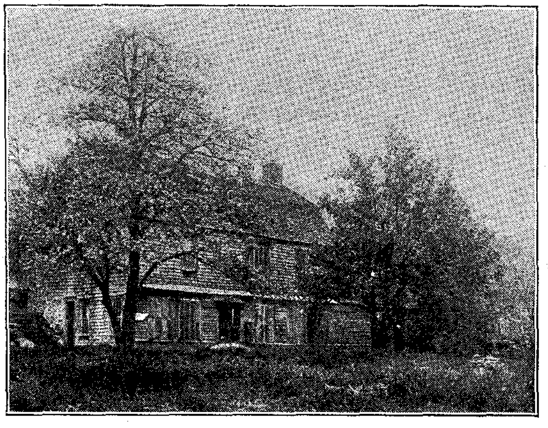
# THE FIELD OF ART

# Gilbert Stuart and His Sitters

BY ANNE HOLLINGSWORTH WHARTON
Author of "Through Colonial Doorways," "The Life of Martha Washington," etc.

ILLUSTRATIONS FROM PAINTINGS BY GILBERT STUART

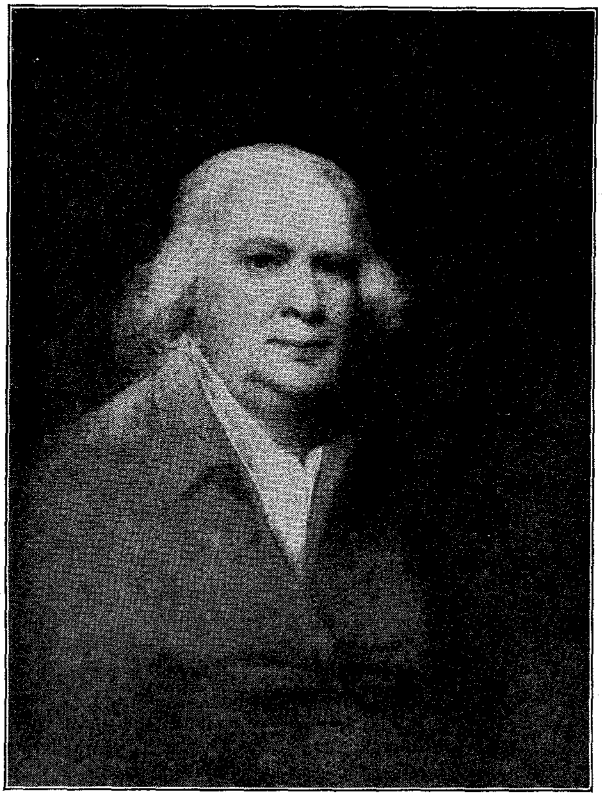
GILBERT STUART from his originality, his wit, his whimsies, and his signal ability, is one of the most interesting characters in the history of early American art, as well as one of its most commanding figures. If it be true that *poeta nascitur non fit*, it may with equal truth be said of the true artist that he is born, not made. No more striking example of the truth of this axiom is to be found than in the life of Stuart, or of the eccentricities of the old fairy who is said to preside over the cradles of the sons and daughters of genius.


The birthplace and early home of Gilbert Stuart.

Even for those who make no special study of the effects of heredity and environment, the vagaries of the output of genius in certain families and amid uncongenial surroundings is a subject that cannot fail to interest the student of life and character. The English artist, Sir Thomas Lawrence, amusing himself by making pencil sketches of those whom he served with chops and potatoes in his father's inn, the White Lion, in Bristol, is even less remarkable than the evolution of the talent of Gilbert Stuart from a Narragansett snuff grinding-mill.

The ruins of the old house and mill near Saunderstown, where Gilbert Stuart passed his early years, are still to be seen or, as his biographer describes them, at the head of Petaquamscott Pond in the Narragansett country in Rhode Island, shut in by trees and far away from the din and stir of the world stands an old-fashioned, gambrel-roofed and low-portalled house by the side of a tiny stream. At the snuff-mill, which was afterward used for grinding corn, the elder Stuart, also Gilbert, presumably led an honest if somewhat wheezy existence, and to the little cottage near by he brought his bride, Elizabeth Anthony, a bright and beautiful woman. Here Gilbert Stuart, the artist, was born, December 3, 1755. From his mother he gained the rudiments of an education, and from her he seems to have imbibed something even better than actual learning, an ardent desire and ambition to acquire knowledge.

The first glimpse that we have of Stuart away from the snuff grinding-mill, is in Newport, where he was studying Latin under the Reverend George Bissit, assistant minister of Trinity Church, and making sketches in charcoal or chalk on every fence, slab, or tail-board that came within reach of his eager, skilful little fingers. As there was not money in the family treasury to give the clever lad the art education that he longed for, he was fortunate in gaining the friendship and valuable counsel of a Scotch artist, Cosmo Alexander, who took Stuart to Scotland with him, where he studied some months in the University of Glasgow. His studies were, however, cut short by the death of his patron, and he returned home to paint some portraits, among others those of his uncle, Mr. Joseph Anthony, a prominent merchant of Philadelphia, and of other members of his family.



Robert Morris.
Owned by the great-grandson of Mr. Morris, Mr. C. F. M. Stark.

Having a great desire to study under his countryman, Benjamin West, Stuart again set sail for foreign shores, arriving in London in 1775. The story of the young artist's introduction to Benjamin West is pleasantly told by Miss Jane Stuart. Mr. West was entertaining some of his friends at dinner when a servant told him that some one wished to see him, whose name he did not know but who was from America. Mr. Joseph Wharton, of Philadelphia, one of the guests, offered to interview the stranger, who was described as a handsome young man in a fashionable green coat. This interview was a fortunate happening, as Mr. Wharton was a friend of young Stuart's uncle, Mr. Anthony. Thus introduced, Mr. West, who was the soul of kindness, warmly welcomed the young artist, and learning of his desire to study with him invited him to make his home in his own family. In this congenial and delightful entourage Stuart met all the prominent English artists of the day and was associated with John Trumbull, of Connecticut, who was also a student of Benjamin West. So rapid was the progress made by Stuart that he was soon able to establish himself in his own studio. West, with his characteristic generosity, said to him, after he had painted a full-length portrait of himself, "You have done well, Stuart, very well; now all you have to do is to go home and do better," which advice the young artist followed to the letter, and soon outstripped his teacher.

Having had men so distinguished among his sitters as Benjamin West and Sir Joshua Reynolds, Stuart soon became the fashion of the hour. Money rolled in upon him as he received a price for his portraits exceeded only by the sums paid to Sir Joshua and Gainsborough. It was said of him that in London the orders which came to him from distinguished men and women were more numerous than he could fill, and that at one time he limited his engagements to six sitters a day. Genial, witty, pleasure-loving, and with no idea of economy, all his industry and good-fortune failed to enable Stuart to keep pace with his extravagant expenditures. His house in London was upon a scale quite beyond his means. A curious story is related in connection with Stuart's dinners. He began by inviting forty-two guests to dine with him, poets, painters, authors, musicians, actors, the most interesting men of the London of his day. Finding these large dinners unsatisfactory he explained to his friend: "I can't have you all every day, but I will have seven of you to dine with me each day in the week, and I have contrived it so that the parties shall vary without further trouble. I have put up seven cloak pins in my hall, so as the first seven who come in may hang up their cloaks and hats; the eighth seeing the pins full will go away and will probably attend earlier the next day. . . ." The compact was understood without the trouble of naming or inviting. A different company appeared every day, and there were no jealousies about a preference being given to any one.

