

THE TREASURY POLICY.

THE *Journal of Commerce* criticises the action of the Secretary of the Treasury for "going out of his way," as it says, "to relieve the money market by anticipating payments of interest not yet due from the Treasury, and offering to purchase a portion of the unmatured debt." This policy it calls "assisting the speculators." "There was a pressure for money," it continues, "and it is said that a panic in stocks, and possibly in some articles of produce, might have ensued if the Secretary had not come to the relief of the market. This was no doubt the substance of the plea made to him and the reason he would assign for his action." Then the *Journal* makes some very proper reflections on the duties of public officers, and especially the duty of the Secretary of the Treasury to keep his hands off the money market and leave speculators of all kinds to their own devices and their deserved fate.

If the Secretary were asked to assign any reason for his action, it would, we think, be very different from that imagined by the *Journal of Commerce*. In the first place, there was no pressure for money at the time when he issued his circular. The pressure had come and gone some time earlier. It had been felt when the wheat speculators and the Fidelity Bank of Cincinnati succumbed. It had culminated on the 24th of June, when the Manhattan Railway speculation failed. The liquidation in stocks and produce which followed those disastrous adventures had been concluded, and the money market had resumed its normal tone of comparative ease, before the Secretary took any action whatever. The circular announcing the Treasury programme was issued on the 5th of August, on which day the quotations for money on call were 4 to 5 per cent. If any "plea" had been made to the Secretary of the kind imagined by the *Journal of Commerce*, it would have been manifestly false. It is not probable that he would assign as a reason for his action a state of facts which did not exist.

But, of course, he must have had some reason, and we look in vain through the long article in the *Journal of Commerce* for some hint or suggestion of it. It is pretty well known to commercial bodies and commercial newspapers that the Treasury Department for many years, under all administrations, has been using its surplus—the excess of current receipts over current disbursements—to redeem the public debt. The bond calls have been as regular as the seasons, varying only as the ordinary income and outgo varied. For all purposes of meddling with the money market, assisting speculators, etc., etc., a call of matured bonds is identical with a purchase of unmatured bonds. Both serve to keep the Treasury surplus down to the requirements of Treasury business. Both serve to keep the Treasury out of the money market rather than in it. So long as the Secretary keeps his balance down to his needs, he is not a factor in the money market. When he accumulates money beyond his needs, he becomes such a factor, and a pernicious one. If it be asked what his needs are, the answer is that a trained body of officials are kept in Government employ to compile the appropriations of Con-

gress, the requisitions of the departments, and the receipts of revenue, in order to know what the needs are at any time, and what they will probably be one month, three months, or six months hence. For the purposes of public discussion we may assume that the average balance of "good times"—the average amount which other Secretaries have kept on hand in fairly prosperous times—would be the proper amount, and that any considerable excess of accumulation in the Treasury would be an act of meddling with the money market, altogether inexcusable if the law afforded any means of escape from it. We remark in passing that the balance kept on hand in the first year of Secretary Manning's administration was necessarily larger than is now required, because the public receipts, owing to the depression of trade, were on the decline, and it was impossible to tell what the shrinkage might be. The tide has turned, public receipts are on the rise, the working balance of the Treasury ought to be smaller, and is so.

We have said that the disbursement of surplus funds to cancel a matured debt operates upon the money market and upon speculation and all the things that the *Journal of Commerce* treats of, exactly as a like disbursement to purchase an unmatured debt. The act in each case is an act of restoration to private business of what belongs to private business. The Government is one branch of the aggregate business operations of the country. It has an army, a navy, a post-office, courts, lighthouses, public lands, and a variety of other things to administer, to provide for, and to pay for. It also has a debt, the interest upon which is one of its current expenses. It was never contemplated in law, or in political economy, and still less in the public conceptions, that the branch of business which has charge of the common defence, the carrying of letters, the administration of justice, etc., should draw a hoard of unused capital to itself to be sat upon in time of peace and in a period of augmenting revenues. No administration could justify itself in the forum of reason in pursuing such a policy.

Of course every officer of the law must find his warrant in the law for what he does. The Secretary of the Treasury has cited the laws which authorize him to purchase portions of the public debt when there is no part of it subject to call and redemption at par. One of these laws is mandatory in terms, requiring the Secretary to set apart a certain portion of his receipts from customs duties for the "purchase or payment" of one per centum of the public debt each year, counting as debt all bonds in the sinking fund. It may be said that the reason for this law no longer exists. But the law exists, nevertheless, and the word "purchase" is as plainly written in it as the word "payment." No Secretary having the means in his hands to comply with it would dare to overlook or come short of it, unless the bond market had been so cornered against him as to require an extortionate price for his purchases. In such a case he might reasonably postpone action until he could lay the facts before Congress and ask for advice. No such case now exists. The Secretary not merely is within his authority,

but, failing to exercise it, would be exposed to attack upon legal as well as economical considerations.

