THE NEW YORK STOCK EXCHANGE

VOLUME I
THE NEW STOCK EXCHANGE
OPENED WITH DEDICATORY CEREMONIES ON APRIL 22, 1903
THE
NEW YORK STOCK EXCHANGE
ITS HISTORY, ITS CONTRIBUTION TO NATIONAL PROSPERITY, AND ITS RELATION TO AMERICAN FINANCE AT THE OUTSET OF THE TWENTIETH CENTURY

EDMUND CLARENCE STEDMAN
EDITOR

ASSISTANT EDITOR
ALEXANDER N. EASTON

BIOGRAPHICAL EDITOR
B. B. VALLENTINE

OFFICE MANAGER
W. J. FAIRMAN

ART EDITOR
OTTO H. BACHER

SPECIAL CONTRIBUTORS
MATTHEW MARSHALL (THOMAS HITCHCOCK)
JOHN RODEMEYER
JOHN GROSVENOR WILSON
HORACE L. HOTCHKISS
MILTON J. PLATT

VOLUME I

NEW YORK STOCK EXCHANGE HISTORICAL COMPANY
1905
PREFACE

The full significance of such an institution as the New York Stock Exchange,—which is to other exchanges of the continent what the “Central” office is to a metropolitan telephone system,—scarcely can be realized by the public, by financiers at large, or even by the alert and clear-headed persons constituting its membership. Once in a while some outside observer, possessed of the imaginative faculty, and with a mind broadened by travel and reflection, obtains a vivid conception of its functions and import.

The present writer remembers the impression left upon an educated Englishman, a well-known publicist, who made a visit to Wall Street some eighteen years ago. He had been taken through the largest commercial structures in the vicinity, and even to the Stock Exchange itself, without giving expression to unusual interest. But on returning to his friend’s offices, upon the upper floor of a building in the rear of the Exchange, he saw a sight that instantly gave him a realization of the extent of our peopled territory, and of the meaning of the Stock Exchange as the focus to which all currents of American purpose and energy converge. It was shortly before the time when the wires of New York’s electric system were buried, by enactment, out of sight. Through the air, over New Street, hundreds, seemingly thousands, of these wires stretched toward the Exchange. No bird could fly through their network, a man could almost walk upon
them; in fact, they darkened the street and the windows below their level. The visitor's host suggested that those going north, west, south were carrying messages to and from scores of inland cities and towns—financial ganglia of this land of national wealth and effort—names of which were mentioned. Certain wires were transcontinental, communicating with the towns of the Pacific States. Others served the uses of Montreal, Toronto and kindred points in the Great Dominion. Finally, the competing ocean cables were of course laden with incessant "arbitrage" and other messages to and from London, Paris and Berlin. This ocular demonstration of the relations of the New York Exchange to the Republic in its entirety, and even to the world overseas, proved almost startling to the English traveller. He asserted that within this central field of financial energy and intercommunication it was impossible not to have the imagination aroused, and the reason convinced of the enormous interests of which Wall Street, through its representative Exchange, is the ceaseless regulator. With philosophic impartiality, he predicted the time when even the largest money centres of the old world would become more or less subsidiary to this dominant market of the Western hemisphere.

That time has now come, and well in advance of any date which then suggested itself to the mind of either the writer or his guest. The close of the Nineteenth Century found those rates of exchange which serve to adjust the "balance of trade" setting in favor of New York, our financial metropolis. It found Europe looking to American bankers for co-operation in the disposition of her governmental securities, and the United States quite able, if need be, to finance their own public and private bonds and their gigantic constructive enterprises, without foreign assistance. Coincidently with this striking, yet foreordained, reversal of the conditions that had prevailed throughout its recorded experience, the New York Stock Exchange easily became, at least for the time, a point of supreme and universal attention; an arena where daily operations ran up to millions of shares of what were really the world's best properties for trade adventure and for investment. It is readily comprehended that upon these activities, under our present civilization, a vast portion of modern industry and
progress depend. To give the history of the rise of the Exchange, in
the course of a few generations, from its modest beginnings to such a pri-
macy is the general purpose of this work; and therewithal to exhibit
the reciprocating processes of the commercial mechanism which the
Exchange regulates—to show how sane is the common belief in the dignity
and indispensability of its functions.

It was doubtless with an instinct for the fitness of things that the
Governors of the New York Stock Exchange decreed that the long post-
poned construction of a new edifice, worthy of its annals and distinction,
and adequate to the demands of the new era, should be undertaken at the
outset of the Twentieth Century, as if in tribute to the past and in antici-
pation of a commanding future. Both the time and the event, we venture
to believe, were equally auspicious for the inception of the work now set
before the reader.

Although our opening train of thought was suggested by the aspect
of the Exchange and its vicinage, before the pressure of the country
upon this financial centre became so strenuous that fresh bulwarks were
required to sustain it, how much more impressive is the scene at
the dawn of a greater epoch. The cloud of wires is no longer visible,
but the transformed district is far more significant of national wealth
and power. On its streets and alleys, not so long ago, there were relics
of the old time insufficiency—low musty buildings surviving here and
there that gave no just token of the services of the moneyed Agamem-
nons of their past. Above these towered the lofty pioneers of the struc-
tures which now make Wall Street's sky-line boldly emblematic, alike to
the stranger and to the familiar observer. Were our Briton, after a look up
and down Broadway, now to re-enter the district, perhaps through
Liberty Street and Nassau, he would confront such a panorama of civic
wealth and mastery as exists within the same acreage nowhere else in the
world. Yes, and of structural splendor. When the president of America's
ranking University recently spoke of New York to New Yorkers, and said
that he had seen nothing but the squalor and ugliness of it all, he plainly
suffered from the myopy not infrequent with justly eminent men whose
observation has been long and closely restricted to a single limited field. Otherwise he would have obtained a synthetic view of the metropolis upon its enlarged scale, and have comprehended a temporary phase of its evolution. He would have realized how the city has been compelled once more to change and expand its framework, and he might have been vouchsafed an imaginative vision of what the readjustment will effect. Within sound of Trinity chimes the process has gone on with fabulous speed, passing well beyond the stage of manifest incompleteness — although at this date, the entire face of the block fronting the Exchange, stately as it is, may not unlikely soon give way to imposing reconstructions. Veteran frequenters of the Street have themselves been more impressed, upon returning from foreign tours or summer vacations, than if they were strangers, as they have marked the surprising changes in Nassau, Pine, Wall and Broad Streets, and Exchange Place. The architecture, that came into life with the inventions of the elevator and the iron building frame, has passed through its successive periods of opposition, acceptance and admiration. For it has at length developed novel beauties of its own, fully recognized by transatlantic craftsmen, and even the censors who at first mocked at the “canyons” of lower Manhattan now confess that in our sunlit and exhilarating local atmosphere more light and better air penetrate to the ground stories of the Wall Street district than are obtainable on the top-floors of London’s “City.” At intervals, nevertheless, along the blocks of towering edifices are costly and massive buildings, low in height, and conspicuous for their adherence to classic and historic outlines, such as the Chamber of Commerce, the New York Clearing House, the fine old Doric Treasury — which need ask no odds of its latter-day rivals, the princely banking houses of certain private bankers, and finally, the new Stock Exchange itself — the centre, and in the belief of its constructors, the paragon of the whole composition.

The claim is not without justification that this beautiful and enduring citadel of financial activity is fairly proportioned to the new wealth and sovereignty of the American people at large. Yet it must be acknowledged that our elder “cliff-dwellers” and their former associates — those of
whom it may be said that the places which once knew them now know them no more—were themselves lacking in true prophetic vision, but a few decades ago. They failed to avail themselves of successive opportunities to enlarge the area of the ground belonging to the Exchange, when adjacent property could have been obtained for a song—as compared with its present value. It is believed that an entire block was at one time practically subject to their option, for a sum far smaller than the assets of many a corporation that has been dealt in on the “Floor” though capitalized for quadruple its actual resources. Full appreciation should be awarded to the unwillingness of those former Governors of the Exchange to subject their institution to speculative obligations, but time has again demonstrated that sane financial genius must display ordinary enterprise no less than a wholesome conservatism.

The present work was undertaken in the conviction that at this date, when the commencement of a fresh epoch had been signalized by the erection of a new Exchange, a timely record should be made of the stages through the conditions of which that structure is the visible emblem have been evolved. An effort to make the narrative complete would still further delay this publication. Financial readjustments succeed one another so rapidly that a chronicler fails to keep pace with them. But the story of a century can be told in such wise as to include its chief events and phrases. As to the personages involved, it will be seen that the bankers, brokers, captains of industry, corporations, figuring within these volumes—historically or biographically—are thoroughly representative. Their records, and the vicissitudes and achievements of the Exchange, constitute a drama not hitherto set forth upon the present scale. An admirable basis for its production, notable for the painstaking with which the author had brought to light his material, was compiled, and printed in an elegant limited edition, A. D., 1894, by Mr. Francis L. Eames, then President of the Exchange, and through four administrations one of the worthiest chief officers the Institution has ever possessed. From our chapter upon the Stock Exchange Clearing House it can be understood how much the conception and inauguration of that now indispensable adjunct to the mechanism of
the Exchange derived from his constructive genius. Acknowledgment is in every way due, from writers who have been guided along not a few important paths by the footprints of their pioneer, to President Eames's scholarly explorations. The present history, upon a somewhat inclusive scale, concerns itself not only with the records of the Exchange itself, but with national events in their relation to the generations that come and go where the surging currents of Wall Street's fortune-freighted stream flow "on forever."

In so far as the writers of the History which occupies the major portion of our opening volume have referred to unchanging economic laws, it is hoped that they will not be thought largely in error or without a certain conscientiousness. The test of this must lie in the moral drawn from the effects of undue inflation, such as that which has followed great issues of paper money unsupported by stable gold reserves; from recurring suspensions of specie payment in the past century; from the perilous era of silver inflation; from over-construction and reckless promotion at several periods of national exhilaration, and the habitually redundant issue of "securities" to represent the properties involved; and, finally, from the market speculation engendered by those engaged in such construction and promotion, and by the very method of capitalizing new enterprises which has been accepted as necessary to expedite the country's development. It has been the effort of the writers, without assuming any credit for what are obvious first principles, to touch here and there upon the philosophy which their History teaches "by example." One lesson, at least, is unreservedly impressed—that the soundness of finance depends simply upon public and private honesty, upon the manful recognition of national, corporate, private and traditional obligations. Contracts between man and man doubtlessly are enforced more rigidly in the world's money centres than elsewhere. Wall Street also has been more sensitive, as regards the national credit, than has the public at large; but with relation to corporation economics, our brokers and financiers, in the direction where temptation necessarily most besets them, have been proverbially lenient. Even this may fairly be attributed less to self-seeking than to an instinctive perception that the
exploitation of a new continent involves some discount of the future. Credit until recently has had to do the work of capital. Moreover, in the growth of no other land has it been so verified that the Lord maketh the wrath of man to praise Him. System after system of American railways, built chiefly on credit, if not conceived in sin and born in iniquity, has in its turn—within each of our territorial standard-time divisions—passed through stages of liquidation and reorganization to the dividend-paying solvency of a capitalization greater than the stock and bond issues which brought distress upon original investors. It is truthfully declared that although American railways are now capitalized at the enormous total of nearly thirteen billions of dollars, they are not overcapitalized, inasmuch as they could not be duplicated for the aggregate amount of their stocks and funded debt.

With each decade new problems arise. Coincidently with the preparation of this work, our vast industrial combinations, devised as it might seem in the very spirit of the earliest socialistic dreamers, are being tested on the whole so successfully that, despite their obvious defects, a new generation already accepts them as a part of the established order.

Our historical narrative would be far from complete without the correlated articles upon the New Exchange, the Stock Exchange Clearing House, the Loan Market, Unlisted Securities, and Municipal Bonds, prepared by acknowledged experts, several of whom are prominently active in the Street. The learned treatise upon Stock Exchange Law by Mr. Dos Passos, who was so long the counsel of the Exchange, may justly be termed authoritative. To its author, and to Messrs. Rodemeyer, Wilson, Chamberlin, Judson, Hotchkiss, and the late Mr. W. F. Shanks, the projectors and the editor of this work are gratefully indebted. Mr. Thomas Hitchcock, Matthew Marshall's, chapter on the Functions of the Stock Exchange is a masterly discussion, void of fallacy and prejudice, by one long recognized as our most philosophical observer of financial events.

The existing Constitution of the Exchange is included, for reference now and in time to come, and a chapter of Annals and Statistics, compiled by that trustworthy statistician, Mr. Milton J. Platt, clearly shows the growth
of local and national resources since the date when Wall Street attained such potency at the outbreak of the Civil War.

The pen and ink sketches of scenes and buildings in the Wall Street district, as well as some of the portraits illustrating our main narration, are from the hand of Mr. Otto H. Bacher, whom the publishers of this work were so fortunate as to secure as its Art Editor. The demands for Mr. Bacher's contributions, made by our foremost magazine and book publishers, testify to his rank among American painters and draughtsmen. It should be mentioned that the artistic photogravure of the New Exchange, which constitutes the frontispiece of Volume One, is from a choice negative kindly lent by its maker and possessor, Mr. Harry Coutant.

For the typographical beauty and dignity of these volumes, due credit must be awarded to the Mail and Express Job Print, which undertook their manufacture with an avowed intent to produce a fine specimen of handiwork as an example of results from orders entrusted to its care. Our special thanks are extended to Mr. George E. McConnell, the experienced manager of that establishment, for his skilled and friendly professional supervision, from first to last, of the typography, illustrating, proof-correcting and other practical details of construction.

While this work is an independent enterprise, and in no respect an exception to the wisely invariable rule of the Stock Exchange against the endorsement of unofficial publications, its managers gladly acknowledge their indebtedness to various officers and leading members of the Board for unstinted advice and aid given in their individual capacities. Information has always been at command, illustrations have been supplied by various members, and with few exceptions our work has been sustained by the good will and practical encouragement of those with whom its editor-in-chief was so long a daily associate. Without the co-operation of the Board members the costly limited edition now issuing could not have been published. On the part of the publishers, it may properly be disclosed that the terms of subscription were placed on the lowest basis that would cover the outlay involved; in addition, the labors which have deferred its completion beyond the expectation of all concerned have rendered it anything but a
product of commercialism. It has been steadily prosecuted, none the less, in maintenance of the good faith of its projectors, and with an abiding confidence in its value as a commemorative and historical record to both the present and the future.

E. C. S.

*September, A. D. 1905.*
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THE NEW YORK STOCK EXCHANGE
I

THE FUNCTIONS OF THE STOCK EXCHANGE

By

MATTHEW MARSHALL

(thomas hitchcock)
I

THE FUNCTIONS OF THE STOCK EXCHANGE

BY

MATTHEW MARSHALL
(THOMAS HITCHCOCK)

STOCK exchanges, like exchanges for dealing in cotton, coffee, metals, grain and similar commodities, are institutions of comparatively recent origin. They are results of modern commercial and industrial development, and mark the high degree of complexity to which that development has been brought. As the machinery of a cotton or woollen factory is the elaboration and amplification of the primitive spinning-wheel and loom, as the network of railroads in civilized lands has succeeded to the rude foot-paths and cart-tracks of early times, and as the huge ocean steamer, with its manifold appliances of luxury, has grown out of the oar-propelled canoe, so the great marts, in which stocks and bonds of endless variety are now bought and sold, originated in the rudimentary trading of our ancestors many centuries ago.

As soon as mankind became sufficiently advanced in civilization to apportion among themselves the various handicrafts and occupations by which their wants were supplied, each man or family appropriating one in particular instead of practising all in turn, the necessity arose for a method of so distributing the products of these several industries that every member of the community should get what he needed. At first, the distribution was effected by producers bartering their surplus product for other products, in quantities determined by the relative value of each. Services and labor were likewise compensated by other service and labor, and thus, in a roughly approximate way, the desired result was accomplished.

The inconveniences of this practice of barter early led to the invention of money, by the aid of which the producer sold his product outright, and
with the proceeds bought the other products he desired. Money wages took the place of payment for labor and services in commodities, and values were measured by one common denominator, instead of being computed in as many ways as there were products of industry. In fact, long previous to the adoption of coined money, some one article of extensive use was taken as a standard, and values were reckoned with reference to it. Thus cattle were the standard in Greece, and prices were stated in it as they are still in South Africa by the Boers: things being said to be worth so many oxen, instead of so many dollars or other coins. Among the ancient Germans fines were imposed and paid in cattle, and rents of land are still, in some instances in England, payable in bushels of wheat. In the infancy of the American colonies, skins, polished shells, called wampum, and hogsheads of tobacco, were measures of value, and it is not many years since logs and shingles in some Western States of this Union were used for the same purpose. Indeed, the list of articles which at some time and in some places have served as instruments of exchange, and which still serve as such, is as varied and extensive as are the products of the animal, vegetable, and mineral kingdoms.

With the introduction of money the distribution of the fruits of human industry, which had before been difficult, became easy and active. A class of men arose who devoted themselves to effecting this distribution by buying from one producer or class of producers and selling to others. Shops and warehouses were established for the storing of commodities and the keeping of them until buyers for them presented themselves. The transportation of these commodities from one point to another created the business of carriers by land and by sea, and thus, gradually, commerce grew up. Thus, too, for the facilitation of buying and selling, buyers and sellers adopted the practice of meeting each other at stated times and places, instead of seeking one another at scattered points; and out of this practice originated the primitive market or fair, which survives to this day, especially in Europe. Markets are held there daily for the sale of food, and, at less frequent intervals, for that of horses, cattle, wool, furs, and other articles. At the summer fairs of Nijni Novgorod, in Russia, 200,000 traders assemble, who sell and buy tea, grain, cotton, wool, hides, furs, metals, and gems to the amount of $100,000,000 annually. At Leipzig, Germany, fairs are held for the sale of books and of furs; at Amsterdam and other Dutch cities the fairs, or kirmesses, are attended by crowds who seek amusement as well as pecuniary gain. To the English, Scotch, and Irish fairs, English literature makes so frequent reference that it is hardly necessary to mention them.

The creation of stock exchanges took its rise in the dealings in money and bills of exchange, which followed the enlargement of international
commerce by the Venetians and the Genoese. The Rialto at Venice has been made famous by Shakespeare as the place where merchants congregated to borrow and to lend money, and to sell and to buy transfers of it by drafts on other mercantile cities. Lombard Street, in London, was another great money-market. There, as on the Rialto, business was for a long time done in the open air, and not until the end of the sixteenth century was the Royal Exchange in London built for the use of merchants, the cost of the building being defrayed by the celebrated Sir Thomas Gresham, and that of the land by private subscriptions. In the course of time, this exchange was supplemented by numerous other exchanges, each devoted to dealings in some special commodity, like the various exchanges we have now in this country.

Obviously, until the quantity and variety of stocks and bonds that could be dealt in were large enough to justify it, there was no need of a special market-place for them.) With the beginning of the Eighteenth Century, however, the success of the South Sea Scheme in London, and of Law's Mississippi Company in Paris, bred a swarm of similar enterprises, gambling in the shares of which, as in those of the South Sea and the Mississippi companies, for a time went on at a furious rate, and gained and lost fortunes for those who participated in it. Not yet, though, was this trading done under a roof. The theatre of it in London was Change Alley, Cornhill, and in Paris the Rue Quincampoix. Only in 1802 was the London Stock Exchange built, and the Paris Bourse and our American stock exchanges are of still more recent date. How enormously the business of these institutions has increased, we all know. The multiplication of industrial and financial corporations, and the immense issues of national and municipal debts, have swelled the value of marketable securities until the stock lists of the exchanges of London and of New York embrace the titles of thousands of different stocks and bonds, the aggregate value of which is many thousands of millions of dollars.

The reason of the existence of the Stock Exchange is, therefore, the same as that of the primitive market, and as that of the Produce Exchange, the Cotton Exchange, the Coffee Exchange, and every other similar institution. A stock exchange furnishes to buyers and sellers of stocks and bonds opportunities for the transaction of their business not otherwise obtainable. Like markets and fairs, it spares men the necessity of seeking one another at scattered points, and thus brings within the compass of a few hours dealings which, without its help, would be spread over an indefinite period. It is, moreover, an intensification of the gregariousness of trades, which makes Wall Street and Lombard Street financial centres, and has led dry-goods dealers, wholesale grocers, book publishers, and leather merchants to create quarters specially occupied by their businesses.
The New York Stock Exchange bears the same relation to Wall Street that Wall Street does to the world.

The concentration of business at the Stock Exchange has recently been wonderfully promoted by the invention of the electric telegraph and of the telephone. The wires running from the New York Stock Exchange, for example, are connected with offices not only in the metropolis, but throughout the whole country. The groups that gather about each "ticker," and watch the record made by its tape, become practically part of the crowd that occupies the floor of the Exchange, and the news of the fluctuations of prices which take place there flashes instantly to thousands of remote points. Fifty years ago the business of the Exchange was done decorously by a few dozen brokers, sitting, like senators, quietly in their arm-chairs, while the President called each stock in its turn, the sales of each day being noted in pen and ink by the brokers in their books. Now the thousand and more brokers are split up into groups, each dealing in a special stock, and all stimulated to exertion by the responses of the distant multitude connected with them by the electric wires. The Exchange is, for the time, the common meeting-place of all the sellers and buyers in the country, and the "tickers," which have taken the place of the old brokers' records, reflect the varying phases of their transactions. Being thus the central market for securities, it also demonstrates their value in public estimation. Out of the conflicting operations of sellers and buyers an average results, which, as nearly as the imperfection of the human mind will permit, represents the worth as commodities of the articles dealt in.

Because, too, of the facilities for buying and selling afforded by the Stock Exchange, borrowers seeking large amounts of money find it much easier to obtain them than they otherwise would. How immensely the industrial development of this and other countries has been stimulated by laws authorizing the creation of corporations is well known. Enterprises for which a very few men, singly, possess the needful capital, and which, therefore, would have to wait for the help of a few large capitalists, are made immediately feasible by the incorporation in stock companies of a multitude of owners of small amounts. The Stock Exchange aids the process of combination by bringing the securities of the resulting corporations to the attention of the public, and thus creating a market for them. Where one purchaser buys them on personal application, a hundred do so because they are dealt in on the Exchange. It is the same with governmental and municipal loans. These are, indeed, in the first instance, taken by others than buyers on the Exchange; but the fact that they are marketable there is an essential element of their selling value. A man hesitates to invest his money in a security not readily salable, and will pay less for
THE FUNCTIONS OF THE STOCK EXCHANGE

it than he will for one which he knows he can reconvert into money whenever he desires to.\[\]

Herein consists, too, another important service which the Stock Exchange renders to the community. It enables men who have previously invested their capital in bonds and stocks, and who desire to withdraw it, to do so speedily and with a minimum of loss. Had the seller in such a case to seek a buyer by going from office to office in New York or elsewhere, or by advertising in the newspapers, it might be weeks and perhaps months before he succeeded in finding one, and even then he might have to accept a ruinously low price for his property. Now he can get a buyer for it almost at once, and at a small concession from the real value of it. Some one will take it,—if not to keep, then on the chance of selling at a profit to a future buyer.

In times of sudden and extraordinary demands for money or of alarm over the prospect of loss by the depreciation of any security, the market afforded by the Stock Exchange mitigates the severity of the crisis and sometimes ends it altogether. Among the multitude of dealers, some will always take a more hopeful view of the future than others, and will buy securities at a comparatively small decline. They come in and support the market, as it is said, and, though they may prove to have been wrong in their judgment, they break the force of the fall and spread it over a longer period. Conversely, when there is an extraordinary demand from buyers, and prices are forced up above their just level, speculative sellers check the rise and prevent it going as fast and as far as it would go without their interference. Bonds and stocks being thus made, by the agency of the Stock Exchange, readily convertible into money, the fluctuations in their prices as a whole are usually a fair indication of the condition of the money-market. For whereas special commodities, such as wheat and cotton, are dealt in only by a portion of the community and vary in price according to the prospect of good and bad crops, stocks and bonds are bought and sold by people of all occupations, and the demand for them is governed by the amount of money available for buying them. When money is plenty, as it is said, the owners of it are more willing to buy stocks than when it is scarce. When the fear, too, of an impending war, or a like deterrent force, prevails, the owners of money refuse to buy and prefer to sell. Thus the transactions at the Stock Exchange indicate the preponderance of public opinion one way or the other. When, too, a commercial crisis prevails, merchants who have invested their spare capital in stocks hasten to obtain money by selling them, and the prices they are willing to accept for them measure the degree of their necessities or the intensity of the alarm they feel.

In popular estimation, "bears," or dealers on the Stock Exchange who
take an unfavorable view of a security, and back their opinion by selling it for future delivery at prices from which they think they foresee a decline, are pure mischief-makers, whereas, "bulls," or buyers for an expected further rise, are regarded as benefactors. This arises from the fact that the great majority of men are accustomed to make profits only by selling what they buy and for more than they pay for it, and to suffer losses when they sell for less. Then, too, rising prices increase the apparent wealth of every owner of securities, as falling prices diminish it, and the "bear" who prevents a rise or brings about a fall, seems to be a destroyer of values. The truth is that the "bear," as has been pointed out, checks undue inflations of prices, and, again, when he buys to fulfill his contracts, arrests a decline at a point above that which it would reach without his interference.

Unfortunately for the reputation of the Stock Exchange—yet possibly essential to its fullest operation as an automatic gauge and regulator—the dealings on it are not confined to the selling of securities by real holders and to the buying of them by investors. Such dealings do not by any means constitute the whole of its business, and if they did, the commissions of stock-brokers would not suffice for the living expenses of the majority of them. The far greater part of the transactions on the Exchange are speculative, and the participants in them are not only brokers acting on their own account, but much more frequently people outside of the Exchange. Orders to the brokers come from all parts of the country, mostly, as might be expected, to buy, and in times of great excitement lead to dealings in millions of shares daily. The buyers do not think that the securities they buy are really worth more than they pay for them, but only that they will be able to resell them for more; while the "bear" sellers count upon a revulsion in the buying fever which will enable them to cover their sales at a profit. Both, therefore, speculate on the chances of the future. Usually the buyers for a rise wait too long, the "bears" check the rise and turn it into a fall; or the fall comes naturally from a desire which seizes the mass of the holders of securities all at once to take their profits by selling out, and then the unlucky operators for a rise have to sell for less than they gave. On the other hand, the "bears" sometimes sell more than they can procure for delivery, and are thus "cornered," as it is said, and have to pay dearly to extricate themselves. When the crisis comes, either way, there is much denunciation of the practices which lead to it, but this soon dies away, and in due time another and similar crisis occurs.

A stock exchange, like any other human institution, has its abuses as well as its uses; and its abuses, if not more serious than other commercial evils, are peculiarly subject to public observation and comment.
great stock exchanges of the world include among their members some who are neglectful of the high standards of trade morality; they attract to themselves, also, at certain periods, a crowd of those adventurers—other mere "knights of industry"—who set up as "bankers and brokers," and by advertising their special skill and information induce the unwary to entrust their savings to them upon the hazard of the market. These persons solicit business from anybody and everybody,—women, clerks, small tradesmen, and even domestic servants who have saved a little money out of their wages, and are dazzled by promises of doubling and trebling it at once. The best majority of the members of a great stock exchange are men of fidelity and repute, and look upon such practices very much as leading lawyers regard the tricks of pettifoggers. It may be said, moreover, that the little operators, when a speculative mania sets in, do not need any urging. They are only too eager to try their luck, and are rarely ruined by their losses. No less than these, men who possess large fortunes operate in stocks very much as they bet on horse races or play bridge whist and poker. They love the excitement of the game, and they at least get this, whether they lose or win.

As has been said, the New York Stock Exchange is connected by telegraph and telephone wires with all parts of the country, and by this means a vast multitude of operators pour in their orders upon the crowd of brokers who occupy its floor. How this concentration upon one spot of the efforts of so many people intensifies the excitement in dealings, whenever there is any excitement, may easily be seen. Each broker embodies the desires, the hopes, and the fears of his customers, and wields a magnetic force many times greater than his own. Prices go up and go down like the waves of the sea in a storm, and the Exchange becomes a whirlpool of opposing currents. The onlooker wonders that brokers can endure the strain upon them without breaking down mentally and physically.

Outside of the Exchange, too, when the market is active, a similar though less intense interest prevails. The majority of operators being, as has been said, mere votaries of chance, are easily influenced by financial suggestions, and the stronger and less scrupulous among them play upon the rest by all sorts of arguments and rumors calculated to affect their actions. Rises and falls of prices are produced by stories which, when investigated, prove to be false, but which, none the less, have in the meanwhile as much effect as if they were true. Occasionally such stories, though intrinsically improbable, turn out to be well founded, and hence, naturally, those that have a semblance of probability are received with respect, if not with absolute confidence. The crowd is thus swayed backward and forward as an army in battle is by the result of its collisions with the enemy at various points of contact with it.
Indeed, operations on the Stock Exchange have many points of resemblance with war. The "bulls" are arrayed against the "bears," and both parties regard all measures within "the rules of the game" as lawful to enable them to win. In the contest, too, as in the conflict of armies, willpower and intellectual ability are important factors. The effect of bayonet charges and artillery fire is as much moral as physical. Courage sometimes enables a force small in numbers to overcome by sheer determination a larger one. As in every battle, too, there comes a moment when one army or the other breaks down and yields from the exhaustion, not of its physical but of its mental strength, so in "bull" and "bear" campaigns panic at times seizes one of the two parties and drives it from the field. The cause of the panic may be entirely incommensurate with its effect, but the confidence which it destroys also far exceeds the bounds which facts justify. It is a collision of soap bubbles, both of which are frail, but of which one is less frail for the time being than the other.

Much as this prevalence of speculation on the Stock Exchange may be deplored, there seems to be no way of preventing it. To suppress the Exchange in order to do it would be like cutting off a man's head to cure his headache. It would not even be akin to that, since it would leave in operation the Produce Exchange, the Cotton Exchange, the Coffee Exchange, and all the other exchanges on which, notoriously, speculation goes on to an enormous extent. Men make and lose millions by dealings in grain, cotton, and other commodities, as well as in stocks, and closing all the exchanges would not prevent their doing it. Even real estate is the subject of transactions akin to gambling; and fortunes are gained and lost by buying and selling it, as well as in buying and selling personal property.

To the moralist looking only upon the superficial aspects of stock speculation, it may be replied, first, that nine out of ten of its victims are the class that seem to need some unpleasant but wholesome experiences before they learn the lesson that the profits of sturdy labor are worth more than the slippery gifts of chance. And as to the ethics of speculation itself, it is undeniable that a certain gambling propensity is much more deeply rooted in human nature than those who seek to prevent its indulgence by forcible means are willing to admit. It is as old and as universal as the propensity to use stimulants, which has existed everywhere and in all ages, and still prevails as widely as ever. From the days when Noah got drunk on wine down to the present time, men have indulged not only in wine, but in beer, opium, hasheesh, and alcohol and its derivatives, while abstainers from these exhilarants, and even from tobacco, do not disdain tea and coffee, which produce a similar, though milder, effect. In the same way, all nations have had and still have their
familiar modes of gambling. It is only a few years since lotteries were fostered by laws among us, and they are still sanctioned in some parts of Europe. All new business enterprises are in the nature of gambling, since their success can never be positively assured in advance, and, as experience shows, they fail as often, at least, as they succeed. Mining ventures especially are uncertain, and while some of them richly reward those who embark in them, others swallow up vast sums of money and never make any return for it. Commerce by sea in ancient times and down to comparatively a recent period was extremely hazardous, and while a successful voyage paid handsomely, ships and their cargoes, like those of “The Merchant of Venice,” were frequently lost. It is said, with a show of reason, that ninety-five per cent. of the men who engage in regular mercantile business fail, and, certainly, the percentage of those who do not succeed in the liberal professions must be nearly as large.

What distinguishes the ventures of both the kings and the commoners of the Stock Exchange from those of men who stake their money on the cast of a die or the turn of a card is that individual judgment, study of values, and discernment of financial conditions are factors of real importance in stock operations. The result is not altogether a matter of chance. There is a reasonable basis of opinion, and the skill and knowledge often possessed by a stock speculator may be worth as much to the public at large as is the intellectual equipment of a master in any other profession. For, on the whole, the outcome of the warfare of the “bulls” and “bears” is a severely scientific test of values by which the safety of the great body of investors is finally promoted. In the homely phrasing of Adam Smith, the value of a security is adjusted finally “not by any accurate measure, but by the higgling and bargaining of the market.”

The Stock Exchange, therefore, cannot justly be charged with creating the passion for gambling, nor with affording the only means of its indulgence. That its legitimate function can be perverted to evil ends is a defect which it shares in common with all human devices and even with the elements of nature. Fire, which is so good a servant, is an equally bad master. Water, that quenches the thirst, also quenches the spark of life in drowning man. The air, which in gentle motion is a refreshing breeze, frequently becomes a destructive hurricane. The knife of the honest workman may be used to commit a murder. Explosives like gunpowder and dynamite can be made instruments of vengeance, and the beneficent drugs of the physicians may, accidentally or intentionally, destroy life. To this rule the Stock Exchange is no exception, and were it to be abolished, because of the evil accomplished by its aid, then its functions for good would also cease. What this would mean is a problem scarcely to be considered at the present stage of our imperfect but highly complex
civilization. The immediate effect would be nothing less than the upsetting of existing financial systems. Governments as now constituted would suffer in common with the holders of property which could not be utilized. Enterprises and construction, upon which depend the growth of people and their welfare, would be brought to naught. After the convulsion a readjustment might in time ensue, and something better be discoverable. But there would first be ruin, and a long break in the evolution of the general weal to which mankind looks hopefully forward.
II

HISTORY OF THE NEW YORK STOCK EXCHANGE

By

EDMUND C. STEDMAN

AND

ALEXANDER N. EASTON
A PROPHECY FOR AMERICA

From “An Astronomical Diary, or an Almanac for the Year of our Lord Christ, 1758.”

"THIRDLY, of the future state of North America.—Here we find a vast stock of proper materials for the art and ingenuity of man to work upon:—Treasures of immense worth; concealed from the poor, ignorant aboriginal natives! The curious have observed that the progress of human literature (like the sun) is from the East to the West; thus has it travelled through Asia and Europe, and now is arrived at the eastern shore of America.

"As the celestial light of the Gospel was directed here by the finger of God, it will doubtless finally drive the long, long night of heathenish darkness from America. So arts and sciences will change the face of nature in their tour from hence over the Appalachian Mountains to the Western ocean; and as they march through the vast desert, the residence of wild beasts will be broken up, and the obscene howl cease forever; instead of which the stones and trees will dance together in the music of Orpheus,—the rocks will disclose their hidden gems,—and the inestimable treasures of gold and silver be broken up. Huge mountains of iron ore are already discovered; and vast stores are reserved for future generations.

"This metal, more useful than gold and silver, will employ millions of hands, not only to form the martial sword and peaceful share alternately, but an infinity of utensils improved in the exercise of art and handicraft among men. Nature through all her works has stamped authority on this law, namely, 'That all fit matter shall be improved to its best purpose.' Shall not then those vast quarries that teem with mechanic stone,—those for structure be piled into great cities,—and those for sculpture into statues to perpetuate the honor of renowned heroes; even those who shall now save their country? O! ye unborn inhabitants of America! should this page escape its destined conflagration at the year’s end, and these alphabetical letters remain legible,—when your eyes behold the sun after he has rolled the seasons round for two or three centuries more, you will know that in Anno Domini 1758, we dreamed of your times."

Nathaniel Ames. 1703-1764.
II

HISTORY OF
THE NEW YORK STOCK EXCHANGE

I
EARLY DAYS IN MANHATTAN

In tracing the history of any institution closely linked with the growth of this country the observer is likely to experience a singular fascination which is more easy to feel than to define. He notices a peculiar freshness of atmosphere, a hardy freedom from the restraint of old conventions, a certain evidence of strong and pulsating vitality, which readily combine to garnish the story with attraction. These conditions, Americans are glad to believe, typify Americanism. They lend a vivid color even to the sober hues of financial records. They infuse with a new life of enthusiasm and vigor pages that otherwise might have been dry, and they heighten the dramatic effects of incidents that are already strong. Certainly no one can doubt that the history of the New York Stock Exchange bears witness to the truth of these assertions.

Beyond a doubt there are other more important features of that history. Its bearing upon economic and political questions and upon the development of trade and commerce means much more to the student. But the dash of Americanism that infuses it all—the natural index of a vigorous people engaged in developing a country of enormous resources under the guidance of new ideas and progressive conditions—cannot be neglected by any one who desires to know and understand the whole story.
To deny that the Stock Exchange is intimately linked with the development of this country stamps a man as ignorant of the very causes of its being; yet the stubborn fact remains that to many thousands of men in all parts of the United States it represents simply a gigantic speculative whirlpool, with shoals of foolish gamblers spinning toward its vortex and a small and select body of astute financiers at the inmost coil. This view is shared, furthermore, by a large number of those local unfortunates who may be described as hangers-on of the market—"glued to the ticker"—after they have exhausted every reasonable possibility of getting anything but useless experience out of their pursuit.

The aphorism, "Prices don't respond to conditions; they respond to manipulation," is discovered in more mouths than the casual reader might fancy. This is not the place to discuss the truth or falsehood contained in that statement. Students of the history of the Exchange will find plenty of material on which to base their own conclusions.

But while not essaying an economic treatise, it is proper to indicate, at the start, the underlying reasons for the rise and growth of the Stock Exchange. It was the legitimate and natural product of the commercial development of this city, and in time it has come to sustain just such a relation to America as that which it was created to sustain to New York. Like the market for hay or fish, the stock market arose simply because buyers and sellers wanted a common place of meeting. The commodities they dealt in were investments, measured in par values of stocks and bonds instead of in bales or pounds, but responding to precisely the same conditions that traders of all sorts had known for centuries. The addition of a loan market, and of such complications as speculative ingenuity might provide for its own delight, simply helped to differentiate the Stock Exchange from all other marts.

If the Exchange had been nothing more than a meeting-place for buyers and sellers of securities, and the borrowers and lenders of funds based on securities—a huge automatic dial to register vibrating values, and a legalized centre of speculation—it would even then have been worthy of an important place in the national annals. But though created only for these functions, it has come to discharge another and a more striking one. In so doing it has formed that connection with the country's development which may be reckoned the most valuable feature of its history. It is now the mainstay of the builders of steel highways and our industrial enterprises. The maker of railroads, like the maker of shoe-strings, needs a market. The one finds this in the Stock Exchange, as the other is accommodated by the pedler's tray. The marvellous system of rails and ties, which promotes progress by promoting communication and trade, has been made possible, largely because its authors knew a
place wherein to find buyers of their wares. As time has passed, the architects of huge industrial enterprises have reaped a like advantage. It has been all one, whether men were projecting railway or street-car or ferry lines, copper-mines or steel-mills; they have no more confined their energies to creating investments for themselves than do the professional builders of tenements. They have needed buyers, and the Stock Exchange has developed by degrees to meet their need.

The Exchange started in a community which inherited from both the Dutch and the English civilizations, and the names of its founders indicate blood of both races. It rose in odd fashion. Born in 1792, it appeared to languish for awhile, and twenty-five years afterward it experienced a second birth. Its active life really dates from 1817. What may be called its pre-natal history—if the reader will forgive a somewhat fanciful expression—deserves our attention as well. Even the annals of New Amsterdam may throw some light upon the beginning of this institution.

**Discoveries in 1609 by Hudson, then in the employ of the Dutch West India Company, Manhattan Island was sparsely settled three years later by the Dutch. They founded the colony which has since been popularly known as New Amsterdam. Peter Minuit's purchase of the land for the equivalent of twenty-four dollars—a tale familiar to modern school-children—took place in 1626. An arbitrary government by the West India Company followed. The community was God-fearing, industrious, and bigoted. It fought the Indians and wild beasts with courage, and punished its own offenders with barbarous rigor. It had a minister, but boasted no special school building. The levy of a tax of one beaver-skin for each house and one guilder for each chimney supported the fire apparatus. Police protection was provided by a city watch at night, a heritage later bequeathed to the English government of the community. Its currency was chiefly of beads (seawant) and beaver-skins.

These early Manhattanese developed a gift for combat (no doubt by dint of differences with their redskin neighbors) which shows plainly in their judicial records, despite their piety. Director-General Petrus Stuyvesant, of the wooden leg and irritable temper, had to issue a repressive order. On the score that "Whereas we have observed and remarked the insolence of some of our inhabitants, who are in the habit of getting drunk . . . and of smiting each other on the Lord's Day of Rest, of which on last Sunday we ourselves witnessed the painful scenes," he directs with

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1 Records of the City of New Amsterdam in New Netherland: Henry B. Dawson. Published by permission of the Common Council of the City. 1867.
paternal solicitude that no wine or beer shall be sold on the Sabbath before two o'clock in the afternoon, and none before four o'clock when there is preaching. In an order dated December 25, 1657, it is noted that the pugnaciously inclined have been wont to "twit the officers" with the fact that the fine for the indulgence in the pleasing pastime of fighting is only "One Pound, Flemish (in seawant)." To remedy the existing lawlessness, a fine of twenty-five guilders (ten dollars) for a single blow of the fist, and one hundred guilders if blood be drawn, is imposed. As to whether fighting was therefore confined to the wealthy classes the records are mute.

The Court of the Burgomasters and Schepens—the city's board of magistrates—punished the failings of their fellow-men with severity. An edifying sample of the early Dutch brand of justice figures in the records of 1644. An incontinent citizen, one Jasper Abrahamson, forcibly entered a house and demanded food and liquor, laying particular stress upon the latter. He appeared to have done no special harm, except to the community's sense of propriety, but he was sentenced "to be fastened to a stake and severely scourged, and a gash to be made in his left jaw or cheek, and then to be banished from the city for twenty-five years, and"—the final phrase betrays the touch of an artist—"to pay the costs."

It was in this year (1644) that the Dutch director-general ordered the improvement which first marked the locality of the street destined to become the most famous thoroughfare of America. He bade the citizens to build a stout brushwood fence across the island on a line with Wall Street's present northerly boundary, to keep the Indians out and the cattle in. Whoso shirked his part of the duty was to forfeit the right to pasture his animals on the common south of the fence.

While the fence might keep out the Indians, the community felt that something better was needed to keep out the English. Out of this feeling sprang the wall that gave its name to the street now identified with the New York Stock Exchange throughout the civilized world.

Cromwell, having provided an end for the troubles of Charles I, was engaged in making trouble for Holland in 1652, and the settlers of New England looked on New Amsterdam with such longing as the followers of Moses felt for the land of Canaan. The Dutch Settlers of Manhattan

learned that an expedition was likely to be made against them, and the wall, or *cingel*, was promptly built in place of the old brushwood fence, to keep out the invader. It was constructed of round palisades, seventeen feet long and eighteen inches in girth, sharpened at the top and sunk along what is now the northerly boundary of Wall Street and westerly to the Hudson River, in a line interrupted at intervals by posts twenty-one inches in girth, to which rails were nailed two feet below the top of the palisades. The industrious Dutchmen threw up a sloping breastwork four feet high, three feet wide at the top, and four feet wide at the bottom, inside the palisades, taking the earth from a ditch two feet deep, three and a half feet broad, and two and a half feet inside the breastwork.

The wall was completed on May 1, 1653, at a cost of 3,166 guilders (about $1,266), raised on loans without security. It was one hundred and eighty rods long, and ran from the Hudson past the Great Highway (Broadway), where the Land Gate—which served for dwellers on the “bouweries” near the future site of City Hall Park—was placed, to Pearl Street, then at the water’s edge, where the Water Gate was built. Front and Water streets were later reclaimed from the East River. The Heere Graft, a canal that had replaced a ditch, ran through Broad Street, from Exchange Place to the East River, at this time, navigable by sculling-boats and properly bridged. In 1674 it was filled in.

Cromwell made peace with Holland in time to prevent the threatened invasion of Manhattan Island. The wall, however, was strengthened and heightened ten or twelve feet in 1655, to prevent, we are told, the overloopen of the savages, who were capable of breaking all vaulting records theretofore known to the Dutch.
O adequate history of this little Dutch colony—even in outline—
could omit some mention of the financial system of the day. Its
crudity becomes all the more startling when placed in contrast
with the intricate development of the modern monetary machine. This
contrast is heightened by reason of the fact that the very
community of which these sturdy Hollanders were the fore-
bears is to-day the money centre of the Western Hemis-
phere and rapidly rising toward the first position, from the
financial point of view, among cities of the world. It is curious to note
that the principles which govern the money market to-day obtained as
faithfully in the days of Petrus Stuyvesant as now.

The money system of the United States, whose development through
two centuries and a half bears strongly on the story of the Stock Exchange,
had the Atlantic seaboard for its cradle and the original American for its
sponsor. It resembled this continent, in fact, through having been appro-
priated in an open-handed fashion from the savage. Wampumpeague—
known in New Amsterdam as seawant—was its early basis, and the ratio
of beaver-skins in 1634 to white seawant was nine hundred and sixty
to one. Seawant consisted of beads made of sea-shells by the Indians,

WAMPUMPEAGUE, OR SEAWANT.

those of Long Island turning out the finest product. John Jacob Astor
used it for the purchase of his furs. That portion of the shell from which
the black or purple beads could be made was comparatively small, and so
it resulted that the dark seawant was twice as valuable as the white.
Here, too, the first temptation to counterfeiting arose. Criminals of the
seawant generation dyed the white beads black to double their value, as
their modern successors fashion ten-dollar bills from pieces of those of
smaller denominations.

The original users of seawant—the Indians—were wont to offer it as
a religious sacrifice. They would tie strings of black and white beads
about the neck of a white dog, suspended to a pole, as a tribute to the God
of the Five Nations.¹

Massachusetts made the shell beads legal tender about 1641, or nine

¹ History of New York: Yates and Moulton.
years before she established a mint for the coinage of the pine-tree shilling. It was in 1641 that the officials of the province of New Amsterdam—where the first mention of legal currency, seven years previous, had referred to seawant—gave public expression to the fear that the exportation of specie might prove an injury to the community. The basic money had shown symptoms of deterioration, and, as the debtor and the buyer hastened to pay in the inferior coin, the better quality was becoming exiled. To quote Hardenbrook in his “Financial New York”:

“An ordinance in council . . . was enacted under the Dutch Governor Kieft, which recited that a vast deal of bad seawant, or wampum,—‘nasty rough things imported from other places’—was in circulation, while the ‘good splendid seawant,’ usually called Manhattan seawant, was out of sight or exported, ‘which must cause ruin to the country.’ . . . In 1660 the seawant currency became debased and counterfeits sprang up, and in 1662 it was still further depreciated; but after the loss of the colony by the Dutch, in 1664, its price increased four hundred per cent., and some lucky Wall Street speculators made fortunes.”

To remedy the condition which excited Kieft’s apprehension, it was ordered that coarse white seawant should pass current at six for a Dutch stiver and four well-polished white seawant should be rated at four for a stiver. Whoever trampled on this ordinance by receiving the seawant at a less valuation should pay ten guilders (four dollars) to the poor.

In seawant the New York public saw its first illustration of a “corner,” a sort of miniature predecessor of the terrific operations in the gold market that a later generation knew to its sorrow. Frederick Philips, the richest man of his day, created this corner in 1666, which, as we shall presently see, was in the first interval of English rule. Mynheer Philips had judiciously “planted” great quantities of seawant, operating for a rise. The rise came. The beads jumped to three times their former value in silver, and those who had contracted to pay their obligations in seawant had to buy it of the far-seeing Philips, and to suffer considerable loss in the buying.¹

The financial affairs of the old Dutch community indicated a pastoral simplicity in the people. Hendrick Hendrickse, the “city drummer,” the records of the Burgomasters and Schepens tell us, applied on one occasion for his salary, amounting to forty guilders (sixteen dollars), and was bidden to wait awhile, “as there is no money in the chest at

popular notions of the nature of all other obligations seem to have been equally primitive. The Burgomasters contracted with the redoubtable Stuyvesant at one time to pay the town minister, dog-whipper (sexton), schoolmaster, and other important functionaries the salaries previously paid by the Dutch West India Company, in consideration of being allowed to collect for the use of the colony certain taxes on intoxicating beverages, etc., which the company had been accustomed to pocket. Stuyvesant evidently could make a bargain as well as a prayer. The Burgomasters soon discovered that the salaries they would have to pay would exceed the value of the tax they could levy by some sixty-six per cent. They were equal to the occasion. The tax was collected, and when the spiritual adviser of the community and his distinguished associates came to claim their stipends, the City Fathers amiably informed them that the money was all spent. Like the hopeful Hendrickse, they, too, had to wait awhile.

But Dutch government and finance in New Amsterdam, like other more pretentious institutions, came in due season to an end. In 1664 the Duke of York (afterward James II of England), having received from Charles II the right to appropriate another nation’s property, sailed with a fleet to New Amsterdam and surprised and captured the town.

Charles II has come down to posterity as the monarch “who never said a foolish thing and never did a wise one.” Wisdom, of the purely selfish variety, cannot be denied, however, to the decision that permitted the easy capture of Manhattan Island. The Duke called the province, which then contained fifteen hundred souls, New York. He quartered his English soldiers on the citizens, eighty cents (two guilders) a week being paid for each man’s board. Nine years later the Dutch, by a naval coup audacious as his own, recaptured the community. The following year, 1674, Holland ceded Manhattan Island to England by treaty. These entire proceedings cost no bloodshed, and proved quite incapable of disturbing the phlegm of the Dutch population.

Major Edmund Andros, who had fought under Prince Rupert against the commonwealth, came out from England to take the governorship of the reclaimed colony. In the century of English rule that followed, the community not only progressed with remarkable vigor, but nurtured a spirit of independence that did not wait till the outbreak of the Revolution to vaunt itself in the face of the ruling nation. The infusion of the constantly growing proportion of English blood was a logical result of the session of the colony by the Dutch. The expanding population of
New York thrived under more favorable conditions than had existed beneath the rule of Stuyvesant and his companions. Indian invasions became merely a memory. The fact that neighboring and flourishing provinces also professed fealty to Great Britain, and that the province of New York had thereby ceased to be a stranger in a strange land, encouraged England to Manhattan and swelled the population and wealth of the colony at mouth.

Governor afterward Earl of rule was marked that bears his policy of self-reached New York Dongan charter was given to the city three years later, and vested in the municipality the ownership of its own ferry franchises and vacant land. This document was a natural product of the current theory that the real property, even of a colony, was a personal asset of the crown to which that colony professed allegiance. New Yorkers of a later generation helped, with free expenditure of blood and treasure, to wipe out that theory so far as it concerned them; but they did not unseat the Dongan charter from the throne of its authority. The theory has been abrogated but its effect remains, just as to-day the riparian rights about City Island, granted by Queen Anne to a favorite family of her day, still hold good for the benefit of the descendants of the grantees.

Nicholas Bayard, the first Mayor of this city, ordered in 1685 that it be paved, each citizen to pave the walk in front of his own premises. The first thoroughfare ever paved in Manhattan Island was Brower (now Stone) Street, between Whitehall and Broad streets, this having been done under Dutch rule. Wall Street, which was first paved in 1693 for a width of ten feet, in front of the houses facing on the Wall, was surveyed in 1685 by Leo Beckwith. He laid out the northerly line of the thoroughfare, "by virtue of a warrant from the honble Coll. Tho. Dongan Governor Generall of his Majesty’s Coll. of New York," and it ran from "ye westermost corner of ye Butcher’s Pen at an angle of 313°, or northwest by West nine degrees fifteen minutes four hundred and twenty three feet to the farthest corner of Smyth’s Street: thereby an angle of 323° four hundred and thirty one feet to the farthest corner of Gracht (Broad) Street and from there to an angle of 319°
the line run one hundred and fifty one feet to the farthest corner of Stonelenberg's garden, which is right opposite to the Southeast corner of ye New Street, the saide Street being laide at thirty six foot in breadth." Mr. Beckwith stamped the product of his engineering and literary genius as follows: "Performed this 16th day of December, 1685, by Mee, Leo Beckwith, Dept. Surveior."

Wall Street's northernly line is thus accounted for. "The honble Coll." Thomas Dongan attended to the southerly boundary himself. The thoroughfare was one hundred feet wide at the time, the Dutch having forbidden the building of houses within that distance of the wall. Governor Dongan, no doubt foreseeing the value which would be set in a later day upon space in the financial district, concluded that it was a godless waste of room to keep Wall Street so wide. He accordingly cut off a strip forty feet wide from the southerly part of the thoroughfare and sold it to Abraham De Peyster, Nicholas Bayard, and others. The proceeds he quietly put away where they could not tempt the eyes of the covetous and worldly-minded. This piece of robbery was committed
EARLY DAYS IN MANHATTAN

with impunity, but trivial offences were severely punished. Even at a later period we learn that petty thieves were disciplined by the burning of the letter T into their left cheeks.

Wall Street's first house of any note was built on the site of the present Custom House at Wall and William streets. Jacob Jansen Moesman erected it on a thirty-foot lot. Trinity Church was built in 1796. The wall was a favorite social rendezvous in these early days, and one of the English ordinances provided a small fine for "Youthes, maydes or other persons" who met there on Sunday for sport or play. The wall lasted till the advent of a new City Hall marked a new era in the development of New York. The old Stadt Huys had been erected by the Dutch in 1642 on what is now the site of 71 and 73 Pearl Street. This venerable structure was sold to John Rodman, a merchant, at the respectable figure of £920, shortly after the completion of the new City Hall, which was built on a lot donated for the purpose by Abraham De Peyster, the site of the present Sub-Treasury, facing the head of Broad Street.

In 1698, when this new ornament to the city was projected, the residents asked the Governor to remove the wall, which had outlived its possible usefulness without ever having been tested in battle. The petition was granted. The veteran "Cingel" was demolished, and from the Land Gate and the Water Gate, whose strength Petrus Stuyvesant had surveyed with satisfaction, the stone bastions were taken to make the new City Hall. In the fall of 1699 the corner-stone of the municipal building was laid, the structure being completed the following year. The day of Indian warfare had given way to the day of commercial activity.

There was, however, much that was primitive and crude in the governmental arrangements of this period. Streets were artificially lighted at night only in the dark time of the moon, and then by "a lanthorn and candle . . . hung out on a pole before every seventh house, each neighbor paying his share of the expense under penalty of a fine of nine-pence." Wells were sunk by virtue of funds assessed on the districts to which they were to minister. Mayor Delanoy, in 1688, sent constables through the city's wards to find out the persons who stood in need of public charity. In this year the assessed valuations of estates in New York amounted to £78,231. Three years later the ferry between Peck Slip and Brooklyn was leased for £147 per annum, and the Great Dock, extending along the East River from Broad to Whitehall Street, was leased at about £40 yearly. In 1692 the colony raised £6,000 to help the British fight the French.

In 1697, irrespective of contributions to Great Britain's war fund, New York's expenditures were as follows: For the poor, £156; for the
bridge, £120; for the slip, £60; for the scavenger, £15. This made a total of £351.1

Within two or three years the entire cost of the new City Hall, something less than £4,000, was raised from this prosperous little community by direct taxation. In 1703 Mayor French wanted £1,500 for a new battery at the Narrows, and it was obtained by imposing the following taxes: Provincial councilmen, 40s. each; assemblymen and lawyers, 20s. each; every wearer of a periwig, 5s. 6d.; every bachelor over twenty-five years old, 2s. 3d.; every other freeman between sixteen and sixty years of age, 9d.; masters of slaves, 1s. for each slave between sixteen and sixty years of age; distillers, 3d. for each gallon produced.

Teunis de Kay opened Nassau Street, "the street that runs by the pie-woman's, leading to the City Commons," in June, 1696. Four years later a lot at the east corner of Wall and Broad streets—where the Drexel Building now stands—sold for £163. Several handsome dwellings were erected in Wall Street, at the East River terminus of which a wharf had been constructed, and here the redoubtable Captain William Kidd was wont to take on supplies for his craft. He was reputed to enjoy "protection" from the Governor, at a good round price.

In these days lodging cost threepence a night, a full meal eightpence, and a gill of brandy sixpence. Before the face of the new City Hall the Whipping-post and pillory, and whipping-post reminded offenders that the comforts of civilization had been carried to a new world. From 1709 to 1713 negro and Indian slaves were exposed for sale to a prudent generation at the easterly end of Wall Street. These unfortunates were treated with terrible rigor; a gathering of more than four of them constituted a mob, and was dealt with on that theory.

The first English schoolhouse on Manhattan Island was built in 1702. Seventeen years later the First Presbyterian Church (which later was burned down, then rebuilt, and then removed piecemeal to Washington Street, Jersey City) was erected in Wall Street, west of the City Hall. This church and the sugar-house (sugar-refinery) were, in 1728, the only buildings on the north side of the thoroughfare between Broadway and William Street, except the City Hall. McEvers' mansion, the finest private residence in Wall Street, stood at the northeast corner of William, and in 1791 became the home of the Bank of New York, whose building occupies the site to-day.

Montgomerie's charter was granted in 1730 and was followed by a period of satisfactory commercial growth, which necessitated, however, the building of the first poorhouse. The old city watch was increased to a dozen men. A watch house was

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built, and the expense of this primitive police department grew from £50 yearly to £448. Fire engines were not known—they did not come in till 1774. The city's revenue in 1740 came from these sources:

<table>
<thead>
<tr>
<th>Source</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent of ferry-house</td>
<td>£319</td>
</tr>
<tr>
<td>Docks and slips</td>
<td>73</td>
</tr>
<tr>
<td>Licenses to liquor-dealers, about</td>
<td>200</td>
</tr>
<tr>
<td>Freedoms granted, about</td>
<td>75</td>
</tr>
<tr>
<td>Leases of common lands</td>
<td>14</td>
</tr>
<tr>
<td>Rents of water-lots</td>
<td>75</td>
</tr>
</tbody>
</table>

The city's growing sense of independence kept pace with its growing wealth and influence, paving quietly and well the way for the struggle that was to cut the bonds that bound the thirteen colonies to Great Britain. This spirit of freedom showed itself in its strength as early as 1735, when an editor of the New York “Weekly Journal,” a Mr. Zenger, dared to criticise the local government, and was thrown into jail. He was kept a prisoner for nine months, and then tried in the City Hall, and gloriously acquitted by the eloquence of his advocate, the distinguished Andrew Hamilton, of Philadelphia. Great enthusiasm was displayed by the public. Hamilton received a gold snuff-box from the Mayor, and Zenger got nothing but his freedom save the satisfaction of knowing that he had suffered to win the first great battle in the colony of New York for the liberty of the press.
II

GENESIS OF THE NEW YORK STOCK MARKET

The record of the eighteenth century in New York City was a record of steady growth and commercial progress until the hour when the community became involved in the conflagration that burned away the bonds uniting the colonies to Great Britain. In this test by fire there was, of course, the ruin of much that deserved to escape the flames, and the effect of commercial disorder exerted itself throughout the Atlantic Seaboard long after Cornwallis had tasted the humiliation of Yorktown.

The pre-Revolutionary period displays itself in colors attractive by contrast. Its record was all the more noteworthy by virtue of the handicap which it carried—a vicious currency system which not only worked iniquity in its own time but bequeathed to a later generation the effects of its debasement.

Notwithstanding this drawback, New York made praiseworthy strides. The city's first bonds were issued in 1751 to pay for a corporation pier. Later it was thought no harm to raise funds by the lottery system. Wall Street was then notably the fashionable thoroughfare, where men like General John Lamb, afterwards first Collector of the Port under the United States Government, and James McEvers, who was appointed stamp collector in 1765 and refused to put the Stamp Act into effect, had handsome dwellings. It was also the business centre of the city, and probably contributed its full quota to the purchase of lottery tickets which the municipality delighted to sell. Bedloe's Island was bought with lottery profits. In
1756 the colony could afford to enroll, clothe, and arm thirteen hundred men for the King's service. Two years later it raised £100,000 for municipal purposes, by bills of credit. In 1770 its thriving merchants incorporated the Chamber of Commerce.

With the increase in the resources of the American colonies, the friction between their people and the British Crown increased. In the exciting events attending the repeal and passage of the Stamp Act New York had her share.

In 1765 the first stamps arrived in this harbor, and the Mayor—Governor Colden having been compelled to give them up—marched with them through Wall Street, followed by a great crowd, and placed them in the City Hall. Upon the repeal of the Stamp Act the residents erected a marble statue of Pitt, Earl of Chatham, at Wall and William streets. It was beheaded in the course of the British occupation of the city, 1776-83, and the Royal Historical Society has what is left of it.