Finding it necessary to change his mode of living, and having a great desire to paint a portrait of Washington, Stuart came to America in 1792. He remained in New York for some months and evidently painted some portraits there. Then, in order to carry out his cherished desire, he removed to Philadelphia while Congress was in session in that city. Although we find no entries in regard to the President's sittings in his diaries and letters prior to 1796, Stuart's biographer, Mr. George Mason, fixes the date of his arrival in Philadelphia from that given in a letter written by Mrs. John Jay to her husband, in which she says, November 15, 1794: "In ten days he [Stuart] is to go to Philadelphia to take a likeness of the President."

In a note written by the President to the artist, dated Philadelphia, April 11, 1796, he says: "I am under promise to Mrs. Bingham to sit for you to-morrow." While in the Quaker City, Gilbert Stuart had his studio at the southeast corner of Fifth and Chestnut Streets. It was probably in this studio that Stuart's first portrait of Washington was painted, but whether this was the Vaughan portrait, or the full-length, called the Bingham portrait, now in the Academy of the Fine Arts in Philadelphia, is a question still discussed by experts.

Stuart, who like all great portrait-painters, was a reader of character, was so impressed by the personality of the President that he quite lost his self-possession and

Mrs. Thomas Lea.

much as he had desired to paint the portrait of the great man, it was not until after several meetings that he felt himself sufficiently at home with his sitter to do justice to his subject. Although Mr. Stuart had met the President at a reception in his own house and been accosted by him with the dignified urbanity natural to him, the artist declared that no human being had ever awakened in him the sentiment of reverence to such a degree. Those who knew Stuart well said that he had the power of dominating his sitters, and so agreeably that they were not aware of the fact. His readiness as a talker, his fund of humor and anecdote, high flow of animal spirits, and wonderful insight into character enabled him generally to get his subjects into exactly the unconscious expression of face and the pose which were natural to them. In this respect Washington baffled him, as he showed little or no disposition to relax his gravity of demeanor or to become sympathetic with the painter's conversation. When, however, Stuart adroitly turned the conversation to rural life, and especially to horses, the sitter's reserve vanished and he became interested, easy, and natural. During the sittings Stuart became more and more interested in his subject, and his admiration and respect increased day by day. In speaking of Washington afterward he said that his features were unlike those he had observed in any other human being, that the sockets of the eyes were larger, the upper part of the nose broader than he had ever before noticed, that all his features were indicative of the strongest and most ungovernable passions and that if he had been born in the forest, it is probable that he would have been the fiercest man among the savage tribes. An anecdote illustrative of this observation has come to us from Miss Stuart, who said that her father remarked one day to General Harry Lee that Washington had a tremendous temper, but held it under wonderful control. A few days afterward Lee, while breakfasting with the President, said: "I saw your portrait the other day, but Stuart says you have a tremendous temper." "Upon my word," observed Mrs. Washington, coloring, "Mr. Stuart takes a great deal upon himself to make such a remark." "But stay, my dear lady," said General Lee, "he added that the President had it under wonderful control." Then, with something like a smile, Washington remarked: "He is right."

The Marchioness de Casa Yrujo.
Owned by the McKean family of Philadelphia.

Miss Stuart said that while her father was painting in Philadelphia, his studio was frequented by the most distinguished and interesting persons of the day. Louis Philippe d'Orleans, Counsellor Dunn (an Irish barrister), and the Viscount de Noailles were particularly fond of Stuart's society and were daily visitors. Here also came the British minister, Sir Robert Liston, and his wife, of both of whom Stuart painted portraits. The Listons, while in Philadelphia, lived on Arch Street, then a fashionable quarter of the city. Bishop White, in his sympathetic picture of the farewell dinner given to the retiring President, said that Lady Liston shed tears when Washington lifted his glass, saying: "This is the last time I shall drink your health as a public man."

Another of Stuart's sitters, whose tears seemed to add to her charm, was Mrs. Joseph Hopkinson, of whom Tom Moore wrote, when his sympathetic rendering of one of his Irish melodies brought tears to her eyes:

> "Like eyes he had loved was her eloquent eye,
> Like them did it soften and weep at his song."

Stuart also painted a portrait of Judge

Hopkinson, the author of "Hail, Columbia," as a pendant to that of his beautiful wife.

The Chestnut Street studio was soon so overrun by callers that the artist decided to establish himself in Germantown in order to secure quiet and freedom from interruption. In a house at 5140 Main Street, Stuart seems to have lived more or less continuously for three years. A two-story building at the rear of the house, originally a barn, the artist fitted up for a studio, having the interior lathed and plastered and the outside painted red. This house was surmounted by a big weather-vane in the form of an Indian with an extended bow and arrow. Until it was destroyed by fire, over fifty years ago, the interior walls bore marks of the painter's brush, which he had made in testing his colors upon their surface, or perhaps in cleaning his brushes. Quite near the old studio was an apple-tree, which was long preserved by the owner of the property, because Washington was wont to walk beneath its shade and eat the apples between sittings, for it was in this rustic studio, according to Miss Jane Stuart and Watson, the annalist, that Stuart painted the celebrated Athenæum portraits. The President and Mrs. Washington drove out to the Germantown studio, a drive of less than six miles from their residence on High Street, and according to Miss Stuart, Nellie Custis, Mrs. Law, and Miss Harriet Chew, afterward Mrs. Carroll, often accompanied Mrs. Washington, while General Knox, General Henry Lee, and other friends came to the studio with the President.

The Mrs. Law spoken of by Miss Stuart was Mrs. Washington's granddaughter, Eliza Parke Custis, who married Mr. Thomas Law. John Adams, seeing her in Philadelphia, wrote of her as a fine, blooming, rosy girl, who doubtless had more liberty and exercise than Nellie, who seems to have been always at her grandmother's side. Eliza Custis's portrait is one of the most beautiful that has come to us from the magic brush of Stuart. The story, related by one of her relatives, is that the young girl came in from a run in the garden, or perhaps an excursion to the famous apple-tree, and

Mrs. Joseph Hopkinson.

stood in the old barn studio watching the artist while he painted, her cheeks flushed with exercise, her beautiful arms crossed upon her breast; looking up suddenly from his work, Stuart smiled and said, "Just so I will paint you," and thus the lovely face and graceful figure of Eliza Custis has come down to us in the most natural unstudied attitude.

The Athenæum portraits of the President and Mrs. Washington were never really finished, and perhaps to this circumstance they owe some of their delicacy and charm. That of Washington the artist kept in his Germantown quarters, making and selling numerous copies from it, calling it his one-hundred-dollar bill, and whether with the desire of making money by it, or because he was attached to a work which was a true inspiration of genius, persistently excusing himself from giving it up, until Washington, realizing how much Stuart valued it, finally consented to accept a copy in place of the original.

Stuart painted a number of portraits in the Germantown studio, but the crowning glory of the place must ever be the characteristic and beautiful portrait of Washington, which, to use the words of Washington Allston, "is a noble personification of wisdom and goodness reposing in the majesty of a serene conscience."

Mrs. John Tayloe of the Octagon, Washington.

