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THE CURRENCY FAMINE OF 1893

by John DeWitt Warner

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"The experience of August-September, 1893, was unique. There were no gradually developed plans for mutual assistance. Mutual helpfulness there was in plenty between individuals and localities; but it was in prompt response to sudden appeals and before any general system could be devised, the occasion for it was over. Financial clouds had long been lowering; but it was within a single month that currency famine became general, its worst effects felt, such relief extended as was had, and the crisis was over, with a tendency toward a glut of circulating medium. In other cases nations or communities had simply found themselves thrown upon their own resources. Our people found themselves not merely drained of currency but forbidden by most carefully drawn statutes to utilize the expedients which would have been most natural and most effective. No civilized nation has ever experienced such a currency famine. None has ever found itself so fettered by positive law in its efforts to rescue itself. None ever so promptly rose to the emergency. Never was there so prompt a return to normal conditions.

John DeWitt Warner

With its examples of clearing house certificates and goods warrants it has been reproduced in PP 350-354, on microfiche only. I will not bother to scan the illustrations for this edition, since they would cost too much in memory and would be too laborious for me.

John Zube, 22.11.01.

Contents

CIRCUMSTANCES THAT PRECEDED THE CRISIS	65
General Conditions	65
The Sherman Act	66
Hoarding of Gold in the United States	66
Treasury Expedients	67
THE CURRENCY FAMINE	67
Failure of the National Bank Currency System	68
Emergency Currency	69
Clearing House Certificates	70
"Clearing House Certificates"	71
Certified Checks	71
Miscellaneous Expedients	71
The Course' of National Bank Currency	71
Results	73
HOW RELIEF CAME	73

(Page numbers are Peace Plan Page numbers)

CIRCUMSTANCES THAT PRECEDED THE CRISIS

General Conditions

The circumstances that preceded the currency famine of 1893 are as yet too recent to be free from controversy as to their causes and consequences. In a genera way however, the situation has already become historic, so that somewhat of an apparently significant succession of facts may properly be noted.

For the ten years preceding 1890, though local disturbances had not been lacking, the commercial, manufacturing and agricultural world as a whole had been enjoying steady prosperity; until the accumulation of raw materials and manufactures was greater than ever before in the world's history; and ten years of prosperity had made general throughout the world that state of mind which prompts borrowers to new enterprises and induces lenders freely to extend credits.

{Peace Plans Page 66} From the beginning of the year 1890, however, growing caution and watchfulness seemed as general as theretofore had been confidence approaching carelessness. The first symptom was generally an attempt to dispose of surplus stocks even at a sacrifice. This brought about a shrinkage of values, which, in its turn, lessened margins and increased the apprehensions of creditors.

On this side of the water a suggestion of the situation is found in the foreclosure during the first six months of 1890 of no less than twenty-one railroad companies, with an aggregate of

stock and bonds of \$ 92,000,000; while the collapse of the Barings in England, during the autumn of 1890, called attention to the shrinkage in colonial and South American securities, and to the precarious standing of world famous houses.

The Sherman Act

It was just at this time, too, that the agitation for cheap money reached its highest tide in Congress and the Sherman Act became a law. By this, instead of coinage at \$ 2,000,000 per month, bullion certificates at the rate of \$ 4,500,000 per month were added to our currency, already out of all proportion to the commercial wants of our people; while free coinage - that is, forced coinage of silver at a par of 16 to 1 of gold - was pressed on every hand, largely by those who confessed their aim to be partial repudiation.

It may be questioned how far this last factor contributed to the gravity of the situation here; there can be no doubt that it increased it. For, just at this time, creditor Europe was forced by her necessities to return in large measure our securities which she had theretofore eagerly taken, and we were thrown more and more upon our own resources for capital wherewith to develop our country. To the flood of our own obligations, thus thrust upon us, were now added those of holders who had become apprehensive of American good faith and who hastened to realize, even at a sacrifice before they should be made worse off by the repudiation which some of them thought close at hand..