New York was a hotbed of factional strife at the outbreak of the Revolution, but the “Rebels” were in the majority. The Rev. Charles Inglis, rector of Trinity Church, who had been warned not to pray for George III, dared to do so in the face of a hundred and fifty armed men, who marched into the church with drums beating and fifes playing. The clergyman evidently believed his monarch's spiritual necessity justified the risking of life to intercede for him, and the invaders approved his courage, if not his views, for they marched out peaceably enough after accepting the rector's blessing.

There is no need even to outline the course of the Revolutionary War. It cost much havoc to New York, the British gutting the City Hall, and, among other touches of vandalism, scattering the library and making fuel of the splendid shade trees that lined Wall Street before the arrival of the hostile troops. After their evacuation, in 1783, the City Hall having been well cleaned and renovated, the State Legislature met there. In December, 1784, Congress held there its first session, and the growing metropolis of New York became the nation’s capital. John Jay received the freedom of the city in a gold box delivered at the City Hall, and it was in this building, in 1789, that Chancellor Livingston administered to George Washington his oath of office as first President of the United States. Three years later, in a modest fashion, the business men of this city laid the foundation of the New York Stock Exchange.
Distressed though the country was by the ravages of a struggle that had demanded the endurance of enormous hardship and a terrible expenditure of blood and wealth as the price of victory, New York and Philadelphia were both centres of much luxury in the period immediately succeeding the war. With a large part of the public impoverished, the capital city of the day could still display a dazzling array of fashion and a notable conflux of those who had much and spent freely. According to Brissot de Warville, a noted French visitor, living was more expensive in New York than in Paris. The presence of many strangers heightened the gaiety. Great Britain having resigned the privilege of dictating our laws consoled herself by dictating our fashions, while streets which had resounded to the rattle of rifle and drum buzzed by daylight with social chatter and re-echoed at night the music of quadrille and minuet.

Since it was in this very period that commerce gave birth to the Stock Exchange, its conditions are worth some analysis. The luxury and frolic of the day were not entirely healthful. To a certain extent they reflected the high spirits of a young nation, intoxicated with its entrance upon life and eager to develop in its liberty the fashionable features which could be noticed in Old World countries, and were considered a salient part of national dignity. To a still larger extent they represented money which came and went easily. They were the undesirable corollary of the blunders of national finance.

No lengthy discussion need be devoted to those blunders now. They will be discovered only too frequently in this narrative. Their source is traceable to the year 1690, when the Colony of Massachusetts, whose people have never been offended at the imputation of possessing superior wisdom, issued bills of credit, to the amount of £40,000, to compensate some soldiers who had returned from a Canadian expedition without getting their expected loot, and were clamoring for their pay. Two years later these bills were made legal tender, receivable for taxes on a basis slightly inferior to that of silver, and redeemable in silver in twelve months. Though a definite terminus was thereby set to the evil this measure might do, its example
FOUR DOLLARS.

This bill entitles the Bearer to receive FOUR Spanish milled DOLLARS, or an equal Sum in Gold or Silver, according to a Resolution of Congress, passed at Philadelphia, February 17, 1776.

THREE DOLLARS.

This bill entitles the Bearer to receive THREE Spanish milled DOLLARS, or an equal Sum in Gold or Silver, according to a Resolution of Congress, passed at Philadelphia, February 17, 1776.

EIGHT DOLLARS.

This bill entitles the Bearer to receive EIGHT Spanish milled DOLLARS, or an equal Sum in Gold or Silver, according to a Resolution of Congress, passed at Philadelphia, February 17, 1776.

STATE OF MASSACHUSETTS.

Eight Dollars of this shall be paid, to the Subscriber, for the Sum of Eight Dollars, with interest at Six per Cent per Annum, due at the First Day of December, One Thousand Seven Hundred Fifty Four, or so much thereof as shall be paid, at the Rate of Eight Per Cent per Annum, by the State of Massachusetts, according to an Act of the Legislature of the State, passed the First Day of May, 1780.

THREE DOLLARS.

This bill entitles the Bearer to receive THREE Spanish milled DOLLARS, or an equal Sum in Gold or Silver, according to a Resolution of Congress, passed at Philadelphia, February 17, 1776.

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had already worked havoc. The colonies discovered how easy it was to make money, and determined to grow rich by the process. The first paper currency act was passed by the New York House of Assembly on May 25, 1709. Credit bills, redeemable at no set date, were issued with prodigal freedom in the various colonies as the infection spread, and depreciation attained the speed of a railway express. The laborer's wages and the price for the farmer's product shrunk while they held the bills in their hands. The Royalist governors endeavored to check, by the veto, the mad rush to turn out legal tenders, and, according to one Massachusetts historian, Felt, the ensuing friction did much to pave the way for a struggle with Great Britain.

The currency evils of colonial times were magnified under continental rule. "Old tenor" was succeeded by "new tenor" at quick intervals, the only essential difference between the "tenors" being in degree of depreciation. "Not worth a Continental" became a current synonym for "useless." Dishonest debtors used their influence to have many of these bills passed, delighting to discharge their obligations in a cheap and debased currency, and careless as to whom it ruined. Fortunes were made by those who contracted to buy real estate or merchandise at certain figures, and who, by reaping the benefit of a fresh currency issue and accelerated depreciation before the time came for the execution of the contracts, were able to pay in degraded money. Wealth gained in this easy fashion and the sentiment of the day—that money could only be properly used by spending it before it had a chance to deteriorate—combined to induce the prodigality and luxury which the Wall Street observer might notice just after the war.

Congress did not crush this many-headed currency monster till after frequent vain attempts. Stringent laws were enacted to punish those who discriminated against the legal tenders in their sales, and such laws were, of course, no sooner made than broken. Even Washington at one time bitterly condemned the men who discriminated in this fashion, though he later came to see that the fault did not lie with them. In 1779 Congress tried to do altogether without money, by laying upon the several colonies requisitions for specific supplies, but consequent abuses and blunders forced the abandonment of this policy. Then the Revolutionary statesmen determined to impress what they needed into the country's service, and farmers stored their produce lest they should lose their horses by bringing it into town. The disorders of the time make too long a story to be told here. One currency issue after another, having passed through successive stages of degradation, was extinguished either by redemption at a pitifully low rate or by utter repudiation. Of the Revolutionary and post-Revolutionary legal tender laws Judge Story says:
"They entailed the most enormous evils on the country and introduced a system of fraud, chicanery and profligacy which destroyed all private confidence and all industry and enterprise."

Such was the condition of the country's money at the time when the Stock Exchange arose. In 1786, besides many fine residences—among them one occupied by Alexander Hamilton—Wall Street contained the places of business of fifty-four merchants, a school-teacher, a cloakmaker, a snuff and tobacco manufacturer, a grocer, a bookseller, a milliner, a printer, an upholsterer, two tailors, and three auctioneers. It also boasted a tavern, a porter-house, an intelligence office, and a fashionable boarding house, where a Mrs. Daubigny presided. The removal of the seat of Federal Government to Philadelphia cost Wall Street much of its gaiety, and commercial and financial growth began to succeed to the vagaries of fashion. In 1790 New York City contained 31,131 persons. The following year witnessed the consecration, by Bishop Prevost, of the rebuilt Trinity Church. It was demolished in 1848 to make way for the present edifice, whose chimes for more than half a century have softened to the ear at intervals the feverish roar of the financial district.

1 Story on the Constitution, II. 1871.
In 1752 there had existed, at the foot of Broad Street, the Royal Exchange, where merchants met to make their bargains. This, however, was not more properly the precursor of the Stock Exchange than was the market for meal and slaves. It was the desire to deal in the Government securities (which were really the debts incurred by the Continental Congress and the separate colonies or States, and assumed at the close of the war by the nation) that brought about the first organization of stock brokers in this city.

On December 23, 1776, forty-nine years after the legalization of tobacco paper currency in Virginia, the Continental Congress negotiated its first loan with the Farmers General of France. Although the loan was for $10,000,000, stock to the amount of only $181,500 of this particular issue was actually sold. It bore five per cent. interest, was redeemable in tobacco, and was taken at par. After the meeting of Congress, in 1789 and 1790, in the New York City Hall, then called Federal Hall, and the consequent assumption by the nation of Continental and State obligations, the outstanding “stock” of the United States amounted to about $80,000,000. Merchants and auctioneers received orders to buy or sell Government stock, and soon there arose specialists in this branch of industry known as stock brokers.

The Diary, or Loudon’s Register, a local newspaper, affords the first mention, early in March, 1792, of anything like organization among dealers in securities. It announced that the Stock Exchange office was opened at No. 22 Wall Street, where A. L. Bleecker & Sons, J. Pintard, McEvers & Barclay, Cortlandt & Ferrers, and Jay & Sutton would hold public sales of stock daily at noon, selling in rotation. The specialists, or stock brokers, seemed to regard this as an effort by the auctioneers to monopolize the business. On March 23, 1792, Loudon’s Register told the public that the brokers had given the auctioneers a Roland for their Oliver. The notice ran:

“A meeting was held at Corre’s Hotel on Wednesday last, March 21st, of the merchants and dealers in stocks, when they came to the resolution that on and after the 21st of April next they will not attend any sale of stocks at public auction, and also appointed a committee to provide a proper room for them to assemble in, and to report such regulations relative to the mode of transacting their business as in their opinion may be proper.”

The outcome of this meeting was the first agreement of the dealers in securities, the oldest record now in the Stock Exchange archives. The agreement ran as follows:
"We, the Subscribers, Brokers for the Purchase and Sale of Public Stock, do hereby solemnly promise and pledge ourselves to each other that we will not buy or sell from this day, for any person whatsoever, any kind of Public Stock, at a less rate than one quarter per cent. Commission on the specie value, and that we will give a preference to each other in our Negotiations. In Testimony whereof we have set our hands this 17th day of May, at New York, 1792."

Following are the names, occupations, and addresses of the signatories:

- **Leonard Bleecker**, Broker, 16 Wall Street.
- **Hugh Smith**, Merchant, Tontine Coffee House.
- **Armstrong & Barnewall**, Insurance Brokers, 58 Broad Street.
- **Samuel March**, Broker, 243 Queen Street.
- **Bernard Hart**, Broker, 55 Broad Street.
- **Alexander Zuntz**, Auctioneer and Broker, 97 Broad Street.
- **Andrew D. Barclay**, Merchant, 136 Pearl Street.
- **Sutton & Hardy**, Stock Brokers and Auctioneers, 20 Wall Street.
- **Benjamin Seixas**, Merchant, 8 Hanover Square.
- **John A. Hardenbrook**, Broker, 24 Nassau Street.
- **Samuel Beebe**, Broker, 21 Nassau Street.
- **Benjamin Winthrop**, Merchant, 2 Great Dock Street.
- **John Ferrers**, Merchant, 205 Water Street.
- **Ephraim Hart**, Broker, 74 Broadway.
- **Isaac M. Gomez**, Broker, 32 Maiden Lane.
- **Gulian McEvers**, Merchant, 140 Greenwich Street.
- **Augustine H. Lawrence**, Warden of the Port, 132 Water Street.
- **G. N. Bleecker**, Merchant, 21 Broad Street.
- **John Bush**, Broker, 195 Water Street.
- **Peter Ansphach**, Merchant, 3 Great Dock Street.
- **Charles McEvers, Jr.**, Merchant, 194 Water Street.
- **David Reedy**, Insurance and Stock Broker, 58 Wall Street.
- **Robinson & Hartshorne**, Merchants, 198 Queen Street.

For some time the brokers who were unpretentiously laying the foundations of the Stock Exchange had neither a local habitation nor an organization name. Like the curb brokers of to-day, they settled by common consent in an open-air place of meeting. A buttonwood tree stood then on the north side of Wall Street, at what is now the dividing line between Nos. 68 and 70, a veteran survivor of the days of the English occupation, when its compeers fell victims to the invaders' axe. Beneath its shade the stock brokers met in a leisurely fashion to compare their orders and strike their bargains, and there is good evidence that their business was not so rushing as to prevent their interlarding bids and offers with gossip about the politics of the time.
Here is a quotation list showing the prices of May 26, 1792, twenty shillings being equivalent to par:

<table>
<thead>
<tr>
<th>Description</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six per cents</td>
<td>22s. 0d.</td>
</tr>
<tr>
<td>Three per cents</td>
<td>12s. 8d.</td>
</tr>
<tr>
<td>Deferred</td>
<td>13s. 2d.</td>
</tr>
<tr>
<td>Indents</td>
<td>12s. 3d.</td>
</tr>
<tr>
<td>Final settlements</td>
<td>18s. 6d.</td>
</tr>
<tr>
<td>Half shares Bank U. S.</td>
<td>50 per cent. premium</td>
</tr>
</tbody>
</table>

Betting on the results of domestic and foreign political controversies and dealing in merchandise accompanied the trading in securities. In 1793 the Tontine Coffee House was completed, at the northwest corner of Wall and William streets, and the brokers deserted the buttonwood tree to meet in this building, the New York Tontine Coffee House Company having been chartered, with two hundred and three subscribers, at $200 each, for the purpose of a Merchants' Exchange. As may be imagined, dealers in other commodities shared these quarters with the dealers in securities, and at times the raucous shouts that marked a fluctuating price were succeeded by the staid voices of members of commercial bodies, gathered for periodical meetings. This structure proved an efficient incubator for that pursuit of stock speculation which was destined to become one of the great dramatic features of the metropolis. The business of trading in securities started as smoothly as in Old World countries, and grew beyond the limits which even the imaginations of Old World traders had set.

The New York's first organization of brokers, of course, did not disprove King Solomon's dictum, "that there is nothing new under the sun." For the true antecedents of the Stock Exchange we must turn to that shadowy period when dealers in merchandise began to transact their affairs through middlemen. As securities came to take their place among the instruments of commerce, they too found their way into the hands of middlemen.
of business these middlemen came to deal in them. Investment buying and speculation were interwoven in these early days as truly as in our own.

The records of the rise and growth of each stock brokerage organization in Europe form no part of the scope of this work. It is not the history of the Berlin or Paris Bourse, or of the market now housed in Capel Court that we are discussing. But the telling of the story of the New York Stock Exchange will justify a cursory glance at least at some of the institutions and conditions which may be called its natural prototypes. These conditions include the first applications of the speculative principle to the articles of commerce. Only sporadic references to the vocation of the broker, the man who for a definite commission transacts the business of a client, are to be found in history. He seems, however, to have plied his calling since the beginning of trade itself, and to have associated his business more or less with the taking of others' risks for a price. He is still taking those risks, as many a man whose customers fail to renew exhausted margins can bear witness. The speculative instinct of humanity naturally enlarged the sphere of the mediaeval predecessor of the modern broker. His methods, of course, were peculiar to his time. Often he discharged the proper functions of a merchant. He dispatched his goods upon the backs of camels, by means of some Egyptian caravan, to a desired market, or risked the perils of piracy in committing a precious cargo to trading vessels, and then spent his leisure time, as Salanio expressed it to the Merchant of Venice:

"Plucking the grass, to know where sits the wind; Peering in maps for ports, and piers, and roads."

In either case he bore a definite relationship to the broker of to-day. The early Phoenician who purchased metal at a venture before it had been mined has been gathered to his fathers. His spirit has descended to the dealer in puts and calls.

The most striking point of distinction between the middleman of a few centuries ago and the latter-day broker seems to be that speculation was a fundamental part of the business of the former. It was indeed one of his instruments of gain. In the Middle Ages the term "brocage" was used as we now use "brokerage." The business which the term indicated is traceable in England back to the time of Edward III. The British Parliament in 1376 enacted as follows: "No stranger, merchant, nor other stranger, shall use or exercise the occupation of 'brocage' between merchant and merchant, or other persons, nor be a 'broceur' within the City of London or its suburbs." Later 'broceur' became hardened into "brogger." Citizens petitioned Parliament in 1442 to enforce the act of 1376, as foreign competition
had begun to show itself. There appears to have been a very limited field for brokers, inasmuch as in the middle of the sixteenth century there were only thirty of them in London. These were licensed, and the Lord Mayor and Aldermen of the city exercised over them a quasi-judicial control which they were not able to shake off till three centuries later.

It was only in the reign of William of Orange that the merchandise broker developed into the dealer in securities. Theretofore the Defenders of the Faith in Great Britain had been wont to borrow as the spirit moved them. Their wealthy subjects' response to the royal need was the test of the latters' loyalty or of their laudable desire to keep their heads upon their shoulders. But the world had made progress when William III came to the throne, and he thought it expedient to negotiate his loans in a considerate fashion. It was easier to confiscate the possessions of posterity, which had no means of protesting, than to follow the methods of his predecessors. He accordingly established the national debt, France having set him an example. In 1694, the Government contracted with the Bank of England the first of its regular loans. The Bank was in fact formed for that specific purpose. Public corporations began to multiply. Their securities and those of the Government were the new commodities in which the brokers dealt. Speculation soon came to thrive with what it fed upon, and Parliament attempted to check it by more or less sumptuary legislation. The broker was obliged to carry a silver token, to pay forty shillings for a license, and to abstain from charging more than ten shillings per cent. for brokerage. The licenses were limited in number to one hundred, and a broker who transacted his business without one was liable to a fine of five hundred pounds. "Time bargains," which resulted on settlement day in the buyer's paying the difference if the price of what he had purchased had declined, or pocketing a profit if it had risen, but which involved no out-and-out acquisition of anything, were common transactions. In the eighteenth century all classes of Englishmen were interested in speculation. The South Sea Company, whose stock, amounting to £33,500,000, had risen from £1 to £1,200 a share in value, carried thousands down with it to ruin in 1720. An ingenious swindler of the day tested the public temper by opening an office and inviting the public to subscribe half a million pounds "to carry on an undertaking of Great Advantage, but nobody to know what it is." He secured £3,000 on the day he issued his prospectus and ran off with the money in the afternoon. A practical joker opened an office in Change Alley and asked for a million sterling in subscriptions to a new concern whose objects were not to be discussed in detail. After receiving a large sum from infatuated speculators, he informed them by advertisement that he would return the money, considerately explaining
that he had merely experimented to determine the number of fools that could be caught that way in twenty-four hours.

In 1773 the organized London stock brokers, whose places of meeting had been the coffee houses, the rotunda of the Bank of England and the Royal Exchange, rented a structure of their own at Threadneedle Street and Sweeting's Alley. The dealers in Government securities had been meeting in the rotunda of the Bank of England, however, and continued to meet there till 1834. A writer of the period, when the Threadneedle Street quarters were engaged, had some caustic remarks to make upon the subject of "bulls" and "bears," who had borne those titles for about two centuries and a half. Speaking of stock jobbers he said: "I know not what specie they belong to, whether fish, men, birds or beasts. A stock jobber is called a bull; and he is also called a bear. The bull contracts for the purchase of stock, but probably being unable to pay for it he sells it again at the chance of gain or loss before the settling day arrives. The bear is the animal that contracts to sell stock; but he sells, perhaps, more than he is possessed of (perhaps possesses none at all), and is yet obliged to fulfil his contract by the time agreed on. I know not why the jobber who contracts to buy is styled a bull, except that he appears, when a loser, as surly as that animal—the term can have no classic origin, as these beings are, in general, illiterate, and have never heard of the bull-offerings to Apollo. From the structure and aspect of the bear, as described by the French academists, these creatures may somewhat resemble the unsuccessful stock-jobber, by the heaviness and gloominess of his appearance."

London settlements in these days came once a month, or less frequently, as against once a fortnight now. The wits, the politicians, and the men of letters played bull and bear by turns. Brokers earned the title of "lame ducks" by defaulting in their payments. The American Revolutionary War was prolific in these fowls. It produced the failure of twenty-five members of the London Stock Exchange in 1787, along with the depreciation of the British Government's credit by forcing the mother country to negotiate tremendous loans in a vain effort to discipline her unruly daughter. As the London press of the day put it, "Twenty-five lame ducks waddled out of the Alley." It is reasonable to believe that the consequent financial disturbance in England had something to do with the conciliatory spirit Englishmen eventually developed toward the young America.

England differs not at all from other European countries in the way in which merchant middlemen blossomed into securities brokers. The predecessor of the Paris Bourse was the Change de Paris, established by the Government in 1304 at the Grand Pont, as a market for the dealers
who had been accustomed to block up busy streets with indiscriminate freedom—just as curbstone sellers of houses and lots were accustomed to choke the traffic of Liberty Street, between Nassau Street and Broadway, when the old Real Estate Exchange faced on that block. The Change de Paris was afterwards removed to the Palais de Justice. Stocks and bonds, as they were developed in the course of financial and commercial progress, replaced general merchandise, and the transformed market place became the Bourse. The detailed history of the speculation which it nurtured need not concern us. From 1720 to 1724 the Government suppressed it, out of deference to public opinion, and then it was revived under certain legal restrictions, its meeting place being the Hotel de Nevers. The coming of the French Revolution proved unfriendly. While an outraged peasantry were avenging centuries of oppression by destroying the throne and the Bastile, and decapitating aristocrats with mad indiscrimination, the political atmosphere was not healthful for this institution of finance. It was closed by Governmental decree in 1793, but reopened in about a year. The building it now occupies was completed in 1826 at a cost of eight million francs.

During the greater part of its existence the Paris Bourse has been at war with the Coulisse, an organization of brokers resembling those who now form the curbstone securities market in Broad Street. The members of the Coulisse have suffered innumerable penalties of fine or imprisonment through this enmity. In 1859 the Chambre Syndicate, the ruling body of the Bourse, succeeded in having the Coulisse suppressed by law on some appropriate charge, and twenty-six of the Coulissiers were each sentenced to pay a fine of 10,500 francs. In this year the sixty Agents de Change, the men nominated by the President of the Republic, who hold seats on the Bourse, each received the legal right to engage two clerks who might conduct a subordinate brokerage business. Under the guidance of the Chambre Syndicate these clerks formed a Coulisse of their own. The original Coulisse was revived about 1881 in an open fashion. A legal battle over the sale of certain irregular issues of stock, which the Agents de Change sold for future delivery to the Coulissiers, took place and resulted in a decided victory for the latter. Since that time there has been no standing feud between the two bodies.

Under the existing system a nominee for the post of Agent de Change must be a French citizen, at least twenty-five years old, and must furnish certificates as to his character and capacity, signed by the heads of several financial or commercial institutions of repute. He pays 250,000 francs to the treasury of the Bourse as a guarantee of good conduct, and 50,000 francs into the Caisse Commone, designed to assist members who have failed. A seat on the Bourse, which was worth 30,000 francs a century
ago, and has fluctuated considerably in value since, can be sold for more than two million francs ($400,000) to-day. Twelve persons may be partners in the ownership of a seat, but it must stand in the name of one man. The others are personally liable for the obligations he contracts.

The calling of the broker has been plied for centuries in Italy and Spain as well as in France. Its important character in adding elasticity to the market for merchandise has been as noticeable as its close connection with speculation. By facilitating trade the broker has taken his place in political economy as one who discharges a function supplementary to production. His work has been none the less valuable because its merit has not always been realized. Like the man who transports merchandise and the man who sells it at retail, he fills a place in the machinery of distribution, and makes good his claim to the title of a promoter of the progress of civilization. His methods changed as the commodities he handled changed,—from silks, and spices, and hides, to Government bonds and railroad securities. Beneath this superficial transformation his functions remained the same.

The founders of the Stock Exchange in this city were fully aware of the important positions which followers of their vocation had attained in European countries, and appear to have gone cheerfully to work—in the face of a period of post bellum commercial distress and of an incoherent and unsound currency system—to equal the feats of their Old World predecessors. They have bequeathed to the readers of this generation only sparse accounts of their early efforts. We know at least that they kept alive the business of dealing in securities, although it was not put on a thoroughly solid basis till the adoption of the Constitution, in 1817. The Nation and the city were both growing sturdily meanwhile. Robert Morris, who had done the Government incalculable service throughout the strain of the Revolutionary war, was appointed Superintendent of Finance in 1781, the year Cornwallis surrendered. He made an honest and reasonably effective effort, in the first days of the young Republic, to bring some order out of the financial chaos which successive issues of irredeemable paper currency had produced.

Morris was directed to fix upon a table of rates for the valuation of foreign coins in this country. His study of the monetary situation led him to the belief that a single silver standard should be adopted by the country, and that the Spanish dollar afforded the best measure of value. This coin passed at the time at very different ratings in the different colonies. Morris finally submitted to
Congress a decimal scheme, based on the dollar as a unit. It was opposed by Jefferson on the ground that a currency in pounds, shillings and pence was simpler. Jefferson appears to have been finally won over, for his name was attached to the system adopted by Congress in July, 1787, which was in a large measure the embodiment of the ideas of Morris. The American dollar was first coined in 1794, and contains 371 1/2 grains of pure silver. But as it had a greater amount of alloy than the present dollar, it weighed 416 grains, as against 412 1/2 grains to-day.

Congress then fell into the mistake of attempting to set up a double standard. Alexander Hamilton, after due investigation, reported to the National legislators that the ratio of gold and silver was about fifteen to one. A gold dollar, containing one-fifteenth as much of the yellow metal as there was pure silver in the silver dollar, was accordingly established. But Hamilton was mistaken in his ratio. The silver dollar was not so valuable as the gold one. The operation of Gresham's law, of course, drove gold out of circulation, and it remained out of circulation till 1834, when Congress changed the unit ratio to one to sixteen. This made the gold dollar the cheaper one and drove silver out of circulation. The statesmen found, to their chagrin, that the ratio of the precious metals, like the ratio of wheat and oats, could not be controlled by statute.

The mint, established in Philadelphia in 1794, coined dollars bearing representations of the pillars of Hercules. They won the sobriquet of "pillar" dollars. Already the banking system of the country had been set upon its feet and political quidnuncs had started the first breath of that controversy which centres about the banks and which has not failed to show itself at frequent intervals.
THE PIONEER BANKS OF THE NATION

With the humiliation of Lord Cornwallis and the final severing of the cord that had bound the Colonies to England, the young Republic began to lay the foundations of commercial progress. It established, though in a halting and uncertain fashion, a banking system, the advisability of which soon became a subject of political contention. The controversy attained a crisis in Jackson's destruction of the second Bank of the United States; but even in the closing years of the eighteenth century, and the early years of the nineteenth, it had become warm. Yet the country needed the banks, and they steadily gained position despite the controversial excitement. Their development, it is hardly necessary to say, sustained a close relation to the progress of the New York Stock Exchange.

In some measure the violent opposition to banks, cherished even by such men as Jefferson, was a result of the natural antipathy of a young democracy to a class of institutions which had become associated in the public mind with aristocratic oppression and with a subservient desire to supply the needs of royal extravagance. To a certain degree this signified merely a vague dislike of the "money power," joined with that inability to discriminate between the right and the wrong uses of wealth, which is not unknown to our own time. In a larger degree it arose from the well-founded belief that many of the banks were conducting their business on unsafe lines and were using their power in an unjust way. The banks were painfully in need of regulation, and even of repression. It was easy for those whose indignation flamed at their abuses to believe that they should be altogether suppressed.

Jefferson, who was opposed to Hamilton on the question of the banks, held them to be "monarchical inventions," of ruinous tendencies. He did
not hesitate to brand the "bank mania" as a threat to Republican institutions. His position furnishes good excuse for the attitude of lesser minds in his day; men came to justify the view he first expressed (even after he had somewhat modified his opinion) by reason of the evils that eventually flourished beneath the cloak of legitimate financial enterprise. The early years of the last century justified Jefferson's fears in a great measure, and if he, in the face of the extravagant tendencies of the banks of his day, could not foresee the fashion in which their successors would be linked with the extension of American industry and commerce, he need not be condemned as short-sighted. What he was unable to predict, there are many to-day who are unable even to see, and some of them profess to be our intellectual leaders.

So far as the early financial history of New York City is concerned, it is a curious fact that it was illumined by the most striking political rivalry of the Republic's infancy, that of Alexander Hamilton and Aaron Burr. Their conflict over the right to carry on the business of banking in this city assumed a position of much public prominence and strengthened a growing enmity. It may be readily understood that this controversy paved the way to their meeting on a very different field. The quarrel that developed the formation of the Manhattan Company pointed the finger of prediction to the duel at Weehawken and the nation's irreparable loss.

The Bank of New York was to all intents the second institution of its kind in the United States. The Bank of North America, at Philadelphia, which is accounted the pioneer of American financial associations, was not incorporated till 1781, a year after the Bank of Pennsylvania issued its first notes. But the Bank of North America (which had a nominal capital of $400,000, and actual cash to the amount of $40,000) succeeded to the business of the latter institution, and they practically figure as one in the history of the time. Congress evidently thought that the Bank of North America needed a helping hand, for it took upon itself to request the States to prevent, by law, the establishment of any rival to it. The assembled statesmen exhibited for this financial infant all the paternal care that it later became the fashion to display toward nascent industries.

But they could not protect it from competition. The Bank of New York, for which the articles of association were drawn by Alexander Hamilton, was established in 1784, the year wherein Robert Morris ended his brief but magnificent period of service as the national Superintendant of Finance. It did not get a State charter, however, till seven years after. Its nominal capital was $900,000. For a time it occupied a building in Pearl Street,
but in 1796 it bought the property at the northeast corner of Wall and William streets, which is the site of its present building.

The country was entering, at the time New York’s first bank threw open its doors, upon a period of construction. This was also a period of recuperation. The young nation had no sooner outlived the afflictions that attended the war of the Revolution than it proceeded to display a vigor unknown in the days of British rule. It had established itself in the eyes of civilization, a new democracy, upon a soil which Nature had endowed with her choicest wealth, breathing an air that attracted the oppressed in European countries, as the free atmosphere of his native mountains inspired the Prisoner of Chillon with longing. The standard to which Washington made reference had been lifted, and there were honest men in abundance who repaired to it. In time the goodly earth and air of the United States became peopled with the victims of European injustice or class favoritism, with those who found the Old World soil insufficiently fertile or the Old World yoke heavy to bear, and with the choice spirits who fancied a new country because it promised adventure. It is the fashion to-day to shake the head over the evils of immigration. We permit ourselves to forget the time when the influx of the children of other countries built up our own land. Beneath the influence of new ideas, unhedged opportunities and free institutions, these new-comers expanded and grew. They carried with them no infection which this atmosphere could not purge.
They brought hither the simple plastic stuff of their human nature and the young Republic kneaded it into a loyal and sturdy citizenship.\(^1\)

American growth and progress were not the mere vagaries of fortune. They were the legitimate products of two factors—the country’s natural resources and the work of the founders of the nation—who embodied in its Constitution the principles of religious and political freedom, and who steadied its tottering credit. Two men deserve the glory of the latter achievement—Robert Morris and Alexander Hamilton. In the light of history there is no need to eulogize these consummate masters of finance. When a man has earned the gratitude of his countrymen by placing his own credit at the nation’s service, in her blackest hour, as did Morris, he requires no panegyric. After Webster has garlanded the memory of a financier by declaring that he “touched the dead corpse of public credit and it sprung upon its feet,” as he said of Hamilton, ordinary praise dwindles into triviality. What may be pointed out is simply the record of those reforms which proved fundamental to national prosperity and which incidentally produced and nurtured the Stock Exchange.

Some reference already has been made to the vicious nature of the currency system inherited by the Continental Congress from colonial misrule, and still further debased in the course of the War of Independence. Morris was not able to overcome, in the three years of his administration, the evils which had been flourishing for a century. But he did succeed in conveying to the minds of his contemporaries a glimmering of the idea, that a nation, like an individual, must pay its debts if it would succeed. The public temper against which he had to

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\(^1\) Immigration in the years immediately succeeding the Nation’s birth, of course, did not attain to anything like its present importance; but it was in these years that the establishment of our Government and credit upon a sound basis was effected, and the work was of extreme importance in contributing to the country’s prosperity and thus attracting the eyes of foreign peoples. Mr. Young, a former chief of the United States Bureau of Statistics, estimated that the immigration from 1776 up to and including 1819—the year when the steamship Savannah first proved the commercial possibilities of steam navigation by her trip from this country to Russia, via England—amounted to 250,000 souls, of whom 25,000 came between 1776 and 1780. In 1820, the year when the first official record was kept, 8,385 alien passengers reached our shores. The number of immigrants grew in unsteady fashion. In 1838 the total for the year showed a sharp decrease of fifty per centum from that of 1837, the panic year. In precisely the same way, the panic of 1857 induced a falling off from 251,306 persons in that year to 123,126 in 1858, and 121,282 in 1859. Italy sent just two emigrants to America in the period between October 1, 1831, and December 31, 1832. But in 1833, the year marked by Mazzini’s circular, addressed to a Paris journalist, asking the co-operation of republican leaders in foreign countries, and by the discovery in Piedmont, of the revolutionary schemes associated with his name—the Italian immigration to this country was that of 1,693 persons. Many of these, doubtless, were political refugees. In 1840 the first regular ocean steamship line, the Cunard, was established. The year of the gold excitement, 1849, saw immigration break all previous records, but it scored a still higher record in 1850. In the years immediately succeeding the Irish potato famine of 1846 (which incidentally capped the climax of Cobden’s agitation and induced Peel to secure the repeal of the Corn Laws), the Irish immigration increased enormously. At the same period Germany was sending us legions of her people, their number amounting, in 1854, to 206,054, out of a total immigration to this country of 427,833 persons in that year. Frederick Kapp, in his work on “Immigration,” lays this movement largely to the effect of the coup d’etat of Louis Napoleon, which “closed for all Europe the revolutionary era opened in 1848.” Kindred causes were effective in varying the tide of our immigration from time to time.
combat was illustrated strikingly by the sagacious utterance of a certain
delegate to Congress in the course of a debate on the financial problem a
few years previous.

“Do you think, gentlemen,” said he, “that I will consent to load my
constituents with taxes, when we can send to our printer and get a
wagon-load of money, one quire of which will pay for the whole?”

This sentiment has inspired some mirth in our day and generation.
But antitypes of its author are not lacking in the twentieth century,
and have no better excuse than his for their style of logic.

When views of this character were widely held, it is remarkable that
Morris could accomplish so much in preventing fresh issues of irredeemable
currency and procuring the legitimate taxation that was to
replace them. Even such an acute reasoner as Thomas Paine
was deluded into regarding the effect of the paper money of
the time as that of a war tax, as if it were the design of a war
tax to enrich one man by ruining another, and to defraud the laborer of
his wages and the widow of half her revenue. Such an error was one of
confused thought. To the tangled mazes of the monetary
problem, Morris, as far as Congress would let him, applied
the simple principles of integrity. “I have no system of
finance” said he, “except that which results from the plain, self-evident
ddictates of moral honesty.”

By the issue of his personal notes, to the value of about $1,400,000,
he succeeded in carrying the nation through the war. He induced Congress
to substitute taxation for the cherished practice of issuing irredeemable
legal tenders that were destined to be redeemed at such ratios as forty or
one hundred to one, save in the countless cases where these ill-starred
notes ended their criminal careers in some New England garret or some
corner of an old hair trunk in a Southern cottage. He husbanded the
funds at his disposal by rigid economy, and resisted the temptation to
pay interest on Government “stock” by loan certificates, no matter how


2 Benjamin Franklin also shared the view that the legal tenders acted as a war tax, and some modern
writers give it a mild endorsement. It may be regarded as one of those half truths that Tennyson
declared to be ever the blackest of lies. These irredeemable notes did resemble a tax, in that they effected
the support of the Government and provided for the cost of the war out of the pockets of the people, but
instead of the orderly and systematic drain, characteristic of a genuine tax, the burden of which is
distributed at least with some semblance of fairness, and the results of which business men can calculate
in advance, the paper currency established a system by which the debtor cheated the creditor and one
man founded his fortune upon another man’s losses. The defenders of the policy of the Continental
Congress insist that the people would not have stood a direct tax. The experiment was practically untried
until Morris came into office, and he made it a success. The issue of legal tenders, as enumerated by Bolles,
from 1775 to 1779, inclusive, make an aggregate of $236,552,408. Other sums were raised by foreign
loans, and by loans negotiated through offices established for the purpose in this country. On March 18,
1780, Congress passed a measure for the redeeming of the outstanding legal tenders in fresh notes, at the
rate of forty dollars in the old currency to one in the new. The fresh notes, the number of which was
larger than this funding process required, were to be redeemed at par in specie in 1786, but they were not
taken up till August, 1790, and then at the rate of one hundred to one.
dark appeared the outlook. In this latter connection Morris gave speech to one of the loftiest thoughts a national crisis ever inspired in any American statesman. Discussing his intention to abolish the practice of paying interest with paper promises to pay, he said:

“It is high time to relieve ourselves from the ignominy we have already sustained and to resume and restore our national credit. This can only be done by solid revenue. Disdaining, therefore, those little timid artifices which, while they postpone the moment of difficulty, only increase the danger and confirm the ruin, I prefer the open declaration to all of what is to be expected, and whence it is to be drawn. To the public creditors, therefore, I say that until the States provide revenues for liquidating the principal and interest of the public debt they cannot be paid; and to the States I say that we are bound by every principle held sacred among men to make that provision.”

The taxation of the time was apportioned among the States in accordance with their respective populations, and New York paid a small share. This method, though it worked injustice, was probably the best obtainable in view of the inadequacy of available data as to the comparative wealth of the States, and marked an enormous advance on the issues of irredeemable notes. When Morris resigned office, in 1784, the country was nearly cured of the legal-tender mania. It had vanished, not to return till the advent of the Civil War. He retired with the gratitude of all right-minded men, and amid the attacks of disgruntled political opponents. It is a biting commentary on the practical force of his countrymen’s appreciation that, having lost his wealth in his old age, he tasted the humiliation of a debtor’s prison before obtaining the repose of the grave.

Hamilton’s great work was begun in 1789, when the Department of the Treasury was formed after an interregnum, in which a Treasury Board did little or nothing, and Washington selected him as its first Secretary. Hamilton's financial genius and achievements. He had already done brilliant service in securing the adoption of the Federal Constitution. The steady application for a considerable period of a mind at once analytic and creative to the problems of finance and of the country’s need, bore golden fruit in his new sphere of activity. Hamilton has been justly accused of a lack of sympathy with democratic institutions, but he

was an invaluable public servant, despite this defect. His intellect was a
divining rod for the discovery of the treasures of administrative wisdom.
The fallacies that had led to the heedless and slipshod contracting of the
public debt did not deceive him for an instant. He laid down for his
countrymen's use the principles of the sinking fund, pointing out that the
ultimate means of redeeming a Government obligation should always be
provided for in the measure that created it. In the face of bitter opposition
he advocated the funding of the public debt, and succeeded in carrying
through his scheme.

This latter achievement merits special attention, not only because it
was Hamilton’s greatest, but because it resulted in the placing on the
market of the Government securities, which were the first
investments traded in by New York brokers. It laid upon
the shoulders of the Federal Government the debts of the
separate States and those assumed by the Continental Congress. These
obligations were taken up at par in new bonds or "stock." Jefferson,
whose work in furthering democratic principles was considerably offset by
his constant opposition to sound financial measures, fought
the proposal to redeem these debts at their face value. He
shared the view with which Washington appears to have been
tinctured—that it was not incumbent upon the Government to accept its
obligations at rates higher than had been paid for them by the persons
who would present them for redemption. In connection with this it must
be remembered that the "stock" of the States and the Continental
Congress had passed through many hands in the course of its depreciation,
and its holders were by no means those who had taken it at par when first
issued. But Hamilton saw that the one way in which the Government
could permanently establish its credit among the nations was by rigidly
keeping its faith. The national honor was at stake. It depended upon
the payment in full of the country's debts, irrespective of the market value
of the paper or the profits that might be made by speculators in the course
of the reform.

Jefferson has bequeathed to us a scathing description of the "base
scramble" that followed the passing of the funding measure. The wily
hastened to the highways and byways and bought up, at remarkably low
prices, the Government "stock" held by ignorant men who did not dream
that it could be redeemed at par. It was natural enough that such a trick
should inspire Thomas Jefferson with disgust. No honest man could help
regretting that the unfortunate holders of the securities were made the
victims of imposition. But this piece of chicanery was a necessary accom-
paniment of a great piece of reform. Naturally, those who found out that
they were cheated, those who hated to see them cheated, and those who
reckoned Hamilton a political foe, let their protests be heard. The Secretary of the Treasury felt it necessary to write a defence of his position, and he showed that the criticisms hurt. "It's a curious phenomenon in political history," he declared, "that a measure which has elevated the credit of the country from a state of absolute prostration to a state of exalted pre-eminence should bring upon the authors of it obloquy and reproach."

The year 1790 saw the taking of a step that the Secretary must have detested, but which was the logical outcome of the paper-money debauch in which the country had been steeped. Congress, in August, passed a measure for the funding of the outstanding legal tenders in six per cent. bonds, at the rate of one hundred dollars in bills for one in specie. Holders of notes to the amount of about $7,000,000 took advantage of this provision. Some odd ideas of the best methods of raising money by the Government were entertained in these days. One writer advocated the avoiding of all other taxes by imposing fines for drunkenness, profanity, and conjugal infidelity. He advised a tax of only sixpence on inebriety, as a heavier penalty might discourage trade.

The stock brokers who organized in 1792 conducted their business under fair conditions. A reformed currency system had been launched, the demand for Government securities was reasonably brisk, and a thriving bank stood ready to extend them accommodation. The country was beginning its period of recuperation and of organic development, and all branches of business had opportunity to expand. So far as the bank went, however, it soon became evident that politics was a factor to be counted in the reckoning. The Federal party, to which Washington and Hamilton belonged—in other words the conservative party—controlled the bank, while the liberals, who defended State rights and opposed centralization, lacked a similar representation in the financial world. The latter were known as Republicans, and were the political forebears of the Democratic party of to-day. Among their leaders was Aaron Burr, who chanced to be a shareholder of the Bank of New York, which Hamilton had founded. The Republicans complained that they were unable to get fair treatment from the bank, and there seems to have been some basis for their protests. Burr determined to form a bank more closely affiliated with the adherents of his own political faith. The State Legislature, it seems, was opposed to granting any more bank charters. Burr, who was a member of the Assembly, had resort to an effective device. Drinking-water was to be obtained only with great difficulty in New York City, where the estimated daily consumption of water was four million gallons. Hogsheads of water were being imported in carts from the country and sold at a $1.25 each. Private

Redemption Bill of 1790.

One hundred to one.

Continued rivalry of Hamilton and Burr.
householders paid from $15 to $50 a year for water, while it cost hotels from $200 to $400 a year. Burr succeeded, in 1799, in getting a charter for the Manhattan Company, which was ostensibly designed to go into the business of selling water in this city. His measure contained what modern politicians call a "joker," providing that the surplus capital of the company might be used "in anything not inconsistent with the laws and constitutions of the United States or of the State of New York." When the bill had gone through he revealed the joke. The Manhattan Company not only did a business in water but founded a bank, with Nicholas Fish, John Delafield, John Jacob Astor, Richard Varick, Stephen Van Rensselaer, Peter Stuyvesant, John Slidell, and Joshua Sands among its shareholders. Abundant field for its usefulness was afforded by the rapidly growing city. New York's population in 1790 was 33,131. It had grown, in 1800, to 60,489.

The rival institutions made a united effort, in 1803, to keep out a new competitor, the Merchants' National Bank, which nevertheless succeeded in getting a charter. Oliver Wolcott was its first president, and its capital amounted to $1,200,000. Cornelius C. Roosevelt and Daniel D. Tompkins were among its shareholders. John Slidell was the president of New York's fourth bank, the Mechanics' National, which had a capital of $2,000,000. The Bank of America and the City Bank followed in 1812.

More important than any of these institutions to the business of the country was the first Bank of the United States, which was incorporated as early as 1791, and embodied another scheme of Hamilton's. Its capital stock amounted to $10,000,000, of which the Government subscribed for one-fifth. The bank lent the Government $2,000,000 at six per cent. interest, the loan to be repaid in ten annual instalments of $200,000 each. No actual money passed, the matter being arranged by an interchange of warrants between the federal authorities and the institution. The public was enabled to subscribe for the remaining $8,000,000 at par, one quarter of the amount of the subscription being payable in specie and three quarters in Government stock. Within two hours after the opening of the books the stock was over-subscribed to the extent of $400,000. A graduated system of elections was adopted, which prevented any individual shareholder from having more than thirty votes. Foreign holders, who controlled $7,200,000 of the stock, had no vote at all. Besides the central institution in Philadelphia, branches were established in New York (where the headquarters were at No. 52 Wall Street), Boston, Baltimore, Washington, Norfolk, Charleston, S. C.; Savannah, and New Orleans.
Prosperity that proved the wisdom of its foundation attended the conduct of the bank's affairs. In the twenty years during which its charter was in force, its dividends averaged more than eight per cent. When its accounts were settled with the Federal Government, in 1802 (the last of the Government's shares having been sold in that year by reason of a difficulty experienced in paying the instalments due on the loan from the bank), the people discovered that they had made a net profit of about fifty-seven per cent. on the entire transaction, after repaying the $2,000,000 they had borrowed and the interest on the loan. The Government sold its shares for $671,860 more than it paid for them, and had furthermore drawn dividends of about eight and three-eighths per cent. a year on the average, while paying the bank only six per cent. a year in interest. The public, as well as its shareholders, had reaped a notable benefit from the bank's existence. Nevertheless, when the charter expired, in 1811, Congress refused to renew it. The enemies of Secretary Gallatin of the Treasury combined to defeat the bill for the extension, injuring the interest of their country in order to deal him a blow. Others questioned the constitutional validity of the original bill establishing the bank. This point was not settled until years later, when Chief Justice Marshall, in the McCulloch case, decided that the right to establish a United States bank was among the implied powers given to Congress by the Constitution. In 1811 controversy raged hotly over this question. Certain opponents of the bank also attacked it upon the ground that it was likely to become a tool in the hands of Great Britain, in case of a war, which the arbitrary action of the English upon the high seas was threatening at that time. It is difficult to understand how they reconciled this view with the fact that foreign shareholders in the bank had no right to vote. They certainly held the view, and dilated on it with considerable vigor.

One statesman of the day, Mr. Desha, of Kentucky, entertained no doubt that George III—whose mind, by the way, was then trembling on the verge of insanity—was the chief shareholder in the bank, and was prepared, through "his American agent," to pay millions for the renewal of its charter. Turning to mythology with a zeal more admirable than his memory, for a metaphor with which to impress his fellow legislators, he besought them to strangle "this infant Hercules in the cradle." He eventually witnessed the desired execution. The bank was obliged to go into liquidation, and, on the eve of the war that Desha and his compeers had anticipated, was also forced to return to British lenders the amount of their subscriptions. The step advocated by these men, on the ground of patriotism, contributed therefore to the crippling of their country in the hour of its struggle with the very foe they professed so to fear.

The War of 1812, so important to Americans as an historical event, because it declared to the world that they would not tamely submit to the forcible searching of this country's ships by foreign powers on any pretext, was to the European eye a minor outgrowth of the struggle by which the allied nations were uniting to check the career of Napoleon. The victories of Salamanca and Vittoria, and the taking of Paris, loomed too largely in the eyes of the foes to France to admit of being greatly dimmed by Perry's successes on Lake Erie, or by the laurels wrested from the British by Scott, in the battle of Chippewa. Indeed, it need scarcely be recalled that the Treaty of Ghent, which ended the conflict between Great Britain and this country in December, 1814, about the time of Napoleon's banishment to Elba, did not provide specifically for America's protection against the searching of her ships at sea, although she had practically won what she wanted. Her victory had not been gained without severe sacrifice. Trade was necessarily disrupted by hostilities, and the newly established currency system was shocked by the war's sudden onslaught upon the national resources. The banks suspended specie payments in 1814, a calamity which, in Gallatin's judgment, would have been avoided if the Bank of the United States had obtained its new charter three years before.

Meanwhile the New York dealers in securities experienced a natural decrease in the volume of their business. The period was one of decided commercial depression, and the "bear" of these early days lost count of his triumphs. The suspension of the banks accentuated the current difficulties. They were accused at the time of having suspended specie payment without sufficient cause. Certainly they had in many parts of the country contrived to hamper the progress of trade and work injustice to individuals by reason of their dangerous methods and habits of discrimination. Their defects were by no means especially characteristic of the period of hostilities which marked President Madison's administration. They formed a serious handicap to the nation's advancement in the early half of the last century, and the ready carrying of this burden was in itself a remarkable tribute to the vigor of the people and the natural resources of the country. Banks of this period were loosely formed. Legislative acts were passed which authorized the appointments of commissioners for the purpose of receiving bank subscriptions, but put no effective check upon the fashion in which the appointees discharged their duties. Business could be begun after the payment of the first or second instalment on the subscriptions, and when the time for the next instalment came due, the subscribers in most cases would pledge their shares or discount their personal notes with the bank to raise the money with which to make payment.
Conditions in 1818-28.

It will thus be seen that these institutions were operating upon but a fraction of their proper capital, and complacently assisting in the undermining of their own foundations. President Biddle, of the second Bank of the United States, to which further reference will be made, declared, in 1828, that there were 544 banks in this country, of which 144 had been openly declared bankrupt and about 50 had suspended payment. In the report of a committee appointed by the New York Legislature to investigate the banking question, made in 1818, one year after the stock brokers formed a new organization and adopted a constitution, appear these statements:

"Of all aristocracies none more completely enslave a community than that of the present mode of conducting banking establishments. Like the siren of the fable, they entice to destroy. They hold the purse strings of society; and, by monopolizing the whole of the circulating medium of the country, they form a precocious standard by which all property in the country, houses, lands, debts and credits, personal and real estate of all descriptions, are valued: thus rendering the whole community dependent on them: proscribing every man who dares to expose their unlawful practices: if he happens to be out of their reach, so as to require no favors from them, his friends are made the victims. So no one dares to complain. The committee, on taking a general view of the State, and comparing those parts where banks have been for some time established with those that had had none, are astonished at the alarming disparity. They see in the one case the desolation they have brought to an immense number of wealthy farmers, and they and their families suddenly hurled from wealth and independence into the abyss of ruin and despair."

The committee's report proceeds to dwell in terms of marked apprehension upon the prospects of the control of elections by the banks. One can make considerable allowance for exaggeration in this document and still find abundant evidence of injustice and oppression. John White, cashier of the Baltimore branch of the second Bank of the United States, in a report to the Secretary of the Treasury more than a decade later, refers to a severe flurry in the money market in 1819, a scarcity of money in the spring of 1822, "numerous and very extensive failures" at New York, Savannah, Charleston and New Orleans, in 1825, and a "convulsion" among New York's financial institutions in the following year. He also speaks of a lack of money among New York and New England traders in the winter of 1827-28, subsequent failures of banks in Rhode Island and North Carolina, and of New England manufacturers, and adds that some of the Georgia banks have just refused to redeem their notes in specie. Alluding to the sources of prosperity with which nature has endowed the soil, and to the industrious temper of the people, he adds these words:
"Calamities of an injurious and demoralizing nature, occurring with singular frequency amidst a profusion of the elements of wealth, are well calculated to inspire and enforce the conviction that there is something radically erroneous in our monetary system, were it not that the judgment hesitates to yield assent when grave, enlightened, and patriotic Senators have deliberately announced to the public, in a recent report, that our system of money is in the main excellent, and that in most of its great principles no innovation can be made with advantage."

The country was not on the road to ruin, despite the genuine evils of the time and the jeremiads which they provoked. It was in reality feeling its way. Its sporadic calamities may be likened to growing-pains. Side by side with the popular indulgence in speculative and financial follies, the work of sinking deeper the foundations of representative government, under the guidance of Jefferson and his fellow partisans, went on. We must retrace our steps to note several important features of the trend of affairs a century ago. In 1803, two years after Jefferson's inauguration, Napoleon sold to us the enormous territory of Louisiana for $15,000,000, and in consideration of a quit claim of all that France owed us on the score of spoliations. The following year, Burr, who had deserted the ranks of the Federalists, was defeated for Governor of New York, largely by Hamilton's influence. The duel in which he killed Hamilton followed, and the death of the leader of the Federalist party presaged its downfall. Burr's ill-conceived scheme of Western empire, and his arrest, trial for treason, and acquittal, wound up his public career. In 1811 General Harrison defeated Tecumseh's Indians in the Battle of Tippecanoe and paved the way toward the siding with the British by the redskins in the War of 1812.
A NEW MARKET AND THE FIRST CONSTITUTION

The student of American history will detect a remarkable index to the genius, the vigor, the masterful self-confidence of the adolescent Republic in the events which immediately succeeded the War of 1812. By the blood shed upon Breed's Hill and the suffering endured at Valley Forge, this infant among nations received her baptism. The struggle marked by Perry's feats on Lake Erie and Jackson's victory at New Orleans, and illuminated by the blazing Capitol, as the British made their way out of Washington, became her confirmation in the faith of democracy. Upon the close of this conflict, in which a population equal only to that of New York State to-day had withstood the power of Great Britain in the defence of national dignity, there came a revival of industry and an expansion of business that proclaimed to the world the belief of Americans in their own future. Despite the prostrating results of the war and an immediate increase in the national debt, new enterprises sprang up to try their fortunes under the new conditions. This movement stimulated the public dealing in securities and brought about the formal organization of the New York Stock and Exchange Board.

It is natural to believe that the reason the stock brokers of this city had not previously formed themselves into so coherent an association, or adopted a regular constitution, was simply because the proportions of their business had never warranted it. Manifestly the country itself had not reached theretofore the stage necessary to the establishment of a sound basis for trading in investment securities. Neither its government nor its mercantile activity, in Madison's day, had quite emerged from the formative period. The very theories upon which the colonies had based
their right to independence required the casting aside of a great part of
their heritage of law and custom. They were trying a stupendous
experiment before the eyes of civilization, substituting the representative
rule of a people for the domination of a crown and the privileges of a titled
aristocracy. Having shattered the most powerful of precedents, it was
not to be expected that precedent in any form would directly control their
decisions. They had therefore to tread an unexplored path in the fields of
administration and finance. It required the lapse of a generation and the
cohesion of the States in another war to assure the entire American people
that they had achieved a permanent success.

Such revival of industry as became evident shortly after the signing
of the Treaty of Ghent was rendered possible not only by the
extension of public confidence, but by the previous growth in
population and trade which contributed to justify that confidence. This
growth, in fact, was a striking characteristic of the first half century of the
nation’s life, the depression coincident with the war and the
setback of 1818 and 1819 forming its only serious interruptions until the panic of 1837. In the period between the War
of Independence and the inauguration of Madison, the inventive genius of
the people displayed its power and assisted in the building of industry.

In 1790 the population of the States was estimated at 3,927,214,
of which there were approximately 111,000 Western settlers. Ten years
later the number of settlers in the West had considerably more than
trebled, and the total population had reached 5,308,000—that of New
York, which had gained more largely than most of her sister States,
amounting to 589,000. In 1810 the country’s population had risen to
7,239,881 persons. Kentucky, Vermont, Tennessee, and Ohio had by turns
been admitted to the Federal family, and the centre of population had
moved to a point eighteen miles west of Baltimore. The cotton gin, invented
by a schoolmaster, Eli Whitney, had been at work since 1793, revolu¬
tionizing the chief industry of the South. We exported five million dollars’
worth of cotton in 1800, and twenty-four years later this figure had
increased to twenty-two millions. Fulton had perfected the “Clermont,”
the first steam vessel to achieve a commercial success, and Stevens was
making almost equal strides in advancing the science of navigation. Our
total exports increased from twenty millions, in 1790, to seventy millions,
in 1800, and our imports grew from twenty-five to more than ninety
millions in the same period.

These figures speak with eloquent tongues. Notwithstanding the
lingering effect of past disasters, the banking follies of the time, and the
speculative tendency that resulted frequently in mercantile failures, the period between Washington’s inauguration and the second war with Great Britain was one of expansion in a desirable sense. It was marked by giant strides in the direction of conquering the wilderness which had for centuries been the home of the savage, and was destined to swarm with the cities of a free power of civilization. The vigorous young nation had no sooner repelled the foes that threatened its existence than it found the fringe of the Atlantic too narrow for its needs. Already its adventurous spirits began the task of exploring the treasures of the Continent, pushing our frontier with the axe and the rifle, at the sacrifice of civilization’s baubles, and at the peril of their scalps. The veterans of Trenton and Saratoga, the followers of Marion and Jackson, exchanged the conventional warfare of Caucasian troops for the forest conflict with Indian trickery, and for the conquest of the plains. They met their red opponent often at the thresholds of their homes, or fired at him through the loopholes of rude block-houses, while their wives handled the powder flasks and their children hung around their knees. By the smoking remnants of ruined settlements, by the butchery of women and babes, by the transformation of the woodland path into a charnel, and the wayside shrubbery into an assassin’s shield, by the white captive’s fatal agony at the stake, these pioneers paid the penalty of their enterprise. But they proved able to assert the claim of a new nation to the New World, and to demonstrate the inevitable victory of the higher race.

What they accomplished civilization inherited. Moralists have since found much occasion to lament over their robbery of America from the aborigines. But the idea that a few thousands of wandering savages, who assuredly did not create this continent, had the right to shut off the rest of humanity from America, as an English lord forbids strangers to trespass on his preserves, is preposterous upon its face. True, we cannot deny that they acted according to their rights in resisting the invader, first with the bow and arrow and then with his own weapons. The mysterious consciousness of their race appeared to give them warning of the coming doom. The air of civilization was too rare for their lungs. The white man’s vices were poison to their system. Whether or not the savage believed that the settlers would attack him, even if he should show a disposition to peace, he certainly divined in the advent of a new race the menace of disaster. In his own fierce fashion he resisted progress, and for his resistance paid the reckoning.

Settlements gave way to towns. The church, the school, and the “general” store replaced the trading post and the frontiersman’s cabin. The hoof prints of the Pawnee’s flying mustang, and the tracks of the
buffalo herd which the exulting braves pursued, were bisected by the white man's plough. Presently the maize, with which the Sioux or the Mohawk was wont to gorge himself upon feast days set apart for contests of gastronomic prowess, began to find its way, either as grain or in the form of meat, to the shores of Europe. As the farmer followed the path blazed by the fur dealer, so, too, the manufacturer decided to explore. Capital, always timid at the outset, started quietly to flow into all sections of this new country through the narrow channels formed by settlers' tracks, when once the way had been found safe. The streams, as they ran, broadened and deepened their beds, and spread at favorable places into pools and little lakes—the first banks of the newly formed communities. Population acted like a fluid, availing itself of every opportunity to spread out into a larger area. Wherever rich soil or mineral wealth or any other natural advantages were discovered near settled territory, the hardy population of America's early days moved forward anew, and everywhere it carried civilization and order, free speech, a free conscience, and free schools. To the shores of the Penobscot, to the silver-topped palmetto groves of Florida, to the soft climate of the Pacific coast, the vanguard of a new people bore its insignia.

We have grown so complacently accustomed to the existence of great national obligations in our day and generation that we are rather inclined to associate them with national growth and prosperity. In the first eight years of the nineteenth century, the distinction between a country's debts and its wealth was measurably understood. Jefferson and his party had been preaching with vigor the doctrine that the Government was not some mysterious heaven-sent agency, but an instrument fashioned by the people for their own use. The citizens realized that the money spent by the Government was actually spent by themselves, and that an increase in its obligations meant the saddling of further burdens upon them. Reference has been made to the fact that Jefferson, like many other champions of the people, was apt to stumble over the principles of finance. This weakness, however, by no means extended to the toleration of public extravagance. The author of the Declaration of Independence proved his sense of a statesman's duty to be as strong as his appreciation of the rights of men. His private mode of living was an example in simplicity and his administration an example of economy. When he succeeded John Adams, who had served four years, in 1801, he found the public debt to be about eighty-three million dollars. When he retired from office, in 1809, it had been reduced to fifty-seven millions, notwithstanding the fact that Louisiana had cost us about fifteen millions.
Jefferson's administration was characterized not only by prudence, but by the maintenance of an invaluable peace under the most trying circumstances. The exasperating conduct of Great Britain toward our merchant marine, which eventually led to the War of 1812, was being closely paralleled by France. A considerable portion of the people, smarting under such incidents as the attack upon the frigate Chesapeake, clamored for war with one power or the other, or both, and the Embargo Act, which Jefferson put upon our ports in 1807, did not tend to allay the citizens' anger. It tied up shiploads of perishable merchandise upon our docks and resulted in many serious losses. It is not classed among the acts to which its author is indebted for his fame. Yet it was undoubtedly preferable to war at that particular time. Jefferson, whose eyes saw into the nature of the people's rights and the means of their preservation as did the eyes of no other of his contemporaries, saw also their needs. He knew that the young nation must have a period for quiet growth before attempting another great conflict, though he doubtless expected the conflict eventually to come. To his policy of endurance his party owed the noisy protests of the short-sighted and the strengthening of its hold upon the mass of the people. For, no matter how fiercely their wrath had burned at times, his countrymen realized, when Jefferson bade them farewell, that he had served them with wisdom.