In 1803 Stuart removed to Georgetown, in order to paint portraits of Jefferson and Madison, and it was at this time that he painted those of the charming Dolly, and of her sister Anna Payne. While the latter was sitting for her portrait, she and the artist had animated discussions as to which feature of the face was the most expressive. Stuart gave his opinion in favor of the nose, and to prove his point presented to his sitter a canvas upon which his own profile, the long nose somewhat exaggerated, formed the background of her portrait, inquiring, with a smile, whether he had not proved that the nose was the most expressive feature of the face. Miss Payne was so much pleased to have the profile of her old friend, that she insisted upon keeping it as the background of her portrait, and so it has come down to us to-day.

Miss Payne married Richard D. Cutts, whose portrait was also painted by Stuart, as well as those of Colonel and Mrs. John Tayloe of the Octagon, Washington, Archbishop Carroll, John Randolph of Roanoke, and many more distinguished residents of the capital city, among them, David Montague Erskine, minister from Great Britain, with his charming wife, Frances Cadwalader of Philadelphia, and not the least decorative, the Spanish minister, the magnificent and gorgeously attired Marquis de Casa Yrujo, whose *beaux yeux* won the heart of Sally McKean, who, with her dark hair and eyes, as she looks out upon us from Stuart's portrait, seems more like a child of the South than her blond husband.

Artist and sitter have long since closed their eyes to the light of earth, but glowing canvases in galleries and homes, North and South, speak eloquently to the coming generations of the genius of the master and of the loveliness of many a fair ancestress of men and women of to-day.

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# Four Years After the War

BY ALEXANDER DANA NOYES

THE fourth anniversary of the ending of the war approaches under circumstances—so far as regards return to a normal political and economic position—whose influence on the public mind appears to be alternately that of creating extreme perplexity and of causing profound discouragment. Nearly as long a time has now elapsed since the armistice as was occupied by the period of warfare itself, yet the disorganization caused by the great conflict presents itself to the minds of many observers as having reached a stage of greater confusion than at any time since Germany laid down her arms.

**Disappointments of an Anniversary**

Possibly the events of the past few months have not produced the same sense of disappointed hopes as was caused by the situation of a year ago. The world had then hardly emerged from the period of mistaken inferences and premature hopefulness which had marked the first year of returning peace, when removal of earlier apprehensions of a general collapse of existing institutions had been followed by a twelvemonth's illusive commercial prosperity, due to over-expanded credit and to necessary purchase of goods to replenish exhausted stocks. To-day the more prevalent attitude may perhaps be described as one of cynicism over the prospect of any return to political or financial equilibrium.

TO this feeling the series of futile conferences by European governments, the increasing financial anarchy of Central Europe and the attitude of entire aloofness of the American foreign office toward the affairs of Europe, have been the main contributing influences. The fourth year of peace ends with all European paper currencies, excepting those of the neutral Switzerland, Scandinavia, and Holland at a discount from normal parity ranging from nearly 10 per cent in England to more than 99 per cent in Germany, Austria, and Poland.

**The Economic Horizon**

In England it finds unemployed labor, although much reduced from the percentage of nearly one-quarter of the trade-union membership, which it reached in the middle of 1921, nevertheless running as high as 15 per cent, as against an unemployed percentage of barely 1 per cent in the first half of 1920 and an average of less than 2 per cent in 1913. The economic condition of Central Europe, where governments have resorted, with complete disregard of consequences, to meeting the public deficit by printing of new and increasingly depreciated paper money, has reached a stage so utterly unfamiliar to the present generation that the inference has been drawn, even in many financial circles, that there can be no end of the resultant wild confusion, except economic collapse, political disintegration, or both.

While this was happening, the conflicting ideas and policies of the French and British Governments regarding Germany seemed at times to be straining the Anglo-French Entente. The United States, though remote from these immediate complications, had been confronted with a labor dispute so formidable that at one time even government officials talked privately of a possible stoppage of all manufacturing industry and of a "social revolution." The absence of clear ideas of the economic situation and of our own country's relation to it had been shown, first by enactment of the highest tariff schedules in our history, at the moment when we were pressing European governments to pay to our treasury the war debt, which could not be paid except with the help of shipments of merchandise such as the tariff bill was endeavoring to prohibit, and next by a vote in Congress (fortunately blocked by the presidential veto) for distributing some billions of dollars to the soldiers of the European war, at a moment when one of the most difficult debt-refunding operations in our history lay immediately before the treasury.

I HAVE purposely emphasized these discouraging aspects of the economic situation, in order that the offsetting considerations—if there are any—may be fairly balanced against them. In such a discussion it is always necessary first to keep carefully in mind the lapse of time which all past experience has proved indispensable to recovery from a great economic strain.

**Recovery after Other Great Reactions**

Even after one of those familiar financial and industrial crises, which recur in ordinary times at intervals of twenty years or so, and which result from over-expanded credit and production during times of peace, complete recuperation from the resultant industrial paralysis usually occupies at least half a dozen years. It was not until 1880 that the traces of the panic of 1873 had wholly disappeared. The wreckage of the panic of 1893 was not fully cleared away until 1900. When the great European war began in 1914 neither home nor foreign markets had entirely regained the ground lost in the economic reaction after 1907.

Yet these periods of forced readjustment were merely incidents of normal financial and industrial history. The lost ground which the economic world is nowadays laboring to recover was sacrificed under far more destructive influences. What we now have to make good again is the most prodigious waste of capital, between July, 1914, and November, 1918, which the world had ever seen; a wholly unexampled strain on public and private credit; diversion during four years from their normal channels of productive industry and international trade; and, along with this, such recourse to burdensome taxation and to paper money expedients as is quite without parallel in the history of the world.

WHEN, therefore, both political and economic unsettlement is seen today to be continuing—when the fourth year after the armistice and the second after the break-down of the machinery of overinflated credit have elapsed without evidence of return to normal activities in trade, finance, and industry—it may at least be said that we are only repeating history.

**A Situation Which Repeats History**

If recovery from the reaction following what we call the recurrent financial crises in time of peace has been thus delayed, it would hardly be reasonable to look for an earlier recovery when we have not only to retrace the steps taken in a period of overdone speculation and promotion, but to rebuild the structure of capital and credit torn down in the economic recklessness of a great war.

Four years after return of peace is a short space of time for that achievement. It was in 1869, almost exactly four years after the ending of the Civil War, that the utter disorganization of our paper currency received its most powerful demonstration in the long-remembered "Black Friday" panic, when the gold value of the American paper dollar fluctuated wildly in a single day between 75 and 60 cents, and when mercantile business came temporarily to a standstill. The president of the United States, in a formal message to Congress, had officially declared it to be "just and equitable" that interest payments on our war debt should be stopped and the amount previously devoted to that purpose be applied to reduction of the principal. In the same year the House of Representatives, by a large majority, had resolved that, notwithstanding the heavy depreciation of the outstanding paper currency, "the business interests of the country require an increase."

Financial and economic conditions in Europe during 1819, four years after the ending of the long French war, were in many respects more confused and chaotic than at any time since Waterloo. England tried to resume gold payments on her currency during that year, and failed; the achievement did not become possible until three years later. France had borrowed in the London market the funds to pay the war indemnity assessed against her; as a consequence, the value of all other French securities had collapsed. Continental Europe was confronted with grind-

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ing poverty; in particular, a decline of more than 75 per cent in the price of wheat had brought international commerce to a halt. For commercial England it was a year of bankruptcies; for industrial England a season of angry labor disputes with resultant paralysis of production; for political Europe a period of uprisings against established governments, which were believed at the time to threaten the stability of existing institutions.

