

THE CULMINATION OF A STRINGENCY.

THE *Times*, now that the Treasury has come to the relief of the money market, says that if the President had waited twenty-four hours longer before issuing the circular, it is doubtful whether he need have issued it at all; because "the much-talked-of stringency in the money market reached its culmination some days ago." It explains this by saying that the people who "were holding large stores of money in expectation of serious distress and high rates of interest," had given up the game, and on Wednesday money was readily obtainable in Wall Street at 4 to 5 per cent., and "the scare in fact was over."

It is a great pity that this subject cannot either be let alone or be discussed with more intelligence. That money was to be had in Wall Street at 4 or 5 per cent. proved nothing about the scare, because the loans which could be had in this way were demand loans on good collateral which could be sold at any moment. What made the scare and kept it up until the Treasury circular was issued, was the difficulty business men had in getting accommodation from their banks in the shape of time loans. It was this increasing reluctance of the banks to part with their money, except on call loans fortified by good collateral, that created the state of things which the Treasury was asked to relieve by releasing a portion of its hoard. The much-talked-of stringency in the money market, therefore, had not culminated on Wednesday, but in all probability would have culminated before the following Wednesday in a panic of greater or less intensity. Abuse of the people who "hold large stores of money" in expectation of a panic is always somewhat amusing. It is the duty of any manager of a bank or other moneyed institution, who thinks he foresees a monetary crisis in the near future, to hold on to his money to any extent that he may think necessary to his own safety. One of the first visible signs of a panic is, in fact, the reluctance of owners of money to lend it for fixed periods. This is a legitimate reluctance. Any manager of a bank who did not show it at such times would be unfit for his place. All banks show it, either as the Bank of England or France shows it, by raising their rates, or as banks here show it, by restricting their loans. To rail at them for doing this with the design of "getting high rates" is simply to be childish. It is like Thaddeus Stevens's railing at the wicked men who, during the war, bought and sold gold at a premium in greenbacks.

The discovery of the *Times*, also, that it now appears that what was needed in Wall Street was not so much money as "confidence," has an air of kindergarten political economy about it. It is confidence more than money which is needed in all panics, just as it is courage more than men which is needed in battles. No battle in war is ever won by killing all or more than a very small proportion of the enemy. A fifth or a fourth are usually disabled, and then the rest run away. It would be very foolish, however, to ask them why they ran away, seeing that they were not hurt. They would answer that they ran because they felt certain they should be hurt before long if they stayed.

So, also, in a commercial crisis. The num-

ber of persons who are actually suffering for want of money at the moment it breaks out is comparatively small. It is the fear of the greater number that they shall be unable to get money when they want it, at some future day, which makes the panic—a fear which is suddenly diffused through the community by the failure of one or two noted houses occurring when everybody is feeling nervous. It is in the nervous stage, such as the community has been passing through during the past few weeks, that preventives are possible and ought to be applied, and it is the duty of the Government to apply them, if it has caused the scarcity by hoarding money for which it has no use. To ask the business men to wait for this relief until the panic has actually occurred, so as to be perfectly certain that the relief was needed, is somewhat like the offer of the boy in *Punch* to his grandmother, to take all the wrinkles out of her face if she would let him put her head in the receiver of an air pump and exhaust the air. When a panic has occurred the mischief is done, and can hardly be undone. Thousands of honest men are ruined through no fault of their own, and a distrust has been diffused through the community which it takes years to get over.

Doubtless it is the fault of the protectionists that this hoarding in the Treasury goes on. Doubtless, too, a good rattling panic, occurring as the direct consequence of the Treasury hoarding, would be very serviceable in bringing Congress to a sense of its duty during the coming winter, and forcing it to deal seriously with the reduction of the tariff. But this is very like reforming by revolution. It is not the American method. We cannot afford to burn our house down in order to roast a pig, or spread ruin through the country, or even run the risk of spreading it, in order to open the eyes of the legislators to the necessity of lowering the taxes. It is not yet certain that argument will not influence them. Every year the country is seeing more clearly the dangers of the enormous surplus. As long as it seemed likely to be used simply to play ducks and drakes with, in the shape of extravagant appropriations, the business community did not pay as much attention to it as they ought. Now that they see its bearing on their own interests, we may safely count on greater popular pressure than ever next winter in support of tariff reform.

The numerous protests that have been made in the press against Treasury interference in the money market, are for the most part founded upon a misconception of existing facts, and especially the potent and undisputed fact that the Treasury is interfering with the money market daily and hourly and in the most pernicious manner. The *Philadelphia Press* furnishes the following illustration of this interference:

"Taking the first eighteen days of this month, the Government took in \$22,130,000 and paid out for all purposes, including bond purchases, \$10,980,000. These operations took \$11,150,000 from the channels of trade, which the past four days have raised to \$13,000,000."