It is difficult to estimate the value to the nation's life afforded by the influence of such a man as Jefferson in the days when its character was plastic. He has been the subject of bitter attack by certain modern commentators who are indignant that a public man should make mistakes or that a statesman should also be a politician. But no man who denies to Jefferson a place among the master builders can admit that the marvellous strides which this country has made in manufactures, in trade, in population, in wealth, in humanity's betterment, are in anywise due to the fundamental democracy of its governmental system. It is possible that the horrors and ravages of the Civil War might have been utterly avoided if Congress had taken his advice in the latter part of the eighteenth century. Though himself a slaveholder, he introduced a measure providing for the abolition of slavery—an institution already the subject of hot debate—at the century's end. Fate indulged in the grim satire of carrying it almost to success. It failed of passage by a single vote.

If Congress found it impossible to pay the cost of the War of 1812 by direct taxation, the country had, at least, reason to rejoice that its lawmakers did not have recourse to the evil system of issuing irredeemable paper currency. The fruits of experience had been dearly bought,
but they had not been lost. Bonds were issued instead of legal tenders. The debt of the nation, which dwindled under Jefferson’s pruning hook, had risen in 1816 to $127,000,000. But the country was nothing daunted. Trade, it has been noticed, rose with fresh vigor at the war’s close. Congress plumed itself upon the strength of the American people and, foreseeing the possibility of winning more favors from Mars, appropriated $320,000 to build a steam frigate designed by Robert Fulton. The cotton industry, which boasted only four factories in 1804—the year Hamilton, by his death, proved Burr’s marksmanship and malice—had half a million spindles running in 1815. The shipping industry having been crippled by Jefferson’s embargo, Northern capital turned to the manufacture of cloth. This city had doubled itself since the beginning of the new century. A steam ferry service connected it with Hoboken. In 1817 the time of the passage by steamboat from New York to Albany was reduced to eighteen hours.

In this year the substantial stock brokers of the city comprised eight firms and nineteen men in business as individuals. They were accustomed to meet in the office of Samuel J. Beebe in the old Tontine Coffee House, which we have seen was for years a rendezvous for business men of all classes. The political horizon had been pretty thoroughly cleared, and it is reasonable to suppose that the banks had ceased to extend accommodations to merchants and brokers with reference to their convictions as to our relations with England and the right method of interpreting the United States Constitution. The conservative Federal party had crumbled away, in fact, and the Republicans had a clear field.

The second Bank of the United States, the most famous financial institution in the country’s history, had been started in a manner to which attention will be called in succeeding pages. Speculation was busy with its shares and with those of other banks, and of the new marine and fire insurance corporations which had sprung up at the close of the war. Orders began to flow in upon the brokers. They were required to buy and sell, not only Government bonds, but the securities of all these new concerns, and they determined that the formation of a more coherent organization would be an aid to the conduct of their business.

On February 25, 1817, there took place a meeting in Mr. Beebe’s office, at which thirteen individual brokers and seven firms—through their representatives—attended. They passed a resolution deciding upon the starting of a new association, selected Nathaniel Prime as presiding officer and John Benson as secretary, and chose a committee on organization. This committee was probably responsible for the selection of the name agreed upon—The New York Stock and Exchange Board. They reported a set of rules, now known as the Consti-
tution of 1817, which was adopted on March 8th. Anthony Stockholm was elected the first president. The rules prescribed in detail the methods of transacting the business of dealing in securities and remained in force for three years, several new regulations being added from time to time. The most striking feature of this primitive constitution was the amendment, passed a week after the adoption of the first set of rules, which provided for the expulsion of any member found guilty of making a fictitious contract—in other words a “wash” sale. The immediate occasion of this amendment was a fictitious sale by John G. Warren to William G. Bucknor, of fifty shares of the stock of the Manufacturing Bank at 68, which took place on March 13th. The Board ordered the record of the transaction expunged from the minutes two days later, and then passed the amendment designed to cover such cases. Fortunately for the culprits, it was not made retroactive. Both their names appear in the list of the members who adopted the revised constitution of 1820.

Among the men who attended the meeting on February 25, 1817, was Philip Kearny. The proceedings of that meeting, the rules later enacted (which were modeled largely after the rules of the Board of Brokers of Philadelphia), and the records of the subsequent meetings in that year were compiled in one document, which did not find its way into the archives of the New York Stock Exchange until 1900. In the year last named, Frederic Grand de Hauteville, whose wife was a granddaughter of Philip Kearny, chanced to remark to Frank K. Sturgis, former president of the Stock Exchange, at a dinner where both were guests, that Mrs. de Hauteville, in ransacking a chest in an attic room of the Kearny homestead at Newark, New Jersey, had discovered an old manuscript, which seemed to contain the first constitution of the Stock Exchange. Mr. Sturgis naturally was aroused. He examined the book a few days later and discovered that it was indeed the long missing document of 1817. Mrs. de Hauteville presented it to him, and Mr. Sturgis promptly gave it to the Stock Exchange management. Its contents—except for slight change in abbreviations, spelling, and punctuation—were as follows:

**CONSTITUTION OF THE NEW YORK STOCK EXCHANGE BOARD, 1817.**

At a meeting held February 25, 1817, at the office of Sam'l J. Beebee, were appointed Nath'l Prime, President; John Benson, Secretary.

Resolved, That it is desirable to constitute a Board or Association of Brokers in this city for the transaction of their business at their Board.

Resolved, That a committee of three be appointed to draw up a report; at another meeting articles of association. Nathaniel Prime, Wm. H. Robinson, A. H. Lawrence, Committee.
64 THE NEW YORK STOCK EXCHANGE


Resolved, That this meeting adjourn to the calling of the committee at such time and place as shall be by them named.

Rules to be adopted and observed by the "New York Stock and Exchange Board," as reported by a committee appointed at a meeting held on February 25, 1817, and passed March 8, 1817.

1. A President and Secretary shall be elected by ballot on the second Saturday of March, annually.

2. It shall be the duty of the President to call the Stocks at the hour that may be fixed upon by the Board, from time to time, as the season may require—and that in case of the absence of the President or Secretary the members present may choose one in his stead for the calling of Stocks as President pro tempore.

3. It shall be the duty of the Secretary to keep the minutes of the Board in a book for the purpose, an account of all fines, and to collect the same, and also a register of all actual sales of Stocks made at the Board, the register to be accessible to the members of the Board only.

4. Any member interrupting the President while calling the Stocks, by speaking on any other business, shall pay a fine of not less than six nor more than twenty-five cents for each offence, at the discretion of the President.

5. The election of new members shall be by ballot—he or they must be proposed at least three days preceding the election, and three black balls shall exclude.

6. No motion for altering the rules, the time of meeting, or any other business respecting the Board, shall be acted upon until at least ten days after the motion is made, unless authorized by the unanimous consent of the Board. A motion not seconded shall be considered as lost.

7. In all cases two-thirds of the Board must be present to form a quorum to do business, except the calling of the Stocks.

8. The President shall decide all questions of order, but an appeal may be made to the Board; a majority of the members present shall decide the question of order.

9. When any question is before the Board, no member shall speak more than twice on the same question without leave, nor shall any member be suffered to interrupt another while speaking.

10. Any member being duly elected President or Secretary, refusing to act, or neglecting his duty, as such, shall be fined a sum not less than five nor more than twenty dollars, at the discretion of a majority of the Board, provided always that he has not served before in either situation.

11. The rates of commission, viz.: On Funded Debt and net amount, not less than 0% per cent.; on Bank and other complete shares, not less than 1/2 per cent.; on Insurance Stock complete, not less than 1/2 per cent.; on Insurance Scrip, Bank and all other Scrip, not less than 1/2 per cent. on the nominal amount; Foreign Bill of Exchange, not less than 1/2 per cent.; Inland Bills of Exchange, not less than 1/2 per cent.; Cashing Promissory Notes and Acceptances Payable in New York, not less than 1/2 per cent. on the nominal amount; Specie not less than 1/2 per cent. on the nominal amount; Obtaining Money on Mortgage, not less than 1 per cent. on the nominal amount.

12. All fines shall be at the disposal of a majority of a quorum of the Board.

13. On any motion before the Board, at the request of three members, the decision shall be held open for three successive days, in order that every member of the Board may have an opportunity of giving his opinion.

14. The fines for non-attendance at the calling of the Stocks shall be 1-16th of a dollar, unless sick or out of the city, but when two or more members compose one house of trade, then the attendance of one is sufficient at the calling of the Stocks—any member may commute by paying ten dollars, in lieu of fines, per annum. The fines for non-attendance and the sum paid for commutation shall be first applied to the payment of rent. In the payment of rent, each member pays a proportion, whether he belongs to a house of two or more or not.

15. Any member refusing to comply with the foregoing rules may have a hearing before the Board, and if he shall still persist in refusing, two-thirds of the Board may declare him no longer a member.

16. No person shall be considered eligible to be balloted for as a member unless he has been in the business for the term of one or more years, either as a broker or an apprentice, immediately preceding the election.
Facsimile of Page 1 of the Constitution of 1817

Resolved that his meeting adjourn to the next Tuesday evening at Mr. Gov. S. Davis's residence, and that he be notified as shall be by John Denton.

J. Denton, Secy.

John Denton, Pres't of

Resolved that it is desirable to constitute a Board of Directors for the City for the transaction of their business at their discretion.

Resolved that a committee of three be appointed to draw up a report of these meeting minutes and submit it to the Board of Directors.

[Names of Directors]

Present:

S. Hall, James E.
L. Soulack, President
S. Lawton
J. Denton
J. Bickner

From other Members:

S. H. Denton
W. B. Denton
J. Bickner, Esq.
G. Post, Esq.
D. Austen
In abi.

Resolved: That this meeting adjourn to the next Tuesday evening at Mr. Gov. S. Davis's residence, and that he be notified as shall be by John Denton.
17. All questions of dispute in the purchase or sale of Stocks shall be decided by a majority of the Board, and in default of any contract for the delivery and payment of Stocks, the defaulter shall be held liable, unless he can surrender a principal who shall be considered competent by a majority of the Board. The principals of a purchase or sale to be given at the time of contract, if required.

18. Passed by unanimous vote March 15, 1817, that no fictitious sale or contract shall be made at this Board. Any member or members making a fictitious sale or contract shall, upon conviction thereof, be expelled from the Board.

19. Additional Article, the more effectually to carry into execution the Second Article, for the appointment of a President and Secretary pro temp., viz.: Passed July 1, 1817. That in all cases of such appointment, on the refusal of any member to serve, he shall pay a fine not to exceed five nor less than one dollar.

Additional Article, passed by unanimous vote on September 19, 1817, to amend the Sixteenth Article, viz.: That no person shall be considered eligible to be balloted for as a member unless such person shall have served an apprenticeship to one of the members of the Board at least two years immediately preceding his election.

**Proceedings of the Board.**

Saturday, March 15, 1817.

Resolved, That sales made at this Board are to be settled for on the next day succeeding the day of sale, unless expressed to the contrary.

Resolved, That the fifty shares of Manufacturing Bank sold by John G. Warren to Wm. G. Bucknor at 68 per cent., on the 13th inst., be expunged from the register of the Board, being a fictitious sale.

S. and M. Allen to be proposed by A. H. Lawrence, to be balloted for as members of this Board on Monday the 17th inst.

Monday, March 17, 1817.

Result of an election for S. and M. Allen to become members of this Board were: In favor, 7; against, 17.

Tuesday, April 8, 1817.

Resolved, That 12 o'clock be the hour of meeting hereafter.

Resolved, That we pay Mr. Geo. F. Vaupell for the use of his front room in the second story of house No. 40 Wall Street, two hundred dollars ($200) per annum, he to furnish fire and chairs, when required, and to keep the room in order.

Monday, April 14, 1817.

Resolved, That in all sales of Specie between Brokers, the purchaser shall send for the same, or pay the expense, if any, when the seller delivers it.

Saturday, April 26, 1817.

Resolved, That any member leaving the room during the calling of the Stocks without leave of the president, he shall be subjected to a fine of not less than six nor more than twenty-five cents, at the discretion of the President.

Tuesday, April 29, 1817.

Resolved, That James Arden is not competent for any Broker to receive an order from.

Tuesday, May 6, 1817.

Resolved, That the members of this Board be uncovered during the call of Stocks.

Friday, June 13, 1817.

William B. B. Young, proposed this day by J and J. Bleecker, to be voted for on the 16th inst.

Monday, June 16, 1817.

William B. B. Young balloted for: 18 white balls; 7 black balls.

Thursday, June 26, 1817.

Resolved, unanimously, That the President and Secretary be authorized to purchase a clock for the use of the Board, and to pay for the same from the funds of the Board.

Saturday, September 20, 1817.

John Warren voted for and unanimously elected; 25 members present.

Saturday, October 11, 1817.

Unanimously adopted—

Whereas, It is deemed highly improper and injurious to the interest of this Board that its members should transact business without a commission for Brokers who are not members of this Institution.

Therefore, **Resolved,** That no member of this Board shall either directly or indirectly make, or cause to be made, any purchases or sales whatever, at this Board, for any person or persons acting as Broker or Brokers (who are not members of this Board) without receiving a full commission for the same, and for the faithful performance of which we all mutually pledge our honor.
Thursday, October 23, 1817.

Resolved, That in all time bargains the rate of interest is understood to be seven per cent., unless qualified at the time of making the bargain.

Resolved, That in all cases where any member requests the President to revert to a Stock already called, he shall pay therefor 25 cents, and any other member offering the same Stock after such reversion shall pay 6 cents.

Resolved, That no offer under % per cent. be accepted at this Board.

Resolved, That half-past 11 be the hour of meeting hereafter.

November 1, 1817.

Resolved, That the President and Secretary of this Board be at all times exempt from fines for non-attendance.

November 6, 1817.

Resolved, That the President and Secretary of this Board be at all times exempt from fines for non-attendance.

November 10, 1817.

Resolved, That no member of this Board, nor any partner of a member, shall hereafter give the prices of any kind of Stock, Exchange or Specie, to any printer for publication, and that the Secretary of the Board only be authorized to give the prices for that purpose.

November 11, 1817.

Beers and Bunnell balloted for; 26 members present: 20 white balls; 6 black balls—26.

November 29, 1817.

Resolved, That the Secretary be authorized to furnish the prices of stock but once a week, to one price current only, at his discretion, and that no other quotation be made for publication.

December 9, 1817.

The committee, to whom was referred certain Resolutions of the Board, beg leave to offer for their consideration the following Resolutions:

Resolved, That all offers made and accepted shall be considered binding, whether called by the President or not, but where there may be more than one claimant the Stock may be put up again at the same or higher rate, or withdrawn, at the option of the person so offering.

Resolved, That when a person pays a fine to go back to a Stock, he shall have the privilege of making the first offer, buying or selling, after which the Stock shall be considered on the Board.

Beers and Bunnell balloted for; 27 members present: 26 white balls; 1 black ball.

Respectfully submitted,
A. H. Lawrence,
Benjamin Huntington,
Frederick A. Tracy,
Committee.

Passed unanimously, December 9, 1817.

It will be noticed that the Board was jealous of its privileges. Only one new member was admitted in 1817, though several outside brokers made ineffectual efforts to get in. It will also be noticed that the first regularly rented meeting room was in the office of George F. Vaupell, at No. 40 Wall Street. Presumably Mr. Beebe had grown weary of extending unrequited hospitality to the new organization. The transaction of business under the rules set forth in the document afforded the best possible evidence as to the form a permanent constitution should take.

On February 21, 1820, a revised constitution, comprising fifteen articles and a set of thirteen by-laws, was adopted. The name of the organization was continued. The following men constituted its membership at this time: G. S. Mumford, Nathaniel Prime, A. H. Lawrence, Samuel Ward, Jr.; W. H. Robinson, Leonard Bleecker, Seixas Nathan, Edward Lyde, Ben Huntington, Philip Kearny, Charles Walton,

The new regulations did not contain any very vital innovations. They simply embodied those improvements which a practical experience of the old régime had shown to be advisable. The existing schedule of commissions, the provision against fictitious sales, and the prohibition of the practice of executing orders for outside brokers at reduced rates, were all continued in force.

The changes which were introduced may be briefly outlined.

The new constitution directed the secretary to render a statement of the Board’s finances at each annual meeting, on the second Saturday in March, there being no treasurer, and to keep a record of the transactions, which should be binding on the members. Names of prospective new members were voted upon ten days after they had been submitted, instead of three, and an initiation fee of twenty-five dollars was prescribed. A quorum was to consist of a majority of the Board, instead of two-thirds as theretofore, but it required the consent of two-thirds of all the members to alter the constitution or by-laws. A two-thirds vote of those present was made necessary to reverse the ruling of the president upon a point of order. In lieu of the rule prescribing the “giving up” of the names of principals at the time of a contract, it was provided: “In all time bargains the parties to surrender principals before 1 o’clock p. m. of the day of contract, and where either party gives up principal, the other to be allowed until 5 o’clock p. m. of the same day, for consideration. When the principal on either side is not satisfactory the bargain to be void; if no explanation takes place before the time specified, the parties are to be considered bound.” A member who refused to abide by the constitution was to get a hearing, at which, if he continued recalcitrant, he might be expelled from the Board by the vote of two-thirds of those present. Two of the articles adopted were as follows:

“Article Thirteenth.—Any member who fails to comply with his contracts, or becomes insolvent, shall be suspended until he has settled with his creditors. On his application for re-admission, a committee of five members shall be appointed to investigate his conduct and the causes of his failure, who shall report the same, and if two-thirds of the members
present are for reinstating him, he shall again be entitled to his seat at the Board, excepting when his failure has been caused by speculations on his own account, or for account of persons whose responsibility is merely nominal; in that case he shall no longer be considered a member of the Board until such engagements are settled.

“Article Fourteenth.—In all sales of the local stocks of this city, or of the funded debt of the United States on the books in this city, either party shall have the right to require the purchase money to be paid at the time and place of transfer.”

The by-laws provided that stocks and specie should not be offered in amounts of less than $500, “and doubloons in less number than forty.” No offer was to be permitted “under one-quarter per cent., unless for sums of $1,000 and upward.” Sales were to be settled for, as previously, on the day after contract, and contracts falling due on Sundays or bank holidays were to “be paid on the preceding day.” The purchaser of specie was to be put to the trouble and expense of sending for it. The fine for leaving the room while the call of stocks was in progress, and the fee for reverting to stocks after they had been regularly called, were each fixed at 25 cents. When two members claimed to have accepted either a bid or an offer, the man who made it might withdraw it if he chose. Indecorous conduct subjected a member to the danger of being suspended for not less than a week nor more than a month, by a two-thirds vote of those present, or of being expelled for a repetition of the offence. In case of expulsion on this score, the guilty man might be re-admitted by a two-thirds vote of those present. The president had the exclusive right to levy fines. For non-attendance at the calling of stocks, unless the member in question were sick, or out of town, or had been excused by the president, a fine of 6 cents was imposed. The fines and fees were to be applied to the payment of the Board’s expenses, under the direction of its officers. If these should not suffice, the balance due was to be equally shared by the members. The provisions incorporated in the rules of November 10 and November 29, 1817, were wholly omitted. So was the plan for holding decisions open for three successive days at the request of any three members. For the refusal of an officer to serve, a fine of from three to four dollars might be imposed. One amendment which the Board adopted, and which they unanimously wiped out in September, 1826, was embodied in the sixth by-law. It read as follows:

“In all cases of default in contracts between members of this Board, or between individuals and members of the Board, they pledge themselves to protect each other whenever circumstances will admit, of which the Board will decide.”
This fraternal project was defined in terms of too great latitude to admit of its being effective. There seems to be no danger that it will ever be revived.

Later the members passed a resolution providing that, when stock was delivered after 2:15 in the afternoon of the day on which it was due, the buyer could postpone its acceptance till the following day without incurring an interest charge. Any member who had the right to call on another for stock must exercise it before 2:15 on the proper day. The Board’s clock was to be the guide, and to John E. Hyde was entrusted the duty of taking charge of it.

The new constitution was chiefly the work of a committee, appointed in November, 1819, consisting of W. H. Robinson, F. A. Tracy, R. H. Nevins, Nathaniel Prime, and L. Loomis. Strange to say, the name of Mr. Loomis does not appear in the list of members in 1820. It will be noticed that only three individual names—those of Leonard Bleecker, Bernard Hart, and A. H. Lawrence—which figured on that list had also been signed to the agreement of May 17, 1792. The Bleecker family was evidently prominent in the early stock market. One of the members of 1820, James W. Bleecker, served for three years, 1827, 1828, and 1829, as president of the Board; became its first treasurer in 1833, and held the latter office from that time until his death, in 1861, with the exception of the year 1835, during which John Ward replaced him. Throughout his long period of service Mr. Bleecker seems to have preserved such a zeal for the Board’s welfare as he might have been expected to have for his own. He was a jealous custodian of the organization’s funds, and so opposed to rash expenditures that in later years a favorite jest of mischievous members was to vote appropriations to charity for the purpose of exciting his indignant wrath.

As the reappearance of the yellow fever, which was a much dreaded scourge during the early part of the last century in New York, induced a thinning out of the downtown population in 1819, the Board followed the example of the banks and journeyed to the north. The institution’s new home was in Washington Hall, at Broadway and Reade Street. Authentic data as to the peregri-
nations of these early brokers are not easily obtained. The records show that they leased of one Thomas Franklin "the lower back room in the rear of the Protection Fire Company" for three months from July 1, 1824, at an aggregate rental of $100. In this year Edward Lyde succeeded Mr. Mumford as president of the Board, John Ward and Jacob Isaacs being elected vice-president and secretary, respectively. Mr. Ward and Mr. Isaacs each served seven years. On March 12, 1825, a resolution was passed authorizing the hiring of "Mr. Warren's room" for two years, "at a rent not exceeding $500, he to furnish it agreeable to the wishes of the Board." This domicile was occupied until May 1, 1827, when the Board removed its ensign to the second story of the newly built marble structure of the Merchants' Exchange Company, at Wall and Hanover streets. These quarters, at $500 a year, were secured, with mutual concessions by lessors and lessees. The brokers allowed the Chamber of Commerce to occupy their own room "after 1 o'clock p.m. on any day," and on special occasions when practicable.

It was the custom, in the first instance, for the president to call the morning. Business had not yet tate a long period of bidding and their bargains within a reason for the day. They had reached, mutual understanding "not to offers, or transactions of any members." But, doubtless, the keen-eyed speculator was who was "bulling" or "bear and that, and it punctilious would refuse client what as a market may readily. Mr. Bucknor bid up "Bank or Mr. Prime of New York," offered "Uni-sixes" with a quidnuncs of ties discussed rences over libations.
THE CRISIS OF 1818

In the period between the adoption of the Constitution of 1817 and its revision, a wave of commercial distress swept over the restless people of this country. It proved, no doubt, less disastrous to the brokers of New York than to the community at large, for the speculation which was among its concomitants and, indeed, one of its chief factors, naturally resulted in a fair amount of stock-market activity and a consequent increase in brokerage commissions. Dealing in securities was, of course, a small part of the speculative movement of the time. The scope of that movement virtually comprised the entire trade of the nation. The feverish desire to take unsafe risks was not ended by the ripening of its fruit, but the ensuing depression necessarily contracted inflated credits, and in time was followed by a general recuperation.

Attention has been drawn to the remarkable upspringing of new business enterprises which marked the close of the War of 1812. The revival of industry and trade was accompanied by a tendency to extravagance which may be credited to the same cause—a burst of national pride and confidence in the country’s future. In the present generation we do not need to be assured that this confidence was well founded. But the men of Madison’s day carried it to excess. They appeared to believe that they would all grow rich in a year. The slow process of building up a nation’s wealth and power was, they reflected, characteristic of the effete civilization of Europe. The United States was born beneath a kindlier star, and could show the world a new species of prowess. The nation had just withstood the power of Great Britain and was already preparing to humble the piratical Dey of Algiers. Decatur’s successful expedition against the African potentate, and the rescue of American prisoners and ending of the blackmail we had been
paying the Dey, took place in June, 1815, and stimulated the already high spirits of America. Weary of the effects of the long embargo upon our commerce, the country was now anxious to see the products of other nations in our ports. Europe was, of course, effete, but she set the fashions. British merchants lost no time in dumping the contents of their warehouses upon our docks, and the accruing profit was remarkable. A cargo of salt and earthenware from Liverpool sold at an advance of five hundred per cent. upon the cost price. In a single week British goods offered upon the auction block in New York, Philadelphia, and Baltimore brought $1,300,000. The craze for British products was not only immensely advantageous to our quondam foes; it was immediately hurtful to American merchants and eventually disastrous to the people at large. With the conclusion of the campaign against Napoleon, a large number of men who had been engaged in fighting under the British flag returned to compete with British laborers, and so cheapened wages in the "tight little isle." In consequence, Englishmen were able for the time to undersell us in our home markets, and to retain their trade with us upon a profitable basis, even after the passing of the first craze for their goods.

Those manufactures to which American capital, dispossessed from the shipping industry by Jefferson's embargo, had been forced to resort, were found in a bad plight in the year 1815, though the general public believed itself just entering upon an era of sound prosperity. In the following year Henry Brougham—afterward England's Lord Chancellor—who had just been returned to the Commons from the borough of Winchelsea, in the course of a speech on the movement of English goods toward the United States (whose people he contrasted with those of Continental Europe as being "able to pay"), complacently remarked that the result would be a nipping in the bud of those manufactures which were arising in America "contrary to the natural course of things." Brougham was a sincere friend of humanity, and it is unlikely that racial jealousy induced him to make that speech. But it excited considerable alarm in this country—whose manufacturers by no means admitted that they were contravening "the natural course of things"—and it added impetus to the already growing movement in favor of a protective tariff.

Congress had enacted a protective measure in 1789, but the duties it imposed were small, and its chief object and effect were the raising of revenue. Prior to 1789 the States had separately indulged in tariff legislation. Various laws, laying taxes upon imports, were imposed in the next fifteen years, and in 1804 the tariff duties averaged twenty per cent.

1 History of the People of the United States: John Bach McMaster. New York. 1885.
In 1816 a depleted national treasury, and the clamoring of panic-stricken manufacturers, urged Congress, despite the arguments of the leading economists of the time, to a new tariff law. This effort to combat the headway secured by British products, of which the invasion in force had succeeded the raising of the long embargo, established a duty of about twenty per cent. *ad valorem* on importations of cotton and woollen fabrics, and provided specific duties for iron. Its object was to shut out altogether competition in goods of which a full supply could be produced at home. It was expected that the result of the bill would be not only relief to the distress of home industries, but the substitution for the previous system of taxation—which was beyond doubt inequitable—of a new revenue amply sufficient to construct the roads, canals, and other improvements planned by the Government, as well as to pay its running expenses. However our views as to the merits of protection may vary, there certainly appears to have been a great temptation in the last year of Madison's administration to provide artificial aid for the manufacturers of the youthful country. It did not then prove wholly effective. Neither the tariff nor the popular demand that all Americans should patronize home industries, and that, from the President to the infantry private, every man paid by the National Treasury should wear no cloth but that made by the nation, sufficed to keep out competition. British merchants adopted ingenious schemes to evade the customs duties, which schemes were none the less successful because they were conceived in fraud. The British Government, furthermore, took means to exclude our shipping from the West Indies. This was a severe blow. American bottoms began to lay up and rot in the ports of the Atlantic seaboard, and thousands of seamen, thrown out of employment, helped to foment the public discontent.

Such conditions were grave, and naturally became the subject of loud complaint. But their existence should not be the excuse for exaggeration. Of themselves they need not have produced wholesale panic and disaster. They were offset by advantages which the casual reader is too apt to forget in his indignation at the vengeance Great Britain seemed to visit upon the American merchantman for the humiliation she had suffered at the hands of the American frigate. This country, with its enormous extent and natural resources, its inspiring climate, and its energetic people, was not at the mercy of English trade, even if foreign aggression caused temporary trouble. The "sufficient cause" of the coming cataclysm—to borrow a phrase from the metaphysicians—was the mania for speculation which appeared to have conquered the hitherto victorious States, and for which the national inexperience was largely to blame. It was because this speculation became diffused, like a
subtle poison, through all the veins of our trade, that the distemper came speedily upon us. We cannot fairly charge it to extraneous causes. In the very years when our infant industries secured the help for which they clamored, the journals of Great Britain were lamenting the exodus of her farmers, drawn to the New World by the superior attractions of greater prosperity and greater opportunity than they could hope to find at home. One striking incident of the times, which Professor McMaster quotes from a daily newspaper of the year 1817, affords an eloquent commentary upon the condition of our country during this very period of discontent. A Yorkshireman who had landed here, and was making his way to Zanesville, Ohio, expressed his views of America as follows:

"This be a main queer country, for I have asked the laboring folks all along the road how many meals they eat in a day, and they all said three, and sometimes four, if they wanted them. We have but two at home, and they are scanty enough. And only think, sir, many of these people asked me to eat and drink with them. We can't do so in Yorkshire, sir, for we have not enough for ourselves."

It is permissible to doubt whether any subsequent British visitor has delivered himself in a more interesting manner of his impressions of this country.

James Monroe succeeded Madison, as President, in 1817—inaugurating "the era of good feeling." His tour of the States, marked as it was by the most enthusiastic expressions of popular welcome, appears in the retrospect of history as a sort of Belshazzar's feast. The handwriting was indeed upon the wall. The growing inflation of bank and commercial credits was rendering a collapse inevitable. But it was true that the nation seemed outwardly prosperous, for distress was confined to one or two classes, and a period of political peace accompanied reviving trade. Monroe's election had shown the Jeffersonian doctrines overwhelmingly in the ascendant, and controversy was virtually precluded by the withering of the party to which Washington and Hamilton had belonged. New York's developing trade had stimulated a desire to safeguard it, and on July 4, 1817, ground was broken at Rome for the Erie Canal, which remains a monument to DeWitt Clinton's forethought and vigor. In the South, Andrew Jackson was completing a far different enterprise—the subjugation of the insurgent Creek nation. He incidentally stirred up a tempest of excitement by court-martiailling two British subjects, Alexander Arbuthnot and Robert C. Ambrister, and by hanging the one and shooting

\[1\] American Daily Advertiser, July 26, 1817.
the other. They had been accused of intriguing with the Indians against the Government of the United States and found guilty, but Congress held many a hot debate over Jackson’s action. The skirts of the hero of New Orleans were eventually cleared, though not before Henry Clay, who was then rising into prominence, had made him a lasting enemy by eloquent denunciations. Clay likened the execution of Arbuthnot and Ambrister to that of the chivalrous Duc d’Enghien, at Napoleon’s hands, thirteen years previous, and Jackson never forgave the comparison.

Before considering the crisis of 1818 it is necessary to turn backward a moment to the formation of an institution that many believed to have precipitated it—the second Bank of the United States, the ruin of which was destined to be unwittingly provoked by Clay and accomplished by Jackson. In 1814 the condition of public finances had reached a pitiable plight, and the Government had defaulted upon the interest on its bonds. “We turn to the Treasury,” said Mr. Grosvenor, a Federalist member from New York, in an address to Congress, “and there the most appalling views are presented. We find it empty, approaching bankruptcy. All confidence in the promises of the Government is gone, and public credit has become a spectre, haunting the place where it once had flourished.” The conditions which this representative described had made their impression upon Secretary Dallas of the Treasury, and he recommended the establishment of another national bank, with $50,000,000 capital, of which one-tenth should be subscribed in specie and the balance in Government securities, it being provided that the bank should lend the Government $31,000,000 in its own notes, and should have the right to suspend specie payment at discretion. Daniel Webster was then in Congress. He effectively exposed the weak points in this measure, and a bill adapted to his views was passed, but President Madison vetoed it on the ground that it did not provide sufficient aid for the Government. In his message of December 5, 1815, however, the Executive broached, of his own accord, the subject of a national bank, and Dallas soon brought in a new plan. He now proposed a capitalization of $35,000,000, one-fifth of that stock to be subscribed by the Government, and the balance to be taken by the public, who might, for their subscriptions, pay one-fourth in coin and three-fourths either in coin or in Government securities. Clay, who had opposed the renewal of the charter of the first Bank of the United States, supported this bill. He justified his change of ground by pointing out that the Government, under conditions then existing, was being forced to accept, in the form of taxes, the depreciated notes of State banks which had suspended specie payment. Webster denounced these
institutions as cheats. They had made large sums by speculating in Government securities, he declared, and could well afford to redeem their notes in specie, if they chose. This view needs some qualification, inasmuch as many of the existing banks had issued notes so vastly in excess of their capitalizations that their resumption of specie payment would have meant their destruction. Webster succeeded in having the pending bill amended to provide for the payment of deposits, as well as of notes of the bank, in specie. It passed both houses, and was approved by the President on April 10, 1816. The Government paid its subscription by a stock note. The books were open for the public for a period of twenty days, and of the $28,000,000 of stock allotted for that purpose, all but $3,000,000 was subscribed for. Stephen Girard, of Philadelphia, immediately took the remainder. There were 31,334 shareholders subscribing in Philadelphia, where the parent bank was established. In New York City 2,641 persons subscribed for about $2,000,000 of the stock.

By the provisions of the bill the bank was to pay the Government a bonus of $1,500,000 within four years. Foreign shareholders were not permitted to vote. Branches could be established at discretion, and the bank soon had twenty-five scattered through various parts of the country. Presently the awakening stock market of this city received a fresh impetus from the speculation that immediately centred about the shares of this institution. The subscriptions were payable as follows:

Speculation in the bank's shares. Thirty per cent. down, thirty-five per cent. at the end of six months, and thirty-five per cent. at the end of a year.

Mindful of the desires of their fellow citizens, the considerate directors permitted transfers of the stock after the first payments, and even consented to discount the notes of subscribers, upon the pledge of their shares, to the amount of $8,000,000. Within a short time the lax administration of the bank's affairs brought it to the brink of ruin. The president and cashier of the Baltimore branch borrowed nearly $2,000,000 on their own holdings, and then helped themselves to an enormous sum without the formality of giving collateral. Their action caused a loss of $1,671,224.87. Only the Government deposits prevented the bank's failure. The entrance of Langdon Cheves upon its presidency, in March, 1819, marked a return to sounder principles. He managed to borrow $2,500,000 in Europe, and effected a needed reform by insisting that loans made upon the bank's shares should be repaid at the rate of five per cent. of their respective amounts every two months.

Meanwhile such criminal blunders as those which have been noted had precipitated disaster. Reference has been made, in a preceding chapter, to the outrages freely committed by the banks of the time. In 1818 there

were 392 banks in this country: New Hampshire had twelve, Vermont five, Massachusetts thirty-eight, Rhode Island thirty-five, Connecticut ten, New York forty-two, New Jersey fourteen, Pennsylvania fifty-nine, Delaware eight, Maryland twenty-five, Virginia seventeen, North Carolina seven, South Carolina three, Georgia three, Ohio twenty-eight, Indiana three, Kentucky—where speculation had fairly gone mad—was supporting fifty-nine, Tennessee three, Louisiana three, Michigan one, Missouri two, and the District of Columbia fifteen. Gross favoritism, oppression, recklessness, and corruption characterized the management of the bulk of them. “Hardly a fraud of any kind could be mentioned,” says Professor McMaster, “of which the banks had not been guilty.” Their willingness to shoulder frightful risks was matched by a popular eagerness to take advantage of their folly. With the winds of foreign trade aggression already driving its clouds across the horizon, the infatuated public spread every sail and disdained to see the approaching whitecaps.

WILLIAM H. CRAWFORD, a Southern statesman and financier of capacity, had succeeded to the Treasury portfolio, and had taken measures to induce the banks of New York and Philadelphia, as well as certain others, to resume specie payments. It was, however, too late to ward off Nemesis. The Government bank adopted the policy—a step necessary to its own preservation—of compelling the State banks, whose notes it received as deposits, to redeem them in specie. This helped to bring to head the eruptions upon the body of the public finances. Credits were contracted, and the inflation, started by the superficial prosperity which followed the Treaty of Ghent, collapsed, with sickening rapidity, in the turmoil of 1818. Individuals and corporations plunged into bankruptcy. The weaker banks themselves tottered for a moment before the blast, and then descended into the ruin they had prepared. The misfortunes of the manufacturer and the shipper spread to the people at large with a speed paralleling that of the plague which followed the footsteps of the Wandering Jew. With the destruction of great enterprises and the starvation of workingmen, with the shrivelling of the promoter and the eviction of the penniless clerk, with the punishment of the guilty and the destruction of the innocent, the sanguine country paid the price of its speculative debauch.

The period of acute distress lasted through 1819. In that year, in the city of Philadelphia, out of 9,672 workmen who had been earning their bread three years previously in thirty branches of industry, 7,500 had been thrown out of employment. Other commu-
nities suffered in much the same fashion. The cataclysm was general and complete. It was also inevitable, in view of the course of which it became the apogee. As may always be expected in a panic, the shaking out of fallacious credits brought the country to a sounder basis. Most of the banks which had gone to the wall were no loss in themselves. Slowly and painfully the nation began to work itself up out of the mire. The climate, the soil, and the future were still at its command. It profited, of course, by its bitter experience, and within a reasonable time its marvellous inherent vitality had begun to recoup the losses of its first commercial panic as it had wiped out those due to the ravages of war and of currency blunders. So far as the banking evil went, that could not be annihilated in a day or a year. It was gradually lessened, after one disaster had followed another, through remedial State legislation and a growing public appreciation of sound financial principles. This process need not be traced in detail. It is sufficient to say that it had accomplished much before the advent of the Civil War.

An immediate result of the distress of 1818 and 1819 was a popular indignation against the Bank of the United States, which had been rash enough to insist upon the redemption by the State banks of their promises. Especially in Georgia, Kentucky, and Ohio, the public wrath grew hot. All manner of vicious legislation, usually calculated to help fraudulent debtors, made its appearance. The States attempted to force out the branches of the Government bank by taxation, and when the Supreme Court decided such taxation to be unconstitutional, in the McCulloch case, Ohio saw fit to defy it and to disgrace itself by enacting laws which made the bank an outlaw in that State, and offered immunity to any one who should commit a crime against it.

**SHORT selling, as defined by Wall Street, consists of:** (1) The putting out of contracts for the delivery of unpossessed securities at a certain price within a stated period, and at a date optional with the seller or buyer, as the case may be; or (2) The marketing of borrowed securities in the hope of buying back their equivalents at a depressed price. The method first named—and still considered the more "legitimate" by conservative, old-fashioned dealers—prevailed until recent years; that is, before "deliveries" began to be made preferentially by "power and certificate." "Going short" was naturally the most favorable mode of stock speculation in the panic period which has been the subject of discussion. It had been prohibited by law in this State, but there is no reason to believe that the prohibition was effective. In 1812 the New York
Legislature passed an act which, as it figures in the Revised Statutes of 1830 in a modified shape, makes this provision: "All contracts for the sale of stocks are void, unless the party contracting to sell the same shall, at the time of making such contracts, be in the actual possession of the certificates of such shares, or be otherwise entitled thereto, in his own right, or be duly authorized, by some person so entitled, to sell the certificates or shares so contracted for."

This measure had a precedent in the bill which the British Parliament had enacted in 1733, which prohibited bargains for "puts" or "refusals" in stock, short selling, and "the evil practice of compounding for differences." This English law was constantly defied. Before its repeal, in 1860, Charles Daguid, the historian of the London Stock Exchange, tells us its force was "whittled away by judgment after judgment in the law courts." The American prohibition of short selling seems to have been a dead letter from the outset. Had this not been the case, it is unlikely that the New York Stock and Exchange Board would have found its business so expanded in the panic times of 1819 as to require the adoption of a new constitution and a formal set of by-laws, and to vindicate its dignity by establishing, as it did, an initiation fee of $100.

In 1858 the measure intended to cripple the energy of the Stock Exchange bear was repealed, and short selling put under the law's protection, by an act reading as follows:

"No contract, written or verbal, hereafter made for the purchase, sale, transfer, or delivery of any certificate or other evidence of debt, due by or from the United States, or any separate State, or of any share or interest in the stock of any bank, or of any company incorporated under any law of the United States, or of any individual State, shall be void or voidable for any want of consideration, or because of the non-payment of any consideration, or because the vendor at the time of making such contract is not the owner or possessor of the certificate or certificates, or other evidence of such debt, share, or interest."

DESPITE the hard lessons taught the country by the distress of 1818 and 1819, the recuperation of the people was marked by a gradual tendency to work up again the inflated credit which had proved conducive to panic. If we wonder at the evanescent impression made by the disaster, and condemn the folly of our forebears, we shall, at all events, find cause for honest admiration in the pluck with which they once more went to work. American manufactures and industry made distinct and remarkable progress in the decade succeeding the great commercial depression. Steel squares were first made at North Bennington, Vermont, in 1820, and Newark, New Jersey, started...
our production of patent leather in 1822. In the following year the wine industry of Cincinnati was founded, and in 1824 the manufacture of flannel by machinery was started at Amesbury, Massachusetts. The making of common yellow and white dishes at Philadelphia; of earthenware, sewer pipes, roof and drainage tiles at Baltimore; of axes, chisels, and edged tools at Hartford, Connecticut; of gas from coal in New York— with the consequent relegation of whale oil to the memories of colonial discomfort; of varnish, straw paper, figured muslin, calico prints, cutlery, sewing silk, fire brick, and linens, sprang into prominence. Fire-grates came into use. The anthracite coal which had been burned by Jude Obadiah Gore as early as 1768, and a bed of which Gunther had stumbled across a quarter of a century later, while hunting deer in Carbon County, Pennsylvania, now found wide favor with the public. The hardy plant of American inventive genius was opening fresh leaves in the warmth of each succeeding sun. Between 1825 and 1830, though the Patent Office had not yet been formally organized, more than four hundred patents were granted annually.

Meanwhile the fresh host of wool manufacturers, called into being by the tariff of 1816, were tasting the old bitterness of British aggression. The enterprising sons of St. George did not scruple to buy up, so far as was possible, the merino sheep which had been imported to this country; and coincidentally the expert wielders of the shears, who had preferred the free atmosphere of the States to that of the "tight little isle," were induced, by private bounties, to return to the Old World. Great Britain was not only continuing to evade the customs laws, but was injuring our home markets through the auction system, sacrificing prices in the hope of forcing American competitors to the wall. The extent of this system may be realized when we recollect that in the year 1818 foreign goods to the amount of $14,000,000 were sold in New York City alone. The clamor which these conditions awoke stimulated Congress to a fresh tinkering with the tariff, in 1820. Duties in general were raised from seven and a half to ten or twelve and a half per cent., and from twenty to twenty-five. The tariff on wool was increased eight, and that on Indian silks fifty, per cent., and an additional duty of $20 a ton was imposed upon imports of iron. The South at this time was disposed to favor protection, with a view to preventing the failure of its banks. A considerable amount of cheap Indian cloth was being purchased by the slave holders, and this was resulting in an undesirable drain of Southern specie, inasmuch as we were not sending exports to India; and, therefore, we were paying her in coin instead of in products.

Another increase in the tariff took place in 1824, the duties being raised to an average of thirty-seven per cent. There was no little outcry...
at the time, based upon the allegation of commercial distress; but those who gave testimony of it to Congress are not quite clear of the charge of being special pleaders. Webster openly denied the existence of hard times, and opposed the increase, in a speech marked by extraordinary acumen. He pointed out that iron could be imported from Stockholm to Philadelphia at a cost of $8 a ton, which was equivalent to the freight charges between Philadelphia and an American furnace fifty miles away from it. Swedish labor cost seven cents a day, while American workingmen were paid five or six times that amount. He argued that it was folly, in view of these conditions, to foster home competition with Swedish iron, by taxing the consumer, when the American labor which was thus employed could reap its natural large return by becoming diverted into more profitable channels of industry. Congress deferred to its constituents and refused to accept Webster’s view. In 1828 the “tariff of abominations,” which increased the duties on iron, hemp, flax, and molasses, was enacted after six weeks of fierce debate. The South had changed its front, and bitterly condemned this measure. It served, beyond a doubt, to scatter, somewhat wider, the seeds of sectional antagonism. The effect of their sowing was to become more evident than ever under the first Jackson administration. The country meanwhile had lost two of its most famous sons. Jefferson and John Adams passed away on July 4, 1826, exactly half a century after the day on which both affixed their signatures to the Declaration of Independence.¹

Our foreign relations had been working into more satisfactory shape since the War of 1812. The northern boundary of the States was defined, in 1818, by a treaty with Great Britain, under which she likewise relinquished the privilege of navigating the Mississippi. We ceded Texas, upon which we had a most imperfect claim, to Spain, and obtained Florida in exchange, paying, to bind the bargain, the sum of $5,000,000, which offset the spoliation claims against us. Some slight apprehension was excited in this country, however, by the attitude of the Czar, who had obtained a foothold on the northwest coast of this continent, and complacently regarded the tendency of Russian traders to push his frontier to the South.

¹In the New Year’s Address of the Carriers of the Evening Post to Their Patrons, printed on January 3, 1827, appeared these lines:

“To tire you is not my intention, but I’ve a few things yet to mention—
How two great men, their country’s pride, both on their country’s birthday died.
How many eulogies were said, and printed, too, about the dead,
All good, extremely good, indeed, but terrible sad trash to read.
How carries old Vermont the farce on, her Captain-General a parson,
For Rogers how each patriot blushes; how childish Secretary Rush is,
And how securely set his face is against English cloth and English phrases.”
The Holy Alliance—the union of Russia, Prussia, and Austria, engendered of the fears that the common people might demand too large a share of their rights, since the amazing career of Napoleon had shaken ancient theories to their roots—had come into being. The benevolent despots of the Old World desired to crush the rising republics of South America in the interest of order, humanity, and the divine right of monarchs. Canning, the British premier, suggested to our Minister at St. James's, Richard Rush, that the United States should take a firm stand against the intrusion of Europe into the affairs of the Western Hemisphere, lest we become involved in the entangling alliances we had aimed to avoid since Washington defined our policy and Jefferson reinforced his view. President Monroe thought well of the idea. In his annual message, on December 2, 1823, he laid down the doctrine that has since borne his name. The young Republic boldly announced to the world that it would not permit any further colonization of this hemisphere by Europe. The lightning accepted in meekness the defiance of Ajax, and the American people have since invested the doctrine with an almost sacred character.

John Quincy Adams is understood to have written the language in which it was embodied, but Monroe made the decision, and Monroe deserves the credit.

Slavery was rapidly becoming an issue of the highest importance. The South regarded the right to maintain it as a concomitant of State sovereignty. The North, which had first imported slaves, and now had no particular use for them, was clearly able to see the iniquity of the institution. The bill constituting Missouri as a slave State was passed in 1820, the famous compromise being arranged by which she agreed not to exclude free persons of color, and by which slavery was forever prohibited in the district west of the Missouri and north of latitude 36° 30'. Such excitement ruled at the time that Northerners who voted for the compromise measure were burned in effigy by their constituents.

In the presidential election of 1820, which resulted in Monroe's second term, Missouri voted, but her vote was not counted. She was proclaimed a State by the President, in August, 1821. New York having passed Virginia, now held the front rank among the States by the measure of population. As the leading State in the North, her zeal for the abolition of slavery was no doubt as prominent as it should be; but those who study to-day the conditions existing at the time when the slavery question was first stirring up bad blood find it hard to acquit the State of hypocrisy, or, at least, of glaring inconsistency. No enlightened man of our generation can question the inherent criminality of slavery, or the gross immorality and brutality which it fostered. Few will deny its ill effects upon the slave-holders. But it would have behooved those who denounced it on the
score of humanity to bear in mind the condition of their own prisons in
the North. The jail system of the day was nothing short of an infamy,
and New York's was a noted example of what a civilized community can
contrive in the name of law and order. The women's section of the
debtors' prison in this city—where old and young, black
and white, the outcasts of the streets, and the girl accused of
a petty misdemeanor, the veteran sneak thief, and the innocent
woman held as a witness, slept together on one bare floor and scooped
their mush and molasses from a single tub, while one of their number dis¬
charged, with a whip, the duty of preserving order—surely presented a
picture as wretched as any the abolitionist could draw of plantation
conditions in the South.

The free blacks in this country were also a problem at the time under
discussion. The public was anxious to get rid of them, and the result was
the founding, in 1821, of the African Colony of Liberia.
AN ERA OF EXPANSION AND STRIFE

In the decade that ended with the year 1840 there were two features of national life so peculiarly dominant that they take rank as the characteristics of this period. The one was co-extensive with the decade itself, the other virtually culminated in the panic of 1837, though some glimmerings of the fierce light in which it had shone were to be discerned even four years later. These features were the development of the American railroad system, and the working out of the financial policy of Andrew Jackson, chiefly exemplified in his overthrow of the second Bank of the United States.

It requires no inspiration to see at a glance the intimate connection of these events with the life of the Stock Exchange. The market for securities indicates the country's progress or retrogression, its commercial health or illness, with undisputed accuracy in the long run. The manipulation of the street, or the warlike message of a President to Congress, may cause the needle to oscillate, but it tends constantly to point the right course and to prove the compass, on the whole, reliable. This does not imply that a rising market always means rising prosperity. It may be the effect of speculative frenzy destined to result in a crash, but in any event it can be traced—when it is more than a sporadic movement—to a definite condition of trade rather than to the activity on 'Change of professional speculators.

Railroad growth enlarged the trading list considerably, and paved the way for striking speculative careers like that of Jacob Little. It will be of interest to indicate just how comprehensive a stock market New York enjoyed in the period shortly before the railroads came. So far back as January, 1827, the Stock Exchange list included eight issues of Government, State, or city bonds, twelve bank stocks, nineteen marine or fire insurance stocks, American gold, doubloons, and stock of the Delaware &
Hudson Canal Company, the New York Gas Light Company—which had been incorporated in 1823—and the Merchants' Exchange. On January 25, 1830, the record of the day's business was as follows:

<table>
<thead>
<tr>
<th>Stock</th>
<th>No. Shares Sold</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Bank,</td>
<td>31</td>
<td>117½%</td>
</tr>
<tr>
<td>Merchants' Bank,</td>
<td>10</td>
<td>98%</td>
</tr>
<tr>
<td>Delaware &amp; Hudson Canal Company,</td>
<td>50</td>
<td>87½%</td>
</tr>
<tr>
<td>Ocean Insurance Company,</td>
<td>20</td>
<td>151%</td>
</tr>
<tr>
<td>Union Insurance Company,</td>
<td>10</td>
<td>103½%</td>
</tr>
<tr>
<td>Franklin Insurance Company,</td>
<td>24</td>
<td>102%</td>
</tr>
<tr>
<td>Fireman's Insurance Company,</td>
<td>35</td>
<td>96%</td>
</tr>
<tr>
<td>New York Gas Light Company,</td>
<td>80</td>
<td>101%</td>
</tr>
<tr>
<td>New York &amp; Schuylkill Coal Company,</td>
<td>20</td>
<td>102%</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>103%</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>104%</td>
</tr>
</tbody>
</table>

This was a total trading of 465 shares. At times the aggregate fell much lower. Judging from the records obtainable, it appears that the dullest day in the history of the Stock Exchange was a day's business. Tuesday, March 16, 1830, when only thirty-one shares changed hands. Here is the list of transactions for that day:

<table>
<thead>
<tr>
<th>Stock</th>
<th>No. Shares Sold</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Bank,</td>
<td>26</td>
<td>119%</td>
</tr>
<tr>
<td>Morris Canal &amp; Banking Company,</td>
<td>5</td>
<td>73½%</td>
</tr>
</tbody>
</table>

It took just $3,470.25 to buy all the stock sold on that day. The market broadened and prices rose with the advent of railroad securities and the spread of the speculative fever among the public.

Although the growth of the railroads and Jackson's activity in financial affairs may be approached from a common point of view—the recurring credit inflation which aided the first and gave a deadly effect to the second—it will be found convenient to analyze them separately. Reference has been made to the decade ending with 1840 as the period of the rise of our modern railroad system. Rail tramways were in use, however, before 1830. The primitive locomotive was known in the latter part of the eighteenth century, when Oliver Evans, of Philadelphia, got out a patent for a steam carriage which, like the modern automobile, ran without the aid of rails. In 1826 the first American railroad was constructed from the granite quarries of Quincy, Massachusetts, to the seaboard, a distance of three or four...
miles, and was operated by horse power. The previous year had seen the completion of the Erie Canal. It had also seen George Stephenson—whose genius virtually produced the modern locomotive—drive an engine, to which a train of thirty-four cars was attached, over the newly constructed Stockton & Darlington Railroad, the first of its kind in England. Signal-men on horseback preceded this formidable new machine of transportation, and at favorable places the staring yokels and frightened cattle observed it move at a speed of fifteen miles an hour. In 1829 the Liverpool & Manchester Railroad was opened, with Stephenson's famous "Rocket" as its first locomotive. The inventor's great work had proved a success. The minds of his own countrymen had scarcely awakened to the fact when the keen-eyed masters of American finance were already preparing to use his achievement for the exploitation of American resources.

On August 8, 1829, the Stourbridge Lion—the first locomotive to be placed on American rails—which had been constructed in England under the supervision of Horatio Allen, the engineer of the Delaware & Hudson Canal Company, made a trial trip over the Carbondale & Honesdale Railroad, in Pennsylvania. The track had been completed in 1828, and was about sixteen miles long. Allen himself was at the throttle. The Baltimore & Ohio Railroad Company, which had an original capital of $500,000, was, meanwhile, at work in building a road from Baltimore to Ellicott's Mills, a distance of some thirteen miles; construction had been started in 1828, and on May 22, 1830, the road was opened for traffic. This was the pioneer among the railroads built as common carriers, the Quincy and the Carbondale & Honesdale each having been constructed for the purposes of a specific industry. Its rails were of wood, capped with iron strips, which occasionally burst their bonds, flew up and punctured the floors of the carriages, and now and then the persons of the unsuspecting patrons of the road. The main stem of the line, running from Baltimore to Wheeling, West Virginia, a distance of three hundred and eighty miles, was completed in 1853. Until 1832 the carriages were drawn by horses, but in 1830 the first regular locomotive built in this country, and the first one ever used to transport passengers in America, drew an open car, filled with directors of the Baltimore & Ohio and their friends, from Baltimore to Ellicott's Mills at a speed that occasionally reached eighteen miles an hour. This doughty engine, which scarcely weighed a ton, was the "Tom Thumb," designed by Peter Cooper, the philanthropist. It had an upright boiler, smaller than that which is ordinarily used in a fine, modern dwelling. On January 15, 1831, the South Carolina Railroad, extending from Charleston to Hamburg, in that State, the first American road to be constructed with the specific purpose
of operation by locomotive, was thrown open to the public. The "Best Friend," an engine designed by E. L. Miller, of Charleston, and built in New York, was placed upon the metals of this line. In the year 1831 the Baltimore & Ohio, still using horse power, despite the inspiring accomplishments of the "Tom Thumb," carried 80,000 passengers and 6,000 tons of freight.

Naturally, the promoters of the infant railway enterprises of this country desired to be able both to sell and to hypothecate their securities, and the public, keenly disposed to speculative ventures, was glad to deal in the stocks. James W. Bleecker, who had succeeded Edward Lyde, in 1827, as president of the New York Stock and Exchange Board, gave way, in 1830, to Russell H. Nevins. In August of that year the Mohawk & Hudson Railroad was started, and its stock was presently listed on the Exchange. This was the first railway security that had this distinction. The road, which ran from Albany to Schenectady, a distance of nearly seventeen miles, was completed in 1831, and in October of that year it carried 387 passengers a day. Serious grades were avoided by the establishment at each end of the line of an inclined plane, worked by a stationary engine. The rails were of wood, built upon stone or timber ties, and the locomotive that traversed them, snorting with effort and responsibility, had been imported from England at a cost of about $4,900. The Mohawk & Hudson Railroad was merged with the New York Central on November 1, 1869.

Nothing more strikingly illustrates the fertility of American enterprise than the manner in which the people of this country seized upon Stephenson’s instrument of progress and adapted it to their needs. The impulse to build railroads followed in a moment the trail of our new civilization, and was presently showing its power from New England to New Orleans and from the Atlantic seaboard to the banks of the Mississippi. The pathways of iron began to stretch between towns that had known no method of communication save the stage coach and the saddle. The Baltimore & Susquehanna, the New Orleans & Pontchartrain, and the New York & Harlem were among the earliest lines. Over the one last named three horse-cars were first run to Fourteenth Street, in 1832, and two years later the line was extended to Yorkville. So rapidly did the public take up the new agent of civilization that by 1837—the panic year—the United States possessed more completed lines and a greater aggregate mileage than any other country. The bettering of the means of transporting men and freight proved a marvellous aid in working up the resources of our soil, and stimulated the influx of the children of Europe. The rail-
roads cannot be omitted in recording the causes which combined to foster immigration. To discuss their effect upon trade would be a work of supererogation.

We need not trace in detail the building of the lines which have become the arteries of the Republic, nor the manner in which they absorbed a continually growing share of speculative attention in this city. The American people are unable quite to refute the charge of volatility which has been laid at their doors. They undoubtedly overdid the construction of railways in the decade under consideration, as they overdid many things.

A few facts will serve to illustrate the growth of our transportation system in this period. The population of the country in 1830 was 12,866,020 (an increase of more than 3,000,000 since the census of 1820), and there were twenty-three miles of railroad in operation. The aggregate mileages operated in each of the next ten years were as follows: 1831, 95 miles; 1832, 229 miles; 1833, 380 miles; 1834, 633 miles; 1835, 1,098 miles; 1836, 1,273 miles; 1837, 1,497 miles; 1838, 1,913 miles; 1839, 2,302 miles; 1840 (when the population had risen to 17,069,453), 2,818 miles. If we include the roads nearing completion with those in actual operation, we find that the total mileage in 1840 was 3,049.79, divided as follows:¹

<table>
<thead>
<tr>
<th>NEW ENGLAND STATES</th>
<th>SOUTHERN STATES</th>
<th>VIRGINIA</th>
<th>NORTH CAROLINA</th>
<th>KENTUCKY</th>
<th>SOUTH CAROLINA</th>
<th>GEORGIA</th>
<th>ALABAMA</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine</td>
<td>14.50</td>
<td>Virginia</td>
<td>301.71</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>316.21</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>37.30</td>
<td>North Carolina</td>
<td>92.10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>184.40</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>305.99</td>
<td>Kentucky</td>
<td>29.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>334.99</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>43.40</td>
<td>South Carolina</td>
<td>204.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>247.40</td>
</tr>
<tr>
<td>Connecticut</td>
<td>94.50</td>
<td>Georgia</td>
<td>275.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>369.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Alabama</td>
<td>46.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>416.00</td>
</tr>
<tr>
<td>Total</td>
<td>495.69</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>947.81</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MIDDLE STATES</th>
<th>WESTERN STATES</th>
<th>OHIO</th>
<th>MICHIGAN</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>373.44</td>
<td></td>
<td>38.00</td>
<td></td>
</tr>
<tr>
<td>New Jersey</td>
<td>197.05</td>
<td>Michigan</td>
<td>118.90</td>
<td></td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>635.35</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delaware</td>
<td>39.19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maryland</td>
<td>204.36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Such dread of the eccentricities of locomotive boilers was entertained in the South that "barrier cars" filled with bales of cotton were run between the engines and the passenger coaches. This protection was not long considered necessary. It will be noticed that Pennsylvania led all the States in railroad mileage in 1840, though her population was only 1,724,033, while that of New York was 2,428,921, ¹New American Supplement to the Encyclopedia Britannica. Chicago. 1892.
and Ohio, with only thirty-eight miles of road, had a population of 1,519,467. The Boston & Albany Railroad was finished in 1841, and in the following year railway communication was established between Albany and Lake Erie.