Again, to the sentimental factors noted there was now added what might almost be termed a physical force, tending to drive gold out of the country, and, through our currency system draining the treasury as well. Just how much currency the business of a country will absorb at any given moment, it is hard to say; but it is nevertheless certain that when the channels of finance are full, additions will cause them to overflow, and that the overflow will be of that portion which is acceptable elsewhere. As is pretty generally agreed; the growing dullness of business had left our currency superabundant as far back as in 1890; while in that year the rate at which depreciated silver was poured into it was increased from \$24,000,000 a year to more than double that rate. The effect was as though water were poured into a measure already filled with oil. The Sherman notes, whose circulation was bounded by national lines, went to the bottom of the measure - that is stayed in this country; the gold, free to move - that is, current everywhere - overflowed to foreign countries.

Another effect now began to be prominent. To a small extent our holders of mortgages (which in this country are usually for short terms; even though intended as permanent investments) promptly secured themselves by requiring renewals under contracts payable in gold; but many lenders - to some extent from individual hesitancy in exacting unusual terms of borrowers, and to some extent from apprehension lest the legislation threatened in many States against such discrimination might prove valid - refused to make or renew time loans thus forcing a stagnation of enterprise in many directions and in many others a realization of assets under unfavorable circumstances.

Hoarding of Gold in United States

Concurrent with this was developed a disposition to hoard gold and to discriminate in its favor by withholding it from payments. That this was markedly true in 1893 is universally understood. It seems to have been forgotten in many quarters how much earlier than that year this practice became general; though an inspection of the treasury accounts shows that in September 1890, the first month after the {Peace Plans Page 67} passage of the Sherman Act, the Treasury

lost \$ 38, 060, 000 of its old reserve.

June 30, 1890, the net treasury assets were \$ 25, 893, 000, of which 190, 232, 000 was in old and gold bullion. A year later similar assets were 176, 459, 000, of which \$ 117, 667, 000 was in gold and gold bullion - the "free gold", that is the amount above the \$ 100, 000, 000 reserve for greenback redemption, having been reduced during the year from \$ 90, 232, 000 to \$ 17, 667, 000.

Recalling that the customs receipts are the principal streams which feed the Treasury, we can investigate one step further. In June 1890, above ninety per cent, of our customs receipts were in gold, The proportion of gold steadily declined thereafter until in June, 1891, but twelve per cent. of the customs receipts were in gold.

The circle of investigation is complete for the period. The Treasury was diluting the currency by silver inflation at the rate of \$ 4, 500, 000 each month and at the same time it was rapidly losing power to maintain its parity in gold; while the selection by which gold was retained and silver used for payments to government indicated that gold was being hoarded outside.

Treasury Expedients

The National Administration, though doing nothing to avert the crisis, was sensible of its approach. In the spring of 1891 the Treasury, by refusing to furnish gold bars, of which it had plenty, practically charged gold exporters one-tenth per cent. premium; at which price during that year they took above \$ 30, 400, 000; and during the summer of 1891 the Government attempted to gain gold by selling legal tender Western exchange at a price sixty cents per \$ 1, 000 less than the normal rates, on condition of being paid in gold, some \$ 12, 000, 000 of which was promptly thus secured.

Finally, to accelerate the rate at which we were moving toward disaster, the joint effect of the tariff revision of 1890 and the liberal appropriations of the fifty-second Congress, had been to turn the late annual surplus, averaging \$ 110,000,000 per annum for the years 1888 - 1890, into a deficit which for the year beginning July 1, 1893, amounted to more than \$ 69,000,000; so that a constantly weaker Treasury faced a steadily increasing responsibility. The time thus rapidly approached when the sole resource to maintain our currency upon a natural basis would be the steadily diminishing gold receipts of the Treasury; which, so far as concerned customs revenues, had shrunken to less than four per cent, in September 1892, and never again rose above ten per cent, until in the currency famine of 1893 the hoarded gold coin was forced from the bank vaults.

Such was the course along which the Treasury, steadily drifted for years, until in February, 1893, the outgoing Administration by private appeal to its friends secured some \$ 6,500 000 of gold from New York bankers, just in time to enable it, going out on the 4th of March, to escape the breaking of the dam behind which for years it had seen the waters steadily piling.

As the Cleveland Administration settled into its place the flood was still rising, though not faster than had been the case for months previous. But soon the actual impairment of the \$ 100,000,000 Treasury gold reserve showed the water trickling over the levee, and on every side each weak spot seemed about to give way.