"It is not wise to interfere with the operation of natural laws," says the *Journal of Commerce*. Precisely so. This is the maxim that the Secretary of the Treasury appears to be acting upon. If there were no other laws than natural ones, there would be neither Treasury nor surplus. All the money in existence would be in circulation or available for circulation. The establishment of a Treasury with the necessary means is the least infringement upon natural law compatible with the social state. The accumulation of means not necessary is a glaring interference with natural laws, and one which everybody is interested in putting a stop to. In counteracting it as far as possible, the Secretary is in accord with public interests and, we are convinced, with the overwhelming weight of public opinion. Whatever he may do, somebody will find fault with him. If he does nothing at all, still more will he be blamed. We presume that he made his reckoning with all possible fault-finders when he accepted the office which he holds.

THE IVES SWINDLE.

THE affairs of the firm of Henry S. Ives & Co. have not yet been fully exposed, but sufficient is known to warrant some general reflections upon the state of business which enables an impecunious rascal to get possession of a first-class railroad and within a few months clear out its treasury, overrule its stock to the extent of \$10,000,000 or more, and incur liabilities to the amount of \$19,000,000. These figures have all the air of Oriental romance. The Cincinnati, Hamilton and Dayton Railroad is one of the oldest railroad corporations in the United States. It dates from the year 1845. Its capital stock was small, its bonded debt smaller still, and its obligations in the nature of leases and guarantees very moderate for the mileage operated and the earnings received. It happened that a controlling interest in the stock of the company had been collected together some years ago in a trust, for the purpose of turning its freight business over to one of the New York trunk lines. This trust was in course of time declared to be illegal and void by the courts of Ohio. The stock thus "bunched" in one holding was accordingly sold, and in some way Ives & Co. got hold of it, paying about \$140 per share, borrowing for this purpose all the money except a broker's margin. How they obtained the margin is not yet entirely clear, but as soon as they got possession of the road they found money and available assets in the treasury sufficient to make good their margins on the original purchase-money and to do many other extraordinary things, which have been from time to time reported in the newspapers. Their aim from the beginning was to exploit the credit of an old-established property well known to investors, in such manner as to work off some millions of bogus securities on the public and retire with the proceeds.

In order to accomplish this it became necessary to borrow large sums of money to tide over the interval which must elapse before the new securities could be created and brought

out in legal form. Here we find the occasion for the first reflection on the prevailing methods of business. Ives was a man little known in the Street, and what was known of him was altogether bad. He had been engaged in an attempt to swindle a number of members of the Stock Exchange by both selling and buying a stock which was really non-existent, although the formality of striking it from the list of securities dealt in on the Exchange had not been complied with. This characterless person found little difficulty, however, in borrowing enormous sums of money on collateral security. It is much easier for lenders to examine collaterals than to inquire into the character of borrowers. The habit of looking to the security and ignoring the person has become ingrained with most of the large lenders of money. Under no other conditions could Ives have carried on his operations at all. That he was an adventurer everybody knew. That he was a rogue anybody might have known by a very little inquiry. Yet his collaterals were good, or seemed to be, and so he got the money which he required to pave the way for the greater operations that he had in view.

Now, we affirm that such a fellow ought not to be able to borrow large sums of money on any kind of collateral whatever, not even on Government bonds. The rule should be posted up in every banking-house and trust company in Wall Street and in every other Street, "Never have any dealings with persons unknown." The rule never to have any dealings with a scoundrel is supposed to be in force in every responsible house, but we fear is not always obeyed if money happens to be easy and the collaterals are undoubted. The other rule should be as rigidly observed. No well managed bank would accept a deposit account from a stranger, although the acceptance of such account puts the bank to no risk except that of forgery, a risk which it runs more or less every day in the ordinary course of business. Still less should loans of money be made to one who, if not an entire stranger, is one grade worse, in that any attempt to find him out would show him to be a knave.

We are glad to see it stated that District Attorney Martine considers it his duty to institute an official inquiry into the performances of Henry S. Ives & Co. We believe that he will find more than sufficient cause for the criminal prosecution of the adventurers composing that firm. The officers of the Cincinnati, Hamilton and Dayton Company can put him at once in possession of the facts and figures relating to the spiriting away, without the slightest extenuating circumstance, of over two millions of cash and nearly five millions of preferred stock from the treasury of that corporation. Nor is this all. Conclusive evidence may be found that Ives has also helped himself from the Treasury of the Terre Haute and Indianapolis Railroad Company to something like one million and a half in cash and securities, and taken from the Mineral Range Railroad Company about \$450,000 in cash. As in the case of the Cincinnati, Hamilton, and Dayton, he acquired control of those two companies by the purchase of a majority of the stock for the evident purpose of getting possession of the

funds in their respective treasuries. In both of the latter cases, his stealing from the Cincinnati, Hamilton and Dayton furnished the means for the purchases. The Mineral Range Railroad is a small concern, and its control did not cost him much over \$200,000, which he at once got back, and \$250,000 more, by emptying its treasury into the hands of his firm.