The enmity of Andrew Jackson and Henry Clay, the most important personal feud in the history of this country, and none the less so because it was bloodless, had been fed with fresh fuel in 1824, when each was a candidate for the presidency. Jackson received the greatest number of electoral votes, but failed of a majority, and the decision going to the House of Representatives, Clay, who had been forced out of the race, threw his influence to John Quincy Adams, whose election resulted. Adams then selected Clay as his Secretary of State, and Clay and Jackson were immediately at odds. The Jackson party shouted "corruption" from the house-tops. The administration of Mr. Adams was notable, chiefly for the lack of partisanship and the devotion to high ideals which he made manifest. It formed the first break since the election of Jefferson in the chain of the liberal party's victories. That party's adherents, who now called themselves Jackson Democrats, were returned to power, in the year 1828, by the decisive defeat for re-election of Adams, the nominee of the newly formed Whig, or National Republican, party, in which Clay was the dominant spirit. Jackson, whose personal popularity has probably never been matched by that of any other

Following are two stanzas of a eulogy of Jackson and an attack on Clay, entitled, "To the Hero of New Orleans," which indicate the public feeling engendered by this famous feud. The verses appeared in the Boston Statesman in September, 1827, over the pseudonym "Paoli":

"From thee let Judas slich thy meed,
Thy country's hopes betray;
'Tis but the Alpha of his creed
To take a traitor's pay;
His doom—too sure—shall soon be sealed,
His palace be the Potter's field
To hide his loathsome clay;
He cannot steal one laurel leaf
That binds thy brow, immortal chief!
The deeds thou'st done he can't undo;
Nor yet erase his own;
Nor wipe 'corruption' from his brow—
'Tis graven to the bone!
And vainly may he rant and whine,
'Deny' or 'challenge,' 'fight' or dine;
Still 'Conscience' holds her throne,
And duels—dinners—speech defies;
The worm that gnaws him never dies."
American statesman—not excepting Washington, Jefferson, or Lincoln—became the Chief Executive in 1829, and in his first message to Congress delivered an attack upon the Bank of the United States which came like a bolt out of a clear sky.

This was the first step that led to one of the most terrific crises in the annals of the nation. It would be a gross injustice to charge the panic of 1837 to Jackson's financial policy. He did not create the disaster, he merely precipitated it. Its underlying cause was the recurrence of the speculative mania that had worked destruction nearly twenty years before, yet the instrumentality of the Hero of New Orleans is a vital element in the story.

It is a prevalent impression to-day that, in overthrowing the great bank, Jackson saved the nation from a monster. Undoubtedly the continuance of such an institution in any country where it could not be dispossessed from partisan politics would be likely to produce trouble in the long run. But, in Jackson's time, evidence clearly shows that the bank had been a source of great benefit to the community. It had influenced many of the State banks to resume specie payments.

It had established a uniform currency, a safe method of keeping Government deposits, and a valuable system of domestic exchanges. Its accommodations to the public were dictated by prudence, and yet sufficiently liberal. So far from fostering monopoly or pandering to partisanship, its management strained every nerve to keep out of politics. At all events, the time had not come when the country could safely dispense with it.

But Andrew Jackson thought differently. His view was not only distorted by the smoky atmosphere of hatred for Clay and the Whig party—who favored the bank—through which he looked at the question. It was also affected by his famous Kitchen Cabinet: Amos Kendall, Isaac N. Hill, William B. Lewis, and Duff Green, four narrow and ill-conditioned politicians, whose opinions he rated as worthy to be consulted in national affairs. Honest in every fibre of his body, courageous as he was choleric, and as sincere in his desire to serve the public as in his detestation of his political foes, and possessed, furthermore, of sane economic ideas, Jackson was yet a man to be led by the nose. If he had discovered that any man was so leading him, the result would have been unpleasant for the man; but with rugged simplicity he trusted his advisers to the last. Kendall and Hill persuaded him that Jeremiah Mason, a New England lawyer of high repute, who had charge of the branch of the bank at Portsmouth, New Hampshire, was playing politics. In his message of 1829 Jackson gave utterance to one of the most foolish public declarations into which a great man was ever beguiled.
"Both the constitutionality and the expediency of the law creating this bank," said he, "are well questioned by a large portion of our fellow citizens, and it must be admitted by all that it has failed in the great end of establishing a uniform currency."

Notwithstanding the strength of Jackson's party, and his immense personal following, Congress took up the bank question, and emphatically decided that the public deposits were safe in the institution's hands. There were a burst of public astonishment at Jackson's polemics, a sharp decline of the bank's stock, a quick recuperation when the underlying facts became known, and the unpleasant incident seemed closed. The average loans and discounts of the bank amounted to $40,000,000 at this time, and its yearly profits were about $3,000,000. Roger B. Taney, the Attorney General, was its only foe in Jackson's official Cabinet.

For a year or two other issues diverted the public attention. The Whigs, or National Republicans, held their first national convention in Baltimore, on December 12, 1831, and nominated Clay, who had acted as counsel for the bank, for the Presidency. In the following March the Democrats named Jackson for re-election. Pennsylvania, a State in which Jackson was reckoned especially strong, had put itself upon record as favoring a new charter for the bank, the old one being due to expire on March 3, 1836. Inspired by this event, Clay had decided to make the charter an issue. It was one of the chief planks in his platform. The bank rejoiced at his decision, and took prompt measures to court the defeat that awaited itself and its champion.

Nicholas Biddle, of Philadelphia, succeeded, in 1823, to the presidency of the Bank of the United States. No other American was so celebrated abroad as he. Europe regarded him as the greatest of American financiers. At home he was flattered and caressed by men of all classes. Attractive in person, affable in manners, cultured, accomplished, wealthy, and possessed of decided ability, he enjoyed a position second only to Jackson's in prominence. He had been warned not to antagonize the testy Chief Magistrate, yet was imprudent enough to show that he felt it necessary to fight. Any man who was so disposed would find Jackson ready to accommodate him. On the charges of one Whitney, an insolvent Philadelphia merchant, who had once been a director of the bank, and was now Biddle's foe, an official investigation of the institution's management took place and
resulted in a virtual vindication. A bill providing for a renewal of the bank's charter was soon afterward introduced in Congress, passed, and vetoed by the President on July 10, 1832.

Discussing this veto in the Senate, Mr. Clayton, of Delaware, uttered a remarkable prediction:

"In less than four years the pecuniary distress, the commercial embarrassments, consequent upon the destruction of the United States Bank, must exceed anything which has ever been known in our history. . . . The loss of confidence among men; the total derangements of that administrative system of exchanges which is now acknowledged to be better than exists in any other country on the globe; overtrading and speculation on false capital in every part of the country; that rapid fluctuation in the standard of value for money, which, like the unseen pestilence, withers all the efforts of industry, while the sufferer is in utter ignorance of the cause of his destruction; bankruptcies and ruin, at the anticipation of which the heart sickens, must follow in the long train of evils which are assuredly before us."

Biddle was not dismayed by the veto. On the day in which Jackson transmitted it to Congress, the banker wrote to Clay in a tone of exultation. He declared that the message had "all the fury of a chained panther biting the bars of his cage," and hailed the Whig candidate as the deliverer of his country from the miserable crew in power. Jackson was chosen for a second term, and accepted the people's decision as his vindication. The bank was doomed.

In this crisis Biddle further antagonized the President by a foolish quarrel over a claim held by this country upon France, which the bank had undertaken to collect, and the payment of which was delayed after the institution had credited the Government with the amount upon its books. He made another blunder in secretly effecting an arrangement, with the Barings of London, for the extension of some three per cent. United States bonds which the Government had resolved to redeem. Jackson decided to remove the Government deposits from the bank, and accordingly, in 1833, dismissed from office the Secretary of the Treasury, W. J. Duane, and appointed Roger B. Taney as his successor. Taney began putting the incoming revenues into various State banks, several of which were in this city. The institutions so favored were selected by Jackson, and known as the "pet banks." The Bank of the United States was forced to contract its discounts and loans. Failures and general distress resulted.

The crisis, however, as yet had not arrived. It hovered over the country for three years longer, the enforced curtailing of the bank's business, which had been conducted on sound lines, and the extravagances
to which the possession of the Government funds induced the State depositaries, each helping to bring on the trouble. Jackson further strengthened himself, in 1833, by taking a firm stand with South Carolina, which disliked a tariff measure passed in the previous year—although it somewhat reduced duties—and was threatening to secede. Through 1834 and 1835 the storm kept gathering, and in 1836 the famous "specie circular" was issued.

The country had been enjoying a period of expanding trade and increasing imports, accompanied by apparent prosperity. Speculation in Government lands had been going on at a furious rate and payments for these lands had been made in State bank notes, which were most freely loaned. Before entering on a discussion of the disaster of 1837, nowhere more crushingly felt than in New York City, it will be well to take a single glance at the expansion which preceded it in the metropolis.

Some adequate idea of the city's commercial growth in the first half-century after the close of the Revolutionary War, and the establishment of the Bank of New York, may be obtained from a comparison of the financial condition of the municipality in 1783 and 1785 with its condition in 1836. The British evacuated New York in November, 1783, nearly two months after the signing of the Treaty of Paris, and the following year, it will be recalled, saw the founding of the Bank of New York. In the twenty months intervening between December 26, 1783, and September 1, 1785, the schedule of municipal income and outgo was as follows:

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from £10,000 tax,</td>
<td>Poor House,</td>
</tr>
<tr>
<td></td>
<td>£5,027</td>
</tr>
<tr>
<td>Lots sold at North River,</td>
<td>Watch and lamps,</td>
</tr>
<tr>
<td></td>
<td>£4,500</td>
</tr>
<tr>
<td>Lots sold at Peck Slip,</td>
<td>Roads,</td>
</tr>
<tr>
<td></td>
<td>£678</td>
</tr>
<tr>
<td>Excise,</td>
<td>Pumps and wells,</td>
</tr>
<tr>
<td></td>
<td>£789</td>
</tr>
<tr>
<td>Quit rent (including war arrears),</td>
<td>General election,</td>
</tr>
<tr>
<td></td>
<td>£57</td>
</tr>
<tr>
<td>Ground rent (including war arrears),</td>
<td>Assessing £10,000 tax,</td>
</tr>
<tr>
<td></td>
<td>£170</td>
</tr>
<tr>
<td>Docks and slips,</td>
<td>Bridewell, furnishing and supporting</td>
</tr>
<tr>
<td></td>
<td>prisons,</td>
</tr>
<tr>
<td></td>
<td>£3,470</td>
</tr>
<tr>
<td>Ferries,</td>
<td>Food, etc., for criminals,</td>
</tr>
<tr>
<td></td>
<td>£702</td>
</tr>
<tr>
<td>House rent,</td>
<td>Interest on bonds due before the</td>
</tr>
<tr>
<td></td>
<td>war,</td>
</tr>
<tr>
<td></td>
<td>£1,844</td>
</tr>
<tr>
<td>Total,</td>
<td>Repairs to building and contingent</td>
</tr>
<tr>
<td></td>
<td>charges,</td>
</tr>
<tr>
<td></td>
<td>£7,937</td>
</tr>
</tbody>
</table>

Total, £24,433                         Total, £25,174
Recollecting that these are figures for twenty months, and translating the totals into their equivalents in American currency, upon the assumption, for convenience, that £1 sterling equals $4.86, it is found that the yearly receipts for the period were, approximately, $71,246, and the yearly expenditures $73,407. With these results may be compared the schedule of ordinary income and outgo in 1836, as given by Hardenbrook:\(^1\)

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of manure,</td>
<td>. . .</td>
</tr>
<tr>
<td>Commutation of alien passengers,</td>
<td>. . .</td>
</tr>
<tr>
<td>Court fees and fines,</td>
<td>. . .</td>
</tr>
<tr>
<td>Penalties for ordinance violations,</td>
<td>. . .</td>
</tr>
<tr>
<td>Rents of wharves and slips,</td>
<td>. . .</td>
</tr>
<tr>
<td>Market fees,</td>
<td>. . .</td>
</tr>
<tr>
<td>Market rents,</td>
<td>. . .</td>
</tr>
<tr>
<td>Street-vault permits,</td>
<td>. . .</td>
</tr>
<tr>
<td>License fees (exclusive of excise),</td>
<td>. . .</td>
</tr>
<tr>
<td>Tavern and excise licenses,</td>
<td>. . .</td>
</tr>
<tr>
<td>Water-list rent,</td>
<td>. . .</td>
</tr>
<tr>
<td>Ground rent,</td>
<td>. . .</td>
</tr>
<tr>
<td>Common-land rent,</td>
<td>. . .</td>
</tr>
<tr>
<td>Ferry rent,</td>
<td>. . .</td>
</tr>
<tr>
<td>House rent,</td>
<td>. . .</td>
</tr>
<tr>
<td>Vendue sales,</td>
<td>. . .</td>
</tr>
<tr>
<td>Other sources (say),</td>
<td>. . .</td>
</tr>
<tr>
<td><strong>Total,</strong></td>
<td>. . .</td>
</tr>
</tbody>
</table>

It is evident, from this comparison, that the municipal receipts had increased about 337 per cent. in the intervening period, and the city’s expenses more than 1,426 percent. The development of the young metropolis was accompanied by a growing disposition to spend more than its income, and, as a consequence, New York City’s outstanding funded debt amounted, in 1836, to $2,480,000. This seems of small significance, in view of the bond issues of the present day; but it must not be forgotten that the great bulk of the money spent by the municipality in 1836 was to satisfy current demands. It did not go, in any marked degree, either into lucrative investments, such as the system of docks now existing, or into other public improvements the cost of which might be fairly saddled upon succeeding generations, to whose benefit they were to redound. There was no such plausible excuse for the city fathers of 1836. The piper performed at their bidding, and they instructed him to present his bill to their grandchildren.

Three events, of which Jackson was directly or indirectly the cause, in 1836 conspired to pave the way for disaster. The great bank, having obtained a charter from Pennsylvania, and being at a loss to use its capital in a single State after the conventional fashion, began to lend with terrific recklessness on all sorts of collateral. The President issued the "specie circular," directing that payments for Government lands, the sales of which amounted to $24,877,000 in 1836, should be made in coin, and thus forcing the public to demand that the State banks should redeem their notes in specie—a thing that many of them could not do. He also announced that the national debt was paid, and, a measure being passed to distribute the surplus among the States, the "pet banks" were called on to surrender the Government deposits, thus causing frightful contraction.

There were 634 banks in this country in 1837, with an aggregate capital of $291,000,000, loans of $525,000,000, notes of $149,000,000, and specie back of the notes amounting to only $38,000,000. The weakness of this situation is apparent. The Government, being paid for its lands in virtually irredeemable notes, which it deposited in the banks, and which were at once loaned out for fresh land speculations, was really receiving nothing but bank credits. Naturally, Jackson desired to end such a situation; but his circular proposed a remedy so sudden and drastic as to cause fearful havoc. Banks, merchants, and manufacturers began to fail.

On January 1, 1837, the surplus available for distributing among the States, according to their proportional representation in Congress, amounted to $37,468,859. The first instalment of twenty-five per cent. was paid, and on April 1st, after frightful contractions, the "pet banks" produced the second. Meanwhile the land speculators were calling on all the banks for specie, and our British creditors, who were experiencing trouble of their own at home, were calling upon this country to pay what it owed. Before the third instalment of the surplus could be paid the crash came. On May 10th the New York banks suspended specie payment in a body, and all the banks of the country, including the United States Bank, followed suit. The calamity spread instantly to the general public. The manufacturer of clothes and shoes, the merchant, the farmer, the ironmonger, and the broker, were engulfed in the whirlpool of bankruptcy. Desolation and penury awoke the happy dreamer from visions of speculative fortune to the prospects of hunger and eviction. The collapse was as complete as the inflation had been general. As the maker of cotton prints became insolvent with the failure of his bank, so did the Southern planter find his market destroyed. Cotton prices, which had soared to twenty cents a

pound in the previous August, fell to eight cents in this terrible May. Nine-tenths of the merchants of Mobile, Mr. Schurz tells us, suspended payment. The values of land, which had piled up paper fortunes in a year, annihilated them in a night. Prostrate in the ashes of their hopes, the unhappy speculators racked their brains to comprehend the cause of the calamity which they themselves had brought about.

Transactions on the Stock Exchange in this city naturally indicated the progress of disaster, and when it was fairly come Wall Street was daily crowded with throngs of merchants and other business men, not only besieging the banks to learn what help could be obtained, but watching with fierce anxiety the quotations in the securities market. The newspaper press of the time described the conditions as unparalleled. Before the New York banks were forced to suspend specie payments they made some united efforts to alleviate the public stringency. On March 30, 1837, under the chairmanship of Albert Gallatin, they met and agreed to increase their aggregate discounts by $1,500,000. This was well meant, but could not head off the calamity. On April 7 the Evening Post declared: "Confidence is at so low an ebb as to be indescribable. There seems to be a perfect panic. The failures of yesterday and the day before are unexampled in the history of New York. The very best houses are daily suspending payment." Flour meanwhile had risen to $9.50 a barrel and wheat to $1.60 a bushel.

John Ward, Edward Prime, and R. D. Weeks had served as presidents of the New York Stock and Exchange Board between 1831 and 1837, and in the panic year David Clarkson, one of the most prominent speculators in the market, was chosen for the office. The Board was then meeting on the second floor of a building which an Englishman, named Jauncey, had once used as a stable, the room in which they sold stock having formerly served as a hay-loft. This building occupied what is now the site of No. 43 Wall Street. The brokers had moved into it in the previous year; after using alternately a room at Howard's Hotel, No. 8 Broad Street (part of the site of the Stock Exchange Building of to-day), for which they paid $3 a day, and a back room in the basement of "John Warren's building," as the records describe it, the rent of which was $750 a year. All these peregrinations were due to the great fire of December 16, 1835, which ravaged the financial district and destroyed the Merchants' Exchange, along with 692 other buildings, covering thirteen acres of ground. The loss was estimated at $18,000,000. A watchman, J. R. Mount, earned the thanks of the Board and a gift of $100 by rescuing the "iron chest" of the brokers from the flames of the Merchants' Exchange.
AN ERA OF EXPANSION AND STRIFE

Some quotations of the business transacted in the quondam hay-loft will prove of value. On January 24, 1837, these sales were made:

<table>
<thead>
<tr>
<th>Stock</th>
<th>No. Shares Sold</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Bank,</td>
<td>50</td>
<td>120</td>
</tr>
<tr>
<td>&quot; b 60,</td>
<td>100</td>
<td>121</td>
</tr>
<tr>
<td>&quot; b 60,</td>
<td>100</td>
<td>121½</td>
</tr>
<tr>
<td>&quot; 30 days,</td>
<td>100</td>
<td>121</td>
</tr>
<tr>
<td>&quot;</td>
<td>200</td>
<td>119½</td>
</tr>
<tr>
<td>&quot;</td>
<td>100</td>
<td>120</td>
</tr>
<tr>
<td>Dry Dock Bank,</td>
<td>50</td>
<td>170</td>
</tr>
<tr>
<td>Commercial Bank,</td>
<td>10</td>
<td>108</td>
</tr>
<tr>
<td>&quot; (on time)</td>
<td>25</td>
<td>111</td>
</tr>
<tr>
<td>Bank of the State of New York,</td>
<td>75</td>
<td>112</td>
</tr>
<tr>
<td>Morris Canal &amp; Banking Company,</td>
<td>200</td>
<td>105</td>
</tr>
<tr>
<td>&quot;</td>
<td>200</td>
<td>106</td>
</tr>
<tr>
<td>&quot;</td>
<td>50</td>
<td>105½</td>
</tr>
<tr>
<td>&quot; (on time)</td>
<td>100</td>
<td>105</td>
</tr>
<tr>
<td>Farmers' Loan &amp; Trust Company,</td>
<td>100</td>
<td>113</td>
</tr>
<tr>
<td>&quot;</td>
<td>50</td>
<td>112½</td>
</tr>
<tr>
<td>&quot; (on time)</td>
<td>100</td>
<td>114</td>
</tr>
<tr>
<td>Kentucky Bank,</td>
<td>250</td>
<td>92½</td>
</tr>
<tr>
<td>&quot; b 30,</td>
<td>53</td>
<td>94</td>
</tr>
<tr>
<td>Leather Manufacturers' Bank,</td>
<td>25</td>
<td>117</td>
</tr>
<tr>
<td>Mohawk &amp; Hudson Railroad,</td>
<td>150</td>
<td>94</td>
</tr>
<tr>
<td>&quot;</td>
<td>100</td>
<td>93½</td>
</tr>
<tr>
<td>&quot; b 15,</td>
<td>50</td>
<td>95</td>
</tr>
<tr>
<td>Mechanics Bank,</td>
<td>50</td>
<td>120</td>
</tr>
<tr>
<td>City Bank,</td>
<td>50</td>
<td>139</td>
</tr>
<tr>
<td>Phoenix Bank,</td>
<td>26</td>
<td>127</td>
</tr>
<tr>
<td>Delaware &amp; Hudson Canal Company,</td>
<td>25</td>
<td>97½</td>
</tr>
<tr>
<td>&quot;</td>
<td>10</td>
<td>97</td>
</tr>
<tr>
<td>&quot; b 10,</td>
<td>200</td>
<td>97</td>
</tr>
<tr>
<td>&quot;</td>
<td>100</td>
<td>96½</td>
</tr>
<tr>
<td>&quot; b 10,</td>
<td>100</td>
<td>96</td>
</tr>
<tr>
<td>&quot; b 20,</td>
<td>100</td>
<td>97</td>
</tr>
<tr>
<td>&quot; (on time)</td>
<td>100</td>
<td>97</td>
</tr>
<tr>
<td>&quot; (on time)</td>
<td>200</td>
<td>97</td>
</tr>
<tr>
<td>&quot; 60 days,</td>
<td>100</td>
<td>98</td>
</tr>
<tr>
<td>Vicksburg Bank,</td>
<td>100</td>
<td>97½</td>
</tr>
<tr>
<td>Ohio Life Insurance &amp; Trust Company,</td>
<td>50</td>
<td>116½</td>
</tr>
<tr>
<td>&quot;</td>
<td>50</td>
<td>116</td>
</tr>
<tr>
<td>American Trust Company, Baltimore,</td>
<td>50</td>
<td>104½</td>
</tr>
<tr>
<td>&quot; b 30,</td>
<td>250</td>
<td>105½</td>
</tr>
<tr>
<td>&quot; b 50,</td>
<td>100</td>
<td>106</td>
</tr>
<tr>
<td>Illinois Bank,</td>
<td>150</td>
<td>103</td>
</tr>
<tr>
<td>State Marine Insurance Company,</td>
<td>50</td>
<td>80</td>
</tr>
<tr>
<td>Eagle Insurance Company,</td>
<td>57</td>
<td>97</td>
</tr>
<tr>
<td>Patterson Railroad Company,</td>
<td>10</td>
<td>80½</td>
</tr>
</tbody>
</table>
As the calamity spread across the country, the prices of securities tended steadily downward. On May 9th, the day before the banks of New York suspended specie payment, the market had reached the lowest ebb. The record of that day's business was as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Bank, cash,</td>
<td>250</td>
<td>96</td>
</tr>
<tr>
<td>&quot; &quot; (next week)</td>
<td>50</td>
<td>95%</td>
</tr>
<tr>
<td>Farmers' Loan &amp; Trust Company, cash,</td>
<td>250</td>
<td>96</td>
</tr>
<tr>
<td>&quot; &quot;</td>
<td>110</td>
<td>71</td>
</tr>
<tr>
<td>Harlem Railroad Company, cash,</td>
<td>90</td>
<td>70</td>
</tr>
<tr>
<td>&quot; 30 days,</td>
<td>100</td>
<td>43</td>
</tr>
<tr>
<td>Providence &amp; Boston Railroad, cash,</td>
<td>25</td>
<td>84%</td>
</tr>
<tr>
<td>&quot; &quot;</td>
<td>50</td>
<td>84%</td>
</tr>
<tr>
<td>&quot; &quot;</td>
<td>50</td>
<td>84%</td>
</tr>
<tr>
<td>New Jersey Railroad Company, cash,</td>
<td>134</td>
<td>74</td>
</tr>
<tr>
<td>&quot; &quot;</td>
<td>20</td>
<td>73%</td>
</tr>
<tr>
<td>Delaware &amp; Hudson Canal Company, cash,</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>&quot; s 3 days,</td>
<td>100</td>
<td>50</td>
</tr>
<tr>
<td>&quot; &quot;</td>
<td>170</td>
<td>50%</td>
</tr>
<tr>
<td>American Trust Company, Baltimore, cash,</td>
<td>15</td>
<td>60</td>
</tr>
<tr>
<td>Ohio Life Insurance &amp; Trust Company, cash,</td>
<td>25</td>
<td>80</td>
</tr>
<tr>
<td>&quot; &quot;</td>
<td>10</td>
<td>79%</td>
</tr>
<tr>
<td>&quot; &quot;</td>
<td>60</td>
<td>79%</td>
</tr>
<tr>
<td>&quot; &quot;</td>
<td>20</td>
<td>79%</td>
</tr>
<tr>
<td>&quot; &quot;</td>
<td>35</td>
<td>78</td>
</tr>
<tr>
<td>Worcester &amp; Boston Railroad, s 15 days,</td>
<td>50</td>
<td>75%</td>
</tr>
<tr>
<td>Utica &amp; Schenectady Railroad, 60 days,</td>
<td>85</td>
<td>105%</td>
</tr>
<tr>
<td>&quot; s 3 days,</td>
<td>50</td>
<td>105</td>
</tr>
</tbody>
</table>

The foregoing quotations are from the *Evening Post's* market summaries published on the dates given. By the same authority it appears that on the day of suspension, May 10th, the market recovered tremendously, the belief that the worst was over seeming to prevail. The trading aggregated 2,290 shares. United States Bank sold up to par for cash; Delaware & Hudson advanced to 67; Morris Canal to 51; Farmers' Loan & Trust Company to 80; Ohio Life Insurance & Trust Company to par; Harlem Railroad to 55; Boston & Providence to 98, and New Jersey Railroad to 85.

In this city the largest failure caused by the panic was that of J. L. & S. Josephs, the Rothschild agents, who had been rated at $500,000. Their ruin was so complete that even their furniture had to be sold at auction, and they dragged down many others in their fall. The largest cotton house in the United States, Yeatman, Woods & Co., of New Orleans, suc-
cumbed on April 14th, with liabilities of $15,000,000. The only help which the public got from the Government was an issue of Treasury notes to the amount of $10,000,000. There was tremendous feeling among the Whigs against the Jackson party, which was still in power, Martin Van Buren having succeeded to the presidency in March. One Whig journalist, quoted in the *Evening Post*, did not hesitate to suggest Van Buren's assassination.

Congress, notwithstanding the country's wretchedness, distributed to the States the third instalment of the surplus on July 1st, a deficit for the next year being in prospect at the time. Then the distribution bill was repealed and the fourth instalment was not turned over. The States have never been called upon to repay the money allotted to them. It now figures on the Government books as "unavailable funds." The United States Bank suspended a second time, in 1838. Biddle resigned in the following year. Happily the Government had received, before the great crash came, all that was due to it from the bank. In 1841 the institution ended its career. Its creditors were finally paid in full and its shareholders wiped out. Biddle lived to stand a civil suit, because of his conduct of the bank's affairs, and to see the sycophants who had fawned upon him cut him on the street. The idol of women, the favorite of Europe, the ornament of society, and the wielder of great power died in poverty and wretchedness at the age of fifty-eight.
VII

FROM JACKSON'S DAY TO THE CIVIL WAR

The chief factors in the country's financial and political life during the period between Jackson's rule and the attack upon Fort Sumter have been already indicated in the discussion of earlier events. It is not requisite to enter minutely into the national history of the quarter of a century ending with 1860. Nor is this era especially significant in the records of trade in securities. The Civil War marks the true rise of the gigantic stock speculation which now plays so prominent a part on the stage of America's financial affairs. But in the twenty-five years just preceding the rending of the Union the Stock Exchange did give rise to a new personality that demands attention—that of the speculative monarch.

Before the advent of Jacob Little, our trading in stocks could not be classed as spectacular. There were no great market leaders. Certain individuals—men like Nathaniel Prime—were recognized as displaying specific prominence, just as a merchant or a banker might enjoy a like distinction. But no one had won the title of a master of manipulation or grown so important in the public eye as to have an entire army of adherents hanging upon his every move. Little was the pioneer of that class of speculators of which Drew, Commodore Vanderbilt, Gould, and Woerishoffer later became conspicuous examples. It may be doubted if any one has ever commanded a larger share of Wall Street's attention than he aroused at the height of his career.

Jacob Little learned the rudiments of stock-dealing as a clerk in the employ of Jacob Barker, a wealthy merchant and broker of Jackson's day. He went into business for himself in 1835, founding, with his brother, the firm of Jacob Little & Co. In the panic two years later, his keen eyes having caught the real drift of events, he reaped the profits of a bold campaign on the short side of the market. While Barker, his old employer,
was falling into the pit of bankruptcy, the former clerk was accumulating the nucleus of his fortune. His prominence virtually dated from the panic year, as did that of August Belmont, who came from Havana to New York, after the failure of the Josephs in the crash of 1837, to take their place as representative of the Rothschilds.

The newspapers of Jacob Little's day had not learned to exploit in print the achievements of stock operators, and his mighty deeds are partly shrouded in the shadows of tradition. He made and lost a number of fortunes, and was only moderately well-to-do when he died. He was a tall, slender, carelessly dressed man, with a smooth face, sloping shoulders, and a far-away look in his eyes. He appeared to be meditating on the happiness of a better world at the moment when he was calculating just how many more shares he needed to complete some scheme for a "corner." Respecting his capacity to take on a heavy line, hear the testimony of an unnamed writer of the period: "The only thing remarkable about this gentleman is his extraordinary appetite . . . for he has been known to gorge and digest more stock in one day than the weight of the bulk of his whole body in certificates."

Little was perpetually engaged in speculation, devoting the mornings to cotton and other staples and the afternoons to securities. Southern stocks were a favorite sphere for his activities. So enwrapped in his business did he become that he permitted even Sunday to be encroached upon.

Curt and cold in his manner, Little was known to be a man of good heart and generous to a vanquished foe. He was also noted for eccentricities, among them the disposition to burden himself with duties that an able-bodied office boy could have discharged. He always delivered in person the stock he had sold, being determined that no one should lose it on
the way. His generalship was never better illustrated than in his famous Erie coup, which was imitated in after years. There was at the time a brisk market abroad for American railway securities. The panic had been attended by the repudiation of various State bond issues, which then disappeared from the London market, where they had been a factor. In 1838 they were succeeded by stocks and bonds of our new railroads—the Camden & Amboy being the first, soon followed by the Lehigh, Harrisburg & Lancaster, Richmond, Reading, and others—so that in two years there was a recognized American railroad market in London. Eventually, Erie bonds, convertible into stock, were bought and sold there. Little had started a bear campaign against Erie shares, disposing of large blocks of the stock on sellers' options, ranging from six to twelve months. A clique of bulls decided to corner him, and ran up the price with that intent. When the famous bear's contracts matured it was found that he had quietly sent over to London and purchased convertible bonds wherewith to protect himself. He turned the bonds into stock, which he delivered to the buyers, and emerged from the crisis unscathed. As a result, the New York Stock and Exchange Board adopted a rule limiting the duration of sellers' options to sixty days. This did not prevent future performances of the sort by which Mr. Little won his fame.

David Clarkson and John Ward were among the most notable speculators in Little's time, though neither of them approached him in repute. Ward was concerned, with Daniel Drew—who did not really attain great prominence as a Wall Street man till the advent of the Civil War—in a corner in the stock of the Morris Canal and Banking Company, which was known in Street parlance as the Morrison Kennel. According to a print of the time, Drew visited Ward's office and suggested putting up "the Morrison."

"What do you propose?" Mr. Ward is said to have asked. "Why," replied Drew, "you have the means. The stock may be had at twenty, and $100,000 would control the whole of it. It must be done quietly, and then, by contracting on time, we should have the power to deliver without loss, when we sold, and, by making three contracts to receive to one to deliver, we can make them pay whatever difference we choose." "That would be too much power to get into our hands, Dan, would it not?" suggested Mr. Ward. "True," Drew is said to have replied. "It would not just answer to trust every man with so much, but in your hands and mine I think it would not be abused." "What amount of exaction do you think would be an abuse of such power?" "Why, it would be wrong," was the answer, "to make more than two hundred per cent. profit, unless we got hold of some one who could well afford it."
Inasmuch as there was probably no ear-witness of this conversation, and neither of the participants was likely to describe it for publication, the reader may be pardoned for doubting its accuracy. But it is particularly interesting, as showing the scruples attributed to these illustrious manipulators. Drew, of whom we have by no means seen the last, was never, in fact, forgetful of the dictates of religion. He seemed unwilling to entrap the public by an ingenious device or to desert an old friend for a new ally without first invoking supra-mundane assistance. His corner in the "Morrison" was exceptionally successful, and the frightened shorts forced the stock to 185 in their efforts to cover. Little is credited with having also been a prime mover in this early corner.

Business depression and dulness naturally succeeded the panic of 1837, and with the falling of the commercial barometer came a decline in the value of New York real estate. In 1840 the New York Stock and Exchange Board rejected a very sensible proposition to take advantage of the low prices and use its surplus to buy a site in Wall Street for a new home. Later the Board voted to divide the surplus—amounting to about $20,000—among its eighty-eight members. The year 1840, in which the population of the country had risen to 17,069,453 persons, became memorable through the adoption of a measure to found the Sub-Treasury system. In the fall, however, the country being eager for a change, in the hope of shaking off hard times, the Whigs were swept into power. General William Henry Harrison, the hero of Tippecanoe, defeated Van Buren with ease. He died soon after his inauguration in 1841, and the Vice-President, John Tyler, who succeeded him, approved a measure which Clay fathered, repealing the independent Treasury law. It was eventually re-established and on a firm basis, in 1846, under a Democratic administration.

Tyler incurred the enmity of his own party by vetoing their favorite measures, and when he disapproved a bill to establish the fiscal bank, his entire Cabinet, with the exception of Daniel Webster, who was Secretary of State, resigned. Webster remained in office to complete a treaty with England, defining our northeasterly boundary and providing for the suppression of the slave trade. It was signed on August 9, 1842.

Some time prior to 1836, a rival organization had been formed to compete with the New York Stock and Exchange Board. Its members were severely hurt in the panic, but continued their activities. The small speculators, despite repeated disasters, also continued their efforts. The anonymous author of "A Week in Wall Street," published in 1841, paid his respects to them as follows:
"They have neither trade nor profession of any kind, and if they ever had any they have abandoned it. Some of them are of that class called gentlemen, who have married fortunes and squandered them; some are broken merchants; some disgraced politicians ... and some of them are loafers. They have neither wit enough to contrive nor credit enough to carry out a speculation; but when one is begun, like that I am describing now (the Morrison Kennel), they may be seen flocking in and out of the brokers' offices, examining the stock books, talking wisely of the nation's affairs, each one pretending to know more of finance than Mr. Woodbury himself; and their exuberance of knowledge is almost as luminously exhibited. Like flies around a honey-pot, each one is anxious for a sip, and, according to his slender means, pledges $100, more or less, and orders his broker to buy as many shares as he will upon this security. They thus materially aid the great speculators; but the result to themselves, generally, is that their families or friends suffer precisely the amount they have risked."

A new Merchants' Exchange building, larger and finer than the old one, had been erected on the entire block bounded by Wall and William streets, Exchange Place and Hanover Street. It is at present occupied by the Custom House, and will eventually be the home of the National City Bank. To this structure the Board migrated, in 1842, leasing "the large hall over the reading room," on the William Street side. The initiation fee had been
raised to $400, and the Board was paying the following yearly salaries: president, $2,000; secretary, $1,000; roll keeper, $500; sergeant-at-arms, $500. In the same building met a rival body of some twenty members, known as the Bourse, or New Board. It came to an end in 1848, most of its members having been taken into the fold of the New York Stock and Exchange Board, or Old Board, as it was termed. The members of the latter had not yet established a continuous market, but their sessions lasted from 10:30 in the morning till noon, and from 2:45 till 3 in the afternoon. At one end of the meeting room was the rostrum, at which the president stood, gavel in hand, to call the stocks, while the industrious secretary, at his side—old Bernard Hart, who served from 1831 till 1854, the year these quarters were vacated—scribbled a record of the transactions. Two parallel rows of massive columns ran lengthwise through the hall, while in the nave stood a long table, forming three sides of a hollow square, at which most of the members had their seats. At each side of the room a raised platform supported a number of separate desks, also the habitations of brokers. The members were adorned with high stocks, swallow-tail coats, and tall chimney-pot hats (of a fashion long since departed), which they frequently laid aside as they leaped from their chairs with emphatic gestures to shout their bids and offers. In the periods between sessions the brokers and the outside operators formed an open-air crowd at the corner of Wall and Hanover streets, often running into the hundreds, and adjacent buildings re-echoed their clamor on active days.

CERTAINLY no other great nation is so characterized as is our own by the rapid accumulation of large fortunes. Half a century ago the opportunities afforded for sudden rise to wealth and power, in the absence of rigorous class distinctions and the existence of marvellous natural resources, were already pronounced. In 1845 the New York Sun office published a list of the property owners in this city whose wealth was valued at $100,000 or more. The list was headed by the name of John Jacob Astor, who landed at Baltimore, in 1784, a raw German youth—his chief possessions consisting of seven flutes, which his brother in London had made—and who was believed to have between $25,000,000 and $50,000,000 at the time the publication was made, which was three years before his death. This estimate was much too high. His fortune had been gained chiefly in the fur business on the Pacific Coast, and as he got his start with the aid of capital furnished by his brother, Henry—a rich butcher, established in the Bowery—Henry Astor may be regarded as an
associate founder of the family's wealth. Among the items which figured in the list of 1845 were these:

Astor, William B., son of John Jacob Astor. Held power of attorney for his father; received $500,000 from his uncle, Henry, the butcher; his father gave him the Astor House.

Belmont, August. Born in Germany; agent of the Rothschilds, and a banker.

Boorman, James. Iron merchant and president of the Council of the University.

Bowne, Walter. In early life an outdoor undertaker; merchant and real estate dealer.

Brevoort, Henry, Jr. Of an old New York family; his parents owned a small farm of about eleven acres, bounded on the south by Tenth Street; the produce of this they sold in the market; operated in Wall Street to a considerable extent.

Brevoort, Henry, another branch of the same family. Hardware business; made fortunate investments at and near Cato's; twice Alderman (Democrat) from Twelfth Ward.


Butler, Francis. Of a New York family, and in the paint business; of the firm of Butler & Barker; a good fellow.

Cooper, Francis. Director in Mechanics' Bank for thirty years; treasurer of the Catholic Cathedral; born in Germany; married two rich wives; no children.

Cromwell, Charles T. "Truly and lineally a descendant of the great Sir Oliver"; lawyer.

Cosby, William B. Nephew of the rich Colonel Henry Rutgers; inherited a large estate; his wife, granddaughter of General William Ford, one of the signers of the Declaration of Independence.

Dawson, William. An Englishman in the broker line, and if not worth this sum himself, will inherit it through his wife, the daughter of Peter Jay.

Delmonico, Mrs., widow of John. John and Peter established the celebrated French-Italian restaurant; natives of Switzerland, on the Italian frontier; first good restaurant on Continental lines.

Douglas, George. Came from Scotland; commission business; succeeded by two sons, and a daughter, Mrs. Cruger, leaving each $400,000.

Draper, Simon, Jr. He and some eight or nine brothers distinguished for personal appearance; inherited from W. E., of the firm of Haggerty, Draper & Jones, auctioneers.

Drew, Daniel. Has made all his money; formerly kept the Bull's Head, and is now in the firm of Drew, Robinson & Co., large brokers, doing business in this city and Buffalo; they are the proprietors of the Peoples Line of steamboats, between this city and Albany.

Field, Cyrus W. A paper merchant in Burling Slip, and married an adopted daughter of Peter Lorillard, by whom he received a large amount.

Field, David Dudley. From Massachusetts; a lawyer; married a rich woman.

Field, Hichson W. Formerly in lead business; built Burling Slip; built large hotel in upper Broadway, with Matthew Morgan; in drug business in Burling Slip.

Fish, Preserved. Sea captain and shipping merchant; president of the Tradesmen's Bank.

1 Walter Bowne was Mayor of New York from 1829 to 1833.
Forrest, Edwin. Distinguished American tragedian; invested money in uptown lots. $100,000
Furniss, William P. Made all his money at the South, and is a broker in Wall Street; large owner of real estate. 100,000
Gallatin, Albert. Swiss family; formerly resided in Philadelphia; was Secretary of the Treasury; one of the negotiators of the Treaty of Ghent; for a long time president of the National Bank. 150,000
Gallatin, James, Jr. Son of Albert, and president of the National Bank. 100,000
Gelston, Maltby. A large broker in Wall Street. 1,000,000
Gifford, Arthur N. Educated as a physician; now a Wall Street broker. 150,000
Goellet, Peter, son of Peter P. Goellet. Resides with his mother in the lower part of Broadway; has received a large legacy from England. 400,000
Goellet, Almune, widow of Peter P. 250,000
Goellet, Margaret, widow of Robert R. The latter and Peter P. made money in hardware; brothers English; both married daughters of Thomas Buchanan, merchant in this city prior to the Revolution; her only child, a daughter, married Mr. Kip. 100,000
Grinnell, Moses H. Shipping; owner of Liverpool packets; a Member of Congress and a prominent politician. 250,000
Haggerty, John. Began business as an auctioneer; became the richest auctioneer in the city; retired in 1844. 700,000
Hamilton, J. C. Son of Alexander Hamilton, also his biographer; married a daughter of the rich Dutch merchant, Vanderkent (dead), and thereby owns the American Hotel; devoted to literary pursuits. 200,000
Hammersley, Lewis C. Of an old and wealthy New York family; his father, Thomas, acquired a large fortune in dry goods. 200,000
Harmony, Peter. Shipping business; the ship "Warsaw" in one voyage around Cape Horn made him $900,000. 900,000
Harper & Brothers. Four brothers, James (the present Mayor), John, Joseph W., and Fletcher; began as printers of job work; began to print books; an immense business at one time; considered the premier printing house in the United States. 1,000,000
Havemeyer, Frederick C. Of a German family; merchant in Front Street, with brother, W. F. 100,000
Havemeyer, William F. 1. Merchant. 100,000
Hoffman, L. M. Of a German family; his grandfather was a merchant and a man of talent. 150,000
Hopkins, Gilbert. Of Hopkins & Havley, grocers; Alderman from the Tenth Ward; a Major-General of artillery. 400,000
Howard, William. Treasurer of the New York & Albany Railroad Company. 300,000
Hunt, Jonathan. Made money as a merchant in the South. 1,000,000
Irving, Mrs. John T. Judge John T. (dead) and Washington Irving, the author, were sons of a shoemaker, who had a shop in William Street. 300,000
Janeway, Rev. Jacob I. His father, George Janeway, 2 was a brewer, and left a large estate. 500,000
Jones, Isaac. Son of Edward R., president of the Chemical Bank. 250,000
Jones, John C. Brother of Isaac; also president of the Chemical Bank. 250,000
Kernohan, Joseph. Of a poor Irish family, who were employed as colliers, teamsters, etc., at some of the large iron works in the Highland Mountains, on the west side of the Hudson; Joseph went to the West Indies and came back rich. 400,000
King, James G. Of the firm of Prime, Ward & King; son of Rufus King, long Minister to Great Britain. 200,000

1 William F. Havemeyer was Mayor from 1845 to 1846, succeeding Harper, and from 1848 to 1849 and 1873 to 1874.
2 George Janeway was also a quartermaster in the Navy of the Revolutionary War.
Knapp, Sheppard. In leather business with Jacob Lorillard; president of the Mechanics’ Bank. $300,000

Lafarge, John. Made his money in real estate when agent for Joseph Bonaparte. $500,000

Lawrence, Cornelius W. Auctioneer and speculator; made and lost large sums. $100,000

Lenox, James. A third of his present wealth was left by his father, who was a British commissary; Robert, brother of James, was a cooper, and in business with Joshua Jones at the end of the Revolutionary War. $3,000,000

Leroy, Jacob R. Broker; Daniel Webster married his daughter. $350,000

Lewis, Morgan. Formerly Governor of the State; acquired his estate by marrying Miss Livingstone. $500,000

Little, Jacob. With his brother constitutes the firm of Jacob Little & Co., and one of the richest brokers in Wall Street. $500,000

Little, Edward B. Brother of Jacob. $500,000

Lorillard, Jacob. Son of Jacob, deceased. $200,000

Lorillard, Miss. Unmarried daughter of Peter. $200,000

Lorillard, Mrs. Widow of Jacob. $1,500,000

Lorillard, Peter, Jr. Son of Peter; tobacco. $1,000,000

Morgan, Matthew. Late of New Orleans. $400,000

Morris, Gouverneur. Son of Gouverneur Morris, who married a Randolph, of Virginia, and left his only inheritor rich. $1,500,000

Mott, Samuel F. Cotton and commission business; president of the Manhattan Fire Insurance Company. $400,000

Mott, Dr. Valentine. Prominent physician. $250,000

Munn, Stephen B. Made fortune by selling buttons, buying soldiers’ certificates; jobber in dry goods. $800,000

Paulding, William. Mayor; married a Rhinelander. $500,000

Phelps, Anson G. Hardware merchant; owner of iron mines. $1,000,000

Phelps, Anson G., Jr. Son of Anson G. $400,000

Prime, Edward. Son of Nathaniel Prime, founder of Prime, Ward & King. $300,000

Rapelye, G., estate of. First Dutch child born on Long Island. $500,000

Rhinelander, Bernon and W. C. Each worth. $200,000

Roosevelt, C. V. S. $200,000

Roosevelt, James I. $150,000

Schieffelin, Henry C. and Henry H. Drugs; each worth. $200,000

Schermerhorn, Abraham and John. Tradesmen, merchants and real estate; each worth. $500,000

Stevens, Robert L. Son of Colonel Stevens (deceased), of Hoboken. $350,000

Stewart, Alexander T. The celebrated dry goods merchant of Broadway, whose shop is the grand resort for the fashionables. $400,000

Stewart, Lispenard. Real estate. $500,000

Stuyvesant, Peter B. $2,500,000

Taylor, Moses. Grocer. $300,000

Thorne, Herman. Inherited. $1,000,000

Townsend, Isaac. Dry goods. $300,000

Vanderbilt, Cornelius. Has evinced much energy and go-aheaditiveness in building and designing steamboats. $250,000

Van Alen, James J. Inherited money made in dry goods. $300,000

Van Rensselaer, Stephen, estate of. In real estate. $10,000,000

Whitney, Stephen. Born in Connecticut; began as a retail liquor dealer; then wholesale; speculated in cotton and real estate. $10,000,000

1 Cornelius W. Lawrence was Mayor of this city from 1834 to 1837.

2 Morgan Lewis, who was graduated at Princeton in 1773, studied law under John Jay, distinguished himself in the Revolutionary War and served as a Major-General in the War of 1812. He was Chief Justice of the Supreme Court of New York before being elected Governor in 1804. He died in April, 1844, but nevertheless appears in the list.
In the far West there were at work agencies destined to enlarge the nation's domain and multiply its wealth and power. A new expansion movement was in process of generation. At the threshold of the Union new voices were heard demanding admittance. Jefferson, as early as 1804, had sent Meriwether Lewis and William Clark to explore the great Northwest. Among the first to profit by the results of their expedition was John Jacob Astor. In 1811 he established a trading post at Astoria, Oregon, on the south bank of the Columbia River, near its mouth, founding the Pacific Fur Company. Meanwhile, Zebulon Montgomery Pike had explored Colorado and the Southwest, and settlers had followed his trail and had pushed on to California. In 1835 Marcus Whitman, a young Methodist missionary, was sent out to Oregon. Seven years later he aroused the East with the news that England was contesting that territory with us by sending her sons to colonize it. Texas had become independent of Mexico in 1836, and still had a boundary dispute with her. President Tyler negotiated a treaty with Texas, admitting her to the Union in 1844, but the Senate rejected it. In the national campaign of that year the stirring issues were Oregon and Texas, and the Democratic party, favoring the re-occupation of the one and the annexation of the other, elected James K. Polk to the presidency, Clay leading the Whigs a second time to defeat. The Oregon question and our northwestern boundary were settled peacefully with England. The Texas dispute was settled by the sword.

Congress passed, early in 1845, a resolution providing for the annexation of Texas. President Tyler approved it three days before he retired. His successor, Polk, claimed the territory between the Nueces River and the Rio Grande, which was the subject of the Texas-Mexico dispute, and ordered General Zachary Taylor to occupy it. The Mexican forces crossed the Rio Grande in May, 1846, and precipitated the war by attacking Taylor's troops at Palo Alto, after General Ampudia had vainly endeavored to persuade him to retire beyond the Nueces "while our governments are regulating the pending question in relation to Texas." Ampudia was succeeded by General Arista, who commanded 6,000 Mexican troops at the battle of Palo Alto. Taylor defeated them with 2,300 men, followed them up the next day, and in a second battle drove them back across the Rio Grande. The war was one chain of American successes. The victory of Resaca de la Palma preceded the taking of Monterey and the famous repulse at Buena Vista of Santa Anna, who had a force four times as large as Taylor's. These triumphs contributed to the popular enthusiasm that was to raise Taylor to the presidency. Winfield Scott, the hero of Chippewa and Lundy's Lane, now the general commanding the army of the United States, landed at
Vera Cruz with 12,000 men in March, 1847, and began a historic march of two hundred miles to the City of Mexico, inflicting one defeat after another upon an enemy whose numbers exceeded his own, and who often fought from ambush. He climbed rough mountains from which Mexican cannon bellowed a protest against his persistence, and marked his hazardous route with the corpses of victims which fever and the sharp-shooter selected from his own army. San Juan de Ulua, Cerro Gordo, Puebla and Churubusco bore witness to American generalship and pluck, and at length, on December 13th, Scott stormed the famed fortress of Chapultepec. The next day saw his troops enter Mexico City and raise their flag above "the halls of the Montezumas." The power of Mexico was broken.

California and New Mexico had been settled by Americans, though somewhat thinly. The population of the one issued a declaration of independence, hoisting the standard of the Bear State, while the territory of the other was invaded by the forces of Col. Stephen W. Kearny, who captured Santa Fé, and proclaimed the whole country the property of the United States. The war had been bitterly opposed by many Americans who believed that we were stealing Mexican soil. Whatever may have been the merits of our case at the outset, we acted with some sense of moral obligation in the final settlement. By the treaty of Guadalupe Hidalgo, Mexico received $15,000,000 for surrendering the disputed Texas territory, with New Mexico and upper California, besides being relieved of the payment of $3,500,000 in American claims. In 1853 she sold us the Masilla Valley and a part of Arizona and New Mexico for $10,000,000.

Taylor was elected President in 1848, as the Whig candidate, defeating Lewis Cass, the Democratic nominee, and Martin Van Buren, the standard bearer of the Free Soil party, which demanded that slavery should not be further extended. The Union now contained fifteen slave and fifteen free States. The agitation of the abolitionists was continually growing and the murmur of the South was already swelling into a menace of secession.

SAMUEL F. B. MORSE had perfected the telegraph and patented his invention just before the outbreak of the Mexican War. The first message over the wire laid between Baltimore and Washington was sent on May 27, 1844. Morse had to make many a legal fight over patents before reaping the full fruits of his genius. The country welcomed the new means of communication as a powerful agent of commercial progress. Its value in the facilitation of Stock Exchange business calls for no comment, but it is worth noting that the introduction of stock tickers in this city did not take place
A new spur to business activity was the discovery of gold in California by one Marshall. This occurred in a mill race on the property of his employer, Captain John Augustus Sutter, whose laborers deserted him to prospect for themselves, while gold diggers overran and preempted his lands, which he never succeeded in recovering. Sutter finally got an annual allowance of $3,000 from the State as indemnity. Native California gold was first deposited with the United States Mint in December, 1848, and the following year the famous rush of the gold seekers to the West began.

Political conditions in Europe were of a nature to encourage emigration. The glimmer of precious metal in California proved a tempting lure to the German radical, discouraged by the failure of the revolutionary movement at home and despairing of political progress. It attracted the children of famine-stricken Ireland; and while persuading dissatisfied Europeans that their opportunity had come to escape old misfortunes and obtain a new happiness, it was powerfully effective in tempting the citizens of our Eastern States to turn their faces to the West. California, before long, became the Mecca for the hardy spirits among the gold worshippers of the world. Chinese, Mexicans, and South Americans swelled their number. The brig, the steamship, and the prairie schooner conveyed them to the shrine. In the harbor of San Francisco lay decaying hulks that had sailed under all flags, and had finished their last voyages in entering the Golden Gate, since the tars who had manned the yards yielded to the temptation as soon as their feet touched dry land, and joined the search for pay dirt. The travellers who came across the continent were carried by rail only to the Missouri River, and made their way farther West as best they could. Thousands succumbed to the hardships and privations which accompanied the mad rush to the gold fields. The venture meant fortune to one and death to another.

California produced $10,000,000 worth of gold in 1848. Her production in 1849 amounted to $40,000,000, and in the next ten years to the enormous value of $555,000,000. This astonishing increase in the bulk of our wealth began a new era of speculation, while the growth of California’s population induced her to demand admission to statehood. She came in as a free State on September 9, 1850—just two months after the death of Taylor and the succession of Millard Fillmore to the presidency—Texas receiving her present boundaries and the sum of $10,000,000 for relinquishing certain land, and New Mexico and Utah being organized as Territories. The passage of an effective fugitive slave law, which “made every man a slave catcher,” completed the compromise, rendering California’s admission possible. This compromise left the question of slavery in the new Terri-

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1 See Mr. Hotchkiss’s article on “The Stock Ticker,” in this volume.
tories to take care of itself until such time as they should ask to be admitted as States, when their respective constitutions were to settle it. The Democrats endorsed the agreement in 1852, and condemned the efforts of Abolitionists. They succeeded in electing Franklin Pierce as President, decisively defeating the Whig standard bearer, Winfield Scott.

The first year of Pierce's administration saw the establishment of the New York Clearing House. This city possessed a population of more than 500,000 persons, and a flourishing bank system at the time. Albert Gallatin, former Secretary of the Treasury, had published, in 1841, a pamphlet entitled, "Suggestions on the Banks and Currency of the Several United States in Reference to Specie Payments," in which he advocated the establishment of what he called a "general cash office." In 1853 Francis W. Edmonds followed out Gallatin's suggestion by securing the organization of the Clearing House. A meeting of New York bank officers, in response to the call of the Mechanics' Bank, of which Mr. Edmonds was cashier, was held on August 23d, and he became the chairman of the first Clearing House Committee, his associate committee men being: James Punnett, cashier of the Bank of America; Augustus E. Silliman, cashier of the Merchants' Bank; John L. Everett, cashier of the Broadway Bank; Richard Berry, cashier of the Tradesmen's Bank, and R. S. Oakley, secretary. On October 3d the base-
ment of No. 14 Wall Street was obtained for the new institution. The first exchanges, amounting to $22,648,109.87, took place on October 11th, the balances for the day aggregating $1,290,572.38. All the fifty-one banks of the city joined the Clearing House Association, of which the first chairman was Thomas Tileston. George D. Lyman was its first manager.

The country had entered, with the discovery of gold upon the Sacramento, into another period of speculation and extravagant expenditure. As illustrated by the ordinary citizen of the day, the public disposition appeared to be toward making income exceed outgo by as large a sum as the wine merchant, the grocer, and the dry goods dealer would permit. Men consumed not only all they could pay for but all they could get credit for. As illustrated by the financial world, the tendency seemed to be toward the overbuilding of railroads. Both these kinds of imprudence were wonderfully fostered by California’s addition to our store of wealth. They combined to produce a buoyant, superficial prosperity for eight years, and then to bring about the frightful crash of 1857. Yet that disaster did not quite head-off the railroad building movement that began in 1849. This required the Civil War to check it. The greatest railroad year prior to 1849 had been 1841, when our aggregate mileage was increased by 717. In 1849 the increase was 1,369 miles. The total of railroad tracks in this country leaped from 5,996 miles, at the end of 1848, to 22,016 miles by the end of 1856, in which year the movement reached its height, and to 30,635 miles by the end of 1860. The construction of these metal highways was aided by Government favor, and the policy of giving public lands to their projectors was initiated by the grants of 1,000,000 acres to the Mobile & Ohio, and of 2,595,000 acres to the Illinois Central.

In 1852 H. G. Stebbins, who had succeeded Mr. Clarkson as president of the New York Stock and Exchange Board in the previous year, was himself succeeded by C. R. Marvin.

Disturbances in the stock market, and the discovery of various extensive frauds antedated the panic of 1857, and appeared to give warning of the approaching calamity. The year 1853 was marked by a notable depreciation in stock values, due to the sudden calling of the large outstanding bank loans, upon the advent of a general feeling of distrust, which latter was in turn due to a throwing over of our securities by English bankers, and the necessity of paying the Government duties on heavy importations. The following year saw the issuance, by Robert Schuyler, president of the New York & New Haven Railroad, of fraudulent stock of that road to the amount of $1,900,000,
while Alexander Kyle, secretary of the New York & Harlem Railroad Company, issued some 3,000 shares of forged stock of the latter corporation. This was also the year in which the modern Republican party was founded, uniting the Northern Whigs, Free Soilers, and many of the Anti-slavery Democrats. The New York Stock and Exchange Board removed, in 1854, from the Merchants’ Exchange building, to the old Corn Exchange Bank building; at William and Beaver streets, on the site of the present structure of the same name, but left these new quarters in 1856 for a large room in the Lord’s Court building, with entrances at No. 25 William Street, No. 53 Beaver Street, and No. 50 Exchange Place. Annual dues of $50 were now established. The presidency was made a position without salary, but the sum of $2,500 a year was voted to the first vice-president, who was to preside at the first board, or morning call, while a second vice-president, with a yearly salary of $1,500, was chosen to preside at the second board, or afternoon call. Neither vice-president could deal while presiding. Applicants for membership were voted for at the regular call, three black balls being sufficient for rejection.

The Democratic party defeated the Republicans in 1856, James Buchanan triumphing over John C. Fremont. The nation eagerly continued to speculate and to consume, while slaveholders and abolitionists flung expletives at one another, and the quarrel waxed hot in “bleeding Kansas.” On December 5th old Jacob Little, the hero of a hundred conflicts which he had personally led in the securities arena, scored his third failure, with commitments estimated at $10,000,000 and actual losses of about $1,000,000. He was short of Erie to the extent of from 100,000 to 150,000 shares, and though his judgment of the property was undoubtedly sound, the tide of bull speculation swept him off his feet. He had always proved a generous victor, and now found mercy at the hands of his creditors, who consented to settle with him on the basis of the day’s quotations. “It is understood,” said a contemporaneous print, “that Mr. Little continued his ordinary operations yesterday, notwithstanding his suspension. Probably in a fortnight’s time
the whole affair will blow over. Nothing but the final conflagration will put an end to Wall Street speculations and Wall Street swindles. An ordinary earthquake does not trouble the operators at all." The blow so weakened Jacob Little & Co. that they failed again, on August 26, 1857, two days after the collapse of the gigantic Ohio Life Insurance and Trust Company, due to the reckless making of loans and to official frauds, which shocked all financial America. Mr. Little's fourth failure was laid chiefly to his overpurchasing of stocks on sellers' option.

Although the great Ohio corporation's fall was the real beginning of disaster, the downward tendency of prices since January, 1857, had shown a general undermining of public confidence. There seemed to be a growing impression that prosperity did not rest on so sound a basis as had been imagined. Such watering of stock as was illustrated by the Erie Railroad, the capital of which had risen from $3,000,000 to $38,000,000, without apparent good cause, while its directors were eager to aggravate the situation by declaring a stock dividend, had given food for thought. A portion of the daily press all through the year pointed out the danger signals, only to be repaid for its forethought, when the crash came, by the preposterous charge of having maliciously brought it about. If a newspaper had demonstrated that mismanagement or gross inflation characterized a certain railroad, the friends of the latter heaped curses on the heads of the scribes when the end came, and the ill-treated directors sat, ruefully, amid the ruins of their property. But the newspapers no more produced the disaster than a sentinel causes the approach of the foe, of whom he gives warning.

Leonard W. Jerome, who had formed a partnership in 1856 with William R. Travers, was engaged in a bear campaign, in the summer of 1857, particularly on Michigan Southern Railroad shares. He was standing on the pavement, near the old Stock Exchange, toward the end of June, venting his pessimistic opinions, when a broker challenged him to attack the standing of the big Ohio company. "What's Ohio Life and Trust?" inquired Jerome. He was informed of the quotation—103. "I'll sell a thousand at fifty, seller one year," he exclaimed. "Take'em," shouted his interlocutor. On August 24th, about two months later, the Ohio Life Insurance and Trust Company descended into bankruptcy, paving the way for hundreds of other failures. It could not realize upon its loans when its depositors forced it to call them in.

"No man, no community, no nation," said Horace Greeley, in the Tribune, two days later, "can afford to buy and consume more than it produces for sale and sells. . . . The farmer whose store bill is $500 a year, while he turns off but $300 worth of produce, may be a capital financier, and have a choice farm and good backers and excellent
credit, . . . but all these things cannot save him from bankruptcy unless he mends his hand. . . . One of the two things we must do—either stop wearing so many silks and drinking freely such capital wines, or we must produce them at home, or produce a great deal more withal to pay for them. And we do not believe the producing a great deal more of our present staples is a practicable alternative.”