THE CURRENCY FAMINE

For years liquidation had been progressing and really solvent institutions had been

contracting their loans and centralizing their resources, so that they were never better buttressed; but the same process of liquidation had drained the weaker ones of their available funds and left them with holdings of unmerchantable assets, enormous in the aggregate, which the first break would throw upon an already overburdened market. The very air was charged with ruin. In April, 1893, business failures reported by Bradstreet's were 905, as compared with 703 in the same month of 1892; in May there were 969, as compared with 680 the May previous, and by June not merely had the ratio of disaster further increased above the average, but all over the country, especially in the West, the banks were breaking. Up to May 9th the number of bank suspensions had not been extraordinary - only eleven of National banks during {Peace Plans Page 68} the preceding six months - but on that date the Chemical National Bank of Chicago closed its doors; on the 11th the Columbia National Bank of the same city and the Capital National Bank of Indianapolis followed its example; on the 16th the First National Bank of Cedar Falls, Ia., and on the 18th the First National and Oglethorpe National of Brunswick, Ga., and the Evanston National of Evanston Ill., suspended. Before the month was over six others followed suit; while the mortality was equally marked among State banking associations and private bankers, so that by August first the condition was one of panic.

Then developed the feature that will forever characterize the stringency of 1893 - instructive to those who have not already learned how immaterial is any ordinary supply of legal currency when compared with credit in its various forms, the real currency of the country. For years business credit had been shrinking in the United States - this largely, though by no means wholly, as the result of the constant inflation of our currency by silver legislation, at a time when normal business demands for currency were growing less and less; and now this credit was largely destroyed; so that each (largely in proportion to the extent to which his lack of information left him a ready victim to fear) preferred currency in hand to any credit account, however "gilt-edged". Almost between morning and night the scramble for currency had begun and culminated all over the country, and the preposterous bulk of our circulating medium had been swallowed up as effectually as, in a scarcely less brief period, gold and silver had disappeared before the premium on specie a generation before. Currency was hoarded until it became so scarce that it had to be bought as merchandise at a premium of 1% to 3% in checks payable through the clearing house; and to enable their families to meet petty bills at the summer resorts the merchants and professional men of the cities were forced to purchase, and send by express, packages of bills or coin; while savings banks hawked their government bond investments about the money centers in a vain effort to secure currency. The panic was naturally worst among those of too little financial standing to use bank accounts for their ordinary business, so that the action of bank depositors but inadequately suggests the general tendency. But the deposits in National banks alone, which had been \$ 1,750,000 000 May 1st, 1893, were but \$1,550,000 000 on July 1st, and by October 1st but \$1,450,000,000.

It is with the most striking result of this situation that we have to deal. It involved an absolutely unique experience - that of a highly ingenious and enterprising people, inhabiting a wealthy and civilized country, and brought face to face with an absolute necessity for the use of an extraordinary amount of currency, at the same time that they were inhibited by law from ordinary sources of supply.

Failure of National Bank Currency System

Our Laws provided but one resource - additional issues of National-bank notes, The National banks were urgently summoned to perform their most important legitimate function - that of giving elasticity to a currency admittedly rigid at every other point. The only result was to

demonstrate the worthlessness of the National banking system itself.

We had had it for thirty years. Its original aim had really been not to provide bank note currency - there was a plethora of that when the National banking system was established - but rather to starve the business public into purchasing government bonds as a condition of being permitted to do business at all.

So far was it from accommodating itself to the wants of developing communities that it took \$ 11 in funds free for investment in any given locality to secure for that locality \$ 9 in currency So far was it from expanding to meet the growing demands of the country that, while twenty years ago the then outstanding \$ 340,000,000 of National-bank note's represented more than 45 per cent. of all our circulation, ten years later the \$ 347,000,000 of similar notes then outstanding represented but 28per cent. of our currency; and in June, 1893 - the latest date at which conditions were normal - the \$ 172,000,000 of National-bank notes, then in circulation outside of the Treasury, were less than 11 per cent. of our currency, of which they had ceased to be a material factor.

{Peace Plans Page 69} So far was it from being elastic that we had come to expect a period of stringency in each year - in the late summer and early autumn - which invariably arrived; while a careful survey of the course of our National-bank note circulation showed that the general tendency, at first to its increase and afterwards to its withdrawal, had absolutely no connection with present or prospective, however certain, business demands for currency National banks had long since ceased even pretended obedience to law, and habitually made discounts times of stringency in the face of depleted reserves. This practice was possible because the initiative was in the hands of the banks, and the Government had power only to punish; a power which it forebore to exercise.