NOW comparisons of this sort prove little except the fact that, in the world's experience of the longer past, recovery from the economic consequences of a great war has occupied a considerably longer time than the four years which have elapsed since 1918, but that, notwithstanding such disappointment of financial hopes (for there were people then, as now, who would have had the economic *status quo* restored in a year or two), the process of recuperation was none the less going on steadily. In those two periods of recuperation after war, the reader of history will probably allot fifteen or twenty years before financial, commercial, and industrial conditions as they existed at return of peace had been readjusted to a normal footing. But the essential fact is that they were thus readjusted, and that the signs of returning prosperity invariably came into sight at a moment when there appeared to be the least hope for them. Whether that necessary interval of recuperation ought to be shorter now than in those earlier years, because of the greater power and facilities of accumulated capital, or longer because of the vastly more complicated machinery of production and credit which was deranged or shattered in the war, is another matter. It does not affect the question, how far the world at large has already actually proceeded during the four years since 1918 on the road to economic recovery.

**Present Conditions and the Past**

When we look for tangible evidence on this question, we are confronted at once by some curious anomalies. If by economic recovery we mean resumption of production and trade on the pre-war scale, great activity in finance and industry, full employment for labor, then Germany is the one European country which has made and is making the most rapid forward strides. England, France, and Italy, not to mention the so-called European neutrals and the United States, are admittedly in the grip of trade reaction. Even Great Britain's foreign trade stands far below the physical volume

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not only of 1913 and 1912, but of 1919 and 1920.

In a greater or less degree the Western states of Continental Europe have the same story to tell of hard times, reduced commercial activity and unemployment. But Germany is in a state of feverish industrial activity. Home demand for her manufactured products has been so great this season as to restrict the possibilities of export trade. Every one of its financial and commercial markets has been governed by excited speculation for the rise. Actual unemployment in midsummer was reported as only 35,000 out of the 6,000,000 total trades-union membership, a percentage amounting to less than $\frac{3}{5}$ of 1 per cent and well below the smallest percentage shown on the pre-war records. On its face, these comparisons might be taken to indicate a vastly better condition of economic affairs in Germany than in the rest of Europe. A few of the occasional American critics of the gold standard have seemed to draw such an inference.

**Readjustment as the Way to Recovery**

THE German markets themselves have not done so; their own view of their country's excessive activity in production, trade, and speculation being summarized in the term "catastrophe boom," habitually used in Germany to describe it. This is one recognition of the fact that economic recovery sometimes means something different from expanding trade and rising markets. It is nowadays clearly recognized that the whole world outside of Central Europe presented both those symptoms in varying degrees during the first year after the war, but that the result of the situation then created was the aggravating on a portentous scale of the dangerous and abnormal economic conditions which the war had brought about.

Return to a stable and normal economic position was recognized as wholly impossible until these demoralizing influences should be absolutely checked and steps taken on the path of credit and currency inflation should be retraced. In Western Europe the inevitable backward movement was begun systematically more than two years ago. At the low point of the present year the British war-time paper currency had been reduced from its high point of 1920 £80,700,000, or 22 per cent; the Italian paper currency 1,400,000,000 lire, or 9 per cent; while the French paper currency—notwithstanding the enormous expenses incurred through outlay on reparations for the

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devastated district, expenditure which has thus far not been counterbalanced at all by Germany's payments on reparations account—showed reduction of 4,400,000,000 francs, or 12½ per cent.

Great Britain has brought down the surplus of imports in its foreign trade from £259,000,000 in the first half of 1920 and £153,000,000 in the first half of 1921 to £79,800,000 in the same period of 1922; the French surplus of imports for the first half of 1922 was 1,300,000,000 francs, as against 13,900,000,000 in 1920. One result of these various changes, which have occurred along with large shipments of gold from Europe to the United States in 1921 and 1922, has been the advance in the New York valuation of the pound sterling from $3.18 in 1920 to $3.63 in the summer of 1921 to $4.51 in 1922; of the franc from 5¾ cents in 1920 and 7 cents in the autumn of 1921 to 9⅓ in 1922, and of the Italian lira from 3⅛ cents to 5½.

**Hardships of the Corrective Process**

BUT no such task of economic reconstruction can be achieved without financial and industrial hardship. The primarily corrective process is reduction of the abnormal prices, and, whether the doubling or trebling of prices and cost of living during the war and the two years after war was a consequence of inflated paper currencies or of inflated credit, the reverse process was bound to be equally painful to business enterprise. Reduction of 25 per cent, 50 per cent, or 75 per cent in prices of commodities may on such an occasion be indispensable to restoring of a normal economic position; it may be absolutely required to escape a public deficit such as cannot be met with taxes, to avert such a strain on capital and trade as would invite general insolvency, to put a stop to the social disintegration which would eventually result from the forcing of all fixed-income classes into hopeless poverty and from the placing of the speculator in control of a country's economic destinies.

Such reduction might still leave prices far above the pre-war level. Nevertheless, it would obviously impose great difficulties on the business community, which makes its plans not on the basis of the prices of 1914, but of those of the previous season. The manufacturer who has paid hugely inflated wages for his labor and hugely inflated prices for his materials, and who now must sell his goods on the much lower general market, is naturally confronted with heavy losses. The farmer who had rented his land at war prices, who had bought his seed and fer-

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tilizer on the same inflated basis, and who had gone to a bank to get the necessary capital, will be hard pressed when his grain and cotton can be marketed only for half the expected cash return. The merchant who had borrowed money to lay in his stock in trade with prices 100 per cent above the pre-war average, and who is able to sell such goods only at prices 50 per cent above that average, may have to ask the indulgence of his creditors.

In England, France, and the United States consensus of judgment at the end of the war was that, in the light of all past history and all common sense, severe economic reaction must be regarded as inevitable. When the contraction of trade and fall in prices which had been expected as an immediate sequel to the war failed to occur in 1919, but renewed inflation of credit and prices came instead of it, the question of deflation was not the less urgently discussed by serious financiers. The readjustment which came in 1920 and 1921 was proportionately more swift and violent because of the extravagant use of credit during 1919.

**The Case of Germany**

THAT readjustment was resented by the farmers and merchants who were hurt by it and who, in line with all precedent of such episodes, put the blame on the high money market, which was itself a result of the overstrain on credit. But the men of large experience and sober judgment, including in the end the whole financial and mercantile community, accepted the seemingly ruinous reaction as part of the unavoidable transition period between war inflation and return to a normal economic footing. It was not thus accepted in Germany. Whether Germany has only now arrived at the point in the country's post-war overinflation which the other great industrial states had reached in 1920, or whether the German banks and government have merely postponed the reckoning which should have come earlier, through adopting the policy of unlimited paper issues, the fact appears to be that the hour of compulsory readjustment is not now far off for that country also. Yet at the moment, issue of new paper currency to meet the public deficit has reached dimensions hitherto unimagined.