In addition to this withdrawal the *Press* says that the sums deposited by the Government in depository banks were drawn down to the extent of \$5,900,000, without any appa-

rent reason, so that the withdrawal of money from circulation during the short period of eighteen days was nearly \$19,000,000. It is quite possible that the withdrawal of money from the depository banks was caused by the banks themselves withdrawing the bonds by which the money was secured. We cannot conceive of any other reason for the reduction of the Government's bank balance at such a time. Whether the withdrawal were \$13,000,000 or \$19,000,000, the illustration is sufficiently impressive. It shows that the newspaper protests against Treasury interference, meaning thereby the action taken to liberate some part of the imprisoned money, are a perilous kind of jargon.

How far bond purchases can afford relief, how far the intermittent force can neutralize the persistent force, is a question of much moment, and one which has scarcely been touched in the discussion. It has been said that "if money were in very great demand and the distress were as great as represented, the holders of bonds would find it to their interest to sell them to Secretary Fairchild at the price he offers, which price is the highest he can give consistently with a proper regard for the interests of the people." The truth is, that the holders of United States bonds are not generally of the class who feel a stringency in money at all. Moreover, they are generally of the class who cling to a security which they know to be good all the more firmly because money is tight and other securities are declining. There is no speculation in their eyes. What they "find for their interest" is to hold on to their bonds. Further, there is an enormous holding of bonds under trusts which cannot be released or changed, however much the trustees might desire to change the investment. In this State, for example, all trust moneys must be invested in mortgages on New York real estate, New York State bonds, or United States bonds. Of these three kinds of securities only the last are now obtainable in any considerable amount. Are the trustees going to "find it for their interest" to sell their bonds to the Secretary of the Treasury when the law makes them personally liable for any resulting loss to their *cestuis que trust*? It is plain, therefore, that the amount of bonds that the Secretary can secure at any price whatever is extremely limited. He is pumping towards a vacuum, and although there may be no time when he cannot get something by extra exertion, yet the difficulty will increase all the time. Finally, the repeal of taxes, when it is actually agreed to and passed by Congress, will be slow in taking effect, for the reason that holders of existing stocks of merchandise, upon which taxes have been paid, must be allowed time to work them off.

THE COLOR LINE NORTH AND SOUTH.

THE Georgia Legislature has at last disposed of the question involved in the much discussed Glenn bill, and in a manner which goes far to redeem the reputation of the State. It will be remembered that the lower branch some weeks ago passed a bill introduced by a politician named Glenn, which proposed to make it a

penal offence, punishable by a year's sentence to the chain-gang, for a teacher to instruct together white and colored children, the measure being aimed at the white teachers in the Atlanta University for the education of colored pupils, who had allowed their own children to recite with their colored pupils. Mr. Glenn is believed to have fathered the bill with the idea that he could thus gain a notoriety which would help him in his ambition to get into Congress, and he succeeded in carrying it through by a vote that was unanimous except for two colored members, by urging that opposition to it was the same thing as admitting the social equality of the two races.

The sober second thought of the State, however, revolted against the proposition to condemn anybody to the chain-gang merely for teaching white and colored children together, especially when the white children were his own, and it has been for some time obvious that the bill never would become a law. The question came up in the Senate on Thursday, and strong appeals were made for the passage of the original measure, on the ground that its rejection would be equivalent to a retreat under the fire of the North, which had so strongly condemned it. Such an argument always carries much weight with the average legislator, but it did not avail in this instance. Democratic Senators met and answered it in the manly fashion of Mr. Brantley, who said: "The bill is uncalled for. Why not say that the white children shall not play with the black children or go to church together? They can live together, interchange visits, play together, and finally die together. They can do all things except go to school together? To defeat the Glenn bill is not to back down. It is an assertion that Georgia manhood is not dead, that public sentiment in Georgia is still true to her, that Southern chivalry is yet alive in Georgia." At the close of the discussion a substitute was adopted by a vote of 25 to 13, which merely withdraws State aid from institutions that educate the two races together. This is simply carrying out the policy of the State regarding public education, which requires separate common schools—a policy, by the way, which was adopted when the Republicans were in power. Its effect, if it should become a law, would be to deprive the Atlanta University of the \$8,000 a year which it now receives from the State, but, as it is expected that the House will refuse to accept the substitute, the matter will probably lapse without any result, further than to show that the feeling of opposition to the education of the two races together is very strong in Georgia.