In the other particular, however, that of furnishing currency, the initiative was in the hands of the Comptroller. The banks were thus powerless to break the law, no matter how beneficent might have been such violation. And nothing is more instructive than to contemplate the futile writhing and contortions of our National-bank note currency system in the strait jacket with which it had been pinioned, and to see the not merely inadequate, but positively ludicrous, results of its strenuous efforts to respond to the most urgent demands for relief that this generation has heard.

The increase of our currency by additions to National-bank circulation during the stringency was only about 1 1/2 percent. and was far less than the amount by which the banks of a single city virtually increased it by clearinghouse certificates alone - little more than half the amount by which individual bankers increased it by actually buying gold in Europe and shipping it hither - and was in great part accomplished only after the necessity for it was over, millions of dollars of the additional currency taken out being returned to the treasury with the packages unbroken.

It was to such a dead fetish that our stricken business appealed when caught in the panic of August 1893. Never was there offered more conclusive proof of the self-reliance of our citizens and the superiority of business expedients over government direction. Not merely by financiers in our great cities, and by great corporations experienced in handling such crises but in every part of the country, with the exception of the far Southwest, did the people work out their own salvation.

Emergency Currency

The experience of August-September, 1893, was unique, There were no gradually developed plans for mutual assistance. Mutual helpfulness there was in plenty between

individuals and localities; but it was in prompt response to sudden appeals; and before any general system could be devised, (that? J.Z.) the occasion for it was over. Financial clouds had long been lowering; but it was within a single month that the currency famine became general, its worst effect felt, such relief extended as was had, and the crisis over, with a tendency toward a glut of circulating medium.

In, other cases, nations or communities had simply found themselves thrown upon their own resources. Our people found themselves not merely drained of currency but forbidden by most carefully drawn statutes to utilize the expedients which would have been most natural and most effective. No civilized nation has ever experienced such a currency famine. None has ever found itself so fettered by positive law in its efforts to rescue itself. None ever so promptly arose to the emergency. Never was there so prompt a return to normal conditions.

It is this that I have found a particularly interesting study. Not that I have been able to estimate or even trace it in anything like a full measure. One of its striking peculiarities was the extent to which - partly on account of the suddenness with which it was called for and the promptness with which the need of it was over - partly perhaps, because everyone assumed that its use was in defiance of law - the actual practice in each locality was in general unknown outside of it, and evidence and mention of it hard to secure afterwards. The specimens I quote are, therefore but a few score of the hundreds of cases that careful inquiry would reveal; and, except in the case of the clearing house certificates proper, give but a faint idea of the extent to which in all parts of the country this emergency currency sprung into being. They are, however, I trust sufficiently varied to illustrate the methods used and the more characteristic sorts of currency - as {Peace Plans Page 70} distinguished from more strictly "credit" expedients - that were thus called into being.

Clearing House Certificates

First come actual clearing house certificates - new, not in invention but rather in the novel extent of their use. Their office was simply to extend indefinitely the brief term of mutual credit involved in all clearing house settlements. Contrary to the general impression, they were not used as currency; but their effect was to add just their face to the volume of currency in circulation, by releasing, for use outside, that which would otherwise have been reserved for clearing house settlements. So far as the banks using them transgressed law, it was in renewing loans and extending discounts when their reserves were depleted below the legal limit. The use of clearing house certificates simply enabled this to be done with less risk of other than legal consequences.

And to the writer, not the least interesting of the data that he has gathered in this connection has been the proof - in instance after instance - where he has been proudly assured that a particular city had not been forced to extraordinary expedients such as had been seized upon in their desperation by the less favoured centers - either that the boaster had been saved by aid extended by those whom he so patronizingly pitied, or that the self-sufficient town had already adopted such practices that its ordinary way of doing business left nothing in the way of liberal financing yet to be exploited. It was to the banks that did use clearing house certificates in the emergency that the country owes its escape from unparalleled disaster; and at once to anticipate and answer all inquiries as to the form and use of the legitimate clearing house certificates, I append; in reduced facsimile, copies of specimens from each city where they were used (see pp. 345 and 346).