The liabilities of the Ohio Life Insurance and Trust Company here and at its headquarters, Cincinnati, reached about $5,000,000. From this period a descending market, frightful contractions of loans by the banks, tottering credit, failing merchants and brokers, slaughtered staples, unemployed workmen, and evicted tenants, marked the progress of the Panic of 1857. It was at its worst in New York, where 20,000 men and women were thrown out of work in a fortnight. On October 13th eighteen banks in this city suspended specie payment. They were followed by all other banks in the State except the Chemical, by the banks of New England, and by many throughout the country, the South as a whole escaping the pestilence of bankruptcy. “The loafers in 10,000 bar rooms,” said Greeley, on October 15th, “who are to-day cursing the banks as broken, have themselves caused whatever there may be of bank insolvency by buying food and clothes for their families at the neighboring stores and not paying for them when required.” It was strong language to use to an exasperated public, but not altogether unjustified.

Eventually the force of the malady spent itself. The patient seemed to obtain relief. The market rose with renewed life at the very moment that specie payment was suspended. To the shaking out of false credits, to the shock succeeding the failure of the Michigan Southern, Illinois Central, and Erie railroads, and the general spread of mercantile gloom, ensued more healthy conditions, under which business could be begun anew. The banks of New York resumed payment on December 12th. With marvellous recuperative powers the nation again took up the task of making a living. Its prudence might fail or its experience prove inadequate at times; its vitality no setback could impair; its pluck no obstacle could resist. The three years that followed were years of great productiveness, and when the terrible ordeal of civil strife drew near, the country was prepared to meet it.

Some idea may be obtained of the slaughter of values in the panic by a contrast of the prices of January 5, 1857, with those on the morning of October 13th, before the news of the suspension became generally known. On January 5th Virginia sixes sold up to 90½, and other prices were: New York Central, 95; Ohio sixes, 102%; Delaware & Hudson Canal, 118½; Cumberland Coal, 17½; Pacific Mail, 67; Erie, 63½; Reading, 89; Michigan Southern, 90; Cleveland &
Toledo, 79; Chicago & Rock Island, 96½; Pennsylvania Coal, 102; Illinois Central, 125½. At the first board, on October 13th, these sales took place:

<table>
<thead>
<tr>
<th>Securities</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,000 Virginia sixes, cash,</td>
<td>66½</td>
</tr>
<tr>
<td>12,000 Virginia sixes, cash,</td>
<td>67</td>
</tr>
<tr>
<td>4,000 Illinois Central bonds,</td>
<td>51</td>
</tr>
<tr>
<td>5 Bank of Commerce,</td>
<td>71</td>
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<tr>
<td>5 Metropolitan Bank,</td>
<td>55</td>
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<tr>
<td>6 Metropolitan Bank,</td>
<td>57½</td>
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<td>20 Metropolitan Bank,</td>
<td>57</td>
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<td>100 Reading, s 3,</td>
<td>28½</td>
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<tr>
<td>500 Reading, s 3,</td>
<td>29</td>
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<tr>
<td>200 Reading, s 3,</td>
<td>29</td>
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<tr>
<td>200 Cumberland Coal,</td>
<td>6½</td>
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<tr>
<td>33 Cumberland Coal,</td>
<td>6½</td>
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<tr>
<td>3,000 New York Central sixes,</td>
<td>64</td>
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<tr>
<td>1,000 New York Central sixes,</td>
<td>64½</td>
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<tr>
<td>10 New York Central stock,</td>
<td>53</td>
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<tr>
<td>100 New York Central, b 3,</td>
<td>52½</td>
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<tr>
<td>235 New York Central, cash,</td>
<td>52½</td>
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<tr>
<td>225 New York Central, cash,</td>
<td>52½</td>
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<tr>
<td>100 New York Central, s 2,</td>
<td>52½</td>
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<tr>
<td>100 New York Central, s 3,</td>
<td>52½</td>
</tr>
<tr>
<td>20 Harlem Railroad,</td>
<td>6</td>
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<tr>
<td>115 Galveston &amp; Chicago Railroad,</td>
<td>53</td>
</tr>
<tr>
<td>55 Galveston &amp; Chicago Railroad,</td>
<td>53½</td>
</tr>
<tr>
<td>56 La Crosse &amp; Milwaukee,</td>
<td>5½</td>
</tr>
<tr>
<td>3,000 Erie second mortgage bonds,</td>
<td>56</td>
</tr>
<tr>
<td>5,000 Erie consolidated bonds,</td>
<td>18</td>
</tr>
<tr>
<td>11 Erie common,</td>
<td>8</td>
</tr>
<tr>
<td>20 American Exchange Bank,</td>
<td>55</td>
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<tr>
<td>5 American Exchange Bank,</td>
<td>54½</td>
</tr>
<tr>
<td>5 Commonwealth Bank,</td>
<td>60</td>
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<tr>
<td>25 Canton Company,</td>
<td>13</td>
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<tr>
<td>19 Delaware &amp; Hudson,</td>
<td>78</td>
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<tr>
<td>31 Delaware &amp; Hudson,</td>
<td>77</td>
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<tr>
<td>15 Delaware &amp; Hudson,</td>
<td>76</td>
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<tr>
<td>323 Delaware &amp; Hudson,</td>
<td>75</td>
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<tr>
<td>20 Michigan Central Railroad,</td>
<td>35</td>
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<tr>
<td>22 Panama Railroad,</td>
<td>60</td>
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<tr>
<td>10 Cleveland, Columbus &amp; Cincinnati,</td>
<td>71½</td>
</tr>
<tr>
<td>35 Chicago &amp; Rock Island, cash,</td>
<td>55</td>
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<tr>
<td>50 Chicago &amp; Rock Island, cash,</td>
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<td>25 Chicago &amp; Rock Island,</td>
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<td>100 Chicago &amp; Rock Island, b 60,</td>
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<tr>
<td>300 Chicago &amp; Rock Island, b 60,</td>
<td>61</td>
</tr>
<tr>
<td>300 Chicago &amp; Rock Island, b 60,</td>
<td>62</td>
</tr>
<tr>
<td>25 Cleveland &amp; Toledo, cash,</td>
<td>22</td>
</tr>
<tr>
<td>150 Cleveland &amp; Toledo, cash,</td>
<td>21</td>
</tr>
<tr>
<td>20 Cleveland &amp; Toledo, cash,</td>
<td>98</td>
</tr>
<tr>
<td>15 New Jersey Railroad,</td>
<td>20½</td>
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</tbody>
</table>

On October 13th New York sixes sold at from 89½ to 90, and fives of 1874 at 75½ to 75¾, and fives of 1858 at 85 and 86; Michigan sixes at
74 and 74%; Missouri sixes at 59 and 60, and California sevens at 55.\(^1\) The Stock Exchange recovered bravely from the shock. In May, 1858, it increased its initiation fee to $1,000, with the proviso that upon the admission of any broker's clerk of three years' standing, only the sum of $500 should be required.

In conclusion, it should be noted that one of the radical causes of the general calamity had been the irresponsible system of bank-note issues, especially of those put forth by "wildcat" institutions of the West. In frontier States, the managers of these concerns were permitted to seclude themselves and to flood the country with notes that with difficulty could be presented for redemption. A large proportion of this currency circulated in the East at from five to fifteen per cent. discount, and every tradesman, every shopper, was accustomed to consult "Thompson's Bank Note Reporter" before tendering or accepting a western bank-note. The amelioration of this condition was no small compensation for the havoc which it had aided to beget. Six years afterward, as will be seen, the creation of the present National Bank system was to make the reform complete.

\(^1\) The scenes in Wall Street, at the height of the panic of 1857, as recalled by still living narrators, were more dramatic and spectacular than any that have since been witnessed, excepting those of "Black Friday" in 1869. On the morning of October 13th, the Street was choked up by the excited throng of depositors. The venerable David Leavitt, a director and former president of the American Exchange Bank, standing at the entrance to that institution, with his gray head uncovered, addressed the people in a vain attempt to assuage their alarm. Meanwhile securities were selling for half their actual values at public auction in the rotunda of the Merchant's Exchange across the way. The present writer made his first financial venture, buying 100 shares of American Exchange Bank stock at less than 50, and paying for it in gold withdrawn the day before from that very bank. So quick was the relief that followed the ensuing suspension of specie payments that within a few days the market price of the stock thus bought advanced to 88. During the interval of suspension, from October 13th to December 12th, the price of gold never rose above 105.

E. C. S.
MODERN stock speculation, as already has been said, arose with the beginning of the Civil War. It was really started by the conditions of internecine strife. The effect of the fiscal policy adopted by the Government at the outbreak of hostilities lasted for years after the end of the actual conflict, and, meanwhile, a new order of speculation had become so well established that it no longer needed the fluctuating values of national credit, or the extravagant spirit of army contractors grown suddenly rich, to insure its continuance.

There were two distinct phases of Wall Street activity in the sixties, and both were epoch-making. One was the speculation in gold, or, to be scientifically exact, the speculation in greenbacks, which the Government unwillingly provided for by its legal tender enactments and afterward made various futile endeavors to check. The other was the struggle of a few strong men for railroad supremacy, a struggle which, of course, involved thousands of lesser men, but was none the less the work of the few. It formed a sharp contrast to the railway mania of the previous decade, when merchants, manufacturers, professional men, practically every one who had capital to invest, purchased the shares of the new steel highways (and frequently hypothecated the stock in order to be able to carry it), while promoters of the enterprises were paying big commissions to market their bonds at any necessary discount. This condition of things was largely wiped out by the panic, and there gradually appeared in its place a greater concentration of railroad capital than had existed theretofore. Large holders of securities were, of course, not wanting before the War of the Rebellion. It was at that period, however, that they first met in battle royal. Daniel Drew, for example, had been a director of the New York & Erie Railroad since 1852,
a year after its completion and the consequent annihilation of tolls on the Erie Canal, and he did not fail to reap, in the stock market, the advantages of his position, winning, at length, the title of the "Speculative Director." But his greatest prominence, and his impressive encounters with Cornelius Vanderbilt, Jay Gould, and James Fisk, Jr., were all subsequent to 1860. The famous Erie litigation, in which these men were participants, replete with incidents of the most dramatic character, accompanied by conflicts that imperilled even the great fortunes of the fighters, and stained by such corrupt and open bargainings with the judiciary as the moral sense of the community to-day would not tolerate for a moment, is part of post bellum history.

The two great phases of speculation in the decade between 1860 and 1870 were both fruitful of manipulations brilliant and unscrupulous. Events of this period make instructive, if not edifying, reading. It strikes one as curious that, so short a while ago, a Supreme Court Judge found it advisable to explain from the bench that certain of his decisions were not due to his own interests in stock speculations, and that recognized leaders of the market had to flee from the violence threatened by its participants. No one pretends that stock-watering or stock-jobbing has died and been buried since then, but we certainly have a greater respect for public opinion now, and a little more regard for the amenities of life. A few years ago a large proportion of New York's intelligent citizens were in a rage, and indigna-
tion meetings were addressed by our leading orators, because a Supreme Court Judge of acknowledged capacity had failed of re-nomination through refusing to bestow, in accordance with the desires of his party managers, the patronage within his control.

The decade in question has a fair claim to being the most striking, and possibly the most important, in the history of speculation in this city. It will be found expedient to discuss the two phases of the era separately, except where they meet and are entwined. Both were powerfully promoted by the war conditions, which not only directly originated the Gold Room, but fostered a gambling spirit that revivified the great speculative railway market, and gave Vanderbilt, Drew, and their compatriots a fit arena for trials of strength. But let us glance for a moment at the commercial and political forces which finally culminated in the war.

JOHN C. CALHOUN, in his last address to the Senate—which was read for him by a fellow Senator on March 1, 1849, while he sat among the auditors in the gloom of the illness that was to end his career—assured the country of his belief, from the first, that the slavery agitation "would, if not prevented by some timely and effective measures, end in disunion." In reality it was not alone the institution of slavery that threatened disunion, though it is uncertain that the South would ever have seceded but for slavery. At the bottom of the whole controversy lay the great size, the varied climates, the diversified interests of the country, which resulted in constant disputes between sections as to the advisability of proposed legislation. The nation was trying a new experiment, to wit: the joining of a number of separate States, each having its own set of laws, in one coherent federation, by an instrument adopted in a convention of representatives of the States, and known as the Constitution. When the progress of years made it evident that sectional interests must inevitably clash, the South evinced the belief that this instrument was simply a compact, a partnership agreement, which bound no State to it any longer than the people of the State saw fit. The North, on the other hand, insisted that the Constitution was something which in its nature transcended a compact, and was an irrevocable bond of union beyond the power of any State to unloosen. Whatever the causes that inflamed men's passions to the fighting point, and however inevitable and pre-ordained we may regard that *auto da fé* of our governmental system, the war hinged simply upon the right of secession. That fact is plain, if there is one plain explanation in history of the reasons impelling the people of any nation to plunge into mortal conflict. Behind the question of State sovereignty there lay, of
course, the problem of the nature and powers of the Constitution. Three hundred thousand sons of the North were immolated upon the altar of their country, incalculable millions were drained from the fountain of the public wealth, the fertile fields of the South drank the blood of her best citizens, while wasted crops and smoking homes forecasted her commercial disaster, American credit became the football of one of the most terrible speculations in our history—all to decide a delicate political question, over which the ablest statesmen had wrangled for a generation, and on which theorists differ even to-day. It was a question fundamental to our Government, and the sword has answered it forever.

As early as 1828, when what the South called the "Tariff of Abominations" was enacted into law, the antagonizing force of sectional interests became strikingly plain. The South was then devoted almost entirely to agriculture, chiefly the raising of cotton, and being nearly devoid of manufactures, and importing and exporting very freely, naturally desired a tariff for revenue only. Sending, as she did, a large amount of produce to Europe, she no longer feared the draining of her currency by those importations of Indian cloths which had induced her to accept earlier protective measures with a good grace. The tariff of 1828 was forced upon her, and she straightway began to reflect how easily she could escape it by leaving the Union. Two years later the State rights issue evolved a memorable debate in Congress, the immediate provocation being a bill to regulate the sale of Government lands. Senator Robert Young Hayne, of South Carolina, made a fine exposition of the doctrine of State sovereignty. Webster, on January 26, 1830, delivered his famous "reply to Hayne," defining the Northern view of the Constitution. In November, 1832, South Carolina passed its ordinance, nullifying the tariff of that year, and in December elected Hayne Governor. President Jackson's proclamation denouncing South Carolina, Hayne's proclamation of defiance, the preparation of the State to resist the Government with force, and the averting of hostilities by a compromise brought forward by Clay, and providing for a gradual reduction of duties, followed in short order. The passage of accompanying legislation was marked by a warm debate between Webster and Calhoun—who had taken Hayne's place—in which Calhoun asserted the right of a State to withdraw from the Union.

The slavery question gradually came to replace the tariff issue as the chief cause of dispute between North and South. It was kept continually alive by agitators, and leaped into flame over the admission of each new State and the formation of each new Territory. It was a matter of sectional dispute, chiefly for reasons of climate. Slaves
were not very profitable labor for the North. They were so for the South. They supported, moreover, the modern feudalism which had become dear to the hearts of Southern whites, and they were absolutely necessary to its continuance. The South was the section really threatened by the institution, which was, in time, sure to work corruption—as will any system that enables one great class of a community to live upon the labor of another class. But Southerners did not perceive this menace. They regarded negro slavery as a normal condition, justified by the inferiority and character of the black man, and, under divine Providence, the means of preserving the prosperity and happiness of all classes in the South. This sentiment found expression in the utterances of their most high-minded citizens, and was cherished as earnestly in the South as the belief in the right of every man to freedom was cherished by the abolitionist. Alexander H. Stephens, vice-president of the confederacy, who opposed secession, with all his eloquence, until the die had been cast, and then threw his whole fortunes in with the seceding States, declared, on March 21, 1861, in a speech at Savannah, that slavery was the negro's normal condition, and added: "This, our new Government, is the first in the history of the world based upon this great physical, philosophical, and moral truth... . The substratum of our society is made of the material fitted by Nature for it, and by experience we know that it is best, not only for the superior but for the inferior race, that it should be so. It is, indeed, in conformity with the Creator. It is not for us to enquire into the wisdom of His ordinances."

The tariff dispute was merely a clashing of interests. But in the quarrel over slavery there was something more—the injection of a moral issue, which engendered a bitter feeling peculiar to itself. The South committed the first overt act of aggression, partly because her people had been led to the belief that the North intended to trample on their sacred rights and alienate their property, and that self-preservation should impel them to strike the first blow.

On March 6, 1857, two days after Buchanan’s inauguration, the United States Supreme Court handed down its decision in the famous Dred Scott case, which had lasted for thirty-one years. It held that the Constitution was a compact, that a slave was property, and not a person, and slavery an institution beyond the control of Congress. The highest of our judicial tribunals thus vindicated the Southern view. It also intensified the public feeling. Lincoln’s unsuccessful canvass for the Illinois senatorship, and the debates with his opponent, Stephen A. Douglas—in which the future emancipator declared that the Government could not “endure permanently half slave and half free”—and John Brown’s raid and capture at Harper’s Ferry, brought the
dispute to fever heat in 1859. The South decided that the Republican party was determined to overthrow slavery, and that secession was her only salvation. Meanwhile the newspapers of the day were illuminated with fitful bursts of the flame that was soon to grow into a consuming fire. It was not an era of tolerance. In December, 1859, one James Powers, an Irish stonecutter, who happened to express his belief that white labor should be employed in the South, was accused at Columbia, South Carolina, of being an abolitionist and approving John Brown’s raid, and received twenty-nine lashes and a coat of tar and feathers for his contumacy. Powers came North, and Horace Greeley, who was striking sledge-hammer blows for abolition and Republican success, published his story in the Tribune.

The year 1859 had been marked by national frugality and industry, and the American people had recuperated from the effects of the panic. Stock prices at its close had mounted to a height that showed how far behind the market had left the evil times of 1857. The year’s railroad building, amounting to some 1,800 miles, had been conducted on sounder lines than theretofore. A new and important branch of industry had been started, with the finding of petroleum in large quantities, by Edwin L. Drake, at Titusville, Pennsylvania. His “strike” made him only a trifling fortune, but laid the foundations of wealth for hundreds of others whose rush to the oil field resembled, on a smaller scale, the pilgrimage of gold seekers to California in 1849. Population had increased to about 31,000,000. The crops were abundant, and the country’s export trade was growing. Apparently the country was entering, at the dawn of 1860, upon a period of general prosperity. The Western speculators in this city, known in Street language as “the observatory,” whose bearish tactics had won them fortunes in 1857—the panic of that year was known, in fact, as the “Western blizzard”—seemed to have had their day. Through the early part of 1860 the betterment of commercial conditions was of course moderate, but all signs were encouraging save one. That one was the growing disaffection of the South.

In addition to speculation in railroad shares, and in Government and State securities, dealing in mining stocks had now become a prominent feature of Wall Street. Copper and gold companies, of a rapid growth, were in favor, and mining share brokers—among others Ralph King, George F. Riley, and John Simpkins—were actively at work. New York’s first Mining Exchange, which was started in 1857 at No. 29 William Street, and existed only for six months,
constituted an arena for dealing in the stock of North Carolina gold and copper companies, Tennessee and Maryland copper companies, Georgia gold companies, and copper and lead companies of this State and Pennsylvania, many of the shares being virtually worthless.\(^1\) In 1859 a second Mining Board was started at the rear of the office of Talmadge & Manley, No. 25 William Street, Mr. Talmadge of that firm holding the office of president. Two months after its formation this Board moved across the street to larger quarters, at No. 24 William Street, where skilled manipulators, under the leadership of a Baltimore clique, combined to sell various ornamental pieces of paper to innocent investors—some legitimate business in Lake Superior copper shares serving the purpose of attracting the public to the market. The North State Gold and Copper Mining Company, which owned property that had cost $1,200, and the Gardner Hill Gold and Copper Company, representing an actual cash investment of $30,000, were favorite “fancies” on this Exchange. Each possessed mining property in North Carolina, and each was capitalized at $1,000,000, in $5 shares. The North State stock was “washed” up to four, while sales of Gardner stock were actually made at $8 a share. The election of Lincoln, in 1861, which brought on a crash in good investments, annihilated the airy nothings of the Mining Board, and after the suicide of Charles Kowalski, treasurer of the organization, it was found that he had expended its funds in private speculations.\(^3\) From that time until 1864 dealing in mining shares was carried on at the New York Stock and Exchange Board, Mariposa stock being a specially active issue.

**CORNELIUS VANDERBILT** and Daniel Drew, whose operations not long afterward were to be of enormous importance to the Street, were by no means out of the reckoning in 1860. The hand of the “Speculative Director” was observed in the activity of Erie, a stock that was apparently as lively as if the road had not become bankrupt in the previous year. Those who sold it short were likely to get their fingers burnt. Mr. Vanderbilt was at this time engaged in competition with the Pacific Mail Steamship Company, for the business of carrying passengers between New York and California by way of the Isthmus, a contest which he ultimately accepted $600,000 a year to terminate. Wild rumors filled the market while this fight was in progress. “The reported sale of the Pacific steamships to Mr. Vanderbilt,” says the *Tribune* of January 16, 1860, “was generally credited and it was looked upon as a public calamity, as it would tend to establish a monopoly and increase the rates of fare.” Another print, on February 1st, informs us of

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\(^1\) *Men and Mysteries of Wall Street*: James K. Medbery. Boston. 1870.
a bear attack on Pacific Mail, due to the news that Mr. Vanderbilt had reduced the fare. The report of the reduction was true. His vessels were getting plenty of business at the time, for the growing political agitation had the effect of increasing emigration to California. The Pacific Mail Company was earning more than forty per cent.

To thoughtful men it became more evident each day that the nation was approaching a crisis. The belief that this was so operated as a check to the buoyancy of the market. Opinion was freely expressed that the success of the Republican party at the presidential election would mean the break-up of the Union, and it constantly became plainer that such a success was probable. Manipulations by insiders were not wanting to add ground for the public's disinclination to buy stocks. A newspaper writer, in discussing Rock Island on October 5th, had this to say: "There is nothing further in regard to the dividend matter. It is understood that the directors blame Mr. Farnum, the president, for the deception that was practised on the public; there is some talk of a meeting of stockholders to review the action of the Board. In some quarters it is asserted that Dr. Thomas C. Durant, the only member of the Board who voted for the dividend, is about to resign. We should have supposed that if anybody was expected to resign it would be the directors who gave out that the dividend would be passed, ordered the check book and proclaimed the fact, and, after selling out their stock, voted it inexpedient to pay a dividend. The sooner such individuals find new spheres of usefulness the better for the company."

Abraham Lincoln had been nominated for the presidency, and Hannibal Hamlin for the vice-presidency, by the Republican party in May, 1860, upon a platform which insisted that Congress had no authority to give legal existence to slavery in any Territory, and demanded that Kansas be admitted as a free State. It branded as a dangerous political heresy the "new dogma, that the Constitution of its own force carries slavery into any or all the Territories." Lincoln had declared that either the opponents of slavery would "place it where the public mind shall rest, in the belief that it is in the course of ultimate
extinction," or that it would be pushed forward till it should become lawful in all the States. Standing, as he did, on a platform which insisted that slavery must not be pushed forward at all, Lincoln evidently intended, in the opinion of the South, to force the remaining alternative, and help it on the road to ultimate extinction. His defeat the Southern States regarded as the condition prerequisite to their remaining in the Union, and they threw all their strength to the support of his rival, Stephen A. Douglas, of Illinois. The participants in the debates of 1859—the most famous in our history—were now rivals for the highest honor in the nation's gift, and the nation recognized the contest as a determinative ordeal.

On November 6th Lincoln and Hamlin were elected by a decisive majority. The market appeared to have discounted the event, for stocks opened buoyantly on the day following; in fact, for about a week, prices were sustained by an evident hope that the peril of disunion might be averted. But the South made it too plain, by the way she took the news, that she believed there was only one thing left for her to do. The gradual spread of timidity in this city first became manifest through a tightening of the money market, about the middle of November. Then the falling prices of securities portended calamity. They rallied, but only to fall still lower. With ominous rapidity the contraction of the money market paralyzed commerce. Foreign exchanges reflected the condition of the public mind. Ships half-laden with grain and flour lay in dock, unable to put to sea because shippers could find no one to take their bills. For a similar reason, agents of British houses were unable to purchase supplies. Importers, failing to dispose of their paper, had no funds with which to purchase exchange. Cotton could not be stored because of the condition of the money market. The banks were extravagantly cautious and independent; capitalists refused to take any but gilt-edged paper, and demanded upon that a discount of one or one and a half per cent. a month. Late in November the old and wealthy New Orleans house of William Fellowes & Co. was forced into bankruptcy by the crisis. In the North it involved a general shutting down of business.

On November 16th the firm of Brown Brothers proposed to the banks a scheme for the relief of the universal distress. The banks were to raise $1,000,000 for that purpose. The firm would purchase Produce Exchange bills to a like amount, paying for them in their own sixty-day paper, and this paper the banks were to discount, Brown Brothers agreeing to redeem it, at maturity, with specie imported from the other side. Although the plan seemed essentially reasonable, and the sum involved was moderate, the negotiations fell through, owing to the opposition of Mr. Punnett, president of the
Bank of America. The situation did not relieve itself until the second week in December, while extreme hardship was experienced in the meantime. "It is supposed," said the Herald of December 3d, "that 10,000 men are out of employment in New York alone, and there is not a manufacturing establishment in New England which has not reduced its force during the past month. The West, just recovering from the effects of 1857, and on the eve of a new era of prosperity, is plunged into distress and suffering."

It was in the course of this demoralization, on November 23d, that the first Clearing House certificates were issued. They bore interest at the rate of seven per cent. The collaterals deposited by the banks receiving them were United States stocks, interest-bearing Treasury notes, and stock of the State of New York. It was not until February 21, 1861, that the last of this issue—which amounted in all to $7,375,000—left the Clearing House, and on March 9, 1861, the last certificate was retired and cancelled. An idea of the range of prices during the course of the panic of 1860 may be derived from the following table:

<table>
<thead>
<tr>
<th>Security</th>
<th>Nov. 10</th>
<th>Nov. 17</th>
<th>Nov. 24</th>
<th>Dec. 1</th>
<th>Dec. 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missouri sixes,</td>
<td>76</td>
<td>69</td>
<td>72</td>
<td>70</td>
<td>64</td>
</tr>
<tr>
<td>New York Central,</td>
<td>79½</td>
<td>72</td>
<td>78</td>
<td>75½</td>
<td>70½</td>
</tr>
<tr>
<td>Reading,</td>
<td>37½</td>
<td>36</td>
<td>37</td>
<td>34½</td>
<td>30½</td>
</tr>
<tr>
<td>Erie,</td>
<td>32½</td>
<td>27½</td>
<td>31½</td>
<td>29½</td>
<td>24½</td>
</tr>
<tr>
<td>Michigan Central,</td>
<td>59½</td>
<td>47</td>
<td>55</td>
<td>50½</td>
<td>43½</td>
</tr>
<tr>
<td>Southern guaranteed,</td>
<td>35½</td>
<td>28½</td>
<td>34</td>
<td>31</td>
<td>25½</td>
</tr>
<tr>
<td>Illinois Central,</td>
<td>67½</td>
<td>56½</td>
<td>62</td>
<td>58</td>
<td>53½</td>
</tr>
<tr>
<td>Galena &amp; Chicago,</td>
<td>67</td>
<td>58</td>
<td>66½</td>
<td>63½</td>
<td>59½</td>
</tr>
<tr>
<td>Chicago &amp; Rock Island,</td>
<td>58½</td>
<td>51</td>
<td>57½</td>
<td>53½</td>
<td>43</td>
</tr>
<tr>
<td>Cleveland &amp; Toledo,</td>
<td>31½</td>
<td>25½</td>
<td>30½</td>
<td>26½</td>
<td>20½</td>
</tr>
<tr>
<td>Panama Railroad,</td>
<td>119</td>
<td>109</td>
<td>119</td>
<td>114</td>
<td>109</td>
</tr>
<tr>
<td>Hudson River,</td>
<td>56</td>
<td>47½</td>
<td>48</td>
<td>43½</td>
<td>37</td>
</tr>
<tr>
<td>Pacific Mail,</td>
<td>90</td>
<td>74</td>
<td>84</td>
<td>81</td>
<td>78½</td>
</tr>
</tbody>
</table>

The week ending with December 8th, the darkest of the series, saw a depression of six to eight per cent. in Government and State securities.

One event of this week, destined to be fraught with considerable importance, was the election of the directors of the New York & Erie Railroad. Daniel Drew and all the other living directors were reelected. One place had been vacated by the death of Henry Sheldon, and this place was filled by Commodore Vanderbilt.

December was a gloomy month in the New York stock market. Upon the heels of the panic came the Russell and Bailey robberies at Washington. State bonds, which formed a portion of the Indian Trust Fund, had been stolen from the Department of the Interior and put into circulation, to the amount of about $900,000, chiefly in this city. South Carolina held a
State convention at Columbia on December 17th, adjourned to Charleston, and on December 24th adopted an address, condemning the North, while her Governor, Francis W. Pickens, issued a proclamation of secession. The United States Custom House, post office, and arsenal, at Charleston, were seized at once by the secessionists, who also took possession of Forts Pinckney and Moultrie in the city's harbor. Major Anderson, the Federal officer stationed at Fort Moultrie, withdrew the eighty men under his command to Fort Sumter. South Carolina appointed commissioners to visit other slave-holding States and invite them to secede. General Cass, Secretary of State, had already left Buchanan's Cabinet because of the President's refusal to reinforce the Charleston forts, and Howell Cobb, Secretary of the Treasury, had resigned his office to return to his native State, Georgia, and join the Southern cause. Mr. Floyd, the Secretary of War, resigned on December 29th, because the President, who seemed afraid to take a decided stand, either for or against the Union, refused to recall Anderson from Fort Sumter. Confederate guns, mounted on the land batteries, frowned upon that sparsely manned stronghold, and through the North and South the consciousness spread that the dogs of war were chafing in the leash. Floyd, who was a Southerner, had taken good care to see that the Southern arsenals were well supplied with arms and that United States troops were widely dispersed before resigning his office.

Mississippi responded to South Carolina's appeal by passing an ordinance of secession on January 9, 1861, the day on which the Charleston batteries fired on the steamer "Star of the West," sent to carry reinforcements to Anderson. Mississippi's example was followed on January 10th by Florida; on January 11th by Alabama; on January 19th by Georgia; on January 26th by Louisiana, and on February 7th, in an irregularly called convention, by Texas. Eleven days later General Twiggs, a United States officer of Georgian birth, surrendered his command in Texas, the largest body of troops at any one point, to the secessionists of that State. This act resulted in his dismissal from the army. Meanwhile a peace convention met at Washington, chose ex-President Tyler, of Virginia, chairman, and formulated various constitutional amendments, all of which were designed to pacify and reclaim the South, and all of which were promptly rejected by Congress. Delegates from the seven seceding States met at Montgomery, Alabama, elected Howell Cobb chairman, and formed a provisional constitution for the "Confederate States of America." Jefferson Davis, of Mississippi, was chosen President, and Alexander H. Stephens, of Georgia, Vice-President. The Cabinet of Mr. Davis was as follows: Robert Toombs, of Georgia, Secretary of State; Charles G. Memminger, of South Carolina,
Secretary of the Treasury; Leroy P. Walker, of Alabama, Secretary of War; Stephen R. Mallory, of Florida, Secretary of the Navy; John H. Reagan, of Texas, Postmaster General; Judah P. Benjamin, of Louisiana, Attorney General.

Lincoln took office on March 4th, and in his inaugural address declared his intention not to interfere with slavery in the States, but denied the right of any State to secede. He declared the principle of secession to be the essence of anarchy. His Cabinet, whose personnel was later subjected to change, consisted, at first, of: William H. Seward, Secretary of State; Salmon Portland Chase, Secretary of the Treasury; Simon Cameron, Secretary of War; Gideon Welles, Secretary of the Navy; Caleb B. Smith, Secretary of the Interior; Montgomery Blair, Postmaster General, and Edward Bates, Attorney General. Secretary Seward was approached with overtures from the Confederates, and refused to recognize the new Government. Mr. Lincoln's Cabinet, on March 21st, decided to send a fleet to relieve Fort Sumter. It was dispatched on April 6th and 7th, formal notice of the action being given to Governor Pickens on April 8th. General Beauregard, in command of the Confederate forces at Charleston, telegraphed the news to Montgomery. Mr. Walker replied by telling him to demand the surrender of the fort, and to attack it in the event of a refusal.

Before daybreak on April 12th the bombardment upon Fort Sumter began and Major Anderson replied. On the following day, his supplies having become exhausted, he surrendered and marched out with flying colors. The first shot directed at the fort, the signal to the nation that a fratricidal war was begun, was fired by a Virginian, Edmund Ruffin, who asked the privilege, and who committed suicide just before the war, thus inaugurated, came to an end. The South exulted with great joy at the capture of Sumter, and Mr. Walker, the Confederate Secretary of War, publicly prophesied that the Southern flag would float over the Capitol dome at Washington before May 1st.

President Lincoln instantly called for 75,000 militiamen, "to cause the laws to be duly executed." He treated the secession movement merely as an insurrection, apportioning troops to be furnished among all the States. The free States responded enthusiastically; the seceding States, of course, ignored the proclamation, and the border States flatly refused to obey it. Massachusetts was the first to get her men into the field, and on April 19th her contingent, while marching through Baltimore, was attacked by a secession mob, and bloodshed on both sides resulted. President Lincoln, on the same day, declared a blockade of all Southern ports. While he was promulgating the order, the troops of Virginia—the State having seceded on April 17th—were
seizing the immensely valuable arsenal at Harper's Ferry, and, in addition, the navy yard at Norfolk, with the steam frigate "Merrimac" and 2,000 cannon. Tennessee and Arkansas went out of the Union on May 6th and North Carolina on May 20th. This left four of the fifteen slave States—Delaware, Maryland, Kentucky, and Missouri—still formally in the Union. Their allegiance throughout the war was of a divided character, Missouri and Kentucky even being represented in the Confederate Congress, while many of Maryland's citizens joined the Confederate Army. West Virginia, comprising about a third of Virginia's population, stood by the Union and formed a provisional government. She was admitted to Statehood in the following spring. Richmond was made the capital of the Confederacy. President Lincoln had called for 42,000 volunteers to serve three years, for 22,000 men to be added to the regular army—which was only 16,000 strong—and for 18,000 men to be added to the regular navy. The Navy Department began the purchasing and chartering of merchant vessels. The secessionists had already taken measures to issue letters of marque to privateers.

It is an interesting commentary upon the slowness with which Wall Street got its news, upward of forty years ago, that the market was noticeably firm on the day General Beauregard's men opened fire on Fort Sumter. The cannonading began before daybreak on Friday, April 12, 1861. In this city prices of securities advanced that day, aided by the covering of shorts. The following morning the newspapers informed the public of the true situation. United States sixes of 1881 remained steady as a rock, but the general list receded nearly two per cent. on the average. The decline, of course, would have been a great deal sharper had the market not been reflecting, for months, the growing public belief that conflict with the South was inevitable. The following prices indicated the depression consequent to the firing on Fort Sumter:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New York Central,</td>
<td>74 1/2</td>
<td>72 1/2 to 73</td>
</tr>
<tr>
<td>Hudson River Railroad,</td>
<td>41 to 41 1/2</td>
<td>38 1/2</td>
</tr>
<tr>
<td>Reading,</td>
<td>38 1/2</td>
<td>35 to 36</td>
</tr>
<tr>
<td>Harlem Railroad,</td>
<td>13 3/4</td>
<td>13</td>
</tr>
<tr>
<td>Michigan Central,</td>
<td>50</td>
<td>47 1/2 to 48 1/2</td>
</tr>
<tr>
<td>Erie,</td>
<td>28</td>
<td>23 1/2 to 24</td>
</tr>
<tr>
<td>Illinois Central, scrip,</td>
<td>70 3/8</td>
<td>67 1/2 to 69</td>
</tr>
</tbody>
</table>

North and South had now girded their loins for one of the greatest struggles of history. The defence of the Union was destined to progress but a short distance before necessitating the first of a series of extraordinary financial measures, which were to bring about many a speculative cataclysm in this city.
Ix

Legal Tenders

It was a fundamental part of Gladstone's political creed that nations, like men, have their responsibilities and their duties, and are as much bound to conform their conduct to just standards as individuals are. The financial history of the United States affords good evidence that nations are also bound, and not less than individuals, to meet their financial obligations in a straightforward and sensible manner, and that they will suffer, in the long run, unless they do so. Since Hamilton's genius put the credit of this country upon a substantial basis, Congress had habitually used straightforward means to raise the sums requisite for the Federal Administration. In Jackson's day the civilized world had even been jarred by the barbarous spectacle of a nation paying off its entire debt. But the stress of civil conflict put a new face upon the situation and set the Government again to raising money, not by the fairest and most prudent but by the easiest method; and the evil and uncertainty of the system centred in Wall Street, seething and bubbling like the elements in a witch's pot.

Of all classes of speculation, that in money—the measure of value used for the day laborer's earnings, the farmer's produce, and the debt of a nation—is most productive of harm. Speculation in stocks may be ruinous to an individual, but in it and through it there is created a market for securities which may serve as the basis for great constructive and industrial enterprises. Speculation in grain, or cotton, or coffee, enables the farmer or planter to strike a bargain for his crop long before it has ripened in the sun. But speculation in Government notes is quite a different thing. It deranges business calculations, artificially raises or lowers the standard of value, that must be accepted in daily life by practically every human being in the country,
disturbs the relations of debtors to creditors, and is usually tainted with corruption. Of course, the Gold Room, the field of the manipulation that culminated in Black Friday, and the arena where Union and Southern sympathizers often met in bodily conflict, also served some excellent purposes. Through its aid importers and foreign exchange bankers, all who had obligations to meet in gold at some definite time in the future, could secure themselves in the interim against the market fluctuations of the precious metal. Merchants and manufacturers, by selling gold for future delivery, could guard against any currency valuation which would lessen the prices obtainable for their stock. Then if gold, measured in greenbacks, rose, they lost nothing, inasmuch as their goods also rose in value. If gold fell, their loss in the greenback value of their goods could be offset by covering, at a profit, the short sales made in the Gold Room. In fine, the Gold Room was a necessary adjunct to the condition of a fluctuating medium of exchange. But the fluctuations of that medium, coupled with the speculation, were a great evil to the country, and could have been avoided by the drastic policy of taxing the people to pay the cost of war.

REFERENCE was made in the last chapter to the two chief phases of Wall Street activity in the Sixties. Of these it will be found convenient to take up the subject of gold speculation first, since that was the direct product of conditions peculiar to the times, and was vastly more potent in its effect than the famous Erie imbroglios or the triumphs of Commodore Vanderbilt in Hudson and Harlem. To understand the way in which the Government drifted into the expedient of issuing irredeemable legal tenders, apparently unmindful of the havoc wrought by just such means in Continental days, we must go back to an important visit of Secretary Salmon P. Chase, of the Treasury, to this city in the summer of 1861, and the subsequent arrangement which he made with the banks of New York, Boston, and Philadelphia, to finance the Government’s martial operations.

At first the importance of the war was utterly misjudged on both sides. The South boasted that one Southerner was the equal of five Yankees in battle, and also that “Cotton is King;” that the shutting off of Europe’s supply of cotton by blockading Southern ports would produce an unbearable condition abroad and lead Old World powers to intervene. She was mistaken in both hypotheses. At the outset her soldiers, more accustomed to bearing arms and fighting on their native soil, may have been superior to Northern troops; but this superiority gradually lessened with the hardening of raw
Union recruits into capable men. The high prices of cotton produced by the blockade stimulated its production in South America, Egypt, and India, and England and France did not interfere, while the South saw scores of her merchantmen captured as they attempted to steal out to sea with cargoes destined for European ports. The North was equally infatuated with the expectation of speedy success. With her 20,000,000 of population as against the 5,000,000 or 6,000,000 of Southern whites, her greater wealth and more varied resources, her control of the governmental administrative machine and the navy, her opportunity to use the governmental credit, and the readiness her citizens showed to enlist under the Union flag, how could she find any difficulty in quelling this foolish insurrection? "On to Richmond!" shouted the confident adherents of President Lincoln. "Capture their capital, and they will all surrender in a body!" General McDowell did move out from Washington into Virginia, but he was stopped a considerable distance this side of Richmond. On July 21, 1861, as our volunteers came streaming wildly back along the Centreville turnpike, the spectators who had sallied out to see a Union victory felt a presentiment that perhaps the nation really was on the brink of a serious war.

Some of our English friends stood the calamity with great composure. Lord Palmerston gave public utterance to a rather facetious remark about the "unfortunate rapid movements" of the Union troops after the battle of Bull Run, which might better have been left unsaid. The American Government recognized the necessity of providing the sinews of a war on a liberal scale.

Congress had authorized a fresh loan of $10,000,000 shortly before Lincoln's inauguration. The bonds ran for twenty years, and bore six per cent. interest. In the week ending with June 24th, at the bottom of a market, the declining character of which had given evidence that Wall Street at least was skeptical of the briefness of the war, these bonds sold as low as 83 1/2. The Chamber of Commerce in New York had endeavored to get subscriptions to the Government loan by sending circulars throughout the Northern States, asking citizens, public officials, and banks and other institutions to act as voluntary agents. This plan availed very little. Capital was unmistakably timid.

On July 17th there were authorized additional loans, to the amount of $250,000,000, to take the form of seven per cent. twenty-year bonds, or Treasury notes, bearing 7 1/2 per cent. interest, and running three years—these notes came later to be known as "seven-thirties"—except that $50,000,000 of the authorized amount might be in currency notes, payable on demand, without interest. The negotiations between Secretary Chase and the New York banks, arising as
Copper tokens used by tradesmen, at various dates.
a result of this measure, have been ably described by one of the principal participants, George S. Coe, president of the American Exchange Bank, in an appendix to Elbridge G. Spaulding's "Financial History of the War," published in 1875. His testimony on this head is certainly of as good a character as could be desired. Speaking of the state of affairs just prior to Secretary Chase's visit to New York in August, Mr. Coe says:

"Fortunately, the commercial conditions of the Northern States were altogether favorable. The panic of 1857 had been followed by three or four years of great productiveness and economy, which had so turned international exchanges in favor of this country that larger balances in coin than ever before had, during 1860 and 1861, been imported from Europe, the banks in New York alone holding the unprecedented amount of $50,000,000, equal, in August, 1861, to about fifty per cent. of their liabilities, while the apprehension of war had produced a general curtailment of credit throughout the Northern States."

Secretary Chase, on coming to this city, Mr. Coe tells us, asked those persons who were supposed to control capital to meet him at the house of John J. Cisco, then Assistant Treasurer of the United States in this city. Here was a large gathering of the representatives of wealth in various lines of business. Mr. Coe suggested to the Secretary an organization of the banks of the North for the purposes of advancing capital on Treasury notes, "seven-thirties," and of effecting their general distribution among the people at large. The suggestion struck Mr. Chase as a good one. He asked Mr. Coe to present it to the bankers at a meeting to be held the following day at the American Exchange Bank. At this meeting a committee of ten was selected to draw up a plan. The members of this committee met at the Bank of Commerce and agreed unanimously upon a scheme which certainly reflected credit upon their appreciation of the country's needs. It consisted of the forming of a new organization, the Associated Banks of New York, Boston, and Philadelphia, to take up immediately "seven-thirty" notes to the amount of $50,000,000, at par, $50,000,000 more to be taken in sixty days, and another $50,000,000 sixty days later. The banks were to offer these notes for sale at the same price, without a charge of any sort. Clearing House certificates were also to be issued, and it was decided to appropriate the coin of the various banks to one common fund and average it among them.

The banks of the three cities concerned entered into the plan with apparently as much enthusiasm as if it had promised them a good profit. Their aggregate united capital amounted to $120,000,000. Aggregate deposits of $125,617,207, and a total circulation of $16,964,299, made their liabilities $142,581,506, while
against this sum they held coin to the amount of $63,165,039, or forty-five per cent. of their deposits and circulation combined. It was found impracticable to include Ohio and Indiana in the league, and "the only other banks organized under a compacted system," namely, the State banks of Missouri, were left out because of their proximity to the Confederate lines.

It was now a question of moment as to how payment for the Treasury notes, amounting to $150,000,000, should be made to the Government. Secretary Chase naturally desired to have it made in coin. Obviously the reserve fund of the banks was insufficient to supply half of it; but it was, of course, plain that, as the money received by the Government for its notes was disbursed in the purchase of arms or provisions, or in soldiers' pay, it would find its way back to the banks and replenish the reserve. Mr. Chase believed that this process was quite safe enough. He was not a banker. He had been selected for the Treasury portfolio chiefly because of his high character and known ability rather than for special qualifications as a financier. Lacking the practical knowledge gained by banking experience, he still refused to rely upon the advice of those who had that knowledge. Congress, by the Act of August 5th, had suspended the operations of the Sub-Treasury Act, so as to allow the Secretary of the Treasury to deposit Government funds in solvent, specie-paying banks. The New York financiers who had come to the Government's rescue asked the Secretary to take advantage of this measure, in order not to disturb the reserve of the associated banks. James Gallatin, president of the National Bank of New York, urged him with especial earnestness to do so. He was requested to take the money due for the notes by the simple method of drawing on a designated bank, representing the associated banks, in each of the three cities, as money was needed, and promptly disbursing it. It is difficult to see how a better plan than this could have been devised. But Mr. Chase, with remarkable supersensitiveness, refused, on the ground that the public creditors might not get the best kind of money under such an arrangement.

The Secretary has left posterity his own explanation of his attitude, in his letter to Mr. Trowbridge, which Horace White quotes in "Money and Banking." Here is the excerpt: "'In what funds will my drafts be paid?' I asked. 'We in New York are entirely willing to pay in coin' was the reply. 'But how will it be in Boston? How in Philadelphia? How, if you in New York give a draft-holder a cheque on a Cincinnati or St. Louis bank, will the cheque be paid?' 'In whatever funds the holder of the draft or cheque is willing to receive.' 'That is to say,' I answered, 'in coin, if the holder insists on coin, and the bank is willing to pay it, but in bank notes if he will consent to receive bank
notes. I cannot consent to this, gentlemen.’” Mr. White’s comment on the Secretary’s stand is worth adding: “To call this perilous nonsense,” he says, “would be to describe it in very moderate terms.”

One thing is certain. Whether Mr. Chase thought he could or could not consent to the innovation suggested by the banks, they could have forced him to consent to it. But they waived their rights and cheerfully went on with the task to which they had agreed. The funds were drawn by the Secretary a long time before the Treasury notes were ready for the subscribing banks. “In the light which has been shed upon the Act of Congress referred to,” says Mr. Coe, “it is evident that undue weight was given to the views of the Secretary, and that the banks would have conferred an incalculable benefit on the country had they adhered inflexibly to their own opinions. But the pressure of startling events required prompt decision, and the well-known intelligence and patriotism of the Secretary gave his judgment overwhelming power. It soon became manifest that in consenting to have their hands tied and their most efficient powers restricted while engaged in these great operations, and in allowing their coin reserves to be wasted by pouring them out upon the community in a manner so unnecessary and exceptional, the banks deprived themselves and the Government of the ability of long continuing, as they otherwise could have done, to negotiate the national loans upon a specie standard. The first great error, if it did not create a necessity for the legal tender notes, certainly precipitated the adoption of that most unhappy expedient, and thereby committed the nation at an early date to the most expensive of all methods of financiering.”

The banks had a further request to prefer, which was also supported by excellent reason. They desired the Secretary to refrain from issuing the currency notes, payable on demand, without interest, $50,000,000 of which had been authorized by the Act of July 17th. Such notes, if issued, were bound to be presented to the Treasury for redemption, and would constitute an undesirable drain on the Government’s coin. Furthermore, they would, of course, be offered as deposits in New York, Philadelphia and Boston. The banks understood that the Secretary would keep these notes back, and commenced to pay for the “seven-thirties” at the rate of $5,000,000 every six days. So long as the demand notes were kept back, the coin paid out for the “seven-thirties” drifted back to the banks, taking about a week for the operation. This was, of course, due to the Government’s prompt disbursements to meet current expenses. By December 7th, when more than $80,000,000 had been paid to the Government, and the public had purchased the “seven-thirties” to the amount of $50,000,000, the New York banks had lost only

1That of August 5, 1861, authorizing the suspension of the Sub-Treasury law.
$7,415,380 in coin out of the reserve of $49,733,990 with which they started operations. The demand notes suddenly began to come out. In short order their holders presented them for deposit in the various associated banks.

Here was a most distressing dilemma. If the banks refused to accept these demand notes on deposit, they would weaken the public confidence in the Government’s credit, thereby hindering the absolutely necessary work of selling the interest-bearing notes. If they accepted them, on the other hand, they would materially cut down the coin percentage which they held against their liabilities. They decided to accept them and stagger along for a while under the load. But as the Government was now paying out paper obligations to army contractors in large proportion, the reflux of coin to the banks diminished sharply. In the three weeks succeeding December 7th, the reserves in the New York banks fell from $42,318,610 to $29,357,712. The associated banks still held an aggregate reserve of $40,000,000, but they foresaw that it would be speedily wiped away if they omitted to take drastic action. On December 28th, after a conference with Secretary Chase, they suspended specie payment.

Meanwhile the Government had got together an army of about 575,000 men. Varying success had attended the national flag. A Union fleet had captured the fine harbor of Port Royal, South Carolina; the Confederate general, Price, had been driven out of Missouri, and the secession forces had been routed at Dranesville, Virginia; but General Stone’s command had been decisively beaten at Ball’s Bluff, and trouble had arisen with Great Britain over the seizure of Mason and Slidell, the Confederate emissaries, on the British mailship “Trent” (which was carrying them to Southampton), by Captain Wilkes, in command of the “San Jacinto.” England at once resented this action, and the two nations seemed on the brink of war, when the President decided to surrender the prisoners. The entire trend of events had been such as to convince the North that no easy task confronted the Government, and to impress sharply on official minds the need of some far-reaching financial measures. Secretary Chase believed that it was impracticable to float just then any larger number of interest-bearing obligations than had been arranged for with the associated banks. There were only two other ways of raising money—inasmuch as the impressment system was out of the question—taxation, and the issue of irredeemable legal tenders or greenbacks.

It has been pointed out, with considerable emphasis, that the Govern-
ment did not really have much choice. Taxation and the issuance of bonds were too slow, we are told. The gross expenditures of the nation, which amounted to only $77,000,000 in 1860 and $85,000,000 in 1861, were destined to leap to $565,667,563 in 1862, and to aggregate the astounding total of $1,906,433,331 in 1865. Money, or some substitute for money, was needed at once to prosecute the war, and the only way to get it was to make it. Admitting this view, and waiving for a moment the fact that the leading financiers of the country objected to the legal tender issue, we may still be pardoned for asking why Congress did not use its best powers to keep this new currency at par, or why, after affording it a prop, the statesmen at Washington decided, suddenly, to cut the prop away? Had the Government succeeded in using its promises to pay at their full value, and enabling all into whose hands they fell to do the same, no criticism of their issue would have been valid, the Gold Room would never have come into being, and the expenses of the war would never have been multiplied by the tremendous prices which reflected a depreciated paper currency and enriched an unscrupulous body of army contractors out of the people's treasury.

Resort was had in some measure, to be sure, to increased taxation. The Morrill tariff, designed really as a protective measure, had increased the customs duties in 1861. Eventually taxes were levied on trades, professions, and other occupations, on liquors and tobacco, on yearly incomes exceeding $800, on bank checks, and on patent medicines. But the Government was not free from the belief that the art of taxation consists of plucking the greatest amount of feathers with the least amount of squealing. The country, it was believed, would not stand being taxed for the entire cost of the war. At any rate the experiment was not tried. When it became evident that Mr. Chase favored the issue of the legal tenders, a delegation of bankers from New York, Philadelphia, and Boston went to Washington to protest against it. On January 11, 1862, they held a meeting in Secretary Chase's office. James Gallatin offered a plan—the issue of six per cent. twenty-year bonds—by which the legal tenders could be avoided. The banks were not able to provide for any further loans, but Mr. Gallatin proposed that these bonds be sold in the open market for what they would bring. Mr. Chase refused to consider the idea of selling Government bonds at sixty or seventy-five cents on the dollar. Could he have foreseen the day when greenbacks—all of which must ultimately be put on a par with gold—would be worth between thirty-four and thirty-five cents, as measured in the precious metal, he might have taken a different view. The bankers suggested that if an irredeemable paper currency was absolutely needed, they might issue it, to the amount of $200,000,000, based on the $40,000,000 of gold still in their
reserve and $160,000,000 of Government bonds. This plan was not approved. The legal tender measure, which had been proposed by Elbridge G. Spaulding, of Buffalo, and introduced by Thaddeus Stevens, of Pennsylvania, leader of the House, received Mr. Chase's sanction, and became a law on February 25, 1862. It provided for an issue of $150,000,000 in greenbacks, and, through an amendment, tacked on by the Senate, authorized the Secretary to sell six per cent. bonds at their market value to an amount necessary to provide pay for the soldiers. Mr. Chase later had occasion to take advantage of this amendment, when back pay to the amount of $50,000,000 was due the soldiers in December, 1862, but he refused to do so, declaring that he could not sell the bonds except below their market value, by which he meant, of course, that a large offering of bonds would break the price.

On July 11, 1862, additional legal tenders, amounting to $150,000,000, were authorized at Secretary Chase's request. The new measure provided a prop for this paper currency, supplementing one which had been provided in the Act of February 25th. Notes of both these issues were made exchangeable at par for six percent, gold bonds. Secretary Chase, desiring to make a better market for his bonds, asked that this privilege be taken away. Congress obliged him by the Act of March 3, 1863, which authorized the issuing of $150,000,000 in new legal tenders (providing, however, that only $400,000,000, all told, of this class of currency should be issued, excepting such an additional sum, not to exceed $50,000,000, as might be required to redeem temporary loans), and fixed the date at which the privilege of exchanging the legal tenders for bonds should cease as July 1, 1863. The abrogation of the funding prerogative was undoubtedly one of the greatest blunders of the war period.

Two other kinds of legal tender notes were issued in the course of the war: interest-bearing Treasury notes, which were hoarded for their coupons, and six per cent. compound interest notes. The latter class, of which $226,000,000 were issued, were payable in three years, with interest compounded semi-annually at six per cent., a ten-dollar note being worth
$11.94 at maturity. It may be noted here that the amount of greenbacks outstanding on August 31, 1865, a few months after the war’s close, was $433,160,569. Secretary McCulloch, who succeeded Mr. Chase in 1864, recommended the retirement of greenbacks by the cancellation of a certain portion of those received in taxes. A law was passed to effect such a retirement at the rate of $4,000,000 a month, but this measure was repealed when the greenbacks outstanding had been reduced to $356,000,000.

One important service of the associated banks should be noticed before we examine the lurid picture of gold speculation. The first Government loan which came due after the birth of the legal tenders was a debt of $8,000,000, contracted in 1842. It was payable on January 1, 1863. The Government did not have the money on hand to pay it. It was a time of great anxiety. The year 1862 had by no means been a glowing record of Union successes. General Thomas had achieved an important victory in January at Mill Spring, driving the Confederates out of southeastern Kentucky; General Grant had captured Fort Donelson and won the battle of Shiloh; Rosecrans had defeated Price and Van Dorn at Corinth, and the capture of Memphis and New Orleans had given the Union virtual control of the Mississippi River. Lee’s army had retreated from Maryland after the battle of Antietam.\(^1\) But against these encouraging results were recorded the unfortunate Peninsula campaign of McClellan, who had succeeded General Winfield Scott in the command of the United States Army; Pope’s defeat in the second battle of Bull Run; “Stonewall” Jackson’s brilliant operations in the Shenandoah Valley, and the severe Union repulse at Fredericksburg in December. The stability of the Government was in question. It was imperative that it should pay its debts in gold. The Treasury officials debated till the last hour. Then Mr. Cisco, Assistant Treasurer of the United States, appealed to the bankers of this city. They furnished the required gold upon the assurance that the loan would be repaid out of the country’s revenues as soon as possible.

\(^1\)Antietam was the occasion of Lincoln’s conditional emancipation proclamation, which became effective on January 1, 1863, and gave freedom to the slaves in territory controlled by Confederate forces.
ing the Union, and the Gold Room activity lasted for twelve years after the actual end of the war. In addition to this wavering public confidence there was the natural tendency of an inconvertible and inelastic currency to depreciate whenever its bulk was too great for the normal needs of trade. Before the birth of legal tenders, if the country had a greater stock of gold on hand than it required, the excess flowed naturally to those parts of the world where it was most needed, and which indicated their need by stiffening money markets and by the ordinary fluctuations of foreign exchange. A lack of gold was naturally supplemented by an influx from abroad. In other words, things went on then just as they do now. But when the legal tenders appeared there came a change. These notes would be funded in bonds whenever the Government’s credit was high enough for its bonds to sell above par. But this privilege only lasted till July, 1863, and, counting it out, there was absolutely no means of getting rid of an excess of the greenbacks. They accordingly came to depreciate, and thereupon drove gold entirely out of circulation. Thereafter the fluctuating demands of trade were effective in lowering or raising the value of greenbacks, which were, it will be seen, the puppets of two entirely different currents of influence.

Depreciation of the greenbacks.

Unfair workings of the altered standard of value.

Depreciation of the country’s money, of course, worked a rise in the prices of everything else, gold included. But merchandise rose more rapidly than gold, for the merchant added an extra margin to cover the risks of the time. Wages, as they always do in a general rise of prices, advanced much more slowly than did the prices of most of the things the wage-earners had to buy. Farmers found that their produce, the price of which was fixed chiefly in the markets of Europe, did not receive a due proportion of the general enhancement. Creditors of every sort, from the widow with her little nest egg in the savings bank to the great money-lending institutions of a city, were cheated by the change, and the Government, putting out, at depreciated rates of value, the notes it must eventually redeem at par, was cheated most of all. Trade became a gamble. The gamester’s fever surged in the brains of the merchant, the banker, the professional man, and the salaried clerk. The same false measure that robbed one man enriched another, and, as in previous periods of the country’s history, prodigal expenditure marked the easy getting of wealth, including among its most shining examples the men who had fattened on Government contracts. The war stimulated an enormous production, and while property, to the value of billions of dollars, was being consumed in the work of slaughter the nation believed that it was highly prosperous. The period boded a reckoning as inevitable as nightfall, one which would provide a gloomy contrast to the garish light of luxurious living that seemed so desirable while it lasted.
THE financial requirements of the Government, in the time of Secretary Chase's administration, produced a new institution, which has proved a permanent benefit. This was the national bank system, created by the Act of February 15, 1863, which was amended in June, 1864. Mr. Chase deserves the credit of securing the passage of this measure. His support of it was based upon a desire to broaden the market for Government bonds. The new law compelled all banks maintaining a note circulation to secure their notes by these bonds. To do this they transformed themselves from State banks into national banks. As institutions of the latter class, they were obliged to deposit Government bonds, varying in quantity in proportion to their respective capitalizations, in the United States Treasury. Each national bank was privileged to issue its notes to an amount equal to ninety per cent. of the market value of the bonds thus deposited. The notes were receivable in payment of all dues to the Government except impost. The banks in certain designated cities, known as reserve cities, had to keep a reserve of lawful money equivalent to twenty-five per cent. of their respective capitalizations. For smaller cities the requirements were fifteen per cent. Any bank in a "reserve city" might keep one-half of its reserve on deposit in a national bank in a "central reserve city"—New York, Chicago, or St. Louis. The banks were forbidden to over-certify checks, and were obliged to pay a tax of one per cent. on the average amount of circulation outstanding. On the notes of State banks there was imposed a tax of ten per cent., which was, of course, prohibitive. These were the salient provisions of a measure of the first importance.
TRADING IN GOLD

Trading in gold was not popular on the New York Stock and Exchange Board even during the brief period in which it was tolerated. The members of the Board were bearish on the metal, with notable consistency, because their loyal support of the Government carried with it a belief that the Union forces were sure to succeed. Their tendency to sell gold freely, starting as it did before the greenback depreciation had become very marked, was not profitable in succeeding months, which witnessed an increase of the gold premium. Buying gold, the open evidence of distrust of the nation's credit, did not appeal to them as a mark of good citizenship, and before long they abolished all dealings in the metal on the Board.