If the question had come to an issue when it was originally brought up, Republican organs in the North would have been able to make a strong point of the bitterness of race prejudice which it showed to exist in the South. But recent occurrences in the North have effectually spiked their guns. A fierce outburst of race prejudice in the Republican State of Ohio has followed the action of the last Legislature in repealing the "black laws" and requiring white and black children to attend school together. Oxford is a town of Butler County, conspicuous for its educational institutions, containing Miami

University, Oxford Female College, and the Western Female Seminary. Its colored population is small, the whole number of negroes in Butler County, according to the census of 1880, being only 1,140, against 41,435 whites. In short, it is just the sort of Northern town that has always been filled with indignation over any exhibition of race prejudice in the South. But when the time came for opening the fall term of the public schools, and it was discovered that colored children were to be seated beside white children in Oxford, the public, without distinction of party, rebelled. A meeting, consisting of about four hundred white men, was held week before last, and by an almost unanimous vote instructed the Board of Education to withdraw the colored children from the building attended by the white children, a leading banker agreeing to stand between the Board and harm in thus violating the law. The Board thereupon held a meeting and unanimously resolved that, "in compliance with the above request, the Superintendent be and is hereby instructed to assign the colored children to the north building to-morrow."

On the next Tuesday evening another large public meeting was held to express the popular satisfaction over the action of the Board. The *Commercial Gazette* thus describes the gathering: "Quite a number of colored men came to the hall, and were greeted with cries of 'Rats,' 'Take him out,' etc. One might imagine that, for the nonce, instead of being in free and enlightened Ohio, he was in South Carolina or Mississippi. It was a shameful exhibition of unmanliness and bravado, the strong domineering over the weak. 'If the steps taken were necessary, they should have been taken in a quiet way, without making such a public and race-prejudice-producing demonstration. To the shame of some of these men, it must be stated that they were Republicans, blinded by a fanaticism that cannot but result in harm to this beautiful little town.' In calling the meeting to order, the Chairman 'asked the boys to be as quiet as possible—that while they had cause to feel jubilant, they could at the proper time give vent to their feelings.' The banker who had engaged to defend the School Board made a speech in which he said: 'The colored people have the right of suffrage. More than this they cannot expect. As for their social qualifications, there are few of us here ready for that question.' Another speaker 'expressed himself highly satisfied to know that the children had been driven from the schools.' The *Commercial Gazette's* report concludes as follows: 'Joshua Fry, an ex-banker, responded to calls next. His exact language was this: 'I don't want to be called upon, for I have kept out of this whole trouble. If I was to express my opinion, I would say that I wouldn't allow a nigger in the town. I won't harbor them in any form or about my place. I've no use for them.' This short speech was cheered and applauded until it seemed that the house would fall. The meeting then adjourned, after passing a vote of thanks to the Board for its 'manliness' in acting as the meeting requested."

At the same time comes news of a similar outbreak of race prejudice in another Republican State at the North. Fort Scott is the capi-

tal of a Kansas county which cast 2,974 votes for Blaine to 1,671 for Cleveland, and its Board of Education is strongly Republican. The colored children have hitherto been taught in a separate building, but of late they have insisted upon mixed schools, as they have a right to do under the laws of the State. The Board of Education, however, with the exception of one colored member, resisted this legal demand, and instructed the teachers of the different schools to exclude colored children should they attempt to enter. At four school-houses small delegations of colored children were refused admission; at a fifth, a girl with so little negro blood in her veins that the principal did not know she had any, slipped in the first day, but was turned out as soon as the facts were learned; at a sixth, the colored children marched in fifty strong and took possession, but the teacher refused to instruct them, devoting himself exclusively to the few whites who remained. The matter has been carried into the courts, which appear bound to decide in favor of mixed schools; but it is evident that the great body of the whites will not accept this policy, the opposition being so strong that the local Republican organ protests earnestly against any attempt to enforce it.

It has been a long time since a more impressive lesson on the necessity of charity has been taught the people of this country, and in no other way could it have been so forcibly taught as by such outbreaks of race prejudice in John Sherman's State and in "bleeding Kansas."

THE ALSATIAN COTTON OPERATIVES.

It has been the custom to represent Mülhausen as a sort of laborers' paradise, where many of the problems which are vexing the modern industrial world have been happily solved. In the report on the factory system in the United States census for 1880, the example of Mülhausen is cited in more than one instance as showing how enlightened employers may remove some of the worst evils incident to life in a manufacturing town. Special praise has been given to a system of workmen's homes by which it is supposed that crowding is avoided, and a chance given to the factory operative to secure light, air, and even permanent ownership of the soil. On this and other points there has grown up a sort of Mülhausen myth, which has been accepted without question by writers on both sides of the Atlantic.

Two years ago a young German economist, named Heinrich Herkner, began investigating the real facts of the case, and found them far different from the accepted tradition. Many of the arrangements had had precisely the opposite effect from what was intended. Instead of avoiding the evils of overcrowding, they had simply changed the direction of the pressure. Instead of making the workman more independent, they had acted to increase his dependence. The book in which Dr. Herkner has embodied the results of his investigation has attracted great attention in Germany, and its main lessons are well worth repeating in English. The contrast between the real and supposed workings of the Mülhausen