Denominations were as follows: New York \$ 20,000, \$ 10,000 and \$ 5,000; Philadelphia, \$ 5,000 only; Boston, \$ 10,000 and \$ 5,000; New Orleans, \$ 500 to \$ 10,000; Baltimore \$ 6,000, \$ 3,000 and \$ 1,000; Pittsburg, \$ 10,000, \$ 5,000 and \$ 1,000; Detroit, \$ 5,000 only; Buffalo, \$

5,000 and \$ 1,000. Their issue, it will be noted, was mainly in the Northeast, New Orleans being the only Southern and Detroit the most Western example. And in each case it will be observed that use of the certificates is limited strictly to settlement of mutual accounts between members of the clearing house association in question.

Other devices of similar character were "Clearing House Due Bills", of which the following is a copy: (*) exchanges of clearing house balances, such as are so generally used at Chicago that an extension of their use made unnecessary special issues of clearing house certificates and utilization of the custom in smaller cities of considering exchange drawn on "reserve cities" as equivalent to cash in transactions between banks.

No. 695 189.	Number 695 -----	(CLEARING HOUSE DUE BILL) THE SEVENTEENTH NATIONAL BANK Philadelphia 189. Due by the Seventeenth National Bank to the Seventh National Bank thousand hundred and/ 100 Dollars This Due bill is only good when signed by one and countersigned by another au- thorized person, and is payable only in the Exchange through the Clearing House the day after the issue. \$/100 Teller
Issued to Seventh National Bank	Counter- signed,	

{Peace Plans Page 71}

(*) A person presenting one or more large checks for payment at the counter of a bank member of the Clearing House Association, in the ordinary course of business, would receive for the amount of such check or checks one of these due bills, signed by the paying teller and countersigned by one of the officers. In issuing the due bill the teller would ask the party what bank he desired to deposit the due bill in and would insert after the word 'to' the number of that bank in the Clearing House, or if no particular bank should be named the word 'banks' would be inserted after the word 'to'. Occasionally a due bill might be drawn to the order of the party presenting the checks, but that seldom occurs. It will be noticed that the due bill is intended to be deposited in some one of the clearing house banks, from which it will reach the issuing bank through the exchanges of the following day.

"Clearing House Certificates"

Next in order, and in some respects the most interesting of all, were the notes called clearing house certificates, but in fact intended for circulation, frequently issued by temporary committees of banks in towns where no clearing house existed, and - though thoroughly effectual

for the worthy purpose for which they were issued - a travesty on the paper after which they were named. The term "clearing house certificates" was, however, used not with the idea of deceiving anyone, but as the only ready-made term that indicated the one fact that the public cared to know - viz., that the associated banks of the locality were bound to make them good. (Since all exchange media, coins included, serve to clear mutual debts between many participants, most of them unknown to each other, the term chosen was not legally and juridically but economically quite correct. - J.Z., 23.11.01.)

These cases were practically confined to the Southeast. The denominations in the cases noted were: Atlanta, \$ 100 and \$ 500; Albany, Ga., \$ 10, \$ 5 and \$ 1; Columbia, \$ 50, \$ 20, \$ 10, \$ 5 and \$ 1; Chester, \$ 10, \$ 5 and \$ 1; Danville, \$ 100, \$ 50, \$ 20, \$ 10, \$ 5, \$ 2 and \$ 1; Newman, \$ 10, \$ 5, and \$ 1; Rock Hill, \$ 5, \$ 2 and \$ 1; while the Birmingham series, including denominations of \$ 1,000, \$ 500, \$100, \$ 50, \$ 10, \$ 5, \$ 2, \$ 1, 50c. and 25c., merits special commemoration as the most frank and comprehensive currency system supplied by the associated banks of any single locality. (see pp. 347- 350).

Certified Checks

Another expedient, favoured in all parts of the country, was the sale by banks of certified checks against themselves for currency denominations which, when signed by the purchaser, were used by him as currency. The few given are illustrations of hundreds of instances which seem to have been pretty evenly distributed in all parts of the country except the Southwest (see p. 351).

Pay Checks

Most generally used of all, however, were pay checks in currency denominations, which in scores of manufacturing towns, mainly in the Northeast, but largely in the West and Southeast, were the only currency that was available for weekly payrolls and cash purchases by wage earners. (See pp. 352 and 353.)