German prices have risen to 140 times what they were in 1914; they doubled in the month of August. But the "boom in trade" continued, with continuing inflation of credit—as it did in spite of the 7 per cent money rate at New York in 1920. It was not checked by the rise in the German Reichsbank's rate in the middle of September to 8 per cent, a higher

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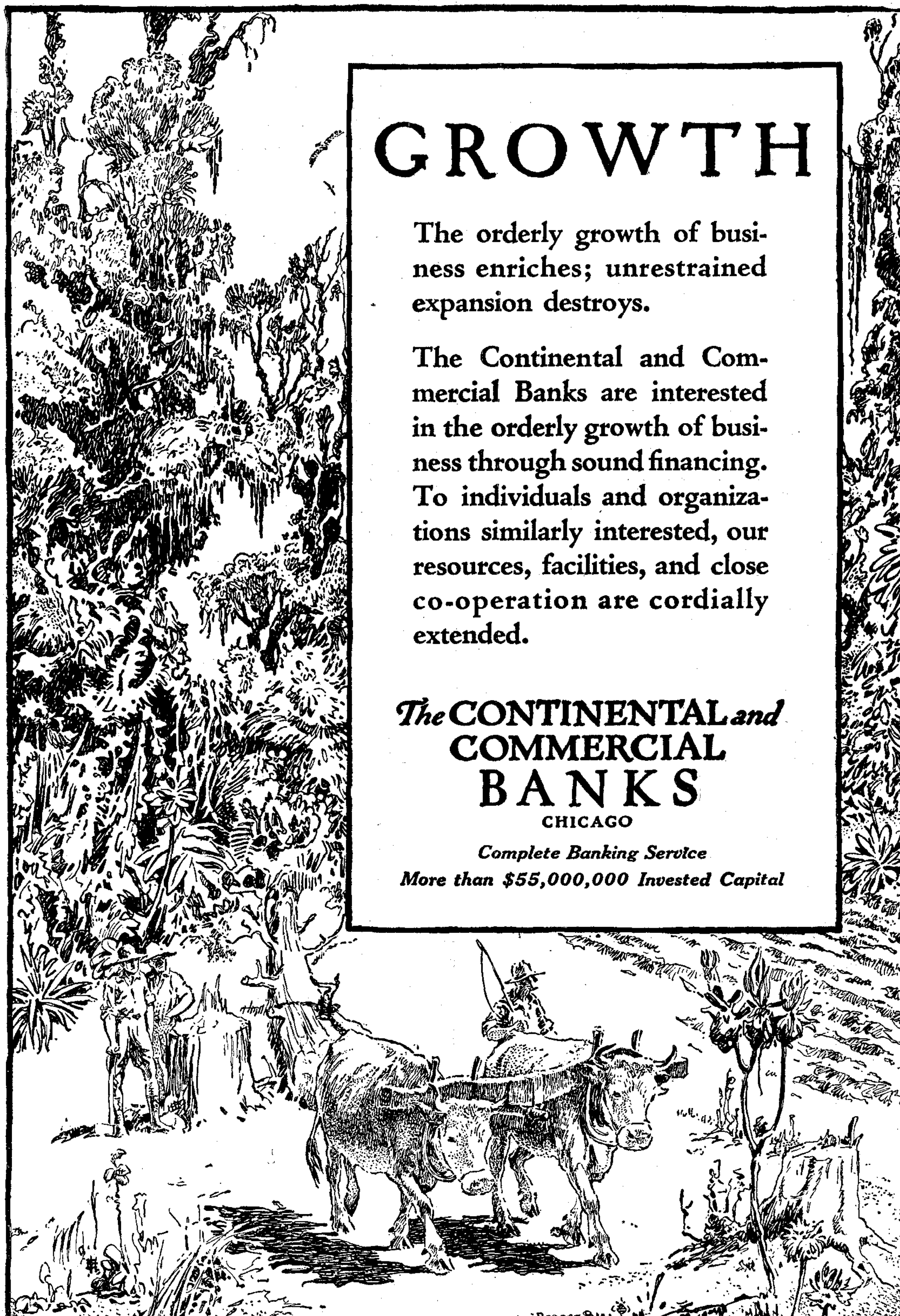
GROWTH
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The Continental and Commercial Banks are interested in the orderly growth of business through sound financing. To individuals and organizations similarly interested, our resources, facilities, and close co-operation are cordially extended.
The CONTINENTAL and COMMERCIAL BANKS
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figure than had ever before been reached in the institution's history. Indeed, the rise of prices, the tightening of money rates, and the restrictions placed on credit had the result of an overwhelming demand for more and more paper money, which actually forced the Reichsbank at the end of summer to double the physical facilities of its paper money printing bureau.

Taken together with the position of affairs in the United States, which continues to accumulate in its own hands the gold reserve of the entire world but whose own industrial activities are reviving only slowly, these divergent aspects of the European situation draw a perplexing picture. If this is the economic condition four years after the armistice, what do the symptoms indicate as the probable condition one year, two years, half a dozen years later?

In the case of England, France, Belgium, Italy, and measurably in that of the so-called neutral countries, the existing position of things indicates clearly enough the prospect for a long and arduous road to economic recovery. After the fall in prices and contraction of overinflated credit, a period of industrial exhaustion necessarily followed. Compulsory readjustment of this sort—"liquidation," Wall Street calls it—brings a community, even in the sequel to an ordinary financial panic, into the chapter of economic experience which tradition always remembers as the hard times. How long that economic chapter will continue has always depended on the particular circumstances of the day.

**When Recovery Came in the Past**

SOMETIMES other countries, which had either escaped the financial reaction or had got on their financial feet again earlier than others, became large purchasers of goods and securities in the markets whose industrial life had seemed to be paralyzed. Sometimes an incident unconnected with the immediate problems of the day—introduction of railways after the panic of 1825, discoveries of rich gold fields after the panic of 1847 in Europe and of 1893 in the United States—caused world-wide recovery of prices. But there have been other periods of industrial depression in the wake of a financial crisis when, as in the aftermath of 1837 and 1873, commercial activities seemed for a series of years to get no further than providing for the immediate requirements of a world with greatly reduced consuming power.

All such hard times were marked, as the past year has been marked in Europe and the world at large, and as the next year is likely enough

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:o be, by labor troubles, vagaries of economic deas, and political unrest. For a considerable :ime all countries appeared to be in the same predicament; but it was invariably found in :he end that the qualities which had given industrial leadership to one or another community were greatly emphasized by pressure of necessity. Invention of new industrial processes, discovery and development of new markets, increased efficiency of labor, would then mark the path of recovery. England has always made her way out of a period of hard times through intensive work in promoting her export trade while holding fast to the principles of sound finance.

We shall probably discover before many years, and in spite of the heavy handicap imposed on foreign commerce by the breakdown of Russia and Central Europe and the reaction in Asia and South America, that the ground-work of robust revival in British foreign trade had been laid down while times were seemingly most unpropitious. In the same gradual manner England's resolute shipment of gold to reduce the country's foreign debt, rejection of all currency nostrums urged as substitutes for return to gold payments at par, and acceptance of the task of paying cash on her war-time obligations to our treasury, are gradually bringing back to London the financial prestige which it lost in the shock of war. France has always emerged from an era of depression through the thrift, energy, and accumulation of capital by her small producers.

**England, France, and Central Europe**

THE problem of German industrial reconstruction is largely bound up with the problem of reparations payments, which has itself been made for the time insoluble by the depreciation of the German currency almost to the point of worthlessness. There would appear to be no recourse left, in the present condition of affairs, except the virtual cancelling of this huge mass of irredeemable paper whose ultimate redemption, even by such contrivances as "revaluation" or "devaluation," is an impossibility. How such cancellation could be effected, when the present-day paper inflation is not effected by direct fiat-money issues of the state itself, but by circulating notes of the state bank, may seem to be a difficult question.