No class of the community took a more loyal stand than the stock brokers of this city. On April 17, 1861, three days after the surrender of Fort Sumter, the Board passed these resolutions:

"Resolved, That we, the members of the New York Stock Exchange, impressed with a deep sense of the duty, which should animate every heart, of sustaining the Government of the United States in the support of the Constitution and laws, desire, in this period of public exigency, to give encouragement to the Government by pledging our fidelity to the Union, and our resolute determination to stand by it under all circumstances; and,

"Resolved, That a committee of five be appointed by the New York Stock Exchange, to cooperate with the Committee of Citizens of New York at a meeting to be held at the Chamber of Commerce this day."

On the following day the brokers voted $1,000 to the Seventh Regiment, about to start for Washington, and one day later passed resolutions com-
mending three members of the Board, B. M. Nevers, Peyton Jaudon, and Frank Jaudon, who marched away with the Seventh. On April 20th the organization committed itself as follows:

"Resolved, That, in the present condition of the country the Board will use all the money in the treasury to sustain the Government."

On May 11th the Board forbade its members, under pain of expulsion, to deal in securities of any seceding State, issued subsequent to its rebellion. There was an active market on, and the brokers certainly could afford to do without the issues thus put under the ban. They showed no inclination to admit too many new members into their organization. In 1861 twenty-nine candidates were voted for, seventy-six ballots being taken, and only seven new members were elected. Business was so brisk that it was possible to make a handsome income at a lower commission charge than one-quarter of one per cent., the minimum previously made binding. It had been cut on many occasions, and the Board in this year substituted for it the present commission charge, an eighth of one per cent.

Less than a hundred members were accustomed to gather at the sessions of sixty-one. W. R. Vermilye was president of the organization. Lord’s Court, the Board room (which was approached through intricate passages), was a crowded scene on busy days. The rostrum, at one end of the chamber, ran nearly the length of the row of four high, arched windows behind it. Above the head of the presiding officer hung an American flag, fixed to a staff projecting from the midst of the drapery with which the windows and wall were festooned. Tables ornamented with inkstands ran lengthwise through the room, and here sat members scribbling memoranda or following the bids and offers as each security was called. Others crowded into the spaces between the tables, and each man rose from his seat whenever he had occasion to take an active part in the market.

The chimney-pot hats of the decade previous still flourished, though a trifle lower in the crown. They contrasted here and there with soft, round specimens of headgear, resembling somewhat the flat, black hats, now favored by a portion of the clergy, and most conveniently designed to skim through the air with buoyancy and speed when tossed away by a facetious neighbor. Practical jokes enlivened the monotony of a dull period of trading, and a serious man would have cause to wonder betimes at the levity of his fellows, being thoroughly disgusted that he could not enjoy a quiet discussion of the money market or the latest news from the front without learning that some light-witted member had pinned an unseemly poster to his respectable coat-tails.

1 See illustration on page 120.
Adjoining the Board room was a sort of annex, leased by an outsider, and known as Goodwin’s room, where certain affiliated operators revelled in a speculation of their own. A delegate from this body, for a consideration, was permitted to occupy a high stool in the vestibule of the Board room and listen through the keyhole to the dealings taking place within. He would shout back the successive quotations to his associates in Goodwin’s, and on this basis their market was conducted. The members of the Board looked down, from an immeasurable height, upon the motley crowd in the annex; but this troubled the outsiders very little.

Two kinds of speculation in Goodwin’s room.

“Larry” Jerome, afterward famous as a wit and good fellow among the members of the Board, was a leader in the annex coterie. When things were dull, he and others who shared his happy spirits betook themselves to the consolations of “crack-loo”—pitching half-dollars at a crack in the floor, upon the understanding that the best marksman won the stakes. Excitement waxed warm over “crack-loo,” but the sport was likely to be interrupted at any moment by a spurt of market activity, which would draw the participants back into the whirl of stock speculation. The securities mart having again relapsed into quiet, Jerome and his friends would return to their trials of skill, and play as hard for fifty-cent stakes as they had played a moment before, when thousands of dollars were involved.

A third market was afforded by the open street, where all who cared to buy or sell met in a promiscuous throng and kept stocks active between the calls. The meeting place was in William Street, between Exchange Place and Beaver Street. This market differed from the curb of to-day, for it was not confined to securities unlisted on the Exchange. It was, in fact, used by members of the Board (many of whom were elderly, prominent and influential men and heads of firms) to execute orders which could not be attended to at the calls. With the broadening of the public interest in the speculative movement this street mart expanded. The Board members, who felt that they had performed as much physical work as was compatible with age and dignity, when they had marched solemnly into Lord’s Court before every call—each man followed by a youth who bore a formidable book for the chronicling of transactions—and marched back again afterward, placed their curb orders in the hands of younger and nimbler brokers. Between the calls in their respective offices the members had their record books displayed to the view of customers. If any one possessed of sufficient capital was inspired by a study of the record to undertake an immediate venture in the market, his order would be promptly transmitted to William Street. During the calls the street market was suspended. No record of its transactions was kept by any one; but they were admittedly of enormous scope,
for they constituted the only continuous trading in this city at a time when the Northern public seemed to have gone fairly wild over speculation, while Southerners who had come North to await the cessation of hostilities added to the excitement by their bold operations in securities and gold.

The Stock Exchange, as it was generally known at this period—the title of the organization was changed from The New York Stock and Exchange Board to The New York Stock Exchange on January 29, 1863—was managed during war times on very different lines from those of to-day. In place of a governing committee the Exchange formed a committee of the whole in all matters of legislation. Questions to be voted upon were brought up directly after the morning call, at a time when every member was anxious to hurry back to his office, see his customers, and make arrangements for such orders as were to be executed in the street. As a consequence very few waited to unite in judgment upon a pending proposition. When any measure had been passed which aroused extensive antagonism, its opponents would agree upon a day in which to remain for the legislative session and carefully undo what had just been done. This made it look as if the Board did not know its own mind. Every applicant for re-admission and every case for arbitration had to come up before a special committee, whose reports were acted on by the Board at secret meetings. The only standing committee was the “Committee on Securities,” which passed on stocks and on bonds. Neither ticker nor Atlantic cable as yet was at the service of the brokers. Until 1864, when the present practice of delivering by certificate was adopted, every sale of shares had to be consummated by a transfer on the books of the company concerned, and brokers were forced to crowd the transfer offices late in the day to attend to this annoying detail. Seats on the Board, were remarkably cheap by contrast with the prices they now command. “In October, 1861,” says ex-President Eames, “the Treasurer of the Board, Mr. James W. Bleecker, died, and his right to occupy a chair in a desirable place was put up at auction, for charity, and sold for $460. The Board decided that a member’s right to occupy a particular seat continued for life. A desirable seat was subsequently sold for $1,000.”

The initiation fee was raised in 1864 to $3,000, except for those who had been clerks to members for at least three years. For these applicants it was $1,500.

The lack of provision for a continuous market of its own was a serious defect in the Board’s management. Naturally conservative in their views, the members were little anxious to conform their methods to the demands of the new era, and those demands were supplied by other agencies. The “Coal Hole,” the Open Board of Stock Brokers, and the evening exchanges

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were evolved out of the popular speculative excitement. Men were not satisfied with normal working hours. They rushed into the arena from a hurriedly snatched breakfast, shouted and wrestled throughout the day, stealing a few moments to sustain vitality and encourage indigestion at a lunch counter or restaurant, and renewed the desperate tension in the evening, prolonging it till long past the hour when wearied bodies and shocked nerves demanded respite and an opportunity to prepare for the next day's trials. It was a killing pace, and the marvel is that it was kept up so long. Nowhere was it so fast or furious as in the famous gold market, which for the last quarter of a century has been, fortunately, nothing but a memory. Of this the character and accompaniments, for reasons already explained, call for description before advertting to the other evanescent phases of speculation that characterized the sixties.

Long as the banks were paying out specie, a premium on gold was, of course, out of the question. But the greenback depreciation started almost immediately after the fateful December 28, 1861. The events that led up to the suspension, and the causes that impelled the depreciation, have already been outlined. Early in January the public noticed that the dealers in bullion were demanding a small premium for gold over their counters. An unpleasant consciousness that this premium had come to stay seemed to pervade the public mind at once, and, despite the impossibility of knowing just what it presaged, the speculative world, at least, comprehended its importance. A few days later a new commodity was added to the list of the vehicles of speculation on the Stock Exchange—American gold. On January 13, 1863, were recorded the first sales of gold at the Board, the prices being 103 regular, and 102¾ and 102¾ seller, thirty days. The prices established at the calls were used during several succeeding months for the dealings "over the counter" in the precious metal.

Board members became disgusted with this class of business when they found it impossible to combine a loyal disposition to sell gold with a natural desire to make a profit, and the new commodity was exiled. But a market for it was imperative. The greenback depreciation had begun and was extending. The question was not whether it ought to exist; it did exist. Bullion dealers realized the necessity of a common meeting place. Having been shut out of the Stock Exchange, they drifted naturally into William Street, and double-eagles circled and eddied amid the flotsam and jetsam, the solid securities, and the wild-cat shares of the busy market curb. Early in 1862 the Coal Hole was established. It was a gloomy base-
ment at No. 23 William Street, to which any one might find entrance who paid the lessee a certain annual subscription. Calls were begun here for the benefit of brokers who were not members of the Stock Exchange, and the consequent transactions were reported in the newspapers as "Sales at the Public Stock Board." Gold dealing soon became a dazzling feature in the Coal Hole business. But it outgrew the narrow limits of a dingy cellar. In 1863 the specialists in the precious metal migrated to a place set apart for their exclusive use, Gilpin's news room, or reading room, at the southeast corner of William Street and Exchange Place. Free and easy methods still prevailed. Any one who paid $25 a year for the privilege, and showed a willingness to fulfill his contracts, might trade in Gilpin's room.

An understanding of the character of the gold speculation must be reached from a special point of view. It was based, of course, upon the fluctuating value of Government credit, as expressed in the legal tender notes, and its popularity was widespread, not only because it afforded such rapid fire action, but because the uncertain quality of the public money increased the speculative element in all legitimate business and turned men naturally to gambling. To be accurate, the trading in gold was really trading in the proportionate values of two things, the metal and the Government's promise to pay metal. Generally speaking, the former was stationary in price and the latter fluctuated. The stable quality of the price of gold is notorious, and has specially fitted it for the part it plays in the world's industrial system. So we must consider that the buying of gold was really the selling of greenbacks in the expectation of a decline in Government credit. But the profits or losses of the transaction were measured in the fluctuating commodity, if the greenbacks may be so termed. Furthermore, the dealing was complicated by the fact that gold might and did fluctuate, at times, just like any other form of wealth. It could be cornered, and it was cornered. While the items of news which required the attention of the Gold Room were principally those affecting the condition and future of the Government credit, still those which might influence the price of gold as a commodity had also to be borne in mind. In fine, this speculation differed from all other kinds. It consisted of gambling in the proportionate values of a comparatively stable metal and a highly fluctuating kind of paper, each subject to artificial depressions and enhancements, the profit or loss being commonly measured in the fluctuating paper.

In addition to the immediate effects of Gold Room speculation, it had an importance to the country at large never paralleled by any other sort
of dealings. The fluctuations of the legal tenders concerned every man who had a direct connection with the business world; in other words, everybody but paupers, beggars, inmates of prisons, and the insane. The laboring man and the salaried clerk watched the ascending quotations for gold with dismay. For these it meant that they could buy less with what they earned than formerly, for merchandise rose even more rapidly than gold, and wages rose more slowly than either. The wage-earning classes could only look and hope. It was virtually beyond their power to aid themselves. But the merchants, manufacturers, jobbers, planters, and professional men, those who could regulate the prices of what they had to sell, followed the course of gold, in order to determine what they should charge. The eyes of the nation were therefore upon the Gold Room, and an artificial movement in the price of the metal disturbed the business arrangements of the country. In the face of all this disturbance there appeared to spring up a new era of prosperity. It was not fairly shared by the workingman, a fact which alone sufficed to demonstrate its unsound character, but the business man revelled in it. The Government was producing it by consuming enormous supplies, amounting in 1865 to the equivalent of more than $3,000,000 a day, while removing from the number of available workers a vast body of men. It was paying big prices for what it had bought, and piling up a mountain of debt in order to do so. All this meant inflation of a wholesale character, which must eventually result in contraction. The public debt, sooner or later, would have to be paid by the public. But while the people were accumulating powder for the explosion of 1873, they seemed to think that they were enjoying a healthy and delightful prosperity. They indulged in lavish expenditures, led by the class which the cheating greenbacks had robbed others to enrich. Fine equipages, fine gowns, fine jewels, and fine dinners were the order of the day in the metropolis. The florist, the milliner, the purveyor of costly trinkets and rare perfumes, found a ready market for their wares. They wondered why they had never guessed how profitable a thing it was for a nation to go to war.

Through the conflict the heaviest speculative orders in gold came from Washington. Inasmuch as the great controlling factors in the price of the metal were the success or failure of the Union arms, those who were in a position to know promptly the result of battles had an immense advantage in point of speculation. Politicians, war correspondents, and personal friends of Government officials shared in this privilege and waxed fat at the expense of operators less desirably equipped.
Tickets used by local tradesmen for small change.
more and Louisville, both in close touch with the rebel lines, also were accustomed to flash heavy orders across the wires. The "underground railroad" became a pet phrase of the day. It designated the peculiar sources of advance information as to the war's progress which some operators had at their command. There was naturally a great deal of misinformation in the air. A certain youthful gold broker, who was for many years afterward a well-known member of the Stock Exchange, was accosted about noon one day near the Gold Room by a pair of operators on their way to Delmonico's:

"Hello, Blank!" said one of them, "how are double-eagles now?" "Selling about 140," was the answer. The operator gave a heavy order to sell double-eagles, bearing in mind an important piece of advance information relative to a Union victory, and departed for luncheon. Unfortunately, the fact was that the battle just concluded had resulted in a Union defeat. An hour later the broker met the pair of friends returning from their mid-day meal, in a contented frame of mind. "How're double-eagles?" "Hundred and sixty," was the laconic rejoinder. It was a bad smash-up for the operator's underground railroad.

Gold had risen to 120 on July 21, 1862, the Peninsula campaign of McClellan having done much to disquiet Northern minds. By December 4th it had risen to 134, and on January 31, 1863, it sold at 160. The Washington party were now actively at work, and their favorite broker became known to the speculative public. It was even alleged that one private secretary at the national capital, whose position often enabled him to get live news many hours ahead of the public, made a fortune, without capital, by simply telegraphing his New York brokers at opportune moments to sell or buy, and trusting to their integrity. Having a brief vacation, he took a train for this city one day, and learned, at the office of these brokers, that he had netted a fortune of $280,000. Extravagant stories, however, were the order of that day.

In April, 1864, Secretary Chase sold several millions of gold in this city, putting the proceeds into the Sub-Treasury. This operated in two ways to break the stock market. The fall in the price of gold, which carried down all sorts of merchandise, also carried down stocks, and the locking up of so much money in Government vaults produced a stringency. The result was the Morse panic, of which we shall hear something later. Mr. Chase's action was due to the desire to help Government credit by lowering the gold premium, but the bulls soon had the metal on the ascent again. On June 17, 1864, thirteen days before Mr. Chase resigned, Congress passed a measure which he had instigated and which was designed to kill

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the gold speculation. It prohibited the sale of gold, unless the seller had it and delivered it the next day, and also forbade the purchase or sale of foreign exchange to be delivered more than ten days subsequently, and the loan of greenbacks to be repaid in coin or bullion, or vice versa. No purchase or sale of gold, bullion, or foreign exchange could be made except at the ordinary place of business of the buyer or seller. A fine of from $1,000 to $10,000, or imprisonment for from three months to a year, or both, awaited the violation of any of these provisions.

Mr. Chase designed this measure to shut up Gilpin’s news room, and it accomplished the purpose. He believed that the price of gold was being shoved up by malicious speculators, and that if the Gold Room were closed the metal would fall in value. Apparently some others thought so, too—the Washington party, it is likely—for gold was sold very heavily short. Gold stood at 198 on the day the measure passed. The next day it reached 208, to the consternation of the bears, and the following day it touched 230. On June 21st the measure became actually effective, and the Gold Room was closed. Before the end of the month the price reached 250.

Congress became alarmed at the spectacle of a gold market refusing to be regulated by statute. The Act, which had seriously hampered legitimate commercial buying, was repealed on July 2d, but the corner was doing its work. Gold had risen on the previous day to 285, and reacted to 225 on the news that the bill was to be repealed. On July 11th it again reached 285, the highest price in the history of the Gold Room. After the adjournment on that day it soared to still higher prices. William Limerick, a banker from Lexington, Missouri, paid 310 for gold, to the amount of $100,000, under the evident belief that the country was going to the dogs, and that he must do what he could to save a remnant of his fortune. The bulls had been encouraged in their efforts by the fact that they construed the repeal of the Act as a Government defeat.

Grant’s campaign against Lee in Virginia had started in May, and the difficulties he experienced in the Wilderness and at Chickahominy had produced a feeling of discouragement in the North; but the high price of gold did not merely reflect this feeling. It was the result of the corner. By the end of September the figure had fallen to 191. By November 9th it had reached 260 again; but Sherman began his famous march to the sea, cutting off Lee’s source of supplies, and gold never afterward rose to that figure.

On October 1, 1864, the gold brokers removed to a room at the north-east corner of William and Beaver streets, which E. O. Read and John

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Bloodgood had leased. The lessees charged $200 a year for admission to the chamber. On October 14th the holders of the "Read and Bloodgood" tickets organized under the title of the New York Gold Exchange. Outsiders who were elected paid an initiation fee of $200, which was eventually raised to $2,500, the fee for broker's clerks being $1,500. The first officers were: Henry M. Benedict, president; Thomas P. Akers, first vice-president; Randall H. Foote, second vice-president; Joseph Win Moses, secretary; Theodore Gentil, treasurer; S. S. Laws, moderator. Mr. Akers had been a member of Congress from Tennessee, and at one time was a Methodist preacher, noted for zeal and eloquence. He possessed a powerful physique, and a contemporary narrator tells us that he used to amuse the Gold Room a few years later, whenever trading was dull, "by taking a fair-sized man lightly on the palm of his hand and holding him at arm's length," while he himself remained seated in his chair.

The fall of 1864 and the succeeding winter were busy with gold speculation of a startling character. New operators added themselves to the market. Fluctuations in the price of gold were violent, and a few men cleared large fortunes. William L. Hoblitzel sold $1,000,000 in a single block in September, and covered at great profit. E. A. Corey was noted for his successful bear campaigns. John M. Tobin, a financial ally of Commodore Vanderbilt, Charles Kearney, S. T. Suit, and Dr. Shelton, were among the keenest traders in the metal. The Gold Exchange fixed its office hours at from 10 o'clock in the morning to 3 in the afternoon. The closing hour was frequently altered afterward, and members dealt when they pleased. Deliveries were made at first in bags of coin, each containing $5,000. The average messenger could carry two of these bags, and a strong man could handle four. It was an awkward method of delivery and a hazardous one. Upon a certain occasion, long remembered by the witnesses, the bag which a messenger was carrying burst and a wealth of yellow metal poured down into the street. Not a single coin was lost. The brokers who chanced to be at hand formed a ring about the embarrassed carrier and he was able to get together the entire amount of his freight.

The danger of robberies and the frequency of delayed deliveries—for the supply of gold was small in proportion to the volume of speculation—demanded some sort of reform. The Gold Exchange enacted a penalty of one-quarter of one per cent. for failure to deliver at 2:15 p.m. In December, 1864, the Bank of New York opened gold accounts. Any one who paid a bonus of $1,000 for the privilege might deposit gold with the bank and draw against it by

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means of a special check, across the face of which the word "Gold" was
emblazoned in bronze letters of old English type. These checks, when
bearing the signature of the drawer and the certifications of the bank
officers, were good deliveries in the Gold Exchange, and were also available
as collateral for loans. The spectacle of messengers laden with sacks of the
yellow metal disappeared once and for all.

In March, 1865, Congress taxed all sales of gold one-tenth of one per
cent., afterward reducing the tax to one-hundredth of one per cent. Reven¬
ue stamps, pasted on the sales tickets, were the means of payment. Deal¬
ing in the metal was now at its height, and ten per cent. fluctuations in a
single day caused no amazement. An indicator which showed the public
each price at which a new transaction was made had looked out on William
Street, when Gilpin's news room was the theatre of action, and, when the
change to the room at William and Beaver streets was made, this useful
institution was retained. It was the practice of a crowd of hangers-on in the
street to bet on the prospective gyrations of the indicator.

One of these was accustomed to hold an occasional cock fight
in his office after the hours of trading were over for the day,
and, by dint of a little shrewd gambling on the birds, could
recoup himself for losses incurred in vain attempts to prog¬
nosticate the values of greenbacks. The Gold Exchange took a lease of the
premises at Nos. 12, 14, and 16 New Street, with an approach through
No. 14 Broad Street, on May 1, 1865, but did not occupy the place until
August, as alterations of an extensive sort were necessary to make it
suitable. The rental was fixed at $25,000 a year for the first five years.
For the second five years it was to be $16,000 annually, the Gold Exchange
apparently believing that speculation in the metal was likely either to
cease between 1870 and 1875—in which case the members would have to
sublet their quarters—or so to dwindle, at any rate, as to make it imprac¬
ticable to pay as large a sum as they could afford to pay in 1865.
XI

PHASES OF WAR-TIME SPECULATION

If the commercial and financial history of the country during the period of the Civil War teaches anything, it teaches the inevitable and extravagant tendency to speculation which is bred by an unnatural state of trade. Such a calamity as the success of the greenback party, or the carrying into effect of free silver theories, would no doubt give rise to another era like that of the sixties. Any change which transformed everyday business into a game of chance, either by annihilating the stable character of money, or by some other means, would of course make gamblers out of the community at large. The issue of legal tenders, and the extraordinary consumption of wealth caused by the war, united to bring about such a result. The evanescent theatres of speculation which arose will repay our close scrutiny, not only because they interest the lover of the picturesque in history, but because they show the fruits of faulty economic measures.

The gold market has already been discussed, but its importance will demand a frequent return to it. About half of the brokers on the Gold Exchange (which included, in October, 1866, 437 active and 117 associate members) belonged to the Stock Exchange also. Another influential organization, many of whose members were represented in the gold mart, was the Open Board of Stock Brokers, a union of the responsible dealers who had not obtained admittance to the Regular Board, as the Stock Exchange was called. The two bodies were merged in 1869.

The Open Board came into being before the Stock Exchange had adopted a continuous market. The strenuous dealers on the curb, to whose hands the Exchange committed orders for execution between the calls, formed its nucleus. From the open street they went to the Coal Hole. Their business grew astoundingly. In 1863 they removed again, this time
to the northeast corner of William and Beaver streets (the present home of
the Farmers’ Loan and Trust Company), which was subsequently occupied
for a time by the gold brokers. Irresponsible men mingled in the crowd of
dealers here, and contracts undertaken with them frequently resulted in
losses. A number of men united on December 21, 1863, to wipe out this
and other defects by the creation of a new organization, and subscribed to
the following agreement:

“We, the undersigned, hereby associate ourselves together for the
formation of a Public Stock Exchange in the city of New York, with the
understanding that as soon as fifty subscribers shall have attached their
names hereto, a meeting shall be called to take measures to complete the
organization upon a basis which shall meet the wants of the community.”

Fifty subscribers were soon secured. Early in the following year meet¬
ings were held to carry out the provisions of this agreement. On March
16, 1864, a constitution was adopted, the new body taking the name,
“Open Board of Stock Brokers.” It provided for the admission of the
public to the Board Room, something which the Stock
Exchange had never seen fit to allow, and established an
Executive Committee to supervise the interests of the organi¬
ization. In this month the Open Board took a lease of Nos. 16 and 18 Broad Street. While these premises were being
altered for its occupancy, the new organization used an upper room at
No. 11 Broad Street, beginning business on May 2d. The first officers were:
Samuel B. Hard, president; S. S. Joseph, first vice-president; H. A.
Tucker, second vice-president; W. M. Parks, treasurer; W. T. Hooker,
secretary; B. F. Gallagher, assistant secretary; W. B. Bishop, roll-keeper.
Mr. Hard was chairman of the Arbitration Committee. The new Board
room at Nos. 16 and 18 Broad Street adjoined on the south the entrance
to the quarters of which the Gold Exchange obtained possession in the
following year. The Open Board fixed its initiation fee at $500. This was
eventually raised to $2,000; but in November, 1868, when the memberships
became salable, it was put back again to $500. The members were seated
during the calls, which were held at 1 o’clock and at 3:15 in the afternoon,
a 10 o’clock morning call being added some time later. Between these
periods the Board held a continuous market on the street, which gave
way, in December, 1865, to the “Long Room” of the Stock Exchange’s
new building.

The removal of the New York Stock Exchange from Lord’s Court to
the structure which was its home until demolished, in 1901, to make room
for the present edifice, took place on December 9, 1865. The New York
Stock Exchange Building Company—with stock subscribed by members of
the Board only—had erected this structure at Nos. 10 and 12 Broad Street, running through to New Street, and had leased to the Stock Exchange a room on the second floor, seventy-five feet long on New Street, and fifty-three feet wide. On this occasion the Exchange first yielded to the new tendency so far as to admit the public to
its Board room. It did not provide, however, for a continuous market. George W. McLean and others combined to make up for the defect. They leased, for three years, from the Building Company, the ground floor—known thereafter as the “Long Room”—and charged an annual subscription for the privilege of trading in it. This room was forty-five feet wide and about one hundred and forty-five feet long, running clear through from Broad to New Street. Telegraph offices were installed near the Broad Street end. Members of the Stock Exchange, of the Open Board, and of the unorganized fraternity of nondescript brokers met in speculative strife within the confines of the “Long Room.” Here the vast business of trading in securities was done, for the sales at the calls were small in comparison. In 1867 the Exchange established a Government Bond Department, assigning it a room in the northerly end of the New Street front. Any approved person could obtain admission to it by paying $100 a year. The subscribers became permanent members in June, 1868, an initiation fee of $500 being adopted. Six months later this was raised to $1,000. Meanwhile this New Street room had been exchanged with another young organization, the Mining Exchange, for what became known as the “Bond Room.”

The “Long Room” and the Government Bond Department.

The Mining Exchange was the crystallization of another speculative movement which requires attention before we examine the evening markets or return to the excitement of the Gold Room. Some reference has been made to the ephemeral organizations formed in the late fifties to deal in mining shares. On March 21, 1864, forty-one brokers met in the office of J. B. Norris and organized the Mining Board of New York. John Simpkins was its president. Almost all of the subscribers were Stock Exchange members. An initiation fee of $250 was established, and the Mining Board took up its abode in Gilpin’s news room, at the southeast corner of William Street and Exchange Place, after the Gold Room vacated the premises on October 1, 1864. Thence it travelled to No. 12 Wall Street, and later to a cheap and dingy room at No. 7 New Street. Here the magic process of working up the shares of unknown mining companies—the chief assets of which were credit at a job printer’s and faith in American prosperity—gratified the eyes and in time appropriated the cash of the beholder. “Minnesota,” “Evergreen Bluff,” “Quincy,” and “Central”—these are the names by which some veterans of Wall Street conjure up the memories of attractive and now exploded bubbles that were believed to represent real value forty years ago.

Meanwhile Drake’s discovery of petroleum in western Pennsylvania had borne golden fruit. The age of Coal Oil Johnny had begun. An
immense class of illiterate men, suddenly entrusted with a wealth which dazzled them by its newness, were amusing and startling civilization in their efforts to get rid of it. They descended upon New York, not like the locusts which plagued the Egyptians, but like a swarm of gaudy butterflies, each released from the chrysalis by the touch of oil. The “one-gallus” man who had been wont to drive his knife into the general pat of butter, and to harpoon a desired slice of bread with his fork, now dipped his hands into the scented finger-bowls of the fashionable restaurant, while glancing sheepishly at the neighboring diners from the corner of his eye. He endeavored to substitute French wines for the red liquor that was the solace of humbler days, and the haberdasher, the jeweller, and the perfumer received visible evidence of his wealth. The public likewise received it and fell to speculating in the shares of petroleum companies, in the expectation of finding like fortune. An immediate result was the formation of the Petroleum Board, which held its first meeting on October 3, 1864, at Nos. 16 and 18 Broad Street, the headquarters of the Open Board of Brokers.

Samuel B. Hard, the first president of the Open Board of Brokers, was elected president of this organization, and Edmund C. Stedman, secretary. An initiation fee of $250 was adopted, and members of the Stock Exchange proved eager to pay it. The trading started with the call of eleven stocks: Germania, Titus, Manhattan, Rynd Farm, Delameter, Rock Oil, and others, but this number grew to about thirty-five. The stocks kept pushing upward, and tales of great profits served to augment the crowd that dealt in petroleum. These shares, like other shares, could move down as well as up, a fact which will become apparent by a glance at the following table of prices:

<table>
<thead>
<tr>
<th>Companies</th>
<th>Bns, 1865</th>
<th>Bns, 1869.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bennehoff Run,</td>
<td>$21.00</td>
<td>$0.40</td>
</tr>
<tr>
<td>United States,</td>
<td>40.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Pithole</td>
<td>18.00</td>
<td>1.50</td>
</tr>
<tr>
<td>Central</td>
<td>100.00</td>
<td>75.00</td>
</tr>
<tr>
<td>Rynd Valley,</td>
<td>8.00</td>
<td>5.35</td>
</tr>
</tbody>
</table>

On January 1, 1866, the brokers in mining and oil stocks united, forming the Petroleum and Mining Board. The room in the new Stock Exchange Building, which later became the “Bond Room,” was leased. Many new members were brought in and the initiation fee was raised to $1,000. In no other theatre of speculation did promoters reap more success with the airy products of their fancy. The public bore enthusiastic testimony to the truth of the maxim that it delights to be humbugged. Corners in worthless shares were easily

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arranged. Some operators were induced at one time to sell the stock of the Napoleon Oil Company short. The promoters of the concern then forced the price from $2 to $32 a share. Bankruptcy stared many an unfortunate broker in the face. Appeal was taken to the courts, and it was discovered that the property of this company, which claimed to own much valuable land in Kentucky, actually consisted of a number of choice samples of petroleum in glass jars, the lease of an office, and a moderate amount of capital invested in pens, paper, and ink. Another striking collapse was that of the four companies floated by George A. Freeman, John J. Osborn, and William H. Forbes. These were the New York & Nevada Gold and Silver Mill and Mining Company, the New York & Washoe Mining Company, the New York & Reese River Company, and the New York & Sante Fé Mining Company of Nevada. The first three had an aggregate capitalization of $3,160,000, and the fourth had a paid-up capital of $700,000. These concerns enjoyed a flourishing market career until some unfortunate litigation disclosed the fact that the promoters had used the cash capital of the New York & Santa Fé company, to the amount of $512,000, with which to pay the dividends on the stock of its yoke fellows.

Such eccentric methods quickly tended to discourage speculation in oil and mining shares. Half of the brokers had quit the organization by the summer of 1867. The Petroleum and Mining Board removed to cheaper quarters in New Street, and thence to No. 37 Broad Street—where its sessions were held for some years.

A phenomenon of war times was a more pointed illustration of the speculative frenzy that had taken hold of the minds of men than the evening market for gold and securities. It was the practice in those days for a broker to ride downtown in a stage directly after an early breakfast—scanning market reports in the newspapers on the way—then trade until the hour for luncheon, when he would hurry out for an indigestible mouthful, return to keep at his heart-breaking pursuit till nearly 6 o'clock, ride uptown to dinner, discussing stocks on the way, finish his evening meal with unwise haste, and then set out for the nightly market, where he would continue to trade till past the hour at which he should be in bed. The next morning saw the frightful treadmill in motion again. In 1862 the brokers were accustomed to meet in the halls and reading room of the Fifth Avenue Hotel. Naturally the proprietors disliked the noise and confusion this gathering caused, but they held their peace for a time, evidently hoping that they would be more than compensated for the trouble by an increased
traffic in liquor and cigars. One of the operators leased quarters at the northwest corner of Fifth Avenue and Twenty-third Street for a time, that portion of the Fifth Avenue Hotel building now occupied by the Second National Bank; but this place was not very popular, and the market returned to the hall and reading rooms of the hotel in January, 1863. The trading grew in volume. Stock sold frequently to the extent of ten thousand shares at a time, and the gold dealing was proportionately large. The hotel proprietors concluded that they could stand it no longer, and posted a notice which put an end to the nuisance.

The basement under the previously occupied corner of Fifth Avenue and Twenty-third Street was now secured, and here the evening market flourished until March, 1864, when R. H. Gallagher obtained a lease of the Republican headquarters, at the southeast corner of Broadway and Twenty-third Street, and the brokers took up their abode in this place. Mr. Gallagher's venture was a financial success. There were several minor evening exchanges, but his overshadowed them all. He decided to make his institution permanent, and accordingly leased the plot on the south side of Twenty-fourth Street, west of Broadway, now occupied by the Madison Square Theatre, and erected upon it a two-story building with a marble front. It measured forty-five feet on the street and was ninety-six feet deep.

On Palm Sunday, April 9, 1865, the great civil struggle was virtually settled by the surrender of Lee to Grant at Appomattox Court House. The market had been buoyant previously. It was now exultant. In the face of a drop in gold of about four per cent., bringing the price down to 145 1/2, which was a thoroughly reasonable movement, railway stocks rose two to three per cent. On the day following Lee's surrender trading began in Gallagher's new building on Twenty-fourth Street. The proprietor noted complacently that subscriptions had been entered for almost all of his two hundred and seventy-six seats, for each of which he charged $250 a year. He little surmised that the institution was to flourish only four months and a half.

Good Friday, April 14th, was a stock and gold holiday in this city. At 9:30 o'clock that evening the fanatical Wilkes Booth horrified the civilized world and plunged a nation into grief by shooting President Lincoln at Ford's Theatre in Washington, whither the Executive had gone with his wife and some friends to see the play, "Our American Cousin." The same day an assassin entered the sick chamber of Secretary Seward, of the War Department, and made a fruitless effort to kill him by stabbing him in the throat and face, while Frederick Seward, the Secretary's son, received a fracture of the skull in the endeavor to protect his father. Abraham
Lincoln died at 7:22 o'clock on the following morning, Saturday. On that day the Stock Exchange and the Gold Room held broken sessions. A number of hungry speculators, little impressed by their countrymen's loss, or by the pathos of Lincoln's death at the moment when victory had crowned four years of toil and anxiety and set its seal upon the mouths of malcontents, could not overlook a chance to make money, and bought gold freely that Saturday morning. They expected that the assassination would injure the national credit. They paid between 153 and 160 for the metal. Gold opened on Monday, April 17th, at 153, and ran down to 148. A newspaper editor at the time calculated that the shrewd gamsters who hoped to profit by the killing of the President had sustained an average loss of about ten points, just enough to wipe out an average margin.

The Evening Exchange, as well as the daytime exchanges, enjoyed but a moderate speculative activity during the days immediately succeeding the national calamity. But when Lincoln's work and woe had yielded to a quiet bed in the grave, and the dazed country had begun to piece together the fragments of his utterances and to realize its loss—when the lips of the defamer, the critic and the time-serving politician had learned to fashion themselves to the universal words of praise for the dead, and to join in the recognition which came too late to be heard by the man who had earned it, the speculative market again proceeded to take its accustomed course. The revelry of the Evening Exchange once more gave vent to the public spirit.

Much curiosity has been expressed from time to time as to the volume of business in stocks and gold at this period. The population of the country was not more than about 35,000,000, considerably less than half of what it is to-day, and certainly there were only about 20,000,000 persons from whom New York, as a speculative centre, could draw, as against some 80,000,000 now. Yet in the year ending June 30, 1865, the brokers of this city transacted an annual business in stocks and gold amounting to $6,000,000,000; in other words, $20,000,000 a day, counting three hundred working days to the year. A dollar changed hands every day in the speculative market in this city for every white man, woman, and child in the loyal population of this country.

These figures are obtained from the returns to the Internal Revenue Department, there being at the time a tax of one-tenth of one per cent. on gold sales and one-twentieth of one per cent. on stock sales. In the list quoted, Hallgarten & Herzfeldt stood first, with a yearly business of $169,232,939; Gentil & Phipps were next, with $160,901,551, and E. Morrison & Co. third, with a business of $153,163,670. All three of these firms appear to have been connected with the Open Board of Brokers.
William H. Miller was at the foot of the list, having been in business for one month and made sales to the amount of $200.

These figures are of use in understanding the rage for speculation that brought a temporary prosperity to the Evening Exchange. It attracted a dense crowd each night. The curiosity seeker might enter beneath the sculptured heads of bulls and bears, which adorned its marble portals, by paying an admission fee of 25 cents. He need climb but one flight of stairs to reach what was known as the "Gold Room," though it contained both gold and stock markets—a large hall surrounded by high, arched windows, kept open during the hot weather, and with a rose window at the back. A newspaper writer of the time, after a visit to this chamber, thus described it: "A row of arm-chairs runs along the wall, providing seats for the irregular attendants, while a balustrade divides the room and sets apart a number of fauteuils for which members of the Exchange pay the moderate rent of $250 per annum, this stipend giving the business man the privilege of gambling by night as he had already gambled by day. Beyond the balustrade stands the mob—if there can be any distinction between the classes of society that attend the operation of their betters, from a pecuniary point of view, with considerable anxiety and unfeigned jealousy. In the midst of the reserved seats is placed the tribune from which the names of the stocks on speculation are being called, while the brokers are responsive from below."

The doors of the Evening Exchange were thrown open at 8:30 o'clock each night, and fifteen minutes of confusion usually elapsed before the actual trading began. It went at a rapid pace when once started. "The frantic speculators," says the eye-witness already quoted, "rushing from their seats, crowd down the aisle, and the wave surges against the tribune; the madness is universal." It was no uncommon thing to see one broker seize another by the arm or shoulder and shake him furiously, either in remonstrance or in an effort to get his attention. The rushing together of contending bodies, the uplifting of waving arms and hungry, oscillating fingers, the mingling of a multitude of eager voices which agitated every note in the gamut of human expression, the symbols of avarice, anger, pain, joy, hope, fear, cunning, exhaustion, and stupefaction upon scores of distorted faces, all these bore testimony to the energy of the market. One section of the room was set apart for the gold dealers, who met beneath a gallery to which was attached a black frame for the display of price fluctuations. These brokers gathered around a circular balustrade, which answered the purpose of a pit and enabled them to hurl bids and offers across the enclosure without the danger of bodily contact. At 10 o'clock in the evening stock and gold markets ended, and the weary speculators
sallied from the building, their nerves quivering and their brains teeming with the excitement of the night.

The Evening Exchange came to an end shortly after the Mumford failure and the discovery of the Ketchum forgeries, which were forcible illustrations of the fruits of excessive speculation. Peter R. Mumford, who was a gold operator and a respected trustee of the Protestant Episcopal Church at Flushing, Long Island, failed on August 12, 1865, and was shortly afterward arrested for drawing a worthless check for $28,200 on the Mechanics' Bank. The moral sense of the community was considerably shocked. On August 14th the prominent Stock Exchange house of Ketchum, Son & Co. suspended payment, and Charles Graham, head of the firm of Graham & Co., who had been acting as broker for Edward B. Ketchum, also went under. Edward B. Ketchum, a junior member of Ketchum, Son & Co., was a young man who had been indulging in tremendous speculation on his own account. The game had gone against him, and he betook himself to crime. On the day of his firm's collapse the news was bruited about that he had disappeared with a hand-satchel full of greenbacks and securities. Concomitantly the Street learned that it had absorbed forged gold checks of the Bank of New York, purporting to be signed by Lockwood & Co., Vermilye & Co., Einstein, Rosenfeldt & Co., Brockelmann, Unger & Co., and others, to amounts running into the millions. A serious defalcation, of which the Phenix Bank was the victim, had been discovered a short while previous, and the receiving teller of the bank, Henry B. Jenkins, having wasted the substance of the institution in riotous living, was already under arrest. Underneath these successive shocks the market gave way. A decline in the leading stocks of from 2½ to 9½ points took place between Monday, August 14th, and the following Wednesday. Many of the speculators had been attracted to Saratoga by the races, and, advised that they were losing money in this city even more rapidly than they could spend it there, deserted, in a panic, the scenes of gayety and hastened to New York. Daniel Drew, who had been caught with a heavy line of stocks at the time, started a bull movement in order to make up his losses. He succeeded in lifting Erie from 76¼ on Wednesday to 82 on the following day, and to 87½ on August 28th; but the evidence is incomplete as to whether or not he came out even.

Morris Ketchum, head of the ruined firm, made an individual assignment. On August 19th the Stock Exchange expelled his son Edward, this being the third time in the Board's history when it had taken such action. The defaulter was captured in this city six days later, and a pathetic scene was enacted when his old father, who had for years held his head high among his neighbors, visited the young man in prison and exclaimed, "My son, my son, you have ruined me, but I forgive you."
It became known, eventually, that the liabilities of Ketchum, Son & Co. amounted to $4,000,000, the sum of $2,750,000 having been stolen outright by young Ketchum. Graham & Co. had failed for $1,350,000, leaving quite out of account an additional liability of $1,350,000 due to the paying out of gold checks which young Ketchum had forged.

The Stock Exchange on August 23d, and the Open Board of Brokers on the following day, passed resolutions forbidding members to deal at the Evening Exchange, under penalty of expulsion. This action, which put an end to the last-named institution, was applauded by the best part of the community. A further result of the Ketchum forgeries was witnessed in the following November. The United States Treasury then began the issue of gold certificates. These were made a good delivery by the Gold Exchange, and took the place of the gold checks of the Bank of New York.

The Gold Room was by all odds the most important of the fleeting speculative centres which entered into the history of the Civil War period. Its fluctuations had to be considered in every operation undertaken in any other market, whether that were a market for wool, hides, wheat, or mining shares, and its influence will be found a recurring factor in the story of temporary stock exploits. For an idea of its picturesque side, it will be well to call again upon an eye-witness of its activities.

Horace White, who visited the Gold Room in 1866, wrote, and later embodied in his "Money and Banking," a graphic description of it, a part of which follows:

"Imagine a rat-pit in full blast, with twenty or thirty men ranged around the rat tragedy, each with a canine under his arm, yelling and howling at once, and you have as good a comparison as can be found in the outside world of the aspect of the Gold Room as it strikes the beholder on his first entrance. The furniture of the room is extremely simple. It consists of two iron railings and an indicator. The first railing is a circle about four feet high and ten feet in diameter, placed exactly in the centre of the room. In the interior, which represents the space devoted to rat killing in other establishments, is a marble cupid throwing up a jet of pure croton water. The artistic conception is not appropriate. Instead of a cupid throwing a pearly fountain into the air, there should have been a hungry Midas turning everything to gold and starving from sheer inability to eat.

"The other railing is a semicircle twenty or thirty feet from the central one. The outer rail fences off the 'lame ducks' and 'dead beats,' men who have once been famous at the rat-pit, but have since been cleaned out. Solvency is the first essential of the Gold Room. Nothing bogus is allowed
to interfere with the serious nature of the business in hand. Nevertheless, these 'lameducks' and 'dead beats' cannot keep away from the place. Day after day they come and range themselves along this iron grating and look over at the rat-pit with the strongest expression of intelligent vacancy and longing despair that can be found out of purgatory. They seem to be a part of the furniture of the room. While I was there I did not see one of them move or speak, and when they winked it was with much the same spirit that an owl at mid-day lowers the film over his eye and lifts it again.

"The indicator, which is the third piece of furniture in the room (or the fourth if we count the 'dead beats'), is a piece of mechanism to show the changes in the market. It is something like an old-fashioned Dutch clock, seven or eight feet high, with an open space at the top, disclosing three figures and a fraction, as $141\frac{1}{2}$, at which the market stood when I entered. The figures being movable, a slight manipulation will manifest any change in the market. Connected with the indicator is a plain desk with a book on it, in which are recorded all the movements of the indicator, with the hour and minute at which each takes place. The floor of the establishment is a pavement with circular steps or terraces rising from the centre to the circumference. 'Neat but not gaudy' is the general aspect of the premises. Of course such an institution could not exist without a telegraph office. Accordingly we find one communicating with the Gold Room by a row of windows through which dispatches are constantly passing.

"Having given the appearance of the concern, we now come to business. Three things are in demand—lungs, note books, and pencils. Wow-wow-wow, yah-yah-yah, from twenty or thirty throats around the pit all at once, and kept going from morning till night, from Monday till Saturday, is what presents itself to the ears of the beholder. The voices of the gentry around the circle are for the most part tenori, with now and then a falsetto and a basso. I shall not soon forget a basso profundo in the ring, who drew his breath at regular intervals and announced his desires with a seriousness truly remarkable. He was a thick set man, with capacious chest, shaggy head, keen eyes, and rusty whiskers, which curved upward from his inferior maxillary line in the most determined manner. He cocked his head on one side, thrust his chin as far over the railing as possible, and made himself heard every time. He put in his B-flat in regular cadence, like the trombone performer in a mill pond, of a summer's evening, drowning for the moment all the fiddles of the frog community."

Early in the year 1867 the New York Gold Exchange Bank was organized. It served as a clearing house, a fee of $1 for each $100,000 of gold cleared being entered against its clients. Sheets had to be delivered each day, with checks for the gold or currency due to the Clearing House, at half-an-hour after noon, and one or two hours later, the clearings having been completed, the institution delivered to each broker the gold or currency due him. For the period
between the handing in of his check and the completion of the clearing the broker had no receipt for his money. The bank also did a general banking business, a feature which lasted until the great cataclysm of 1869—Black Friday. The clearings at first averaged $70,000,000 a day, but soon increased in volume. Memberships in the Gold Exchange were made salable in November, 1868, with an initiation fee of $500. About $5,000 was the highest price they commanded.
THE institutions and the temper of Wall Street during the decade which included the Civil War are now familiar to the reader. A great deal of scene-shifting, one can not fail to notice, has taken place on the financial stage since then. The stars of that day, moreover, are long since gone. The plaudits and the jealousies they evoked, their ambitions and their enmities, belong to reminiscence and to history. New actors tread the stage in their places, portraying to similar audiences the same emotions and the working of the same motives. Having obtained some notion of the setting of the old plays, let us turn our attention to the achievements of the old performers. They displayed at times a bolder and a freer style than any of their successors command. No doubt the moralist who studies its results will rejoice that it has become unpopular.

Commodore Vanderbilt was the most prominent financial figure in the sixties, and in some respects one of the most remarkable men produced by American civilization. There are few parallels, in our country certainly, to his career—the rise of an unlettered youth, without the aid of the wealth or influence of others, without the fortunate obtaining of a monopoly or such a piece of luck as the "striking" of oil or gold, without the practice of extensive fraud and without the resource of gambling, to a position of fabulous affluence and power. Any one who stops to consider into how many great fortunes the elements of monopoly, chance or dishonesty enter, will get an idea of what Vanderbilt accomplished. He possessed no real monopoly—his railroads and steamships had to outstrip vigorous rivals on the road to prosperity. Although he was a great stock market factor, and fought many a speculative battle, gambling was not one of his essential steps to success. Neither was fraud. He did a great many things in the course of conflict that
can not be defended. But these were really works of supererogation. Commodore Vanderbilt made the great bulk of his fortune without their help; in fact, some of them seemed to do him more harm than good. He grew rich by building up, not by breaking down. He accomplished the equivalent of the task so praised by the economist—that of causing two blades of grass to grow where one had grown before. It was his practice to buy a property when mismanagement had apparently ruined it and had certainly made it cheap, and utterly to transform it by sheer executive ability and grit.

From the moment when, as a lad, he started to plough a big field on his father's Staten Island farm, as the means of earning the price of a sailboat, till the summit of his career, Vanderbilt showed extraordinary capacity for work. His energy was always as remarkable as his genius. There is a considerable difference between the two endowments, in spite of the theory that genius merely is the "capacity for taking infinite pains." He was only eighteen years old when the War of 1812 began, but he had already won the reputation of being a more reliable boatman than any of his competitors. The officers stationed at the garrisons in this harbor found him to be a medium for supplies that could be depended upon. He worked from dawn till nightfall, sacrificing the comforts of good sleep and the pleasures that filled the minds of other lads, to the opportunity of getting ahead. When but twenty years old he built a schooner with his savings. He had started his career as a follower of the sea. We can not stop to examine in detail the biography of this man. Those of his achievements which had a direct bearing on Wall Street require, however, our attention.

By the constant exercise of his energy and genius, Vanderbilt grew into the ownership of that fleet of steamships which earned him the popular title of Commodore. After the gold discoveries of 1849, and the ensuing rush of wealth-seekers to California, he got a concession from the Nicaraguan Government, permitting him to build a railway across the Isthmus, and, connecting it with his steamship lines, he established a service which rivalled that of the Pacific Mail Company. In 1855 he reduced the profits of the Cunard Line by running steamships between this port and Havre. After the old steam frigate "Merrimac"—sheathed in railroad iron bars and renamed the "Virginia" by the Confederates—had attacked the Union vessels in Hampton Roads with deadly effect, in March, 1862, he gave the Government his finest steamship, the "Vanderbilt," valued at $800,000. Congress awarded him a gold medal. Two years later he virtually abandoned the sea as a means of making money. His railroad activities had begun. At the time he was supposed to be worth $40,000,000, an estimate probably much exaggerated.
ORNELIUS VANDERBILT'S first experience with railroads was rather unpleasant for him, although gratifying to the biographer as a striking illustration of his indomitable persistence. In 1844—when he was fifty years old—he had been loaning money on shares of the New York & New Haven Railroad. He held, as collateral, stock of this company to the amount of $200,000, when its president, Robert Schuyler, disappeared, ten years later, having foisted on the public his famous issue of spurious New Haven shares. Schuyler's action was the direct cause of a suspension of the railroad's dividends until 1861.1 A large portion, if not all, of the stock with which the Commodore had been caught was fraudulent. Immediately upon the revelation of the fact he began suit to compel the road to accept these shares as a genuine issue. He maintained the fight for ten years, and won a noteworthy, if not a quite complete, success. On May 21, 1864, the New York & New Haven directors consented to a compromise which ended the litigation. They decided to increase their capitalization to compensate the holders of spurious stock, giving one share of the new issue for each two shares of the bogus issue outstanding.

Such an experience as this was not likely to remove the prejudice against railroads which the steamboat king already cherished. His real entrance into the railroad field was made largely in view of the fact that Daniel Drew, whose ability as a steamboat man had enforced the Commodore's respect, was willing to share the risky venture with him. Drew was Vanderbilt's junior by three years, having been born in 1797 at Carmel, New York. These two remarkable men, alike in their capacity for management and finance, and for their disregard, when expedient, of every consideration but the single object in sight, and totally dissimilar in most other ways, were drawn together by a common desire for gain and a mutual recognition of brains. Vanderbilt, as the architect of great enterprises, was vastly the superior. Drew, by reason of his peculiarities, was quite as attractive to the student of character. Both were master makers of Wall Street history.

ETHICAL teachers are frequently known to impress upon those committed to their care the necessity of taking their religion into the routine of daily life. Among the characteristics of "Uncle Daniel" Drew was the capacity to carry his religion whithersoever he went without any laudable effect upon either his religion or his life. He seemed actually to draw aid and inspiration from his faith for the execution of the schemes in which he appeared at his worst. This was not the fruit of hypocrisy.

One could more easily understand it if it were; for hypocrisy, while not among the most common vices, is quite within the range of ordinary experience. But Drew, in the first place, had no practical use for it. If he needed support for any of his commercial or speculative—it would be harsh to say piratical—enterprises, he did not seek it from persons likely to be attracted by his spiritual fervor. That fervor he really possessed. His contemporaries admitted its existence even while loudly exclaiming at its failure to bring forth righteous fruits. In one period of his life Drew “experienced religion,” and from that time on was a prominent figure at prayer meetings and the source of pride to many a fellow Methodist. A considerable proportion of churchmen of his faith seemed to have no real understanding that his piety was coupled with something worse. To them he was simply a good man and an acute financier. The probable solution of his conduct was his union of extraordinary business acumen with an ethical faculty too blunt to recognize any but the most elementary distinctions.

“Uncle Daniel” was not only uneducated, but as illiterate as any one could be who mingled with men capable of speaking fair English. He was slovenly in dress and rather niggardly in personal expenditure. When his church was concerned he could loosen his purse strings; but even here his natural greed had an influence. In founding the Drew Theological Seminary, at Madison, New Jersey, he made a large part of his donation in the shape of personal notes, reckoning that he could “do better” with the money, and when he was finally ruined the institution was a heavy sufferer. Desire for money, strong in almost every man, was in him the dominant passion. He showed it in his youth as a cattle drover—he had taken up that occupation after finishing the farming to which his boyhood was devoted—by giving his beeves prodigious quantities of salt and thus making them drink a great deal of water and swell to a marketable size. “Watering stock,” as Wall Street knows it, is a phrase inspired by this practice.1 Doubtless, Drew thought himself quite justified in overreaching those who bought his apparently fat cattle, as Jacob overreached Laban in the days before the children of Israel were a people. Like Jacob, he got prosperity thereby. The Bull’s Head Tavern and cattle yards at Twenty-fourth Street and Third Avenue, of which he became proprietor, grew into a famous headquarters for New York drovers. He was their leader as well as their host, having shown his enterprise by bringing East the first large drove of cattle that ever crossed the Alleghanies, two thousand head in all, purchased in Ohio and Kentucky. It took him two months to reach this market with the cattle, and the trip involved much hardship, but the profits were large.

1 Twenty-eight Years in Wall Street: Henry Clews. New York. 1887.
In 1834, three years before he left the cattle trade, Drew started the steamboat venture which brought him into competition with Cornelius Vanderbilt. The "General Jackson," a Hudson River boat, owned by Jacob Vanderbilt, the Commodore's brother, was ruined through an explosion. A friend of Drew induced the drover to invest some money in the "Waterwitch" and endeavor to get the business previously monopolized by the "General Jackson." Drew had no sooner got into the scheme than Cornelius Vanderbilt started to build a new vessel—the "Cinderella"—for Jacob, and the result was a brisk steamboat war. Drew proved himself so strong a competitor that the Commodore effected a compromise with him by which the "Waterwitch" was taken over.

This did not succeed, however, in keeping Drew out of sight of the Palisades. He returned to the Hudson River in 1836 with the "Westchester," a steamer which he had built, and with two other vessels which he had purchased.

The same year he founded the banking house of Drew, Robinson & Co. A new competitor, the Hudson River Line, having appeared, he succeeded in making the situation so unprofitable for it that he could purchase its stock at a reasonable figure. He did this, and soon afterward united his steamboat interests with Vanderbilt's. The latter's son, William H., in 1839, at the age of eighteen years, entered Drew's banking house as a clerk. Mutual interest had driven these two powerful men into close affiliation. By 1850, Drew and Vanderbilt were united in the control of a steamboat line running from this port to Stonington, Connecticut, and a railroad connecting Stonington with Boston. Two years later the Hudson River Railroad was opened. It caused the steamboat men no alarm, and, in fact, resulted in no injury to their business. Drew was prospering in Wall Street and had been buying Erie stock. He retired from the banking house in 1853, but returned to it two years later, upon the death of his son-in-law, R. W. Kelley, a member of the firm. He now endorsed acceptances of the Erie Railroad's floating debt to the amount of $500,000, and in 1857 he endorsed further Erie acceptances, amounting to $1,500,000. It was in this year that he became a director of the New York & Harlem Railroad. Vanderbilt entered the Harlem directorate at the same time, consenting to do so only in consideration of the fact that Drew went with him.

Certainly it is curious that Cornelius Vanderbilt should have first taken an active part in the railroad world through the influence of a man who was destined to become his bitter antagonist in the most strenuous railroad struggle of his life. But circumstances, not personal attachment, had made them allies, and circumstances as readily made them foes. Men of
great breadth and scope of mind recognize capacity whenever they encounter it, whether in friend or enemy, and Vanderbilt’s perception of Drew’s force and ability brought them at the outset together. Having taken a serious interest in railroad matters, the Commodore set vigorously at work to make himself a factor in the new field. He began buying Erie, as well as Harlem, and in 1859 put several million dollars into Erie second mortgage bonds. On December 7, 1860, he entered the Erie directorate, taking the place vacated by Henry Sheldon’s death. He brought about needed improvements in the Harlem Railroad, replaced bad management with good, and awoke prosperity with the touch of his fingers. Harlem stock, which had sold for $6 a share in October, 1857, had risen to 28 on January 3, 1863, and on May 1st of that year an effective bull movement carried it to 87. Commodore Vanderbilt had just secured the control of the road, and was also busily engaged in buying the control of the Hudson River Railroad. The way for two great corners was being paved.

HENRY G. STEBBINS, who had been president of the Stock Exchange in 1851 and 1858, was again elected to that office in May, 1863, while William Alexander Smith, whose membership is now the oldest in the organization, entered upon the duties of treasurer. Mr. Stebbins was in Congress at the time as Representative of the First District of New York, and remained at his Washington post. His election as president of the Exchange was an indication of the desire of the members to support the Administration. He was of unquestioned loyalty, though not of the President’s party. Mr. Stebbins was regarded as the champion in Congress of the financial interests of the country. It was in his third term as president of the Exchange—which was then domiciled in Lord’s Court—that the first Harlem corner occurred.

As early as April 6, 1832, the State Legislature had passed an act enabling the New York & Harlem Railroad Company to use the streets of this city for a horse-car line whenever the Common Council of New York should see fit to give their permission. In the spring of 1863 Alexander T. Stewart made to the Legislature an offer of $2,000,000 for a Broadway franchise. The leading merchant of the city was rebuffed, and his discomfiture was publicly laid to the pendency of a bill to award that very franchise to a clique of theretofore unknown promoters, with whom the Legislature were believed to be hand-in-glove. At this juncture, Vanderbilt, who never failed to see an opportunity, asked the Common Council to forestall the Legislature by giving him the franchise, on terms of some advantage to the city, under the authorization of the Act of 1832. The
Harlem trains at this time ran as far south as Twenty-sixth Street and Fourth Avenue, where the depot stood, and the company's horse-car branch ran from that point down the avenue to the Bowery, and through Broome and Centre streets to the City Hall Park. A measure was introduced in the Common Council, authorizing the New York & Harlem Railroad Company to lay an additional single track from their Fourth Avenue line, starting at a point between Seventeenth and Fifteenth streets, around Union Square to the corner of Broadway and Fourteenth Street, and thence to lay double tracks down Broadway to Bowling Green, and through State Street to the foot of Whitehall Street; to lay a single track from Broadway through John Street to Burling Slip, and thence to South Street, through South to Fulton Street, and back through Fulton to Broadway; also, to lay double tracks on Twenty-third and Twenty-fourth streets, from Fourth to Madison avenues, and through the last-named thoroughfare "as far as Madison Avenue is or may from time to time be opened." In return, the company was to keep Broadway well paved with Belgian blocks, to refrain from using any but horse power, and to pay every year, as rental, ten per cent. of its receipts and a license fee of $25 a car, the total payments being estimated to amount to about $300,000 a year. The Common Council passed the measure on the evening of April 21st. Mayor Opdyke signed it, on the ground that it was a less evil than the "shameless bill" pending at Albany. The franchise was an exceedingly valuable one, and in all probability was not given without some oiling of the wheels of legislation. The members of the Common Council, says Mr. Clews in his "Twenty-eight Years in Wall Street," "basely deceived the Commodore, after taking his money." They entered upon a conspiracy to make huge speculative profits with the aid of a repeal of the franchise at the right moment. The spiritual Mr. Drew is said to have been a partner in this scheme, which he no doubt regarded as an agreeable pleasantry at the expense of his good friend Vanderbilt.

With a characteristic desire to get everything possible out of the opportunity, the Councilmen began to buy Harlem stock at first, in expectation of profits on the long side. The Commodore evidently bought it, too. By the 18th of May the security had touched an astounding figure, 116%, and the newspapers pronounced the price absurd. At this juncture, the city fathers, believing the harvest ripe for the sickle, and having disposed of their long stock, started to sell Harlem short. Vanderbilt, who had just taken the presidency of Harlem, was confronted with such a situation as his long steamboat career had never produced. He was playing with opponents who had marked the cards. But he was not with-
out good sources of information, and soon understood what the Councilmen were doing. Doubtless he experienced a passing thrill of indignation at men who planned to keep what he had paid for; but he was not of the temper to permit emotion to sway his judgment. He calmly proceeded to contract for the purchase of what the Common Council were eager to sell, reflecting with pleasure upon the fact that he already had it and they could never get it.