Miscellaneous Expedients

In addition to these well defined classes, there were others so varied that but a suggestion of them can be made here - negotiable certificates of deposit; ninety-day and other short time paper in currency denominations, with and without interest; bond certificates; grain purchase notes; credit and corporation store orders; improvement fund orders; teachers' warrants; shingle scrip; specimens of each of which are given below, and which are noteworthy here as the adaption to use for general circulation, by issue in small currency denominations of paper devised for other and widely different purposes. (See pp. 354, 355 and 356.)

The Course of National Bank Currency

But the performances of the National banking system turned tragedy into farce. The table which I now quote is itself a conclusive exposure:

National-bank notes outstanding *			Surplus reserve in New York banks week ending:		
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June	1st,	1893	\$ 177,164,254	June	3,	1893	\$ 20,987,500
July	"	"	178,713,872	July	1,	"	1,251,725
August	"	"	183,755,147	August	5,	" (+)	- 14,017,800
September	"	"	198,980,368	September	2,	" (+)	- 1,567,525
October	"	"	208,690,579	October	7,	"	28,628,725
November	"	"	209,311,993	November	4,	"	52,013,450
December	"	"	208,948,105	December	2,	"	76,096,650
January	"	1894	208,538,844	January	6,	1894	83,796,900
February	"	"	207,862,107	February	3,	"	111,623,000
March	"	"	207,479,520	March	3,	" **	75,778,900
April	"	"	207,875,695	April	7,	"	80,797,970
May	"	"	207,833,032	May	5,	"	82,808,150
June	"	"	207,245,019	June	2,	"	77,965,100
July	"	"	207,353,244	July	7,	"	72,134,725
August	"	"	207,539,066	August	4,	"	69,053,700
September	"	"	207,592,215	September	1,	"	65,820,825
October	"	"	207,564,458	October	6,	"	59,450,950
November	"	"	207,565,090	November	3,	"	63,204,275
December	"	"	206,686,337	December	1,	" ***	52,820,800
January	"	1895	206,605,710	January	5,	1895	35,862,050
February	"	"	205,297,571	February	2,	"	36,751,500

(To get all alignments straight, with WORD 97, is so far impossible for me! - J.Z., 23.11.01.)

* Including those temporarily in the United States Treasury and subtreasuries.

** After \$ 50,000,000 loan.

*** After second 50,000,000 Loan.

(+) Deficit.

June 1, 1893, there was a surplus of about \$21,000,000 in excess of legal reserve lying in New York banks awaiting investment, and the amount of National bank currency then outstanding was about \$ 177,000,000. During that month the surplus reserve in the New York banks decreased to \$ 1,250 000, while the National bank notes outstanding increased to \$ 178,700,000. August 1, the bank funds were drained \$ 14,000,000 below their legal reserve; the demand for money to move the crops was increasing, the stress was almost a panic; yet the National bank currency had increased but 5,000,000. September 1, the situation was improving and the deficit had fallen to \$ 1,500,000 and, now that it was less needed, the National bank note circulation began to expand rapidly and stood at \$ 199,000,000.

October 1, the deficit had turned to an embarrassing surplus of \$ 28,000,000; but the National bank currency expansion was as hard to stop as it had been to start and aggravated the plethora by an increase of \$ 10,000,000 during September - on October 1 standing at \$ 208,700,000. November 1, the idle funds had increased to over \$ 50,000,000 but the National

bank issues were still expanding, standing on that date at \$ 209,300,000. December 1, the unused surplus had risen to \$ 76,000,000, but the National bank circulation had contracted less than \$ 500,000. January 1, 1894, the banks had \$ 80,000,000 more than anybody wanted but the National bank issues had remained stationary for three months at above 208,000,000. By February 1, the surplus seeking employment had risen to \$ 110,000,000, while the National bank note circulation was still about \$ 208,000, 000; during February the \$ 50,000,000 loan to the Treasury was floated, the most of which was taken from this surplus; yet it stood on March 1 at \$ 76,000,000; on April 1, at \$ 81,???,000; on May 1, at \$ 83,000,000 and meanwhile the National bank currency had remained stationary at about \$ 208,000,000.