But the modus operandi is in principle evident enough. As with most other European countries, Germany's inflated paper currency is issued by the state bank on the basis of government borrowings from the institutions.

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ıe 4,000,000,000 francs reduction of the :ench paper currency has been effected rough floating popular loans, with the pro-eds of which the debt to the bank is taken › and an equivalent sum in paper currency ncelled. Germany has apparently passed e point at which that kind of gradual and derly reduction of the currency is possible. ıt there remains the kind of expedient adopt- when the old French assignats were can-lled. That paper was repudiated, but it was ade receivable at a purely nominal valuation, r subscriptions to a public loan.

T would at least be possible, when some such treatment of the currency shall have become ıavoidable, for the German government to go rough the form of a similar conversion; to quire possession of the bank-notes at a valuation proportioned to their intrinsic worthlessness, and to use them for paying off its debt of the government to the bank—an indebtedness ıich, in the form of Treasury bills, amounted st month to 288,654,000,000 marks, as ainst the outstanding 290,678,000,000 marks Reichsbank paper circulation. At a time ıen German trade is clamoring for more paper oney because the present supply is inade-ıate for the needs of trade, this might seem to a paradoxical recourse. But the German rrency's loss of nearly all value as a medium exchange is already driving Germany, as it ove France in the assignat experiment, to re-rt to foreign currencies as a means of con-ıcting domestic trade.

**oblem of ermany's ırrency**

The point was reached in the progress of the ench revolutionary paper toward acknowl-ged worthlessness, in the rise of prices, mea-red in such currency, to figures which were nply absurd, at which men who had food or erchandise for sale refused to part with it in change for the paper notes. When that atti-de had become general, foreign purchasers me into the market offering actual foreign oney for French merchandise. By degrees e sellers got in the way of quoting prices in ch foreign coins; the people had repudiated e paper currency before the government had ne so. Something with a curious resem-ınce to this incident in the French experi-ent of a century and a quarter ago is already ppening in Germany, where even at the great ipzig Fair of the present autumn the one pic of discussion was the insistence of dealers valuing their goods in dollars, Swiss francs, pounds sterling; sometimes demanding ac-al payment in such currencies, sometimes

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accepting German marks, but only at the prevailing rate of exchange for the price as fixed in foreign money.

When the French assignats of 1797 were repudiated as currency, two distinct types of money and two distinct sets of values for the same commodities were already in common use. The transition from one to the other appears to have occurred with no great shock, and an actual circulating medium of real intrinsic value was at hand for substitution. The problem would by no means be so simple in the complex machinery of debit and credit, long-term borrowings by governments and corporations and investment of private capital in such long-term obligations. It would involve sweeping readjustment of capital valuations; possibly it would necessitate revaluation of the principal of long-term loans according as the contract for them had been undertaken in 1922, or 1921, or 1918, or before the war. But it is not easy to discover any other ultimate alternative to something of the financial chaos which prevails in Russia, whose government has officially declared the gold ruble's value to be 1,200,000 paper rubles, and whose finance administration no longer prints currency in small denominations because the cost of printing it would now be greater than the value of the notes.

**Immediate Problems to be Solved**

THE recital of these various facts in Europe's economic situation, four years after the armistice, may seem to embody a counsel of discouragement and despondency. Nevertheless, all experience in the world's past chapters of financial reaction, especially after the inflation and economic exhaustion of a great war, goes to prove that recovery of a permanent sort cannot reasonably be looked for until all of the unfavorable symptoms are in such plain sight as to indicate the necessary remedy. There are four main problems on whose solution, if we may judge from the drift of events in the past few months, the fifth year after the armistice will have to throw some light. These problems are the disposition of Central Europe's depreciated paper money, the fixing of the German reparations payments on a basis which will admit of practicable settlement between Germany and the Entente States, the reaching of at least a tentative common understanding over the inter-governmental debts of the Allies, and the attitude of the United States toward the economic situation as a whole.

For no one of these questions is the solution in sight to-day; the main fact of reassurance is

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the rapidly growing conviction that they must be solved; that the era in which they can be allowed to drift without the financial community's disturbing its mind over them is, at any rate, definitely past. It is perfectly safe to say that, by virtue of necessity, we shall have much clearer knowledge twelve months from now, as to the probable outcome of all these uncertain elements in the economic situation, than we have to-day.

**Attitude of the United States**

THE attitude of the United States is in some respects the focus of the whole economic problem. The United States occupies to-day, in relation to the other belligerents of the Great War, the position which England occupied toward her allies after the war of a century ago. If the gold of the outside world did not accumulate in England after 1815 as it has accumulated since 1918 in the United States, at all events London was the reservoir of capital to which the rest of the financial world had to apply. England passed on that occasion through the successive stages of overextension of long-dated credit to the rest of Europe, of overspeculation and forced contraction, of protective tariffs followed in due course by unfettered international trade, and eventually of redistribution of her capital and gold resources to the rest of the world on the basis of conservative investment.

In line with the logic of the world's economic condition, the United States has taken the first of these steps, and in course of time it will have to consider the taking of the rest. The heaping up of superfluous gold in our Federal Reserve, drawn from almost every country in the outside world, is evidence that the United States has not yet begun to perform its perfectly inevitable function in economic reconstruction, a delay which might be reasonably enough explained by the delay of the greater number of foreign nations in putting their own houses in order. It can hardly be more than postponement; but the question, precisely how the redistribution of capital and gold from America to the rest of the world will be effected, is in some respects the most obscure of all present-day economic uncertainties.

ENGLAND, after the war of a century ago, needed raw material of manufacture, which she did not produce, but which the outside world could send to her. A little later England needed food products from the outside world for her rapidly increasing industrial community. Other countries paid their current indebtedness to England by shipments of such products. The United States of to-day is itself the greatest of all producers and exporters of food and of raw material of manufacture.

**Readjustment 100 Years Ago and Now**

Whereas England's paramount economic position of the nineteenth century was built up on the policy of free trade, whereby other countries paid their accruing debt to her in goods, the United States Congress has just enacted a schedule of greatly increased import tariffs whose purpose appears to be to obstruct such payment. Whereas the foreign trade of Great Britain as the creditor nation came to be distinguished, notwithstanding the rapid expansion of its exports, by a steadily increasing surplus of imports over exports, the recent decrease in the American export surplus (which is still fifteen to twenty million dollars per month above the pre-war figures) is commonly discussed as an economic handicap which must be reversed by legislation. We shall have to learn from future experience how these anomalies of the situation will adjust themselves.



# INFORMATIVE FINANCIAL LITERATURE [ SENT WITHOUT COST ]

Following are announcements of current booklets and circulars issued by financial institutions, which may be obtained **without cost** on request addressed to the issuing banker. Investors are asked to mention SCRIBNER'S MAGAZINE when writing for literature.

## INVESTMENT BOOKLETS AND CIRCULARS

The Bankers Trust Company of New York is issuing periodically an Investment Letter with an informing review of the investment situation, which will be sent to investors on request.

"The Original System of Forecasting from Economic Cycles," a most interesting and attractive booklet describing the particular service given by The Brookmire Economic Service, 25 West 45th Street, New York City. A copy may be obtained by writing direct to this company.