The stock, of which there were only about 57,000 shares, changed hands at 109 on June 1st, and four days afterward at 106. It was quoted at 97¼ on June 9th, and the following day broke with a crash to 83, rising in the afternoon to 89. By June 17th the members of the Common Council had driven it down to 77. The next morning saw it descend, in the course of very heavy trading, to 69½, though it jumped to 79 that afternoon. It was a terrific struggle of bulls and bears, one wealthy and shrewd old man against a horde of clumsy despoilers, and the Street was convulsed with excitement. On June 24th the Herald remarked, “A new movement in Harlem is said to be on the tapis, by the same parties who carried it to 116 some time since.” The stock had already begun to ascend.

The crucial moment had arrived. The Common Council, who had fattened their purses some weeks before with profits made on the long side of Harlem, now prepared to take further profits by covering their extensive shorts. As a means to that laudable end, at 4 o’clock on the afternoon of June 25th they passed a resolution rescinding the Broadway grant. In the Court of Common Pleas Judge Brady issued an injunction restraining the Vanderbilt party from continuing to lay rails on Broadway. They had already laid a portion of the road, having overcome the obstacles of one previous injunction. But this seemed a far more serious one.

Harlem stock dropped only a few points, selling, before the close of the day, at 72. The Common Council and their friends realized that some one was supporting it. On the following day they made an earnest effort to cover their short contracts, and precipitated one of those periods of wildly excited trading for which the Stock Exchange is famous. In the Board Harlem sold between 83 and 94. The faithful servants of the city discovered, with wrath and chagrin, that the stock was badly cornered. They had been led to sell a great deal more of it than they could possibly get their fingers on, and Vanderbilt, over the prospect of whose destruction they were just now rubbing their hands, had been cruel enough to buy it. On Saturday, June 27th, Harlem opened at 93, rose to 106, and reacted to 98¼. “The chief owners of the Harlem property,” said the Times of that date, “are Mr. Cornelius Vanderbilt and his immediate friends, and that portion of the capital stock which they have not already paid for and transferred to their names they have the cash means in bank to pay for,
whenever the short sellers—who have contracted for more than the entire capital—are ready to make their deliveries. The public sympathies are wholly with Mr. Vanderbilt in this transaction, and there are the most hearty congratulations exchanged in the Street to-day, that the shameless trick and fraud of the City Council and their stock-jobbing co-conspirators have been paid off with compound interest."

On Monday, June 29th, Harlem fluctuated at the calls between 102 and 106, and the chastened and repentant Councilmen met and annulled the resolution repealing the original Broadway grant. Apparently they were permitted, on that condition, to effect a settlement of their short contracts, for the stock at once declined to 94. "It may seem anomalous," remarked a financial writer of the time, "that Harlem should rise thirty per cent. on the repeal of the grant and fall on the repeal of the repeal. But people who sold the stock short understood the reason." The wiping out of the Councilmen's contracts did not eliminate the entire short interest, for before long the stock began once more to rise. All throughout July (a month famous for the frightful draft riots in this city, which occasioned the raising of $5,000, by members of the Stock Exchange, for wounded policemen and militiamen) Harlem shares were a prominent market feature, and their price gained ground in the course of sharp fluctuations. On August 4th the stock opened at 129 and in the afternoon soared to 135. Three days later it touched 141¼. On August 14th it closed at 149. The following day it opened at 154 and sold up to 163¼, while the rumor that Vanderbilt had arranged with the Common Council for "large and new privileges," stole around the Street. The rumor was fallacious. The fact was that the corner was nearing culmination. The stock sagged back a trifle, and on August 17th sold up to 174. Five days later it changed hands in the William Street curb market at 177½. On Monday, August 24th, occurred the final spasm of the bears for whom the veteran financier was gunning. Harlem reached 179 on the Stock Exchange and 179¼ in the Coal Hole, on sales made in the regular way, while 500 shares were sold, buyer sixty days, at 180. The first great Harlem corner was over. In December the stock fell to 87½.

WHILE Commodore Vanderbilt was punishing his enemies in Harlem he was also engaged with another group of antagonists who had started a bear campaign against the Hudson River Railroad Company's securities, of which he had become an extensive holder. The stock of this company comprised about 44,000 shares. The Hudson corner began after the struggle in Harlem had started, and finished long before
the conclusion of the latter. Here was a tremendous test of the force and ingenuity of this man's mind. He had attained the age of sixty-nine without any experience of genuine stock market battles, when he was suddenly called upon to defend two of his properties from the onslaught of experienced depreciators of value, aided in one case by corrupt city officials who wielded peculiar power. To come out unscathed required executive capacity of the first order. He came out not only unscathed but with greater wealth and prestige than ever.

The market value of Hudson stock on June 20, 1863, was $123 a share, and represented the result of a bear campaign which had then lasted several weeks. Vanderbilt began to buy it, and kept on buying steadily, despite the Harlem difficulty which he had presently to face. His brokers picked up all the cash stock available and all the sellers' options. The Commodore then devised a scheme which probably has no superior in the records of speculative ingenuity. It is related by Mr. Clews, who was contemporary with the event. Vanderbilt instructed his brokers to approach several prominent bear houses and ask them to "turn" Hudson; in other words, to purchase it for cash from the Commodore and his friends and sell it back to them on buyers' options, which would run for "periods varying from ten to thirty days." The bears jumped to the conclusion that the offer was made because the cornerers were short of cash, and inasmuch as they could get, by selling the stock on buyers' options, a better price than they would have to pay for it, the project seemed to involve a sure profit. They cheerfully entered into it, and several thousand shares were "turned."

At about this stage of the movement the Times printed a favorable report of the earnings of the Hudson Railroad. On July 3d the price of the stock had risen to 155%, and the bears were in difficulties. Some 50,000 shares had been sold short. The sellers' options were falling due, and the Commodore created wide distress by calling the stock which he had contracted to buy. When the bear leaders who had kindly agreed to "turn" Hudson found that they were expected to deliver at once, and at figures far below those of the existing market, and that the stock was practically impossible to obtain, their wrath was hot. But it had no effect on the venerable Commodore. He simply expressed a desire to receive what was due him. With a proper regard for the extremity of the situation he consented to lend his bearish friends the stock they needed to deliver. The intensifying struggle produced some striking phenomena. On July 9th Hudson sold at 180, cash, and at 150, seller two weeks. On the day following the price was 179, cash and regular, and 172, seller three days. A day later the price was 177, but two per cent. a day

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A drastic test of his capacity.

How one may get aid and comfort from the enemy.

1 Twenty-eight Years in Wall Street: Henry Clews. New York. 1887.
THE NEW YORK STOCK EXCHANGE

was being paid for the use of the stock and fifteen per cent. for a ten
days' option. "Wall Street," said the Herald, dispassionately, "has never
known so successful a corner. The regular bears of the Board—the men
who have been accustomed to 'hammer' other men's property as a playful
diversion—are suffering severely." The Hudson corner was about to be
broken. The stock sold at 179 on July 14th, and a settlement was then
effected. Beaten, humiliated, and enlightened, the bears seized the chance
to escape from the pit at a tremendous loss, and a week later the price of
the securities with which they had sought to divert themselves fell to $140
a share.

Vanderbilt was perfectly willing to retain a majority of the Hudson
stock. But he did not wish to be saddled with it all, and he succeeded
in marketing a portion of it at a profitable figure before regarding the
incident as closed.

An admirable illustration of the difficulty with which the average
man learns wisdom from any experience but his own is furnished
by Cornelius Vanderbilt's second corner in Harlem. The states¬
men at Albany, in the spring of 1864, were well aware of the misfortune
into which the statesmen at New York had plunged themselves, less than
a year before, by their bear campaign against this stock. Yet they rushed
fatuously into a similar attempt, as if Vanderbilt had been
proved an easy victim. Perhaps the public treasury, the
customary object of their conspiracies, had lately been too
well safeguarded. Perhaps the opportunities for fleecing
corporations were more restricted than they are to-day. Or, perhaps, they
had achieved such success, in raids of one sort or another, as to become
intoxicated by good fortune and reduced to the mental condition of a
beast of prey which has tasted blood. At all events, they planned a bear
campaign against Harlem, based on the repeal of a favorable measure
after the impression had been spread that they would pass it.

This bill was framed to give the Harlem Railroad the very Broadway
grant which was the bone of contention in the previous fight. Vanderbilt
had been forced to meet injunction after injunction brought by taxpayers,
and at length, in October, 1863, an order by Judge Hogeboom, in the
Supreme Court, had prevented his continuing to lay rails on the great busi¬
ness thoroughfare of New York City. He needed some further authority.
A measure conferring it was introduced in the State Senate by Mr. Dutcher.
On March 9, 1864, Horace F. Clark, the Commodore's son-in-law, and four
other Harlem directors, among them "Uncle Daniel" Drew, appeared be¬
fore the Senate Committee on Railroads in favor of this bill. Judge Hilton,
representing A. T. Stewart, opposed it, and renewed Mr. Stewart's offer of $2,000,000 for the franchise. Both Mr. Clark and Judge Hilton were wasting their eloquence. They understood the railroad business and the law, but Drew understood the Senate Committee.

What sweet persuasion the veteran cattle drover threw into his voice, what convincing logic he brought from the recesses of his mind, no record remains to declare. Certainly he found willing ears. There were some among the Albany statesmen who yielded to the conviction that they could easily advance their own material welfare while promoting the public good. But Drew's remarks to the Senators were made in strictly private conversation. Gradually the impression spread that the bill was sure to go through. Harlem stock rose buoyantly in the market, and, astonishing to say, those who supplied it with a free hand were Daniel Drew and his friends. On March 22d the Senate Committee on Railroads met and decided to report unfavorably on the bill. The shock to the market was instant. Harlem, which had risen to 149 a few days before, fell to 136. The bill came before the Senate. It was valiantly defended by Senator Dutcher, who declared that those who opposed the measure had been in Wall Street "betting great odds" that the report would be unfavorable, and selling the stock short. Nobody replied. Mr. Drew's argument in private proved far weightier than that of Mr. Dutcher in public. The committee report was endorsed, and on the following day, March 26th, Harlem stock sold down to 101. A measure similar to the Senate bill was introduced in the Assembly and sent to a committee, in whose hands it quietly died.

Vanderbilt felt that it was dangerous to cope, unaided, with the bear movement. Having discovered what was going on he enlisted the cooperation of John M. Tobin, in former days a gate-keeper in a Staten Island ferry house, but now a wealthy and resourceful speculator. Tobin had been associated with Vanderbilt in the previous Harlem corner, much to his profit, and was now carrying a considerable portion of the stock. He contributed a large sum—said to be $1,000,000—to a new war fund. He and Vanderbilt kept buying the stock of which Drew and his legislative allies showed such anxiety to dispose. At length they had either purchased, or held contracts to purchase, some 27,000 more shares of Harlem than ever had been issued. The stock rose to 152, and by March 31st the bears had driven it back to 122. But at this juncture they discovered, by experiment, that it was difficult to cover their contracts. As they began the attempt Harlem rose. On April 2d it closed at 137½. A week later it was 175. On April 18th it sold up to 195 in the morning and closed at 183 in the afternoon—one transaction, seller sixty days, being made at 168. Two days later the stock reached 205. On April 21st the Herald announced that a
bill, authorizing the Harlem Railroad to increase its capital stock by $3,000,000, for the purpose of completing its double track, and permitting Harlem bondholders to convert their bonds into stock, had passed the Assembly. It is not quite plain in whose interests the measure was pressed. However, Harlem advanced that day to 208, and two days later the Legislature adjourned and the stock reached 220.

"The bears of the lobby," said the Herald, in an Albany dispatch published on April 27th, "have met their match this year. In defeating Harlem they imagined they had a monster operation in selling Harlem short, and thus ran foul of Commodore Vanderbilt, and have met with a heavy loss, some of them now wearing the title of 'lame ducks.'" The same newspaper declared, three days afterward, that the bear clique had dropped about $3,000,000, and that the principal losers were Daniel Drew, Erastus Corning, Jr.; Jerome & Co., and Thurlow Weed, the Republican leader.

Harlem sold at 235 on May 9th and at 261 on May 11th. A new trick was now tried by the desperate bears. The annual Harlem election was set down for the 17th. An anonymous circular appeared in the Street, praising the former president of the road, Allan Campbell, who had been replaced by Vanderbilt the year before, and attacking the men in control, of whom it said: "At their annual election, a year ago, they displaced some of the ablest directors that ever adorned the councils of any railroad board, and put in their stead brokers and stock speculators, some of whom have been engaged in 'cornering' the corporation of this city and the Legislature of the State, and putting the stock up to the visionary price of 260 per cent., and compelling the shorts to pay this ridiculous price to obtain their stock to deliver. . . . So great have been the speculations in the stock of this company that the management of its affairs has been woefully neglected."

The eloquence of this soul-stirring appeal was fruitless. It did not create any more stock, and, needless to say, it did not soften the Commodore. Harlem had reached 275 on May 14th, and three days later Vanderbilt was victorious at the election and the stock sold at 280. On June 1st the corner culminated, Harlem selling at $285 a share, and many of the shorts settling at that figure. An odd lot sold at 260 the next day, but the regular price remained 285 as late as the middle of July. The stock was virtually dead thereafter. To all intents and purposes its speculative race was run with the settling of this corner. The discomfiture of the Albany statesmen was always a delightful reminiscence to Vanderbilt.

"We busted the whole Legislature," he was wont to remark, "and scores of the honorable members had to go home without paying their board bills."
Among the speculators badly hurt by this corner was John Morrissey, the prize-fighter. Morrissey later won Vanderbilt's favor by giving him a fine pacing horse, which had excited the railroad monarch's admiration. He received in return a sufficient number of "points" on the markets to enable him to recoup his losses. The Broadway franchise of the Harlem Railroad was never revived. In May, 1866, the Aldermen ordered the removal of the tracks that were put down in 1863.

Before taking temporary leave of the hero of the Harlem and Hudson corners, let us glance at an incident which a writer of his generation related, illustrating his tendency to make use of every one who came his way. The story must stand on its merits. It runs to this effect: Cornelius Vanderbilt had in mind an upward movement in Hudson stock, and, with a view to purchasing some of it at satisfactory figures, advised his son, William H., to sell it. The market quotation was 110. The son expressed his thanks for the advice, but, having inherited some of his father's shrewdness, decided to investigate. He learned that the Commodore was unostentatiously absorbing Hudson stock, and began to buy on his own account. When the price reached 137 the elder Vanderbilt visited his son's office and asked him how much he had lost. Here let our authority proceed:

"'I went in at 110 on 10,000 shares. That ought to make me $260,000.'

"'Very bad luck, William,' quoth the father—trying to look extremely troubled—'very bad luck this time.'

"'But then I bought, and so made.'

"'Eh? What set you doing that, sir?'

"'Oh, I heard that was your line, and so concluded that you meant long instead of short.'

"'Ahem!' croaked Vanderbilt here, as he buttoned up his fur overcoat and stalked out of the open door. He has always had a high opinion of William since that event."
SOME MARKET BATTLES OF THE SIXTIES

AMONG eager speculators who dabbled in stocks and gold while the Civil War was in progress were many whose success brought them considerable repute, without making any serious impression upon the times. They acquired money rapidly, and frequently lost it rapidly; but their operations were of transient influence and did practically nothing to alter conditions existing in the railroad or industrial fields. Each had his coterie of followers, who regarded him as a hero. It was indeed a custom of the small speculators to carry funds to the larger ones, asking that the money should be “invested” in accordance with better judgment and opportunity than their own, and doubtless consenting to a profit-sharing arrangement. Important as the daring and successful operators seemed in their day, it is impossible to relate even a good proportion of the feats that gave them reputation. This narrative must be confined, in the main, to those speculations that involved the leaders of the market or that became salient features in the market’s history.

Nor should it be forgotten that some of the winners of high stakes could hardly be ranked as operators of the first class. It was a time when profits or losses were necessarily large. With a constant succession of events which sharply affected prices, there was, of course, a great deal of fluctuation in the market. Throughout the time of the war, the great emissions of Government notes—our currency had been swelled thereby to about $876,000,000 in June, 1864—and the general distrust of the public credit, caused a greenback depreciation and a corresponding rise in the prices of stocks and gold, as has been observed in preceding chapters. This enabled many an operator, possessed merely of sufficient shrewdness to see that fresh issues of paper money meant higher quotations on the Stock Exchange, to make
a fortune. The fictitious prosperity of the time stimulated a buying move¬
ment on the part of the public which was a substantial aid to the habitual
bull. During the greater part of the war period any one operating for a
rise had the chances in his favor. Prices did not return to a normal basis
until about eight years later, but they were scaled down to some extent at
the close of hostilities. How close a connection was maintained between
the gold quotation and the selling values of merchandise has already been
made manifest. A leading New York journal, in November, 1864, carried
an advertisement reading: “In consequence of the success of the Union
Army and the fall in gold, I now offer the whole of my stock of gentlemen’s
furnishing goods at reduced prices.—S. W. H. Ward, 387 Broadway.”

A FAIR idea of the course of prices throughout the Civil War may be
obtained from the following table. The data are chiefly taken
from the issue, for 1868, of Henry V. Poor’s “Manual of the Rail¬
rroads”—probably the best authority existing, inasmuch as stock tickers
were not introduced until 1867, and the Stock Exchange had preserved no
price records:

<table>
<thead>
<tr>
<th>Stock</th>
<th>1861 High</th>
<th>1861 Low</th>
<th>1862 High</th>
<th>1862 Low</th>
<th>1863 High</th>
<th>1863 Low</th>
<th>1864 High</th>
<th>1864 Low</th>
<th>1865 High</th>
<th>1865 Low</th>
<th>1866 High</th>
<th>1866 Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland &amp; Pittsburg</td>
<td>17</td>
<td>6%</td>
<td>59</td>
<td>13%</td>
<td>115</td>
<td>56%</td>
<td>132</td>
<td>90</td>
<td>99%</td>
<td>51</td>
<td>96%</td>
<td>75%</td>
</tr>
<tr>
<td>Harlem,</td>
<td>17</td>
<td>8%</td>
<td>23%</td>
<td>11%</td>
<td>179</td>
<td>27%</td>
<td>285</td>
<td>86%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hudson,</td>
<td>49%</td>
<td>3%</td>
<td>79</td>
<td>35%</td>
<td>180</td>
<td>82%</td>
<td>164</td>
<td>107</td>
<td>117%</td>
<td>88</td>
<td>137</td>
<td>98%</td>
</tr>
<tr>
<td>Pittsb'h, Ft. Wayne &amp; Chicago,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>96</td>
<td>56%</td>
<td>152%</td>
<td>82%</td>
<td>107</td>
<td>77%</td>
<td>111%</td>
<td>88%</td>
</tr>
<tr>
<td>Philadelphia &amp; Reading,</td>
<td>47%</td>
<td>29%</td>
<td>79</td>
<td>35%</td>
<td>128</td>
<td>77%</td>
<td>165</td>
<td>111</td>
<td>118%</td>
<td>86%</td>
<td>118%</td>
<td>96%</td>
</tr>
<tr>
<td>Michigan Southern,</td>
<td>20%</td>
<td>10%</td>
<td>47</td>
<td>19%</td>
<td>113</td>
<td>45%</td>
<td>118%</td>
<td>57</td>
<td>84%</td>
<td>49%</td>
<td>101</td>
<td>65%</td>
</tr>
<tr>
<td>Erie,</td>
<td>40%</td>
<td>17%</td>
<td>65%</td>
<td>31%</td>
<td>122</td>
<td>66%</td>
<td>126%</td>
<td>82%</td>
<td>98%</td>
<td>44%</td>
<td>87%</td>
<td>57%</td>
</tr>
</tbody>
</table>

The figures marked 1 are taken from the table published by Mr. Eames
in “The New York Stock Exchange.”

The gigantic capitalizations of the present day were unknown in the
sixties. By reason of the comparatively small amount of any one
company’s outstanding stock, violent movements were easily pro¬
voked. Corners were then fairly common phenomena. Occasionally they
resulted in great opportunities for bear-baiting. Occasionally they proved
failures. Two manipulative enterprises of this class were attempted in the
late winter and early spring of 1864 by Anthony Wellman Morse, whose
career was dazzling while it lasted. The first of his efforts ended in what
was a very slender triumph, owing to the treachery of an ally. The second
culminated in his ruin.

Morse was barely thirty years old at the time, and had already survived
two failures, the second of which was coincident with the difficulty between
the United States and Great Britain over the "Trent" affair, in November, 1861. He had subsequently retired from a partnership with his brother and had formed another with Isaac Kip, Jr., at No. 24 William Street. He operated freely, and with great success, on the bull side. In the spring of 1863 he sailed for Europe in a small yacht, the exploit attracting much attention. He was feted and flattered abroad, and heard a thousand arguments to convince him that the North was bound to fail, that the greenbacks would be repudiated and his country plunged in disaster. He returned a bear on the future of the national credit and, of course, a bull on gold and stocks. At this period, we have seen, the bull had things his own way. Morse plunged heavily, his fortune swelled, and his reputation grew apace.

The idler, the "lame duck," and the speculative novice infested his office and sought for the crumbs of wisdom that fell from his table. Having once taken on a heavy line of securities, he had but to whisper to these gossips, "This or that stock will rise," and a buying movement was presently started. In selling shares to those whom he advised to buy he had a safe means of completing almost any operation. He became a promoter as well, and possessors of capital scrambled to get their names on his books. The story is related of Morse that, on the day subscriptions were opened for the stock of a coal-mining company he had organized, one man pushed through an eager crowd to take a large block of the shares, turned away, and then, coming back suddenly, approached the young financier and asked, "I say, Mr. Morse, was that gold or coal stock that I just subscribed for?"

In December, 1863, Morse joined hands with Dr. Thomas C. Durant—whose connection with the Credit Mobilier in this country will later demand our attention—for the purpose of advancing the stock of the Chicago & Rock Island Railroad. Dr. Durant was the contractor who built the road. In the course of the winter, Morse and Durant succeeded in purchasing or getting options on all of its outstanding 56,030 shares, and, through the imprudence of the bears, had contracts to receive a considerable amount of stock in excess of the actual capitalization, Wall Street being rich in opportunities to buy what does not exist, and thus to make a profit. The stock was advanced from 107 to 149%. Morse superintended the manipulation, representing a clique of several members. He had a portion of the stock loaned out, and bought all that was offered. Suddenly he discovered that among the certificates that were delivered to him were some belonging to one of his confederates, and which were to have been kept off the market. One member of the pool had turned traitor and was taking advantage of the high price to unload his private holdings on his allies. His action had caused a recession of the stock to 144 on February 1, 1864, and by
February 10th it had fallen to 132. There was nothing to do but to effect a private settlement with the shorts. This was arranged as quickly as possible, and on February 12th the corner was over and Rock Island touched 117.

The corner was profitable on the whole, despite the unexpected betrayal, and Morse determined to repeat his achievement in the stock of Pittsburgh, Fort Wayne & Chicago, which he had been acquiring for months. The market commenced to display danger signals, and on March 27th there began an issue of Clearing House certificates. March 10th witnessed a sharp break, Philadelphia & Reading falling 4 points; Illinois Central, 2½; Harlem, 1½; Michigan Central, 2½; Hudson, 2¼; Cleveland & Toledo, 2%, and Cumberland Coal, 15. Morse was not a whit disturbed, but kept pushing Fort Wayne upward until, early in April, the stock, which had sold as low as 56 in the preceding year, touched 152%, the movement being aided by publication of the road's good earnings. Secretary Chase, chagrined at the continued depression of greenbacks, determined at this juncture to offset the movement by liberal sales of gold. Morse was a bull on gold, and was likewise intoxicated by a success that had come too soon for his own good. He learned of Mr. Chase's intention, and promptly telegraphed him that he stood ready to buy all the gold that the Government cared to sell.

Whether this astonishing offer was the result of empty bravado, or was made public in order to strengthen a frightened market, the reader may judge. Of its folly there can be no question.

Secretary Chase came to this city. His mere presence was sufficient to cause a sharp market setback on Friday, April 15th; but worse things were to come. He threw upon the market gold to the amount of about $9,000,000, and at the same time announced that the greenbacks in circulation were being withdrawn, and that the Government had no intention of making additional issues of interest-bearing legal tenders. The Government notes which he received in payment for the yellow metal, amounting to more than $15,000,000, he locked in the Sub-Treasury. Gold, which had risen from 166% on March 9th to 173% on April 16th, dropped about two points as a result of the Secretary's sales, in spite of the bulls' efforts to sustain the market. On Monday, April 18th, it fluctuated between 169% and 171%. This recession was ominous in itself; but the financial stringency, resulting from the lockup of the greenbacks, was far more effective. Two hours after the opening of business on Monday the failure of Morse & Co. was announced from the rostrum of the Stock Exchange. Fort Wayne stock, which closed at 142% on Saturday, had opened at 120, and Morse had driven it seven points higher in a last effort to save himself. When he suspended payment the stock dropped like a shot to 108½. It closed two and one-half points lower.
Concurrently the general list receded. The disaster of that day is known in Wall Street history as "the Morse panic." Before the succeeding Friday twelve failures accompanied the downfall of the dashing manipulator of Fort Wayne. One of those who failed to meet their engagements was Samuel Hallett, who, not long before, had contrived to extricate himself from difficulties incurred while fiscal agent in New York for the State of Indiana. At this time, though still under forty, he had been by turns school teacher, lumberman, book-keeper, and country banker, finally entering the whirlpool of speculation. He was a man of intense mental and physical energy, a born promoter, and of a genius that would have made him great if he had been more scrupulous and could have lived to carry out his worthiest projects. Hallett had made and lost huge sums by his audacious operations, and even in his emergency held a large retinue of loyal followers inspired by his courage and imagination. His career was not ended in the Morse panic that left him penniless. A few newspaper men, one of them the editor of this volume, called his attention to the potentialities of the grants offered by Congress for the construction of a transcontinental railroad. He threw himself heart and soul into the formation of a company, of which he induced John C. Fremont to become the nominal president, for the building and equipment of the first Pacific Railway, beginning with lines from Leavenworth and Kansas City to Lawrence, and thence extending west. This was termed the Kansas Pacific Railway, Eastern Division. In the third year of the war Hallett, without a cent, made the roadbed and obtained the iron for the first eighty miles of this, literally, the first Pacific railway. Capital was coming to his aid, and he saw fortune and an honorable fame straight in sight, when he was shot in the back, at St. Joseph, by a dastardly engineer whom he had been compelled to discharge. The murderer escaped over the border into Dixie. Hallett's line, as far as progressed, passed into the hands of St. Louis bankers, who shortly formed an alliance with Dr. Durant—the man who was destined to bring the Union Pacific Railway to completion.

The following list of closing prices at the calls on Thursday, April 14th, and the succeeding Saturday and Monday, shows the extent of the setback:

<table>
<thead>
<tr>
<th>Stock</th>
<th>April 14</th>
<th>April 16</th>
<th>April 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York Central</td>
<td>143½</td>
<td>138%</td>
<td>131½</td>
</tr>
<tr>
<td>Illinois Central Scrip</td>
<td>149</td>
<td>138</td>
<td>115</td>
</tr>
<tr>
<td>Hudson River</td>
<td>156</td>
<td>141½</td>
<td>124</td>
</tr>
<tr>
<td>Philadelphia &amp; Reading</td>
<td>161½</td>
<td>149½</td>
<td>136</td>
</tr>
<tr>
<td>Galena &amp; Chicago</td>
<td>144</td>
<td>138½</td>
<td>124</td>
</tr>
<tr>
<td>Michigan Central</td>
<td>157</td>
<td>149</td>
<td>131</td>
</tr>
<tr>
<td>Erie</td>
<td>125½</td>
<td>119%</td>
<td>112%</td>
</tr>
<tr>
<td>Fort Wayne</td>
<td>145</td>
<td>142%</td>
<td>106</td>
</tr>
</tbody>
</table>

Harlem stock, in which Commodore Vanderbilt was working his second corner, gained eleven points in the same period, closing at 195 on the day
of the Morse failure. But Morse and Vanderbilt were very different men. The Clearing House certificates, to which reference has been made, reached a total of $17,728,000; the last one was issued on April 25th, and on June 13th all the certificates had been cancelled.

The direct effect of Union victories or reverses on the speculative markets was illustrated in the sharp, upward movement of gold, which helped to boom stocks until Mr. Chase took the extraordinary measures to check it, which have just been described. This rise in gold was coincident with unpleasant news from the front. General Seymour had been badly beaten in an attempt to regain Florida for the Union, in February, and on top of this came the unfortunate Red River expedition of General Banks, in March, and his defeat by a Confederate force at Sabine Cross Roads on April 8th; while General Grant, just appointed Commander-in-Chief of the Union armies, had not started his aggressive movement in Virginia. Speculative bulls seemed unwilling, indeed, to concede any possibility of Government success until it had been proved beyond a doubt. A prominent journal commented, editorially, on this condition in its issue of July 9, 1864, as follows:

"Successes achieved have an effect; successes in course of achievement have none. . . . Let us take the siege of Vicksburg as an illustration. The news that General Grant had landed successfully at Grand Gulf—which reached here May 9, 1863—made no impression on the gold market. The price stood firm at 150. On May 15th came the intelligence that the army was safely encamped in the Big Black. Gold did not budge a hair's breadth. On May 20th news arrived of the capture of Jacksonville, at which it receded to 149%. On May 24th we had official intelligence of the capture of Haines Bluff, and of all the outworks of Vicksburg. This put gold back only to 148%. On May 28th news came that the city was completely invested, and this sent gold to 143%. . . . It was absolutely certain, to every military mind, that Vicksburg must fall. The enemy could not possibly relieve, and it was known that the place had but limited supplies. Notwithstanding this, gold again began to rise. The mere fact that Grant's army remained quiet was taken as a proof that he was effecting nothing. Within a week it was 147%. It fluctuated between that point and 143 until the 16th of June, when the news came of Lee's advance northward. That movement, formidable as it was, would legitimately have increased the price of gold, and yet on the last day of the month it stood at 147. The battle of Gettysburg sent it down to 138; the first reports of the capture of Vicksburg to 133, and the confirmatory official reports to 123. Such was the impression made by the event when it was fully verified that even as late as August 25th, seven weeks after it had taken place, gold was at 122. . . . When Grant and Sherman commenced the great movements upon Richmond and Atlanta, in the first week of May, 1864, gold was at 172. Now that Grant has gained a position which gives him as positive assurance of the early fall of Richmond as he ever had of the early fall of Vicksburg; and
now that Sherman, too, has got possession of the last stronghold this side of Atlanta, and made his quick capture of the place a certainty, gold is sold at 269."

It will be observed, however, that this editorial left out of consideration all manipulation of the market. At the time when it appeared, the corner which followed the Government’s temporary closing of the Gold Room, and to which reference has been made in a preceding chapter, was in progress.

Among the operators who achieved both reputation and bankruptcy in the sixties was William H. Marston, the contriver of the famous Prairie du Chien corner. Marston was formerly the cashier of an Illinois bank. He was attracted to this city by its alluring promises of fortune, and became a commission broker in the Street. His business prospered, and from a broker he developed into a speculator of prominence. In company with Henry Keep, a leading director in the Michigan Southern & Northern Indiana Railroad, he made great profits by bulling the stock of that property. This was in the summer of 1865. In the fall of that year he accumulated a large amount of Michigan & Prairie du Chien Railroad stock, a commodity then known in Street parlance as "Prairie Dog," which had been selling at about $60 a share. November saw an exciting corner in these shares.

The Michigan Southern movement had culminated on October 6th, when a cash sale was made at 84¼, a rise of about fifteen points in less than a week. A break in gold compelled a quick unloading by the Keep-Marston clique, and Michigan Southern fell to 76⅜ on the following day. But the movement had been profitable. The manipulation of Prairie Dog followed hard on its heels. Marston, it is said, originally planned merely to raise that stock to par, but finding that there was a general disposition on the part of the road’s directors to attack it he determined upon a more aggressive campaign for their humiliation. Short sales had hammered Prairie du Chien to $57 a share on October 21st. Marston and his associates kept steadily buying, and by November 4th they had advanced the price to 96. The stock amounted only to about 52,000 shares, and it had been easily oversold. The frightened shorts found it impossible to cover. Some of them obtained private settlements at once, and the newspaper press of the day reported that a single house had paid $125,000 to escape its contracts. On November 6th Prairie Dog sold between 150 and 220 at the first call. Later a sale was made at the astounding price of 275 on the Exchange, the stock touching 212 on the Open Board. The irregularity of the quotations was one of the most startling features of the corner. That very afternoon Prairie du Chien changed
hands from 160 to 165; yet the distracted shorts paid 200 and 225 to cover their contracts on the following day. On November 8th the stock fluctuated between 120 and 185, and two days later, the situation having been adjusted, it sold down to 110.

Marston achieved success in this affair, largely because a great deal of stock was held in the West and was likely to stay there. He took good care, in fact, that it should do so. No thrifty business man or prudent farmer in the region beyond Lake Michigan, who had invested his capital in the shares of Prairie Dog, was suffered to learn of the extraordinary gymnastics then being performed in the East. The reader will doubtless regard it as a striking coincidence that the *Milwaukee Sentinel*, in its New York dispatches of November 6th and 7th, gave the current quotations for Prairie du Chien at 80% and 80%, while printing the other stock market prices correctly. The promoter of the corner, not being in control of the road’s management, had also to face the danger of a supply of fresh shares brought into existence for his special benefit. The Milwaukee & Prairie du Chien had recently leased the McGregor Western Railroad Company, and was authorized to base an issue of new preferred stock on this transaction. Marston obtained an injunction from Judge Sutherland, restraining the directors from converting this preferred into common stock, with which to make good their short contracts. He had thus provided against the turning of either of his flanks, and he reaped the fruits of victory. One house openly defaulted on its contracts, preferring to fight the matter in the courts. The cornering party, nevertheless, made exceptional profits. A brilliant coup was scored in the unloading of the road, with which they appear to have been saddled. Marston succeeded in selling it to the Milwaukee & St. Paul Railroad, and it is now a part of the Chicago, Milwaukee & St. Paul system.

This corner was accounted a great triumph in the Street, not free from a certain taint of knavery, but withal a gallantly won fight. Marston never won another like it. He was heavily loaded with stock in January, 1867, when a bad market break took place, and the vortex of failure swallowed his wealth and his fame.

Morse and Marston were both operators of ability, whose talents were nevertheless insufficient to ward off disaster. Each of them, it has been seen, fell because of an attempt to carry too heavy a burden. In this respect their career paralleled that of Addison G. Jerome, Leonard Jerome’s brother, who was famous as a daring and successful speculator until he attempted, in 1863, to corner the stock of the Michigan Southern & Northern Indiana Railroad, which is now a part of the Lake Shore & Michigan Southern system, a prominent
Vanderbilt property. It was a perilous thing in those days to essay the punishment of a director who was attacking the stock of his own company. The man in control of a property's management has an enormous advantage in such a contest. It often pays him to utilize it, even in defiance of the law, which, if he does not defy, he usually finds easy to evade. All these things Addison Jerome discovered when he endeavored to ensnare the redoubtable Henry Keep.

Keep was possessed of rare business talent as well as speculative ingenuity. He was a solid railroad man in his generation, and left a fortune, estimated at from $5,000,000 to $10,000,000, when he died at his Fifth Avenue home in July, 1869. His reputation was good, despite the stock market incident to be related presently. Indeed, he united a rather generous disposition with the current sense of business morality, and he had his warm admirers. A few days after his death one of them wrote a letter to the Times and thus described the departed chieftain: "Wary, cool, intrepid, and skilful, with great pluck and boldness, and a temperament toward concentration from which no temptation could seduce him, he weathered many a gale when barks, supposed to be stouter, were obliged to shorten sail." Keep's whole life certainly showed ability and boldness. He was born in Jefferson County, New York, in 1818, and when he was a small child his widowed mother was forced, by destitution, to seek the charity of the county authorities. A short time later young Henry was bound out to service with a farmer, who abused him. He made his escape and sought a little village near Rochester, where he worked as a teamster. When the crash of 1837 came paper money depreciated. He had saved some means and invested in these "shin-plasters" with profit. Then he drifted into the practice of buying Canada notes at a discount and taking them to Canada to dispose of them at full value. Eventually he started a bank at Watertown. In 1854 he came to this city, and his wealth grew faster, after his entrance into Wall Street, than it had ever grown before. He bought large quantities of Michigan Southern common stock at bottom prices. In 1861 he was a director and treasurer of the road, and he still held those positions in the summer of 1863.

Addison G. Jerome at this time began buying Michigan Southern. Having perceived that Cornelius Vanderbilt already controlled the Harlem & Hudson River systems, and was quietly absorbing an interest in New York Central, he concluded that the Commodore would eventually control the route to Buffalo, and would want the Michigan Southern & Northern Indiana, which ran from Toledo, Ohio, to Chicago. Vanderbilt got control of that road, and in 1869 welded it (together with three other roads which connected Buffalo with
Toledo) into the new Lake Shore & Michigan Southern, making Horace F. Clark first president of the consolidated company. Whether he was backing Jerome in the summer of 1863 it is difficult to determine. They are said to have had a "tacit agreement." If so, the Commodore certainly failed to save his confederate from ruin. The stock which had sold as low as $5 a share, when Keep took hold of it about three years before, stood at 81 on July 25, 1863. Urged by Jerome's steady buying, it had risen, on August 5th, to 103. Keep and his associates not only were tempted by the high prices to unload, but began to go heavily short of the stock. The advancing movement continued, although the shares were freely supplied, and, on August 17th, Michigan Southern touched 113, the highest price thus far in its history. At this juncture Jerome, who believed that he had bought practically all the cash stock available, and that the shorts were at his mercy, perceived, with uneasiness, a certain degree of weakness in the security. Certificates which could not possibly exist were being shoved by messenger lads through the delivery windows of his office. He was positive that the Street could get no more Michigan Southern, and yet he was called upon, with bewildering rapidity, to pay for shares of that stock which he had never loaned out. The market likewise began to sag, as if responding to the presence of some new and unexpected weight. By August 19th Michigan Southern common had fallen to 106%. Mr. Jerome finds ominous symptoms of weakness.

On September 3d there occurred a flurry, of the sort that a newcomer in the Street is likely to designate a panic. The leading stocks dropped from three to eight points at the morning call. Michigan Southern, which closed at 104½ on the previous day, closed that afternoon at 88, and the sixteen-point drop assured the ruin of Addison Jerome. He was obliged to unload his shares at a cruel loss. The stock was forced five points higher within the next few weeks, either by short covering or by Jerome's last desperate effort to fight his way out of the slough. On September 26th it opened at 79, and the Street knew that the battle was over. The public prints had begun to disclose the cause of the mysterious weakness in Michigan Southern. It was due to the simple fact that the directors had issued 15,000 fresh shares, swelling the total capital from about $9,000,000 to $10,500,000. At the office of the road it was explained that the charter permitted such action, and a
provision of the original act of incorporation declared that the debt of the company should never exceed its capital stock. Obviously, this imposed upon conscientious directors the duty of counterbalancing the debt by fresh issues of stock, whenever practicable. Accordingly 15,000 new shares had been sold in August at not less than $108 a share, and with the proceeds second mortgage bonds, to the amount of $1,500,000, had been purchased at a price not exceeding $108, and cancelled. Who would have the audacity to criticise a directorate thus zealous to safeguard the interests of the property?

The plain fact was that Henry Keep had wriggled out of the corner by an arbitrary inflation of his company’s stock, replacing a debt on which the road had to pay seven per cent. a year, by an increase in a species of obligation, on which it was paying nine. The Herald declared that many members of the Exchange, “regarded it as a stock-jobbing trick—not illegal, and not calculated to impair the permanent value of the stock, but still deserving of reprobation as underhand, unfair, and surreptitious.” The Board ordered an investigation of the matter, but apparently no drastic action was taken.

Addison Jerome never recovered from this misfortune. He died a few years afterward. Mr. Keep continued to prosper. In October, 1867, he formed a pool to purchase control of the Chicago & North-Western Railway, and enlisted the services of Rufus Hatch, a prominent broker. His clique carried the common stock from 42½, the low price in that month, to 72 in June, 1868, when Keep became president of the road, an office he held until his death. In October, 1868, it sold at 97%. The preferred was advanced from 65 in October, 1867, to 84 in the following June. Out of a total capitalization of less than $31,000,000 the clique was found to possess stock to the par value of $25,000,000, of which the new president personally owned 15,000 shares. The Stock Exchange made an early adjournment on July 31, 1869, the day after his death, as a token of respect.

OR a time, at least, Leonard W. Jerome, the brother of Addison, and father of the present Mrs. Cornwallis West, was numbered among the chieftains of Wall Street. The prestige which he derived from his speculative triumphs was enhanced by his activity as a supporter of the Union cause and by the fact that he was one of the principal owners of the New York Times. Stories of his ready wit and daring lingered in the Street for years after he had shaken its dust from his feet. It is related of Leonard W. Jerome that he once extricated himself from an embarrassing plight solely by reason of his knowledge of human weakness. He was carrying at the time a heavy load of Michigan Southern and wondering to whose
shoulders he could shift the burden. He chanced to meet an old Rochester acquaintance who had just started a brokerage business, and begged the great operator for some orders. Jerome saw his opportunity. At first he refused, on the ground that his friend could not keep a secret. The friend swore eternal fidelity and received an order to buy 5,000 shares of Michigan Southern. Furthermore, he took pains to buy some for himself, and to spread broadcast the rumor that Jerome was buying the stock and it was sure of a great rise. The Street swallowed the bait and relieved the amiable Leonard of his burden. His new broker went to the wall in the slump that followed, and then humbly listened to some sage advice upon the evils of speculation.

The movement which resulted in Leonard W. Jerome's most serious reverse reached a culmination in February, 1867. For some months he had been bulling Pacific Mail, in the face of adverse market conditions that were really initiated in the previous autumn.

The Treasury Department called upon the country banks which were public depositories to transfer the Government funds to the Sub-Treasury, Secretary McCulloch having decided to accumulate a large paper-money balance. The country banks thereupon drew upon the city banks for their deposits, and this brought on a period of tight money in November, 1866. The bears increased the trouble by hoarding legal tenders and conniving with friendly bank officials to secure the imposition of high rates on loans. The New York Sub-Treasury also sold gold, and the metal dropped nearly two points on November 21st. On the two succeeding days the market was much in need of a physician. Between the 20th and 23d Erie lost nearly eight points and Chicago & North-Western twelve and a half. The following month saw a vigorous manipulation of Cumberland Coal, which was carried through to January 22, 1867, when the clique broke down, the price of the stock (which had been put up to 94 early in that month) dropping from 84 to 54. The following day the failure of Quigley Brothers was announced. Two days later A. J. Meyer & Co. went under. This house had maintained, at times, a balance of $3,000,000 at the Bank of North America. Mr. Yelverton, president of that institution, had been overcertifying their checks, according to the common, though illegal, usage of Wall Street. He learned that the firm, just prior to the bankruptcy, had overdrawn their account by $219,000. This intelli-
gence killed him as quickly as if it had been a bullet through his brain. A heavy crash in the general list was coincident with these misfortunes.

Mr. Leonard W. Jerome had, meanwhile, been steadily buying Pacific Mail, with which he had been more or less identified for several years. By February he had put it up as far as possible, and for the first week of that month it was fairly steady. On February 9th it closed at 160. Jerome had been depending upon a favorable directors' meeting and the declaration of a good dividend for the successful completion of his plan. The directors astonished him by cutting the dividend to three per cent., and the stock began to decline. The celebrated operator sacrificed his holdings of many other shares to prevent defeat on Pacific Mail, but he was fighting a terrific bear attack. On February 19th the stock sold at 153 3/4. The next day it closed at 138, and on February 21st it fell eight points lower in the course of heavy trading. Jerome was thoroughly worsted. His loss on this stock alone was computed at $800,000, and it was never fully recouped. He left the Street a few years later with diminished glory but a substantial remnant of fortune.

Both Jerome and his partner, the shrewd, witty, and admired William R. Travers, were men of wide social prominence and possessed of a fondness for manly sports. They were leaders in club life and pleasure-loving society, as familiar to yachtsmen and followers of the turf as to the bulls and bears of their generation.

One magnificent achievement of the sixties—greatly in contrast to the speculative encounters that made these years memorable in finance—demands attention, not merely through its general commercial importance, but also because it vitally concerned the stock market. This feat, the laying of the first Atlantic cable, was the chief triumph in the life of a remarkable man, Cyrus W. Field. Both the conception and the execution were his, and his only. Nothing but indomitable enthusiasm, pluck, and patience could have carried the project through to success. It was born in Mr. Field's brain as early as 1854. He succeeded at once in enlisting Peter Cooper, Moses Taylor, Marshall O. Roberts, and Wilson G. Hunt in the enterprise, and in March of
that year these gentlemen obtained the charter of the Newfoundland Electric Telegraph Company, which gave them the right to lay the shore end of any cable in Newfoundland. The first attempt to lay the Atlantic cable was made in the summer of 1857, and resulted in a breakage 360 miles out from Ireland. In the financial storm of 1857 Mr. Field became a bankrupt. He regained his feet, and his friends stood by him. In 1858, new capital having been subscribed in this country and Great Britain, a new cable was laid between Valentia, Ireland, and Trinity Bay, Newfoundland. The news that two continents had been connected by wire set all civilization rejoicing, but the general happiness was suddenly spoiled by the parting of the cable. In 1865 Mr. Field, by heroic persistence, had set the enterprise in motion again. Another cable was taken out and lost in mid-ocean. But in the following summer he succeeded in bringing one of the century's great triumphs out of apparently hopeless failure. Fresh capital was procured and a new cable manufactured. The Great Eastern carried it from Valentia to Newfoundland, and on July 27, 1866, landed it safely at Heart's Content, Trinity Bay.

The cable at once worked satisfactorily, and is still in use. It immensely quickened commercial intercourse between this country and Great Britain. From the stock broker's standpoint its prime value was in transmitting instantaneous quotations, and orders to buy and sell securities, between the continents. A speedy outgrowth of the new condition was the arbitrage business, in which stock houses with foreign connections learned to profit by the price differences between the New York and London markets for American shares.
XIV

FIRST ERIE CONFLICTS OF 1868

No other share issue has been so prominent in the history of American speculation as the stock of the Erie Railroad. It will scarcely be disputed that no other single issue has maintained so intimate a connection with manipulation for personal ends. The most important chapter of Erie’s history comprises the conflicts of 1868, coincident with the rise of Gould and Fisk to the first rank of speculators, and with the beginning of Drew’s downward journey. This struggle has been graphically described by Mr. Charles Francis Adams, Jr.,¹ in essays which include everything germane to the story, save some unimportant details. Space will permit but a bare outline of the narrative.

The history of the “Scarlet Woman of Wall Street,” as Mr. Adams has described the Erie, began in 1833, and two bankruptcies had illuminated it before the newly formed Erie Railway Company took over the property in 1862, eleven years after trains had been running between Pierpont and Dunkirk. Intrinsically the Erie possessed merit. It earned splendid dividends at times. Its securities might to-day be classed as gilt-edged investments if some friendly deity could have averted the blows dealt to it by one avaricious director after another, and could thus have saved it from ruin. The first of those who discovered the personal advantages in sustaining fiduciary relations to the property appears to have been Daniel Drew. In the fourteen years succeeding his entrance to the directorate, in 1852, he swelled his fortune by operations in Erie stock. In April, 1866, a month notable for speculation, Drew was badly caught by a corner in Michigan Southern. The stock which sold at 83½ on Saturday, March 31st, changed hands at 101 cash, 92 regular, and 83 seller five days, on the following Thursday. “Uncle

Daniel," who was operating through D. Groesbeck & Co., his favorite brokers, astonished the Street by getting out an injunction to restrain the firm of Scott, Capron & Co. from buying in 2,800 shares of Michigan Southern, "under the rule," on account of Messrs. Groesbeck & Co. The venerable bear had manifestly borrowed the stock of Scott, Capron & Co. through his brokers, sold it short, in expectation of a fall, and then repudiated his contracts rather than face a relatively small loss. Scott, Capron & Co. had the right to buy in their loaned stock, "under the rule"; in other words, through the bidding of the chairman in open market, for the account of Groesbeck & Co., with whom they had the transaction. The latter firm would be compelled either to obtain it at the figure the chairman was obliged to pay, and deliver it to Scott, Capron & Co., or give notice of their bankruptcy. Drew attempted to escape both horns of the dilemma by appealing to the courts—a procedure suggestive of "welching," and vigorously condemned by the Street. His injunction was pluckily defied by the chairman, who bought the stock in. Groesbeck & Co. paid for it out of Drew's means at their disposal, and the incident was closed. Their client had evidently been fighting to save time, believing that the stock would fall. However, he sustained a heavy loss, and, naturally, turned to the often plundered Erie as a means of recouping himself.

Some fifteen months previous he had made cash advances to the Erie of $1,800,000 on 28,000 shares of stock, and of $1,700,000 more on Erie convertible bonds, to the par value of $3,000,000. The road therefore owed him $3,500,000, having hypothecated the equivalent of 58,000 shares of the stock as collateral. First converting the bonds, he now began to throw these shares on the market in the expectation of a fall. He was, in fact, known to have sold calls on a large amount of Erie and to have fulfilled his obligations with some of these new shares. The stock, which had sold above 97 in January, and above 79 in April, was forced to 57% on May 29th, by its faithful friend. In June Mr. Drew began, it appears, to buy it again. By July 11th it touched 76%, and eight days later it broke to 64%. Doubtless all these fluctuations in price contributed to the fortune of the speculative director.

We may note, in passing, that Drew's attack upon Erie was coincident with a crash in the very market where Erie was, later, to find favor while despised at home—namely, Capel Court. The great London house of Overend, Gurney & Co., a limited liability concern with a nominal capital of £5,000,000 and a paid up capital of £1,500,000, went to the wall, late in the afternoon of Thursday, May 10th, owing between £10,000,000 and £12,000,000. The following day was the British "Black Friday." Peto & Betts, with liabilities of
£4,000,000, the English Joint Stock Bank, W. Shrimpton (a large railway contractor), and various other concerns and individuals, were engulfed in ruin. Mr. Gladstone, then Chancellor of the Exchequer, announced at midnight in the Commons that the Bank Act would be suspended, and the Bank of England might issue an excess of notes to relieve the situation. The British Government's decision came at the end of a day of intense excitement. "The doors of the most respectable banking houses," said the London Times on May 12th, "were besieged, more, perhaps, by a mob actuated by a strange sympathy, which makes and keeps a mob together, than by the creditors of banks, and throngs heaving and tumbling about Lombard Street made that narrow thoroughfare impassable." The steamship "Cuba" brought the news of this disaster to New York on Monday, May 21st. Secretary McCulloch of the Treasury had already instructed P. M. Myers & Co. to sell a large amount of gold, which was eagerly taken for export to London. The market having absorbed all that the Government brokers could offer, at between 130 and 130%, the price was run up to 132½ on Monday, and before the week was out a price of 141½ was reached. Money was tight and the outlook seemed unpleasant, but the rise in gold counterbalanced the natural tendency to weakness, and the general list was steady. The glaring exception was Erie.

In the fall of 1867 Daniel Drew was treasurer of Erie, and had never settled the accounts which might be expected to grow out of his peculiar transactions of 1866. Cornelius Vanderbilt had secured the control of the New York Central Railroad. He already controlled the Harlem and Hudson railroads, and resolved to get so strong an interest in Erie as to ensure the maintenance of good freight rates. He joined forces with the party of John S. Eldridge, president of Erie. This party consisted of a number of gentlemen connected with the Boston, Hartford & Erie Railroad (a malodorous New England enterprise), and all having axes to grind. A market fight over Erie seemed probable, when a friendly chat between two quondam comrades effected its postponement. Drew called upon Vanderbilt on the Sunday preceding the Erie fall election, and the Commodore showed him certain papers in a suit about to be instituted, and based on Drew's treatment of Erie in the previous year. The result was the formation of a fresh alliance. Frank Work, Vanderbilt's nephew, entered the Erie Board, which was organized without Drew, but included him a few days after the regular election, one member resigning to create the necessary vacancy. A bull campaign in Erie followed by mutual agreement, Drew acting for the pool. The movement was successful, largely because one member of the pool
The Erie alliance with the Michigan Southern precipitates a conflict in the stock market.

The future now seemed assured, and the speculative director was enabled to reflect on the good fortune that was bound to attend the children of grace in their pursuit of material benefits. But a hitch presently arose over a proposed freight agreement, involving the Erie and the New York Central, and Vanderbilt became angry. His wrath was further inflamed upon the discovery that the Erie had effected an arrangement to strengthen itself as the competitor of Central. The Erie was a broad-gauge road, its tracks being six feet apart. It could, therefore, accommodate larger cars than could the Central, the gauge of the latter road varying from four feet six to four feet ten inches. The Erie already had a connection with Akron, Ohio. Its directors now arranged to guarantee the bonds of a construction company which should build a broad-gauge road from Akron west to Toledo. At Toledo the Michigan Southern terminated, and the directors of that property agreed to build a third rail thence to Chicago, by this means enabling the running of broad-gauge cars clear through to that terminus. The scheme promised the Erie a Chicago freight capacity of 12,000,000 tons a year, exceeding by fifty per cent. the capacity of the New York Central.

Vanderbilt conceived it to be his plain duty to “buy up” the Erie Railroad. He went into the market in February, 1868, to fulfil that duty. Among those who sold him stock was his old friend, Drew.

The speculative director had at this time two allies in the Erie directorate whose resourceful qualities have probably never been surpassed in Wall Street. These were Jay Gould and James Fisk, Jr., the one a farmer’s son, who up to that date had been, by turns, a surveyor, mapmaker, tanner, and manipulator of securities, the other an ex-peddler, a man of pleasure and essentially a daring gambler. Both possessed unusual capacity, but Gould was unquestionably the abler and Fisk the more audacious and aggressive of the two. Gould was then about thirty-two years old, and had been for eight or nine years engaged in speculation. We shall see much more of him and of his associates. For the present it will be sufficient to note that they united with Drew in the resolve to keep Vanderbilt out of the control of Erie.

In the reports for the year ending September 30, 1867, the Erie Railroad’s capitalization was stated at $16,574,300 of common and $8,536,910 of preferred stock, a total of $25,111,210. Vanderbilt reckoned upon this amount, and determined to close the source of further supplies before buying control of the road. On February 17th and 19th and March 3d,
accompanyingly, he secured from Justice George G. Barnard of the Supreme Court—a Tammany helot numbered among the Vanderbilt properties—
injunctions\(^1\) restraining the Erie from paying its debt to Drew or from
issuing fresh capital, or from guaranteeing the bonds of any
connecting road, and restraining Drew from any transactions
in Erie until he had returned to the Erie treasury the 58,000
shares hypothecated with him, and 10,000 other shares he
was alleged to have received in the Buffalo, Bradford & Pittsburg deal.
There was a little road of that name running from the Erie line, at
Carrollton, New York, to Gilesville, Pennsylvania. It had cost about
$250,000, and bonds, to the par value of $1,766,000, had been issued
against it. Drew and his associates had gotten hold of these, leased the
little road for about five centuries to the Erie, forced the Erie to guarantee
these choice bonds, and, in return for the bonds at par, had issued to
themselves fresh Erie stock at 80.

Drew was likewise restrained from acting as treasurer pending investi¬
gation of his conduct. His party openly responded by obtaining from
Judge Balcom, at Binghamton, an order suspending Work from the direc¬
torate, staying all Barnard’s orders and summoning the
litigants to appear, on March 7th, at Cortlandville. But this
was mere skirmishing. A genuine battle was in preparation.
The Erie directors had secretly passed, on February 19th, an
ambiguous resolution, empowering the execu¬
tive committee to do practically anything not
expressly forbidden by the constitution and
laws of the State, and had also authorized the
issue of convertible bonds to the par value of
$10,000,000, to be sold at 72\(\frac{1}{2}\). Drew was
restrained at the time from dealing in Erie. He
satisfied his conscience by directing his broker,
David Groesbeck, to deal for him. Groesbeck
bought half these bonds at the figure named,
and converted them, Drew giving him a guar¬
antee against loss on the deal. According to the
sworn testimony of David Groesbeck before the
Erie Investigation Committee on March 25th,
he delivered 49,400 of these shares to William
Heath & Co.; Smith, Gould, Martin & Co., and
Robinson, Cox & Co., at prices ranging about
60, on Mr. Drew’s order, and charged his client with the loss. Drew had
been resolutely bearing the stock, and seems to have been hard pressed to
cover his contracts. These 50,000 fresh shares found their way, of course,
FIRST ERIE CONFLICTS OF 1868

into Vanderbilt’s hands. Doubtless he swallowed the dose before realizing the exact nature of the prescription.

His energetic foe was devising plans of even greater efficiency. On March 3d the compliant Erie Board voted to issue at once the remaining $5,000,000 of convertible bonds. It was still thought imprudent for Drew to deal too directly in Erie securities, so Groesbeck procured him a man of straw, one Martin E. Greene. Mr. Greene, however, was handicapped by a prejudice against the making of perjured affidavits, and retired from the field. A more accommodating dummy, Ashley by name, was found. Ashley, with Drew’s money, bought the bonds from the Erie road at 72%; in other words, paying $3,625,000 for them, and, figuratively speaking, handed them over to Drew, who thereupon sold them to the obliging Ashley at 77, the latter giving his note for the amount involved—$3,850,000—and being informed that after the bonds had been converted into stock and the stock sold for his account he would receive, as compensation for his trouble, whatever profit might accrue from the transaction. This he appears really to have believed. The Drew party went off with the bonds and the note. This was on Saturday, March 7th, and on the day following, Horatio N. Otis, secretary of the Erie Company, was busily engaged in signing blank certificates for thousands of new shares.

On Monday morning, March 9th, several strange events took place. Mr. Otis ordered a young employé to take the newly signed certificates for 50,000 shares from the Erie Building, at 187 West Street, to the transfer office at 11 Pine Street. He had no sooner appeared outside the Erie office doors than Mr. Fisk, mysteriously apprised of the prospective journey, appeared, snatched the certificate books and ran off with them. Oddly enough, Mr. Fisk’s partner, William Belden, left the convertible bonds, which Ashley had “sold” to Drew, on the desk of Mr. Otis a few hours later.

Meanwhile Uncle Daniel’s party had sought refuge beneath the judicial ermine from the Vanderbilt despoilers. Early on Monday they hastened to Brooklyn, and to Justice Gilbert, of the Supreme Court, a respectable but apparently an impulsive man, and at the suit of Belden, bolstered by an affidavit to which Mr. Ashley had affixed his signature with no very clear knowledge of its contents, they obtained a valuable order. Mr. Belden had charged that Justice Barnard was engaged in a stock conspiracy with Vanderbilt. Justice Gilbert promptly stayed all the orders of his colleague and expressly commanded the Erie directors to exchange convertible bonds for stock upon demand. The directors, inspired by an admirable spirit of docility, had virtually obeyed this command before its issuance. They now saw their conduct vindicated. Furthermore, they
resembled the voter who accepts bribes from the political henchmen of two opposing parties and then feels free to cast his ballot as his conscience and judgment dictate. Since they were forbidden by Barnard to convert bonds into stock, and forbidden by Gilbert to refuse to do so, who but the most captious could blame them for doing as they pleased?

Erie stock had closed on Saturday at 77%, and it opened on this portentous Monday at 80, seller thirty days, and ran briskly up to 82%, at the morning call. Vanderbilt was buying. Shortly after the call it sold up to 84, and the 50,000 fresh shares in the hands of Daniel Drew began to slide like an avalanche upon the startled market. The Commodore was compelled to take them, for he was carrying too heavy a load to permit a serious fall in the price. Nevertheless, after the last of the Drew stock had been absorbed at about 75, amid spasms of excitement that pervaded the region of William Street, the price descended to 71¼. It rose again with determined vigor in the afternoon and closed at 76½ bid, offered at one quarter. Drew's great coup had proved a success.

Ninety per cent. of the fresh stock—that is to say, 45,000 shares—had been sold through the firm of William Heath & Co. According to the testimony of William Heath's partner, James M. Ellis, these shares fetched $3,594,762.50, an average price of almost $80 a share. Mr. Adams reckons that the total profit on the 50,000 shares was close to $375,000, which is based on an average price of eighty for the entire amount. At all events Drew got half of it and the Fisk-Gould party the other half.