In June 1893, therefore, when there was the greatest demand that this country had ever seen for currency, the National bank issues constituted a smaller percentage of our total circulation than any other time except during the preceding year; the almost frenzied efforts of the National banks were utterly futile in bringing material assistance until after the crisis had passed; and the result of their attempt to aid us has been to keep an increased volume of National bank currency outstanding, while the amount of {Peace Plans Page 73} unemployed currency was greater than it had ever been before, at the highest point it has reached for five years. And this is not all. The law permits but \$ 3,000, 000 contraction monthly in any event. It will not be possible, therefore, to get back to a normal basis before the annual stringency due next September.

RESULTS

Throughout New England, so generally that it may be deemed to have characterized its manufacturing centers; in so many portions of the South that it might be considered general there; in the West and in the Northwest; sporadically in the Middle States, the necessity for local currency developed at once a supply of it; and, where this was not the case, from city after city comes the word of how unfortunate were those who, not assisted by the enterprise of others, had none of their own to fall back upon. There is one general exception to be made - an exception which, however, proves the rule. It is this:

To the precise extent that - either by the use of clearing house certificates within the law, or by the violation of law in continuing discounts when their reserves were depleted - the banks of any section thus met the emergency, their customers and the community dependent upon them were relieved from the necessity which so generally came upon others of providing a special local currency. It was the New York banks that issued the greatest amount of clearing house certificates, and at the same time continued to assist their customers, even while their reserves were depleted; and, therefore, it was in the neighborhood of New York and her own great manufacturing establishments, in those of Newark, of Brooklyn, and of Long Island City, that it was unnecessary to look further for a supply of the currency they needed. The same was the case in Philadelphia, Chicago, Boston and their neighborhoods, in each of which cases either clearing house certificates, or loans of clearing house credits, enabled strong banks to aid weak ones. But in every case where the associated banks of a section were not in a position to supply the lack of currency or obviate the necessity of its use, individuals and corporations were compelled to do this.

In this way, after the machinery so carefully adjusted by Government had utterly failed to work, the business common sense of our people readjusted its finances; and in every part of the land business started up again, manufacture continued, the laborer received his hire and the merchant disposed of his goods. In not an instance, so far as I have been able to learn, did any community find any trouble in the use of what, in the absence of all restrictive laws, would have

been - and what in defiance of them actually was - a perfectly natural bank-note currency. The whole American people promptly accepted - each locality upon its knowledge of the conditions there - the paper of individuals and institutions. And as a result of this experience - most widespread, and had under conditions least favorable to security other than integrity of those who issued the notes, and the intelligence of those who were asked to accept them - there was not a single dollar lost.

Such was the honorable record of the emergency currency of 1893.

HOW RELIEF CAME

By September 1st., 1893, the passage by the House of the repeal of the purchasing clause of the Sherman Act had both stopped inflation and quieted the worst apprehensions; and to \$ 30,000,000 additional national bank currency and the volume of the emergency currency noted, which can be but vaguely estimated at \$ 80,000,000, was already being added the \$ 40, 000,000 of gold which had been purchased in Europe for import hither. The panic collapsed as suddenly as it had blown up; and, with dull business conditions for a year to come, the currency proved excessive.

With accession of confidence among the masses, the petty hoards were returned to the savings banks or paid out to merchants, and by them used to swell their bank credits; so that from \$ 1,450,000,000 in October 1, 1893, the aggregate deposits in National banks alone rose to \$ 1,529,000,000, December 19 1893; \$ 1,586,000,000, February 2, 1894; \$ 1,671,000,060, May 4, 1894; \$ 1,678,000,000, July 18 1894; and \$ 1,728,000,000, October 2, 1894. The emergency currency gave no trouble. By the process of natural {Peace Plans Page 74} redemption it disappeared so promptly that before the end of the year specimens became curiosities.

Such was the crisis of 1893, a situation brought about by the wanton interference of government with business not its own; aggravated by legislation which had to be broken before the people could help themselves; relieved by enterprise overriding and evading restrictive law; and turned into a theme for the gaiety of nations by the grotesque exhibition thus afforded of how depraved was the elaborate bank note currency system, upon which had been lavished so much of thankless labor.

(Note of the editor: I am sorry but neither the available space nor my printing techniques permit the reproduction of the facsimiles of certificates which follow the above quoted article in the original. Later I microfiched them with the whole volume of SOUND CURRENCY, but only in a weak photocopy form a faded printed original, so that I may get the filming redone from a better photocopy made later on. - J.Z., 23.11.01.)