"Bonds as Safe as Our Cities" and "Municipal Bonds Defined" are two booklets published by the William R. Compton Company, St. Louis, New York, Chicago, Cincinnati, and New Orleans. Both booklets describe the various kinds of municipal bonds and the safeguards surrounding them.

The Equitable Trust Company of New York has published a treatise, "Currency Inflation and Public Debts," written by Professor R. A. Seligman, of Columbia University, with a preface by Alvin W. Krech, President of the Equitable. The publication is of special interest to bankers, importers, and exporters, legislators and statesmen.

Write H. H. Franklin Manufacturing Company for details concerning new $1000 air-cooled, four-cylinder Franklin Car and booklet of interest to investors.

"Bonds—Questions Answered, Terms Defined," and "A Sure Road to Financial Independence," are two excellent booklets issued by Halsey, Stuart & Company, 14 Wall Street, New York City.

"The Giant Energy—Electricity." A booklet which shows the attractiveness of carefully selected public-utility bonds, and deals largely with the wonderful growth in the electric light and power business. Published by The National City Company, National City Bank Building, New York.

A folder listing the current investment recommendations of The National City Company, 55 Wall Street, New York, is available for investors about the first of each month.

Partial Payments as applied to investment, and a specific monthly payment plan, are discussed briefly in "Circular A," a booklet sent on request by Peabody, Houghteling & Co., 10 South La Salle Street, Chicago, and 366 Madison Avenue, New York.

Stacy and Braun, 14 Wall Street, New York City, have just published "A Quick-Reckoning Income Tax Table, Revised for 1922," showing the exemption value of municipal bonds which are free from all Federal income taxes as compared with investment subjects to these same taxes. Copies may be had upon request.

"How to Figure the Income Basis on Bonds," a non-technical discussion of this important subject which investors may have simply by writing to Wells-Dickey Company, Minneapolis.

## REAL ESTATE AND FARM MORTGAGE BOOKLETS

"Idaho Farm Mortgages," a booklet prepared by Edgerton Fabrick Company, Pocatella, Idaho, describes features offering investors an opportunity to earn 7 and 8% with safety.

"How to Select Safe Bonds" explains the security back of Real Estate Securities. Write George M. Forman & Company, 105 C West Monroe Street, Chicago.

Greenebaum Sons Investment Company, La Salle and Madison Streets, Chicago, will send on request their Investors' Guide, which explains how to invest savings at highest interest rates consistent with safety.

"The South Today," a booklet describing investment opportunities in first-mortgage bonds on Southern real estate, has recently been issued by G. L. Miller & Company of Atlanta, Georgia.

The Mortgage and Securities Company of New Orleans, Louisiana, specializing in Southern investments, have published a booklet, "Farm Mortgage Bonds of the South," setting forth the attractive features of Southern securities of this type. They have also published two additional booklets, "Southern Real Estate Bonds" and "Southern Industrial Bonds." Write for copies of these booklets.

"A Guaranteed Income" is a booklet for investors in real-estate bonds, describing the added protection of a guarantee against loss. Write the Prudence Company, Incorporated, 31 Nassau Street, New York City.

"The Investor's Safeguard"—a monthly magazine which points out the factors that make the National Capital one of the strongest investment centers in the world. For copies write The F. H. Smith Company, 1414 I Street, N. W., Washington, D. C.

"Common Sense in Investing Money" is a comprehensive booklet published by S. W. Straus and Company, Fifth Avenue at 46th Street, New York, outlining the principles of safe investment and describing how the Straus Plan safeguards the various issues of first-mortgage bonds offered by this house.

We are pleased to call attention to the advertisement of The Title Guaranty & Trust Company. Its record for thirty-eight years should inspire confidence. Write for particulars.

# Investor's Service Bureau

*Excerpts from Questions and Answers*

Upon request this Bureau of *Scribner's Magazine,* which is maintained for the service of subscribers, will furnish information *concerning investments.*

*Q.* I am interested in Erie R. R. Common and California Petroleum Common. At present prices would you say each of these is a security with a speculative possibility, due to increased market prices and hope of dividends, or can they be considered as safe securities for investment?

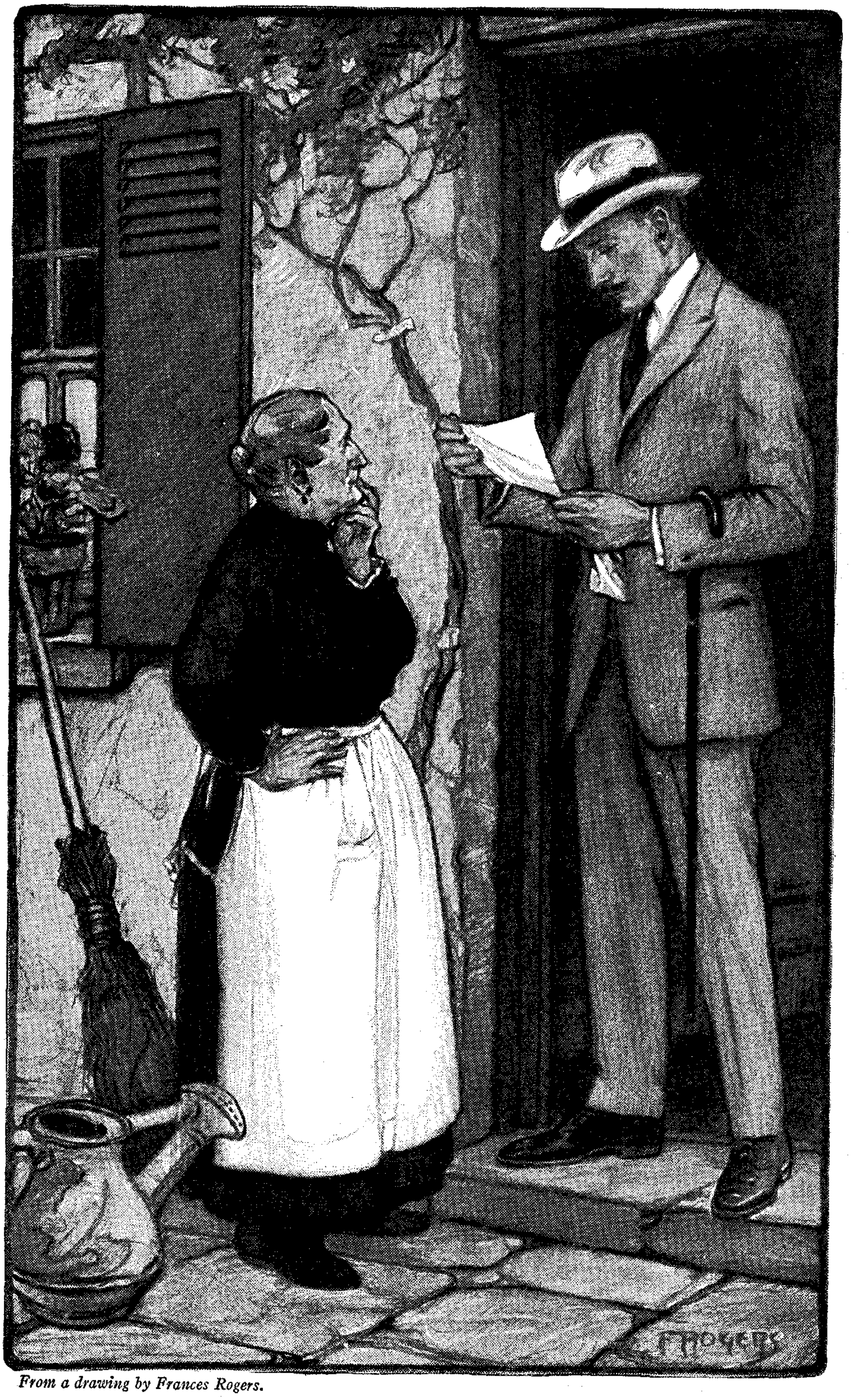
*A.* We acknowledge receipt of your letter of recent date, requesting our opinion regarding the speculative possibilities of the following stocks: Erie Railroad, Common, and California Petroleum, Common. It is contrary to the established policy of this organization to furnish information bearing upon speculation. In fact, information of this character, even though obtained through the best sources available, is unreliable, and at the best, purely guesswork. We are very glad to furnish you with pertinent information regarding the companies in question, which will aid you in formulating an opinion. The following paragraphs contain pertinent statistical data bearing upon the financial status of the companies in question. *California Petroleum Corporation:* funded debt, none. Capital stock, preferred and participating, 7% cum. authorized, $17,500,000; outstanding, $10,739,526. Common ($100), authorized, $17,500,000; outstanding, $14,877,005. High and low prices of stock (N. Y. Stock Exchange), year 1921: preferred, high, 88; low, 68½, common, high, 50⅝; low, 25. Year 1920: preferred, high, 75½; low, 67. Common, high, 46; low, 15⅜. Year 1919: preferred, high, 86⅝; low, 64⅛; common, high, 56⅞; low, 20⅜. Dividends; present rate: preferred, 7% per annum, payable quarterly, Jan. 1, etc. Common, none. Comparative Income Account for quarters ended March 31: gross earnings, 1922, $2,017,385; 1921, $1,872,896. Net earnings, 1922, $1,097,208; 1921, $1,186,134. Net income, 1922, $571,570; 1921, $736,772; surplus for quarter, 1922, $337,735; 1921, $507,801. This stock is directly responsive in price to fluctuations in earnings and is to be regarded as in a speculative position. *Erie Railroad Company:* funded debt, outstanding, total bonds and notes, $208,704,850. Total equipment obligations, $14,526,300. Total bonds of leased lines on which Erie pays int., $25,555,400. Total bonds of controlled roads, $1,225,000. Total bonds other leased lines, $3,767,000. Total, $253,778,550. Capital stock, first preferred 4% N. C., authorized, $48,000,000; outstanding, $47,904,400. Second preferred, 4% N. C., authorized, $16,000,000; outstanding, $16,000,000. Common, $100; authorized, $153,000,000. Outstanding, $112,481,900. *Dividends;* present rate: No dividends are being paid on any class of stock. Estimated annual earnings of capitalization (year ending Dec. 31, 1922). On estimated property value of $390,000,000, 4.04%. On preferred stock, 15.43%. On second preferred stock, 34.21%. On common stock, 4.29%. These shares are clearly in the speculative class.

