the rate of $7,000,000 per month by virtue of a deficiency in revenue alone. A renewed demand for the redemption of legal-tender notes might reduce it to zero within a very short time. In that case the government's promise inscribed on the face of the greenback could not be fulfilled. Congress was in session. The Secretary of the Treasury asked it to give him authority to issue bonds or temporary certificates bearing 3 per cent interest to avert national bankruptcy, and all the answer he got was hard words. A senator from Nebraska denied that there was any such thing as a greenback redemption fund. "The so-called reserve fund," he said, "is one of the instruments used in a gigantic system of buncoing the people. It is used as the occasion and pretext for the unnecessary issuance and sale from time to time of government bonds, with which to stop the clamoring of Lombard and Wall street sharks, as the dismal bark of Cerberus, the triple-mouthed dog that stood guard at the gate of Hades, was stopped by being fed with victims destined for the weird and waste land of Pluto."—Senator Allen, January 25, 1894.

FIRST $50,000,000 BOND ISSUE.

There was an old law on the statute book which afforded a roundabout and expensive means of replenishing the treasury by selling bonds, but as soon as the secretary gave signs of his intention to resort to it a number of congressmen declared in public debate that the secretary had misconstrued the law, and that any bonds issued under it would be illegal. Some congressmen introduced bills to forbid the payment of interest on any bonds so issued. The point of all this is that in a time of a crisis when it is necessary for the government to use its ample powers to provide means for redeeming its demand notes, it depends upon politics whether those powers shall be used or not. Here was a case directly in point. If there had been no law on the statute book of the kind which Secretary Carlisle finally resorted to, would the congress to whom he appealed have passed one? Assuredly not. The congress which then occupied the national capitol did not believe in gold redemption of the greenbacks. It did not believe in gold at all. It had been coerced to repeal the silver-purchase act, but it would not take another step towards the gold standard. Yet I have heard congressmen say that the government is better security for a paper currency than the banks, utterly ignoring the fact that the only time in recent years when congress has been called upon to make good the guarantee it refused to do so.

On the 17th of January the Secretary, being convinced that congress would do nothing to avert bankruptcy, advertised the sale of $50,000,000 of 5 per cent bonds to run ten years. He fixed the price at 117.223, which made them equal to a 3 per cent bond at par. He had no authority under the law to sell 3 per cent bonds—only 4s and 5s. No bids