The method pursued in the plunder of the Terre Haute and Indianapolis Company was unique. Ives took the stock of the Dayton and Michigan Railroad Company in the treasury of the Cincinnati, Hamilton and Dayton Company, sold it for a million to Thomas J. Emery of Cincinnati, and with the proceeds bought the majority interest in Terre Haute and Indianapolis stock from W. R. McKeen of Terre Haute, the President of the company, for about \$1,500,000, paying about two-thirds in cash, the balance payable in six months. This purchase was nominally made for account of the Cincinnati, Hamilton and Dayton Company. Thereupon, McKeen surrendered the Presidency to him. Ives immediately had his firm constituted fiscal agents, and transferred the \$1,400,000 cash on hand to New York for its account. Besides this large amount of cash, the company had on hand several thousand shares of its own stock and some hundreds of thousands of dollars worth of first-class bonds. Ives took both stocks and bonds, pledging them for the loans of his firm. He made some payments subsequently out of the cash for the company, but the books of his firm show an indebtedness of about \$1,500,000 to the Terre Haute and Indianapolis Company. In short, the District Attorney ought to have no difficulty in securing berths for a long term of years for Ives and his aiders and abettors in the State prison, if the courts of this State have jurisdiction of the offence.

TECHNICAL EDUCATION.

THE June number of *Consular Reports of the United States* embraces a synopsis of the special report of M. Amédée Marteau to the French Government on the industrial progress of Germany during the past ten years. The attention of the French authorities was directed to this subject of investigation by the annoying discovery that German goods have been finding a market in France in increasing quantities from the year 1878 onward, so that whereas French exports to Germany had in the year 1875 exceeded imports from that country by 77,000,000 francs, the balance had turned the other way to the extent of 137,000,000 francs in the year 1881, and each year was showing a remarkable excess of imports. That the former supremacy of French technique had been challenged by Germany was proved by the great increase of the latter's exports of manufactures to other countries than France, the total of such exports having more than doubled in ten years. But when this flood came pouring into France and underselling French houses, and displaying superiority in many of the finer products of industry in which French art had been hitherto unrivalled, it became absolutely necessary to discover

what it all meant. Hence M. Marteau's investigation.

Without going into all the details of the report, which is a fine tribute to the perseverance and unflagging attention to details which characterize the German nation, M. Marteau finds the principal cause of their growing industrial supremacy in the technical schools, which are increasing in number and efficiency from day to day, and of which there are now more than 250 in operation in the country. In these schools young men are taught everything known to human science and art relating to the practical means of earning a livelihood. Mining, metallurgy, textile industries, pottery, porcelain, and glass, and all the intricacies of machines here open their mysteries to the youth of Germany, who not only are raised to the highest possible standard as producers, but, according to M. Marteau, are imbued with a noble ambition to make their knowledge effective. They gain self-confidence and the spirit of enterprise which prompts them to penetrate all parts of the earth to find markets for the sale of their goods. They exile themselves from home. They carry their acquired knowledge to distant countries. They learn foreign languages and study foreign habits. This consummate training is now beginning to bear its fruits. Germany is gaining on her competitors in the world's markets; she is even gaining on them in their own markets; and she will distance them if they do not keep pace with her in technical education—not the haphazard education of the workshop, but the systematized training of the best minds and the most skilful hands, the true masters of their several callings in all the departments of practical industry.

Neither France, nor England, nor the United States is destitute of technical schools. What we draw from M. Marteau's report, therefore, is that Germany's schools are both more numerous and better than those of his own country, probably than those of any other country. England has been making great exertions in this way in recent years, the most notable result being the Guilds of London Institute, founded with the funds of the ancient city companies. She has been pushed forward in the direction of technical training by the rising commercial importance of Germany. What France has found out only recently, England began to feel ten years since, and she then began to bestir herself. She has studied profoundly and systematically the methods of German instruction in the industrial arts, and is now following those methods with such improvements as she deems best suited to her own people. She is making notable progress, too, but she is still behind her Continental rival in many of the branches in which she was wont to excel. The Higher Weaving School of the city of Chemnitz, for example, is without an equal in the world, and to its influence is attributed the gradual supplanting of the industries of Nottingham by those of its Saxon rival. A graduate of this school, the son of an eminent citizen of Boston, was able, within one year after his return home, to command a salary—we will not mention the amount, but it was such as very few lawyers or doctors, and still fewer editors, ever attain. What this young man had acquired that made his services so valuable was, in chief, the abili-