*Q.* Several weeks ago I consulted you relative to investing in a high-grade, long-term bond, and you suggested Baldwin Locomotive 5's and National Tube 5's as gilt edge. I bought a National Tube, at 99½. Now I am going to take the liberty of imposing on your good nature a second time. I wish to purchase another high-grade bond, and have thought of Public Service Corporation of New Jersey 5's, 1959; Newark, N. J., Gas 5's, about 1948, and Niagara Falls Power 5's, about 1950. I really know nothing about any of these, and so wish your opinion. I do not care for any more railway or steel bonds, of which I already have several, and place safety of principal and interest ahead of a slightly higher current yield. I am informed that Niagara Falls 5's, 1932, are gilt edge, but wish something with longer time to run. Can you suggest something better than the above?

*A.* This acknowledges receipt of your valued favor of recent date, requesting our opinion of the following issues: Public Service Corp. of N. J. Gold 5's, 1959; Newark Consolidated Gas. Co. Gold 5's, 1949; Niagara Falls Power Co., Gold 6's, 1950. We believe you are mistaken regarding the interest rate of the Niagara Falls issue. The only issue of this company due in 1950 is an issue of 1st and consolidation mtge. 6's. The investment ratings of these issues are, respectively: 1. The General Mtge. bonds of the Public Service Corporation, which are secured upon its entire property, leaseholds, etc., and further secured by deposit with Trustee of various bonds and stocks of subsidiary companies, are protected by a wide margin of safety in earnings, and there also appears to be considerable equity back of them. A good rating is justified. 2. This issue of bonds, which is secured by a first mortgage on the Company's property, with the exception of that covered by Newark Gas Co. mtge., is to be given a good rating. The company owns all the gas plants of Newark, Orange, Summit, and various adjoining towns, and is controlled by the Public Service Corp., under lease which provides for the interest on the bonds. 3. Although subject to a considerable amount of prior liens, this issue should be given a strong investment rating, as the history of earnings shows a wide margin of safety. We recommend the following long-term bonds: New England Tel. & Tel. Co., 1st 5's, due 1952; Tri-State Tel. & Tel. Co., 1st & ref. 5½'s; Columbus Ry. Pr. Lt. Co. (Ohio), 1st & ref. 5's, due 1940, and Southern Cal. Edison Co., gen. & ref. 6's, due 1944.

*Q.* What industrial or public service bonds do you recommend for the small investor seeking safety? What issues are there of the American Telephone and Telegraph Company (or subsidiaries) or bonds of equally high grade?

*A.* This acknowledges receipt of your letter of recent date, requesting our suggestions regarding desirable industrial and public utility bonds for the small investor seeking safety of principal. We are listing below a number of industrial and public utility issues which we consider desirable. In addition, we are tabulating the various subsidiary issues of the American Tel. & Tel. Co., all of which we regard as desirable investments. *Industrial:* Baldwin Locomotive Works, 1st 5's, 1949. Corn Products Ref. Co., 1st mtge. 5's, 1934. Bethlehem Steel Co., Purchase Money 6's, 1948. *Long Term:* Indiana Steel Co., 1st 5's, 1952. National Tube Co., 1st 5's, 1952. Columbus Ry. Pr. & Lt. Co. 1st. & Ref. 5's, 1940. Union Electric Lt. & Pr. Co. Ref. 5's, 1933. Adirondack Power & Lt. Co., 1st & Ref. 6's, 1950. Penn Public Service Corp., 1st & Ref. 6's, 1947. Toledo Edison Co., 1st 7's, 1941. Duquesne Light Co., 7½'s, 1936. *Subsidiary* issues of American Tel. & Tel. Co.: Seven-year convertible gold 6's, due August 1, 1925. Collateral Trust Gold 4's, due July 1, 1929; Convertible Gold 4's, due March 1, 1936; 20-year Convertible 4½%, due March 1, 1933; 30-year Collateral Trust Gold 5's, due December 1, 1946; 5-year 6% notes, due February 1, 1924; 3-year 6% notes, due October 1, 1922.




*From a drawing by Frances Rogers.*

IT WAS DATED DEAUVILLE, AND WAS NOT, AS HE HAD FEARED, FROM HIS SON.

"A Son at the Front," page 646.