On the afternoon of this same Monday the Erie Board met, and in loftily worded resolutions commended their purity of purpose to the world. They emphatically denounced Frank Work, who had formerly supported Drew's measures and had now gone over to the enemy. "The motive for this otherwise unaccountable change of front on Mr. Work's part," they explained, "is to be found in the well-known fact that he was put into this Board in the interest of the Hudson River and Central railroads; and that when we refused to become parties to the scheme of Mr. Vanderbilt and his friends to create a gigantic monopoly for the benefit of the Central line, Mr. Work's interests were exposed." The Board also referred to the fact that the State Senate (which could hardly be expected to overlook so lucrative an opportunity) had appointed a committee to investigate the recent conduct of the road's affairs. "To this tribunal," they added, "we confidently appeal." It is impossible to appreciate the humor involved in this expression without knowing the fact that the Board were already planning to lay such financial proposals before the "tribunal" as would ensure the effectiveness of their appeal. For the purpose of keeping down the price of Erie, in which no doubt all the Drew allies
were conducting private short speculations, Mr. Fisk the next day engineered a lockup. Through D. Groesbeck & Co., his firm deposited several million dollars with the Tenth National Bank, took out certified checks against the amount and deposited the checks, taking certificates of deposit therefor. Mr. Dickinson, the bank’s president, was away at the time seeing a relative off on a steamer. Upon his return he wrote a letter of remonstrance to D. Groesbeck & Co., requesting them to withdraw their account. It evoked the following reply, dated March 12th:

"J. B. Dickinson, Esq., Pres. Tenth National Bank:

"Sir—The evening papers of yesterday contain a letter from you to D. Groesbeck & Co., exposing our private affairs without justification or excuse. Your bank received from us deposits of more than $4,000,000 during the day and up to half-past three o’clock, and thereupon certified checks for nearly the whole amount. More checks we could not deposit the same day and the next day we paid them away to other parties. Those parties, it seems, presented them to your bank, where, instead of paying them, you gave your certificates of deposit, thus making yourselves voluntary custodians of the funds. In all this if there be any blame it is yours. We are not responsible for your absenting yourself from the bank, even to see a member of your family off on the steamer. We challenge you to show that we have had anything to do with a tight money market. In view of these facts we propose to close our account with you and we beg that you will have it written up.

Very respectfully,

"Fisk, Belden & Co.”

Probably no fragment of literary effort was more characteristic of Fisk than this epistle, in which, having been detected in a successful plan to produce a financial stringency, he assumes the air of offended virtue, and with ironic argument endeavored to shift the blame to other shoulders.

ON the night of Tuesday, March 10th, the Erie directors, learning that the indignant Barnard had issued processes of contempt for them, fled across the ferry to the Erie dock in Jersey City, taking with them the books and effects of the Erie company, and some $6,000,000 or $7,000,000 in cash which Commodore Vanderbilt had paid them for the fresh issues of stock. Here they established themselves at Taylor’s Hotel, dubbed “Fort Taylor,” and dwelt in the midst of an armed guard until the end of March. They succeeded, by means unexplained to the public, in getting the New Jersey Legislature to pass a law permitting them to do business in that State. At times parties of roughs crossed over from New York, in
order, in their own language, to "cop" Mr. Drew and bring him back to justice. These men were popularly supposed to be in Vanderbilt's employ, and the theory seems plausible, though Mr. Adams discredits it. At all events the Drew party succeeded in beating them off and so aroused the citizenry of Jersey City that every baker and bartender carried sidearms in preparation for the foe.

Alexander S. Diven, vice-president of the Erie, had neglected to take refuge in flight. On Thursday night he was arrested in New York for contempt of court, and in the hearing of his case before Judge Barnard, which spread over a number of days, the Tammany solon proffered such an exhibition of himself as all decent persons observed with disgust. The sessions were like so many scenes of opera bouffe, with a corrupt buffoon masquerading in the judicial ermine as star performer. "He vindicated his purity," says Mr. Adams, "by select specimens of pot-house rhetoric." The eminent counsel for the Drew party insulted him to his face without his being able to resent the affront, if indeed he perceived it. At one time the Judge vociferously declared that he had personally employed detectives in the case. "In this wide city of 1,000,000 or 1,500,000 of inhabitants," he exclaimed, "where a man can be hired for $5 to swear any man's life away, there is not one so base as to come upon this stand and swear that I had anything to do with any conspiracy." Occasionally his emotion reduced him to tears. He displayed his dignity in one instance as follows: "In this proceeding I shall say to the counsel that if they have said anything wrong the Court rebukes them." Judge Gilbert, on March 18th, denied the continuance of the orders he originally granted to the Drew party, but they obtained certain fresh orders from Judge Clarke and served them on Barnard. He promptly vacated these and appointed Vanderbilt's son-in-law, George A. Osgood, receiver of the proceeds of the $10,000,000 of Erie convertible bonds which had been sold. Another Judge enjoined Osgood from acting. He resigned, and Barnard appointed Peter B. Sweeny, the notorious Tammany leader, in his stead. Mr. Sweeny never did anything as receiver, yet his labors were crowned by an award of $150,000, made by Judge Barnard, out of the Erie funds. On a later occasion Horace F. Clark, one of the Vanderbilt counsel, was reading aloud a portion of the Belden complaint, and came to the section attacking Judge Barnard. "Hold on, Mr. Clark," shouted the outraged Justice; "Leave me out. Leave Mr. Barnard out."

The squabbles of opposing counsel and the frequent bandying about of allegations of fraud heightened the disgraceful character of these
proceedings. At times they were irradiated by touches of humor. Mr. Greene, the dummy whom Mr. Groesbeck first procured for Drew, was on the stand on April 21st, and this bit of testimony ensued:

Mr. Greene—“Mr. Groesbeck said Mr. Drew wanted to sell me $5,000,000 worth of the convertible bonds of the Erie Railway Company, holding me harmless of all loss in the transaction.” [A pause.]

Mr. Clark—“Go on, sir.”

Mr. Greene—“I have not the full scope of the question. I should very much prefer it if your question were specific and not so comprehensive, sir.”

But the real scene of battle had, long before this, shifted to Albany. The Erie directors, having saddled Vanderbilt with a tremendous load of rubbish, having endeavored to terrify him by reducing the fare from New York to Buffalo from $10 to $7, and having observed with satisfaction a growing weakness in the Erie stock, now determined to get legislative sanction for their actions. Senators Pierce, Humphrey, Chapman, Bradley, and Mattoon had been chosen to serve on the Investigating Committee, which began its sittings on March 10th. Mattoon had already made frequent visits to the Erie office in New York. He was believed to endorse the Erie directors’ view of the situation. However, they had not paid quite enough to hold him. After various sessions of the committee, two reports were drawn, one of them exonerating the Drew party, and signed by Senators Chapman and Humphrey, the other condemning them, and signed by Senators Pierce and Bradley. Whichever report Mattoon decided to sign would be that of the majority. On March 31st he agreed to stand with the Erie Board. On the following day, having been reached by some mysterious influence, he signed the hostile report. Mr. Gould declared himself “astonished.”

This was a minor matter, after all. It was of some comfort to Vanderbilt, then making a fight against tremendous obstacles, but of little material advantage. The actual battle began over a bill introduced in the Assembly by Mr. Bristol, of Wyoming, on behalf of the Erie directors, concerning which the New York Herald said:

“It came as a godsend to the hungry legislators and lobby men, who have had up to this time such a beggarly session that their board bills and whiskey bills are all in arrears and their washerwomen and bootblacks are becoming insubordinate.”

The bill in question legalized the issuing of Erie convertible bonds, and the guaranteeing by the Erie of the bonds of any other railroad company with whose line it connected. It empowered the Erie directors to contract with the Michigan Southern for their broad-gauge connection to Chicago, and set the stamp of official sanction upon their previous issue of bonds.
and stocks. A hearing upon it was held on March 20th, when Horace F. Clark, Chauncey M. Depew, former Governor S. E. Church, and the eminent lawyer, Charles O’Conor, appeared at Albany, on Vanderbilt’s behalf, to oppose it. John Ganson spoke on behalf of the Erie directors. He explained that the road’s total outstanding stock had a par value of $24,265,000, and that stock to the further amount of $8,750,000 should be issued to supply the property’s needs. He was proceeding to explain how the money would be used, when Mr. Church remarked: “There won’t be so much money left when Mr. Drew gets through with his speculations.”

Mr. Clark declared that his associates and he represented a majority of the Erie stock and opposed the bill. Vanderbilt’s influence was powerful with the Democratic party, which was then in the saddle at Albany, and he had other means of swaying the Railroad Committee. On March 27th they reported unfavorably upon the measure, and the Assembly sustained their report. Published rumor at the time declared that the Drew men had been offering $1,000 a vote, and only half of it down. These terms were spurned by the lofty-minded Assemblymen until rumors of a compromise were spread. They then recalled that a recent paragraph in an Albany newspaper had estimated Vanderbilt’s fortune at $70,000,000 and Drew’s at a paltry $15,000,000. They must not be too hard on Drew. They hastened to exhibit their mollified views to the lobbyists, and found that the golden hour had flown. The Drew cohorts had departed. The bill was dead. But the retreat was merely a manoeuvre. Undismayed by the Assembly’s vote, the formidable threats of Judge Barnard, or the attitude of the New York press, which almost without exception supported Vanderbilt, the Drew army prepared anew for battle. The genius of Mr. Gould was called into play. He gave out the interesting news that he was off for Ohio, stole quietly away from Jersey City, and on Monday, March 30th, arrived at Albany, where a new bill in the interest of his party had been introduced in the Senate. The next day he was arrested by the Sheriff of Albany County, bailed out and compelled to return on Saturday to New York and appear before Barnard to face contempt charges. After answering some questions he was enabled to go back to Albany in charge of a deputy sheriff. At Albany he was conveniently taken ill and induced the official to depart for New York and report him a runaway. This defiance of justice never cost Mr. Gould any real trouble, the slate being wiped clean, with the aid of some affidavits, at the proper time.

While at the State capital, Mr. Gould entrenched himself in a prominent hotel, and undertook to imbue the minds of the Legislature with the validity of the Erie directors’ views. His mission was aided oddly enough by a fiasco, due to the gullibility of one aged and honest Assemblyman,
Elijah M. K. Glen, of Wayne County, who arose excitedly in his place, on April 1st, and declared that the Erie Railroad report had been bought, and that he had personally received an offer of $500 for his vote. He presented a paper, in which he charged “corruption, deep, dark, and damning, on a portion of this house.” It developed that he had been made a victim of an April Fool’s Day joke, and that his charge grew out of a conversation with an itinerant Jewish peddler, named Lewis, who used to frequent the legislative gallery. The blacklegs of the Assembly passed a vote of censure upon their unfortunate old colleague, and he, naturally, resigned. They doubtless believed that, by adding hypocrisy to their customary practices of crime, they might vindicate themselves in the public eye. Certain it is, that the episode made current charges of bribery seem ludicrous.

The Senate bill legalized all the Erie bond issues, but made it a felony to use the proceeds for completing or furthering the road. It had been aptly described by Judge Barnard as resembling a measure to legalize counterfeit money. At all events, it became evident that the bill was going through. On Sunday, April 19th, Drew called on Vanderbilt at the Manhattan Club, in New York, and a compromise was effected, ending the long war. The news reached Gould in a dispatch on Monday morning, when it was too late for even his genius to be of avail. The Albany correspondent of the New York Herald wrote: “It is said that prices came down wonderfully. Those who had been demanding $5,000 were willing to take anything not less than $100. The great Erie coffers were closed, however. . . . The utmost excitement continued till 11 o’clock. The curses against Vanderbilt were loud and deep. His treachery or cowardice had cheated the ring out of thousands, nay hundreds of thousands, of dollars.”

All opposition was withdrawn and the bill went through by tremendous majorities that day. The infuriated Legislature hunted up sundry unpleasant railroad measures and rushed them through simply to hamper the Commodore. But their grievance was great. Their revenge was pitifully small.

It is a curious fact that Vanderbilt’s attorneys appeared before Governor Fenton the next day, either for form’s sake, or because the Commodore had omitted to tell them of the compromise, and made a futile appeal to him not to sign the bill. Peace was not formally proclaimed till July, but the Erie leaders left “Fort Taylor” on April 25th, and Barnard permitted them easily to purge themselves of contempt. The agreement which ended the conflict was to this effect: Vanderbilt was relieved of 50,000 shares of Erie...
at 70, the road giving him, in payment, cash to the amount of $2,500,000, and Boston, Hartford & Erie bonds to the par value of $1,250,000, assumed to be worth $1,000,000. In addition, he got $1,000,000 in cash, ostensibly for allowing the Erie Railroad the privilege of calling on him for his remaining 50,000 shares at 70 within the next four months. Two seats in the Erie Board were allotted to him. The Eldridge party received its sop in the permission to unload on the Erie, at 80, Boston, Hartford & Erie bonds to the par value of $5,000,000. It was out of these bonds, it will be noticed, that Vanderbilt was partially paid. Of the extra $1,000,000 in cash, paid to him for the “call,” Drew contributed $540,000, in consideration of a quit claim on all that he owed to the Erie. The railroad’s coffer supplied the balance of this $1,000,000, and also the sum of $429,250, to soothe the feelings of Frank Work and Richard Schell and to pay counsel fees. In short, the former foes effected their reconciliation at the expense of the Erie shareholders.

The road itself, by some piece of strategy not quite intelligible, fell into the hands of Messrs. Fisk and Gould, who were now allied with the Tweed Tammany ring. It was at this juncture that their joint career of power had its real beginning. Among its first fruits, we shall see, was the utter rout of the resourceful Daniel Drew.
ERIE UNDER THE NEW CONTROL

The rise of Jay Gould and his associate, Fisk, to the control of the Erie Railroad, and their affiliation with the political organization under Tweed’s control, endowed them with extraordinary power and led the way to the gold corner of the following year. Their first triumph was in repelling an attack on the part of Drew. It will serve us as an excellent illustration of the dashing methods of a new régime.

Mr. Gould took the presidency of Erie shortly after the compromise already described had been carried into effect. On October 13, 1868, he was re-elected, William M. Tweed and Peter B. Sweeney cementing the Tammany alliance by entering the Erie directorate. The property, exploited as it had been, still presented the assurance of profit to those in control. This profit, as it happened, was largely to be made out of our English cousins, who conceived an enthusiastic belief in the value of Erie shares, and bought them—save the mark!—for investment. We may well imagine that Messrs. Fisk and Gould indorsed from the heart the opinion, less popular in their day than ours, that Great Britain was our natural friend, and made references to “hands across the sea” in their conversation with tourists from Albion. As for their political connections, these must not be thought traceable to any prejudice in favor of one or another set of political principles. Mr. Gould described himself as a Republican in Republican districts, a Democrat in Democratic districts, and an Erie man all the time. New York was then a Democratic district. The local Democratic organization controlled some very available judges.

Gould and Fisk united in purchasing the Opera House, at the northwest corner of Eighth Avenue and Twenty-third Street, and leased a portion of it to the Erie company for offices. Fisk made his home in this building.
These two men, with Frederick A. Lane, a young lawyer whom they had admitted to their councils, William M. Tweed, and Daniel S. Miller—Gould's brother-in-law—comprised the Executive Committee of the Erie. The property which they ruled had at this time about 773 miles of trackage and an army of employés. It did not, however, have a large enough capitalization to meet their ideas. They proceeded to remedy the defect. Late in October, 1868, a committee of the New York Stock Exchange, whose officers were already sensible of the undesirable atmosphere which Erie securities carried to any market where they were received, called upon Mr. Gould and asked about the truth of a rumor that there had recently been some fresh issues of the stock. Gould acknowledged that $10,000,000 of convertible bonds had been put out since he took the helm. He declared that there would be no new issue "except in certain contingencies," which was as courteous a way of telling the committee to go about their business as the mind of man could devise. He added that it would require strong efforts on the part of the management to keep the road out of a receiver's hands. As a matter of fact, the common stock outstanding had increased from $37,765,300 on September 30th to $57,765,300 on October 24th, a gain of nearly fifty-four per cent. in a little more than three weeks.

What inkling of the true situation Daniel Drew possessed there is no means of telling; but he certainly felt unable to let Erie alone, even though no longer in control of its management. He sold the stock heavily short. Early in November it was forced down to 35, and some of the English shareholders were selling. The annual fall crop movement, coupled with the success of the bears in locking up greenbacks, had now produced a monetary stringency. Call money leaped to one and one-half per cent. per diem in some instances. Merchandise, as well as securities, declined in value, and the Treasury threatened to issue $50,000,000 in new currency.

On Friday, November 13th, Erie closed on the last call at 35%. While the outside bears had been selling the stock, the Gould-Fisk clique, who had doubtless first sold on their own account, and had now changed their tactics, quietly gathered it in. Fortunately for the ring, the English movement to unload had not been heavy, and could result in no deliveries of fresh stock for another week or two. A short interest of some 70,000 shares existed, and the stock was so distributed that it seemed impossible for the bears to cover. The situation was revealed on Saturday. Erie opened that day at 36%, and at about 6 o'clock in the afternoon a tremendous scramble to cover drove the price to 52%. It was a heavy shock to those who had expected to profit by attacking a virtually bankrupt road.
ERIE UNDER THE NEW CONTROL

HANIEL DREW was too old a campaigner to be unmindful of the fact that he was beaten. He saw in an instant that he could not hope to cover without great loss. The appeal to mercy was his only recourse. But he knew, too, that he must do more than appeal if he were to move the unromantic hearts of Fisk and Gould, to whom he himself had taught strategy, but never mercy. He must offer a *quid pro quo*, and this was possible through the betrayal of some new associates. August Belmont, representing foreign shareholders, who were of course short of the market until their shares could arrive from the other side, was preparing to apply for an injunction to put the road into a receiver's hands, and Drew had confidential knowledge of the plan, which also appears to have been backed by Vanderbilt. He called on Sunday evening upon Fisk and said that he had been in the enemy's camp, and that Schell and Work were in a scheme with him to overthrow the Gould management. If Fisk and Gould would save him from personal loss he would reveal the details of the hostile scheme at once; if not, he would join forces with their foes.

In one of the affidavits filed in subsequent litigation, Fisk, who had a graphic way of describing things, related an account of the interview, which may have been true and certainly was interesting. "I tried to convince him," said Fisk, "that this was one of his old tricks, and that he was the last man who should whine at any position he had put himself in with regard to the Erie. Finally I consented to go and get Mr. Gould." Drew, he declares, argued and pleaded with him, begged him to make a fresh issue of convertible bonds, for "no one could know anything about it," told him that an injunction suit was to be brought in Belmont's name, threatened, cajoled, entreated, and figuratively crawled at his feet. The old man was sent away, while Fisk and Gould put their heads together and planned to take advantage of his information without paying for it. When he returned at 11 o'clock he was told that nothing would be done for him. Then, Fisk says, he declared that if the stock were to be put up he was a ruined man. He renewed his pleas, offering to pay three per cent, for the loan of 30,000 or 40,000 shares for fifteen days—in other words, till stock could arrive from London—which would mean anywhere from $90,000 to $120,000. When this offer was rejected, says Fisk, Drew let them know that he would give his affidavit to the enemy, adding: "You know during the whole of our other fights I objected to ever giving my affidavit, but I swear I will do you all the harm I can if you do not help me in this time of my great need." His enemies were callous. The old man saw at length that neither threats nor entreaties could prevail, and, taking his hat, about 1 o'clock on Monday morning, he quietly remarked, "I will bid you good-night," and stepped out into the street.
EARLY on Monday, November 15th, counsel for Belmont appeared before Judge Sutherland and obtained an order restraining fresh issues of stocks—which is strongly suggestive of the Briton’s proverbial lack of humor—and enjoining the Erie directors from removing the funds of the road out of the Court’s jurisdiction. Drew’s affidavit was among the papers, and in it he charges Fisk and Gould with using Erie money to create a lockup, admitting himself particeps criminis. But his enemies had not been idle. They had already repaired to their favorite Barnard, and the ever-obliging Judge issued an order, authorizing them, as directors, to buy 200,000 shares of Erie for the road at any price below par. Erie opened this day at 52, ran up to 61, fell to $48 1/2 by 1 o’clock, and rose again to 61. The Gould party defied Judge Sutherland’s order and kept taking in Erie until Thursday, November 19th, when their corner culminated.

They had worked the market into such shape on this day that Drew’s fear of being a ruined man must certainly have been proved sound, save for one miscalculation. Some 300,000 shares of Erie, which the bull clique fancied to be safe across the Atlantic, were really distributed over the country in ten-share certificates.

When the cash price of Erie rose on Thursday afternoon to 62 these shares began to come upon the market like a landslide. The price dropped with extraordinary speed to 42, although the bears forced it again to 47 in their anxiety to cover. The market was convulsed with excitement. The price closed that day at 44 bid, offered at a half. The Drew party covered, or settled, at about 57 or 58, some twenty points above their purchases, and were understood to have lost $1,250,000. At one time there was a difference of about sixteen per cent. between cash stock and stock sold on a three days’ sellers’ option.

Then followed a series of ludicrous and disgusting court proceedings, closely resembling the Erie litigation earlier in the year. Judge Sutherland,
on the following Monday, vacated Barnard's orders and appointed Henry E. Davies, ex-Judge of the Court of Appeals, receiver of the road. Judge Davies, when he attempted to take possession of the Erie offices, was obliged to face a gang of hired ruffians, and withdrew. Meanwhile, the Erie clique applied to the Tammany Judge, Cardozo, for a stay of the Sutherland proceedings, and brought an action in the United States Circuit Court against the very men who were suing them, thus securing the appointment of Jay Gould as receiver and the *reductio ad absurdum* of Fisk's selection as his surety. To trace the complicated record of all the ensuing legal proceedings would be an unprofitable task. On one occasion a hasty night trip to Binghamton, which Messrs. Fisk and Gould made for the purpose of getting an injunction from Judge Balcom, spread the rumor that they had gone to Canada with the company's funds. It was certainly foolish to suppose that they needed to leave the country in order to do what they chose with the Erie treasury. But the report had credence for about a day.

The legal farce ended with a sort of comic duello between Cardozo and a respectable Judge, Sutherland, each vacating, by turns, the orders of the other till the decent man found it undignified, and the case was left in Cardozo's hands. He decided it, so far as lay in his power, in favor of his good friends, Messrs. Tweed, Sweeny, Fisk, and Gould, in February, 1869. All the suits in the case were at length discontinued, and the Erie clique, acting through Fisk, later brought a more sensational suit against Vanderbilt, which will be noticed in succeeding pages. As for Drew, he never fully recovered from his defeat. The descent, which the classics assure us to be easy, had begun for the once famous Speculative Director.

**COMMODORE VANDERBILT** meanwhile was lustily carrying out his own plans for the New York Central. On the evening of Saturday, December 19th, the directors of that road startled the Street by unexpectedly declaring an eighty per cent. scrip dividend, on the hypothesis that its equivalent in cash, at par, had been invested in equipment and purchases of rolling stock. A dividend of four per cent. on the old shares and the scrip, payable on February 10, 1869, was also declared. The result was that Central, which had closed that day at 134, opened on Monday at 160, and no doubt there followed a judicious garnering of profits by those who had prior knowledge of the event.

In considering the somewhat arbitrary partition of this "melon," it may be looked upon as the conspicuous prototype of operations now so frequent as to have become "legitimatized." Whatever criticism it provoked
was largely due to its original character. Many processes of the early times—among which the exploitation of Erie may almost be included—were simply the more audacious and barefaced precedents, in a ruder period, for the stock-watering, division of traffic, expert book-keeping, road leasing, consolidation, trust certification, blind pooling, and other devices, to which Wall Street and the public are now well broken in, and by which individual fortunes are swollen at the expense of investors at large. In the feudal era of stock and specie speculations resort was seldom had to the gloves of velvet which encase our modern and vastly multiplied hands of steel.

In January, 1869, the Stock Exchange adopted a law requiring the registering of all issues of active stocks at a proper agency. The Erie directors refused to comply, and Erie was stricken from the list. To accommodate this security, the "National Stock Exchange"—popularly known as the "Erie Board"—was formed, and opened at No. 54 Broad Street on March 11th; but in September the Erie directors consented to comply with the rule. Erie came back to the regular Exchange, and the National Stock Exchange soon perished of inanition.

The merger of the Stock Exchange, which had 533 members, with the Open Board of Brokers, possessed of 354 members, and the Government Bond Department, having 173 members, was arranged early in May, 1869. The Open Board ceased to exist on Monday, May 10th. The brokers who had traded for five years under its auspices signalized its decease by singing "Auld Lang Syne" when the day's work was done. Then they carried their first vice-president, George Henriques, out to Delmonico's, seated in his official chair, and brought him in triumphant gayety to the Stock Exchange Building. The same day the Open Board elected twelve of its members, among them J. L. Brownell, its president, Rufus Hatch, S. B. Hard, D. A. Boody, S. V. White, and Robert Waller, to the first Governing Committee of the consolidated New York Stock Exchange. The committee embraced, all told, four classes, of ten members each, and three of the Open Board representatives entered each class.

The Open Board turned over the contents of its treasury, about $250,000, to the new organization, while the members of the Government Bond Department each paid $1,000 to get in. The enlarged organization began its new life on Tuesday, May 11, 1869, with a membership of 1,060 men and the following officers: President, W. H. Neilson; first vice-president, M. A. Wheelock; second vice-president, B. O. White; secretary, George H. Brodhead; treasurer, D. C. Hayes; assistant secretary, John W. Munro; roll-keeper, W. Weeber.
HERE is one episode in the annals of American speculation which all who are familiar with the Street recognize as preeminent in dramatic quality—the gold corner of September, 1869. It was at once the zenith of the gambling frenzy and the nadir of financial honor. The names of its victims comprise a list that no one can recite, and the evil it produced covered a period impossible to define. Signalized by the triumph of bribery, the debauchery of justice, and the ruin of unnumbered lives, it remains a stain upon the record of finance, which grows darker with every examination. We need not wonder that the day on which this movement culminated should be known and remembered through the breadth of our country by the name of Black Friday.

Such practices as brought about and accompanied this cataclysm are fortunately no longer to be seen. There has come a change in the Street since the days when men turned to look at the rubicund countenance of James Fisk and wonder what particular deviltry had withdrawn him for the moment from his haunts of dissipation. Despite the pessimist, the conditions of our civilization do improve, and if the baser elements of human nature are still at work, at least the public standards have been raised.

No necessity exists to characterize the scheme that brought about the panic of Black Friday. The honest men of the time held one opinion of it—an opinion which the average reader, who has not yet learned the story, will doubtless make his own. The facts will speak for themselves. As the modern New York police captain says, when too closely pressed with questions on the witness stand, “The records will show.” The incidents of this occasion are clearly set forth in sworn testimony, taken under the auspices of the National Government—for the Government was involved in the matter, and if the good name of the Chief Executive was not actually tarnished by the development of the gold conspiracy of 1869, it was no fault of the plotters.

To understand properly the gold corner we must recall the commercial and financial atmosphere of the time. In previous chapters some effort has been made to describe it. The people of the United States, it will be remembered, were transacting their business by the aid of the greenback currency, an unnatural and unstable medium, which was utilized nowhere else. The currency of the great European nations rested on the sound basis of gold. It followed that any transactions between their people and ours must be carried on through the use of gold, and the relative values of the metal and our paper currency, indicated in the Gold Room
fluctuations, had to be watched with especial care by all who maintained business relations with foreigners. The man who bought American cotton, for instance, to ship it abroad, had to contract for its purchase in American currency, but must turn it over to his French or English correspondent at a price measured in gold. In order to protect himself against a fall in gold, between the day on which he contracted to buy the produce and the day on which he could present his bill against the correspondent to a foreign exchange house for discount, and thus get the gold he needed, he must take certain precautions. These consisted in going to the Gold Room, borrowing the metal, and then selling it for currency with which to purchase the cotton. When his bill was discounted, he took the gold which he received from the foreign exchange house and returned it to the man from whom he had borrowed it.

Inasmuch as there was a large number of men who had to carry on their business in this way, gold was in considerable demand, and any curtailment of its supply would quickly raise its price—widen, in other words, the difference between the metal and the greenbacks. Furthermore, a tremendous rise in the price, compelling the merchant to keep putting up fresh margins of currency against the gold he had borrowed for legitimate business reasons, might force him into bankruptcy before he could discount his bills. It was a situation fruitful of opportunity for the speculative genius.

In the spring of 1869 Jay Gould had engineered a successful upward movement in gold, but the price had since receded. He conceived the brilliant notion of repeating the operation a few months later, in order to stimulate the export of the produce of American farms and thereby secure this class of freight for the Erie just at the time when other business was dull and the railroad could accommodate the largest possible part of it. The farmer would profit by selling at the very best moment, the Erie would increase its earnings, and, incidentally, Mr. Gould would make speculative profits.

His argument was of historic importance, and therefore deserves attention. The prices of wheat and corn were fixed in the London market, and were based upon gold, but the farmer's actual return came into his hands, of course, in the form of currency. It was manifestly to his advantage to sell when gold was high, as his breadstuffs could then be exchanged for a larger amount of currency than when gold was low. A rise in the metal was therefore bound to stimu-
late the export movement. The fact that three hundred ships were about
to carry grain from the Black Sea and the Mediterranean to London made
it advisable to anticipate them by hastening the flow of our own produce
abroad.\footnote{Mr. Gould attributed the hold this argument took upon his mind to the influence of James McHenry,
an English capitalist. McHenry was certainly in the gold conspiracy, for he used his good offices to pro-
cure the publication, on August 25th, as a leading editorial in the \textit{New York Times}, of an article purporting
to explain the Administration's policy, and calculated to stimulate the price of gold. It was written by
Abel R. Corbin. \textit{The Times} published it in good faith.}

Such, in brief, was Mr. Gould's process of reasoning. It no doubt
contained elements of truth, though it took no account of the baneful
reaction which must follow an artificial stimulus of gold. The mere corner¬
ing of the metal Mr. Gould conceived to be easy. There were not, as a rule,
more than $20,000,000 or $25,000,000 of it in the New York market at
any one time. But the difficulty lay in preventing an overflow of the
National Treasury. To avoid this danger he must convert General Grant—
who had been elected President in the previous year—to his way of
thinking.

Among the residents of this city was one Abel Rathbone Corbin, a
former attorney, speculator, and lobbyist, now an elderly church
member and the brother-in-law of General Grant. Gould deter¬
mined to make Corbin a channel through which to reach and influence the
President. He succeeded in establishing cordial relations between Corbin
and himself and in inducing the latter to accept his view about the great necessity for helping the farmer to market
his crops. In June General Grant came to this city as his
brother-in-law's guest. Corbin arranged a meeting between
the President and Mr. Gould. Grant was persuaded to accept
the hospitality of Gould and Fisk at a theatre party and later
at a dinner on board their splendid Boston steamer. At this
dinner the President was questioned about his views on the financial situ¬
ation. His reply was indicative of the statesman's ability to detect the
truth behind the sham. There was, said he, a certain amount of fictitious¬
ness about the country's prosperity, and it might as well be tapped in one
way as another. Such a remark evidenced his belief in the advisability of
lowering the gold premium. Mr. Gould afterward described the effect upon
himself as that of a wet blanket. He tried to persuade the President that
the policy of selling the metal would work general disaster. "I took the
ground," said he, relating the event upon the witness stand, "that the
Government ought to let gold alone, and let it find its commercial level;
that, in fact, it ought to facilitate an upward movement of gold in the
Mr. Gould did not add that he had in view an "upward movement" which would carry the price of gold to 200 or more.

Had the master of Erie been accustomed to retire after one rebuff he would never have occupied the place of power he then held. The capacity to pursue an object with unflagging energy was one of the features of his success. He perceived the necessity of converting the President. In succeeding weeks, with Corbin's aid, he contrived to have an extraordinary number of men meet General Grant in a casual way, and just as casually to express the view that a forcing down of the price of gold would prove a great obstacle to the marketing of our surplus crops. This tended to induce, in the President's mind, the belief that all men of financial knowledge agreed in this opinion. The effect of a sudden rise in the gold premium upon other phases of our industries was left quite out of consideration. An additional advantage to the allies was obtained in the appointment, as Assistant Treasurer in New York, of General Daniel Butterfield, who, it was believed, was disposed to further materially the patriotic project to aid American exports. Mr. Corbin's good offices were utilized to make this move in the game.

On the morning of September 2d, General Grant passed through New York. He breakfasted at Corbin's house and heard some additional arguments on political economy from his affectionate brother-in-law. The result was that the President wrote to Secretary George S. Boutwell of the Treasury advising against the forcing down of gold. Corbin informed Mr. Gould of the letter before it had even left New York. Mr. Boutwell was out of Washington when he received it. He telegraphed at once to Secretary Richardson: "Send no order to Butterfield as to sales of gold until you hear from me."

Gould had already formed a pool with Arthur Kimber and William S. Woodward, two operators of prominence, for the bulling of gold, and had purchased several millions without greatly affecting the price, which was naturally tending downward. His brokerage firm, Smith, Gould, Martin & Co., now purchased for Mrs. Corbin, as a token of esteem, $500,000 in gold at 132, and, a little later, $1,000,000 of gold at 133% for Mr. Corbin, as a reward of merit. By September 4th the premium on gold stood at 37. In the next two weeks it scored no appreciable advance. Mr. Woodward, having learned from Washington that the Treasury would probably sell gold, threw his holdings upon the market, after notifying his associates, as he had the right to do. They amounted to some $12,000,000, and had, of course, to be taken by Messrs. Gould and Kimber. Two further misfortunes occurred. An attempt was made to suborn

1 Testimony before the Congressional Committee, of which James A. Garfield was chairman, appointed to investigate the gold corner of 1869. House Report No. 31, Forty-first Congress, Second Session.
ERIE UNDER THE NEW CONTROL

General Horace Porter—our present Ambassador to France, who was then General Grant’s private secretary—and the ring’s offer was promptly spurned. On Sunday, September 19th, Mr. Kimber gave notice that he would withdraw from the pool. On Monday he liquidated his holdings of gold, amounting to $12,000,000, and also went short of the market, an enterprise which eventually caused his bankruptcy. Gould had to increase his holdings tremendously to prevent a decline.

The President had set out on September 13th to visit a friend in the little town of Washington, Pennsylvania, where there was no direct railroad communication. It is said that he was persuaded to take the journey, through the influence of the leaguers. At all events, it pleased them to have him there. Two or three days later, Gould, who had been keeping Fisk in the dark, revealed the scheme and invited his partner’s assistance.

Some indication of Fisk’s character has already been given. It should be added that Gould and Fisk were each, in a measure, the counterpart of the other. Gould was slight of structure, quiet, cool, adroit, and uninfluenced by passion. Apparently his judgment and methods were little swayed by his opinion of another man’s personality. His domestic life was exemplary. In a modified form he combined Drew’s speculative zeal with his interest in religion. Later in life he contributed to the cause of church missions. Fisk was large and portly of person, boisterous and boastful of manner, loud voiced, red faced, and jovial. When both united in the purchase of the Grand Opera House, and therein established the Erie offices, it was Fisk’s inclination which furnished the rooms like the palace of a Venetian doge. He gratified his love of display by becoming the impresario of the adjoining stage, drawing upon the histrionic troupe for his favorites, and exhibiting them in his opera box. He drove through the city streets with a noisy party of convivial spirits, and strutted about the decks of his Boston steamers in an Admiral’s uniform, plentifully bedecked with gilt stripes and stars. He was not only an “Admiral” but a Colonel, his land command being the Ninth Regiment. His anger or his levity burst with equal ease into profane ejaculations or

1The Garfield committee characterized Fisk’s connection with the corner in the following words: “He was told that Corbin had enlisted the interest of persons high in authority; that the President, Mrs. Grant, General Porter, and General Butterfield were corruptly interested in the movement, and that the Secretary of the Treasury had been forbidden to sell gold. He joined the movement at once, and brought to its aid all his magnetic and infectious enthusiasm. The malign influence which Catiline wielded over the reckless and abandoned youth of Rome finds a fitting parallel in the power which Fisk carried into Wall Street, when, followed by the thugs of Erie and the debauches of the Opera House, he swept into the Gold Room and defied both the Street and the Treasury.”

A contemporary of Fisk, in a newspaper article published November 7, 1869, relates that when the future financier was a peddler in New England, and had begun to run his father’s business, the elder Fisk was alarmed at the extravagant methods of his son, who was driving six-horse wagons along their routes, and remonstrated with him. Thereupon the son offered to employ his father at a salary. The conversation ran: Fisk, père — “Well, James, how much of a salary will you give me?” Fisk, fils — “I will give you $3,000 a year, father.” Fisk, père — “It’s a bargain.” Fisk, fils — “All right. But I want you to understand distinctly that you are my clerk, and I don’t want you to put on any of your d—d airs.”
surprising jests. Bluff, audacity, and energy characterized his actions. He thought nothing of threatening libel suits when detected in the most palpable frauds. As a rule he was an admirable weapon in the hands of Mr. Gould. At times he became more than a weapon.

Fisk plunged enthusiastically into the market upon learning that his assistance would be prized, and a fresh step in the campaign, taken on Friday, September 17th, bears the marks of his invention. Corbin was persuaded to dispatch a letter to the President, urging him to stand by his decision not to sell gold. The epistle was carried to the little Pennsylvania town by Fisk’s special messenger. General Porter was with the President, and had doubtless acquainted him with the offer to which reference has been made. This extraordinary letter made the whole matter plain. General Grant told his wife to write at once to his sister, Mrs. Corbin, conveying his wish that Corbin should instantly disconnect himself with all speculation in gold. Mrs. Corbin received this missive on Wednesday, September 22d, the President having meanwhile started for the National Capital.

Gould called at Corbin’s house and this letter was shown to him. He realized, forthwith, that its publication would destroy his plans. It had produced its effect upon Corbin. The veteran lobbyist was through with the game. But though he now washed his pious hands of the speculation, he demanded a share of the spoils. Gould had already given him a check for $25,000. At the current quotation for gold Corbin felt that he and his wife were entitled to $100,000 more. Here was a dilemma for the architect of the imperilled corner. Corbin, whose further services could be of no value, asked for a sum large enough to be embarrassing. If it were denied him he could in a moment ruin the gold project by showing the President’s letter—for the rumor had been industriously spread that the bulls had secured an alliance with the Administration. The revelation of the truth would have been fatal. Mr. Gould asked for a day in which to consider. Twenty-four hours later he wrote on Corbin and informed him that if he would stick to the scheme and carry his gold to the end, he should receive what he asked for; if he drew out, he should get nothing. Jay Gould was a rare judge of human nature. He made up his mind that Corbin’s interest in gold must be retained if Corbin’s loyalty were to last. But Corbin was bound to be clear of the matter at any price. He dreaded exposure. The affair was too dashing and audacious to please his timid soul. In an apparent spasm of Corbin weakened virtue he rejected the offer, his decision being considerably reinforced by the attitude of his wife. This cowardice was a matter of much subsequent satisfaction to him, and in his testimony before the Garfield committee he dwelt grandiloquently upon the fact that he had “refused $100,000 on a rising market.”
As Mr. Gould stood looking at the weak-kneed deserter, whatever thoughts chased one another through the brain behind his penetrating eyes remained an unsolved riddle. Contempt for the pitiful shyster to whom he listened, the quelling of sudden anger by an instant recognition of its uselessness, a lightning-like survey of the field of possibilities, and as swift a determination to save himself at any cost—these we may fancy to be the feelings which convulsed his remarkable mind. "Mr. Corbin," he said, in a low and deliberate voice, "if that letter gets out, I am undone." The door of the house closed after his slender, retreating figure. Jay Gould had determined to bring his corner to an end.

The precise nature of the leader's plans in the emergency is a matter of question. But there is no doubt about what soon transpired. Fisk made furious purchases of gold, most of which were eventually repudiated, while Gould, under cover of this buying, was quietly unloading his holdings and openly purchasing just enough to make people believe him a bull. It is probable that Fisk then knew nothing of the Grant letter. According to his own testimony he still thought the campaign safe. It must be borne in mind, however, that he was a notorious liar, and there is little doubt that before Black Friday came Messrs. Gould and Fisk had arrived at a thorough and frank understanding, and had agreed to divide the profits upon the completion of their joint operation.
length every condition requisite to the disaster of Black Friday had been engendered by the clique. The movement made itself felt early in the week of September 18th, and the situation grew worse with each succeeding day. Gold opened on Wednesday, September 22d, at 137⅞, and before 5 o’clock that afternoon Fisk’s violent buying had driven it five points higher. The closing quotation, 141⅞, shot a tremor through the bears; it worried also the merchants, long used to regard a two per cent. fluctuation in the metal as sufficient for one day, and now alarmed lest an interval of war-time uncertainty should recur.

Fallacious rumors of an impending break with Spain over the Cuban question, probably set on foot by the exultant bulls, added to the current disquietude. In all probability, however, the arguments for short selling did not stop here. There were bold spirits in the Gold Room, and the natural desire of many to profit by the unreasonably high price of the metal was reinforced by another consideration. The bull ring was paying half of one per cent. a day for the currency with which it carried gold. Any one who borrowed gold in order to sell it short could earn that rate of interest on the currency he put into the lender’s hands, and the opportunity seemed tempting.

With the beginning of Thursday’s market the bears discovered their plight beyond mistake. There was no reaction from the high price of the preceding day. On the contrary, the first sale was made at 141⅞, and, amid a struggle which racked the Gold Room and echoed through the Street, the remorseless indicator scored an advance. It was a day of terrible excitement. “As the roar of battle and the screams of the victims resounded through New Street, it seemed as though human nature were undergoing torments worse than any that Dante ever witnessed in hell.”

1 New York Times, September 24, 1869.
The final bid, at 5:30 o'clock, was 143%, the offer being at one-half. The exhausted brokers and panic-stricken speculators who emerged from the scene of conflict saw bankruptcy facing them. One night of anxiety and fear stood between the bears and ruin.

The clique now had in its control between $110,000,000 and $118,000,000 of purchased gold. The list of the shorts was remarkable. "It commenced with Jay Cooke," said Fisk, "and probably went through 250 houses. In fact, it included every firm in this country of any magnitude whatever. . . . We had called in $6,000,000 or $7,000,000—enough to make a sharp demand. The banks held about as much more, and we therefore substantially held all there was available."¹ One of the clique's brokers, E. K. Willard, estimated that 10,000 or 15,000 persons were short of gold. Fisk now proposed to his allies that they should publish a list of the shorts in a newspaper the following morning, and offer to settle at a good stiff price, with the threat that if the offer were refused the price would be advanced to 200 on Saturday. His plan was rejected as too dangerous. It was decided to renew the bidding in the market, and that several of the brokers in the ring's employ should terrify the shorts into a private settlement. Meanwhile other agents were instructed to keep selling gold for Mr. Gould. Henry N. Smith, Gould's partner, bade them "Sell, sell, sell—only don't sell to Fisk's brokers."

¹Testimony before the Garfield Congressional Committee appointed to investigate the gold corner of 1869. House Report No. 31, Forty-first Congress, Second Session.
Early on Friday, Belden piloted Speyers to a small back room in the office of William Heath & Co., No. 15 Broad Street, where Gould and Fisk awaited him. He was instructed to buy all the gold he could at 145 and under, the quotation at the time being about on a level with the closing price of Thursday. He emerged from Heath’s office, passing a cordon of stalwart bullies, who had been posted at the entrance for protection, and through a growing crowd he threaded his way to New Street. It was some time before 10 o’clock, the hour for the opening of the Gold Room. Brokers, carrying orders which they feared they could not execute, or sick with anticipation of their own peril, had formed a knot in the centre of the crowd before the entrance and were sporadically bidding for the metal, while pressing them on every side were the merchant, trembling on the verge of an undeserved bankruptcy, the simple gambler, furious or joyful at the trend of prices, the “lame duck,” scowling with envy at an excitement he could no longer share, and the nondescript mob which always gather about a set-to in the Street. Speyers joined this throng, and when the doors of the Gold Room were opened made his way inside. He began briskly to purchase gold at the prevailing figures. When the price had reached 145, a boy approached him with a slip of paper from Fisk telling him to put it up to 150 at once. He followed the order and then ran out, and back to Heath’s office in Broad Street, to make his first report in the little back room.

From the temporary headquarters of the masters of Erie there was no need for them to emerge in person. But the direction of all this strategy, which convulsed a community and disturbed the commerce of the civilized world, issued from their retreat.

Here Fisk, who loved the centre of the stage, was revelling in his power and importance. He sat in his shirt sleeves, armed with a heavy cane, and intensified his forcible remarks with oaths and gestures. As the spirit moved him he arose and strode up and down the room, still carrying the cane, and informing his satellites, in pompous tones, that he was the Napoleon of finance. Mr. Gould sat

1 It is natural that in the accounts now existing of the terrific scenes of Black Friday there should be apparent certain discrepancies. The newspaper descriptions of the time varied remarkably. Many contradictions occur in the testimony taken before the Garfield Committee. The statements of the sworn witnesses, leaving out of account the commission of perjury, in which Mr. Fisk, for instance, appears largely to have indulged, contain errors due to other and natural causes. In regard to that very salient point, the range of the price of gold, the testimony is conflicting. Most of the witnesses gave the highest quotation as 162%; Albert Speyers testified that it was 163½; Fisk said that it was 163 or 164; the Herald said that in one part of the Room it reached 165; while in the Evening Post’s figures, purporting to be the accurate record of the official indicator, the highest quotation noted was 160%. Of course it is out of all belief that the indicator chronicled every sale made that day. The opening price of gold was stated, by James B. Hodgskin, Chairman of the Arbitration Committee of the Gold Exchange, to have been 143, and Speyers testified that he began his Black Friday buying when gold stood at 143%, and did it in the Gold Room. Yet the evidence is conclusive that when the Gold Room formally opened at 10 o’clock the first quotation given upon the indicator was 150. Speyers must, therefore, have been buying before the gavel sounded. It is interesting to note that while Speyers testified that he was not at all excited on Black Friday it was commonly believed that he had gone insane. “My opinion of Speyers that afternoon,” said Fisk, “was that he was as crazy as a loon.”
quietly by, content to watch his antics as an indulgent father may contemplate the doings of a precocious child. It was Fisk who spoke when Speyers came rushing in to say that his price had reached his limit. He told the broker to go back and buy all the gold he could get at 150.

The formal opening of the day's business in the Gold Room saw the metal at that price, and for about an hour it made no appreciable advance. Apparently the ring were not quite ready to put the screws on. But the crowd well knew that the agony was to increase, and momentarily expected the signal. Two hundred brokers crowded about the fountain, where stood the Cupid, carrying a dolphin in his arms, and hurled their fierce ejaculations across the enclosure. At the centre ring was packed a mob of spectators, many of them livid with fear. There were two galleries in the Gold Room, the lower one set apart for messengers and the upper one now filled with additional lookers on. Thousands who could not enter crowded New, Broad and Wall streets. Just outside the entrance, where the indicator looked into New Street, the crowd was thickest.

Here the silk-hatted importer jostled elbows with the shoe-string gamester, the gamins supplemented the babel from the Gold Room with their jests, and the pickpocket covertly plied his calling.

While Speyers was buying gold at 150, a prominent member of the Stock Board pushed his way through the crowd to tell him that the brokers at the Exchange were furious, and that if he continued to bid some one would shoot him down. Speyers rushed out of the Gold Room and into the Exchange next door, making hurriedly for the platform, which he mounted with the Chairman's permission. He declared that he heard he was to be shot and had come to see the cowards and scoundrels who said they would shoot him. He would continue to bid. Having thrown out his defiance he descended the platform and made for the door, some of the members, who probably regarded his action as silly bravado, hissing as he went. Then, still in a fever of excitement, he ran back to Heath's office to report again.

Fisk told him to return to the Gold Room and put gold up to 160, adding: "You'd better be quick, for I've given some other brokers the order to pay that price for it." Without a question as to his own security or the sanity of the movement, without one cent of margin or a vestige of written authority for this wild order, the infatuated broker rushed back to his work.

It was shortly after 11 o'clock that the woes of anxiety in the Gold Room gave way to the torments of realization. For a long, dark hour, hundreds of men of all classes, from the opulent merchant or speculator to the clerk whose scant earnings were imprisoned in a margin, had stood at the outer railing and turned fearful eyes toward the indicator that dis-
The "Gold Room," New York Gold Exchange, Broad Street. 1869.
played the record of the struggle. Some there were who had already slid over the edge of the bankruptcy pit, but many were simply on the verge. A few more advances marked by that deadly indicator, and business, credit, fortune, happiness—yes, even honor—would be gone. Should the bulls fail to carry forward their designs, should exhausted capital or unconquerable foes compel them to withdraw, or should the Treasury—as few dared to hope—come to the rescue before it was too late, the inflated price would sink as briskly as it had risen, and the air would still be good to breathe and the sunshine good to see. So they had waited, as criminals in the shadow of death may wait for a reprieve. When Speyers' inexorable voice began to lift the premium higher, they saw their last hopes melting.

Brokers by the score were fighting against ruin and had no sympathy to spare for lookers-on. In a moment the premium had risen to 55. The Room burst into a semblance of the Inferno. "The revengeful war-whoop of the most furious Indians, the terrific yells issuing from a lunatic asylum, would not equal in intensity the excited cries of the speculators in the Gold Room." At the railing that guarded the fountain the Furies seemed to have broken loose. Men rushed about the little enclosure shrieking their bids or offers like barbarians running amuck. Curses and protestations burst from their lips. The jargon of speculation was interlarded with the raving of disordered minds. While the premium advanced, more than one man seemed for the time to have gone insane. At the railing where Speyers stood flinging his terrible bids at his fellow brokers, the clamor of two hundred voices, articulating desperate replies or desperate oaths, greeted his every word. Fingers that had shot into the air to emphasize an offer twined themselves in the gray hairs of their owner. Voices that had grown weary demanding what could not be had threatened the lives of the foes whom they could not reach. The groans that rose from the mob of onlookers at the outer rail added to the tumult as the price mounted steadily higher. The faces of thousands had taken on the expression of hunted beasts, while here and there some speculator for whom the disaster was making a fortune displayed his exultation in his eyes. Often as the indicator recorded a quotation hitherto untouched, carrying a new batch of victims to the pit, the lamentations of the Gold Room were answered by fierce shrieks of pleasure from without. The crowd before the indicator in the Street contained few losers and was making merry with the sensation of the hour.

The scene displayed the gambler's lust unbridled, and was strongly suggestive of the lust for blood. In the minds of a few followers of the gold clique it excited visions of fortune. To the great body of men in the Gold

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1 *New York Herald*, September 25, 1869.
Room it meant disaster, or even ruin. The remembrance of past happiness, easily bought and lightly held, the visions of bygone domestic comforts and delights of luxury and ambition added new tortures as the means by which they had possessed these things slipped through their fingers.

The bids mounted with but inconsiderable reactions. Nothing was apparent to hinder the raising of the price to 200, for it seemed unlikely that the Treasury, which had permitted these excesses, would interfere now. But here the general view was mistaken. The Treasury had kept in close telegraphic touch with the situation, and relief was near.\(^1\) Before it came Speyers forced up the market to 160, and sustained it there, while the shorts, in bursts of frenzy, jumped the price still higher in their efforts to cover. It is said to have gone to 165 in one part of the room. Just about noon, when the tension had reached a pitch which nine men out of ten feared might drive them mad, James Brown, of Brown Brothers, a prominent and courageous banker, sold Speyers $5,000,000 at 160. It was afterward believed that Mr. Brown had private means of knowing the Treasury was to sell gold. This he denied, under oath, and nothing exists to blur his character or discredit his word. The effect was, at all events, electrical, and when, at 12:07, the news arrived that the Treasury would sell, the great corner broke like a sapling before a cannon ball.

Secretary Boutwell had telegraphed the needed order to General Butterfield, in this city, and five minutes after its receipt this bulletin was posted at the Sub-Treasury:

\[
\text{"The Treasury will sell, at 12 o'clock noon to-morrow, four million gold and buy four million bonds. Proposals will be received in the usual form.} \\
\text{"Daniel Butterfield, Assistant Treasurer."}
\]

This was the handwriting on the wall. As the news spread through the Gold Room, the babel which had for a moment lessened was renewed with double volume. Men knew at last that the Government had not been bought. To Speyers' stertorous cry, "I’ll give 160 for any part of $5,000,000," one banker constantly responded with a sale of $1,000,000. Then the flood of offers descended upon the clique's broker, and in an instant the premium had dropped to 55, 50, 49, 44, and was still sliding downward when Speyers rushed in desperation from the room and to the headquarters of his principals. He told them that the market had broken to 140, and Fisk coolly bade him return and renew his bid of twenty per cent. higher. "You're only a broker, Speyers," he remarked. "You're perfectly safe. We have our own way of doing business. Keep up that status of 160."

\(^1\) Secretary Boutwell had telegraphed the needed order. Fisk is authority for the statement that Kimber, who had failed, sent word to Washington of the situation.
Back to the Gold Room ran the dazed subordinate, content to obey, and ignorant that he was working his own ruin. But the throng that gathered about the fountain was at last beyond his control. Down went the premium while he fatuously bellowed, “160 for any part of $5,000,000.” Some few risked the chance of selling him gold. James Brown, for instance, sold him $2,000,000 more. But to most of the brokers he was simply a man crazed by excitement, and they swept his bids aside as they drove the price of the metal lower, with pent-up fury bred of torture. In fifteen minutes the premium had fallen to 33, and a handful of Speyers’ associates were dragging him from the floor, his preposterous bid still gurgling in his throat. The battle was over. The exhausted mob of brokers and speculators poured out into the open air, overcome with disaster or exulting over imaginary gains.

The bull leaders had been already handicapped by Government interference in another channel. They had joined hands with Tweed and other members of the Tammany ring that summer to purchase the control of the Tenth National Bank. They had relied upon this bank to aid them by grossly overcertifying their checks, and had learned in the morning that it was too dangerous to continue the practice for the time being, as National Bank examiners had come to the city and were working over the institution’s books. Still, the great resources of Mr. Gould and his friends would have enabled them to overcome this difficulty—aided as they were by the right to demand increasing cash margins with every advance in the metal’s price from all to whom they had loaned their gold—if it had not been for Boutwell’s telegram. The mere sale of $4,000,000 could not break the market. It was the moral effect of the Secretary’s action—ordered, of course, by the President—which told the Street that the Government would take all needed steps to safeguard the country.

The existence of a corner of any sort in Wall Street tends to produce a decline in the prices of securities at large, not only because its moral effect is calamitous, but because the corner’s victims are obliged promptly to liquidate their general holdings. This week showed no exception to the rule, although the Stock Exchange was not such a scene of terror and confusion as was the Gold Room. Black Friday would no doubt have been marked by much greater heaviness in the stock market than was actually shown if a decline of several days previous had not already shaken out weak holders to a considerable extent. Wednesday, for instance, had witnessed a panic in Vanderbilt shares. New York Central, which closed in the Street on
Monday at 201½ bid, and on Tuesday at 198½ bid, descended to 176—one account makes it 174½—while Hudson River, which closed on Monday at 179¾, fell to 166 cash on Wednesday. The latter security recovered only about two points on that day, while Central was forced up to 191, and closed at about 186. But even Commodore Vanderbilt must have had his hands full in supporting these issues. The following table of final bids and offers on Monday, September 20th, and Black Friday, September 24th, will illustrate the general decline:

<table>
<thead>
<tr>
<th>Stock</th>
<th>Monday</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York Central,</td>
<td>201½%</td>
<td>182%–3</td>
</tr>
<tr>
<td>Hudson,</td>
<td>179¾%–80</td>
<td>164–8</td>
</tr>
<tr>
<td>Erie,</td>
<td>39¾%–½</td>
<td>35–½</td>
</tr>
<tr>
<td>Reading,</td>
<td>95½%–%</td>
<td>94–½</td>
</tr>
<tr>
<td>Pacific Mail,</td>
<td>75½%–5</td>
<td>72½–3</td>
</tr>
<tr>
<td>Lake Shore,</td>
<td>97%–½</td>
<td>92%–3</td>
</tr>
<tr>
<td>North-Western,</td>
<td>75%–%</td>
<td>72–½</td>
</tr>
<tr>
<td>Rock Island,</td>
<td>109%–%</td>
<td>107%–%</td>
</tr>
</tbody>
</table>

The impression was general among the crowd which poured out of the Gold Room at 12:30 o'clock on Friday afternoon that half the houses in Wall Street were insolvent, and if the usual criterions of solvency are the test in this case the view was doubtless well founded. Operators who had scored large paper profits in the break decided, on sober second thought, that rejoicing would be premature. Speyers had made enormous purchases since 9 o'clock, but not one of the sales to him was worth the paper ticket it was written on. “I bought altogether, that day,” said he, “over $26,000,000. That was the last day—the day of judgment.”

Solid houses, like Brown Brothers or Duncan, Sherman & Co., which had thrown large sums of foreign gold upon the market after the break began, had no means of knowing where they stood; and practically every man who emerged with throbbing pulses and whirling brain from the pandemonium about Cupid’s fountain was as much in ignorance of his position.

“I have made $50,000 on the fall,” said a grizzly-faced operator, “and would take a quarter of it to-day rather than run the risks of to-morrow.”

“Yes,” said a young but heavy operator, “I made $100,000 in a jiffy, but I would like to take ten per cent. of it for my chance of the whole. I don’t suppose I shall ever get a copper of it—the parties will turn out to be all broke.”

A few moments after the bursting of the bubble the office of William Heath & Co., at No. 15 Broad Street, was besieged by a mob of desperate men, goaded too far to remember the claims of law, and wild for a chance to wreak bodily vengeance on those at whose hands they had suffered. The

1 Testimony of Albert Speyers before the Garfield Committee.
2 New York Times, September 25, 1869.
memory of former losses stirred the mob’s heated blood and they made threats against not only the workers of their present woe but all the old allies of the clique. Demands that Judge Barnard be hanged testified to their feeling and seemed to indicate a well-grounded belief that this handy judicial auxiliary would soon respond to another call for his services. It was no time for the sovereigns of Erie to dally. Their assailants were clamoring for admittance, and Heath’s guards were not equal to the task of denying it. All through that morning, while the unfortunate Speyers was working ruin in the Gold Room, Mr. Gould had been settling outstanding contracts. He had a special group of agents engaged in impressing upon the bears a conviction that they must settle soon if they would escape at all. This work was under the care of his partner, Henry Nelson Smith, and had gone on with much success, contracts to the amount of nearly $20,000,000 having been settled at about 148 or 150. All chance of pursuing negotiations further was ended, now that Broad Street swarmed with an angry mob, and Messrs. Gould, Fisk, and Smith made haste to leave the scene. One by one they vacated the office through a back passage and repaired to safer quarters.

These were found in the neighboring offices of Smith, Gould, Martin & Co., at No. 11 Broad Street, where a cohort of armed retainers had been held in readiness to guard the financiers in the event of any disagreeable contingency. The firm’s sagacity had not stopped here. Foreseeing that disputants with whom it would be inopportune to settle at once might levy on the contents of their office, they had early provided a sheriff to guard it. Thus civil law and mob law were neither to be feared. Later in the day—though Mr. Gould may have known nothing of it—Inspector General McQuade, of the National Guard, told a Brooklyn regiment to hold itself in readiness to march, if need be, upon Wall Street.

It took the Broad Street crowd but little time to discover which way the objects of their pursuit had flown, and they now besieged the firm’s offices, demanding admittance, and increasing their importunities at each refusal of the hired guardians. Men shouted to one another that the house had failed. Rufus Hatch, a friend of the clique, stood in front of the entrance and theatrically exclaimed, “I’ll bet $1,000 to $500 that the firm is sound!” “That’s cheap whitewash,” said one bystander; but no one took the bet. Perhaps the crowd had had enough of speculation for one day. At all events they refused to go while there was any chance of satisfaction. Finally, at 5 o’clock in the afternoon, Fisk decided to show himself to the malcontents and endeavored to pacify them, his partners, no doubt, acquiescing in the plan. Scarcely had he appeared on the entrance steps when one furious victim—an Englishman, it is said—sprang up from...
the crowd and dealt him a smashing blow in the face. Fisk retired at once and announced that moral suasion was out of the question. A short while later Mr. Gould and he took their departure through a back exit and made their way up town.

Before they left, however, there occurred an incident which is too striking to be overlooked. Speyers had discovered, just after his collapse, upon seeing his principals, to whom he had continual access, that they intended to repudiate his frenzied dealings. Later in the afternoon he had returned to the Gold Room, announced his suspension, and proclaimed Fisk and Belden as his principals, and then had taken Mr. Brown to them with the information that the banker had sold him $7,000,000 of gold for their account. Mr. Brown was obliged to leave them, after threatening "to have their heads," and it is uncertain whether they ever paid him anything. But to Speyers, when he came again alone, Mr. Fisk made a striking proposition, which was in effect that he should quietly stand by the clique and accept a consideration to relieve them of responsibility for his transactions. "Mr. Speyers," said Fisk, "you can ask anything of us—money, capital, or service. What do you care about the brokers? You have a family of children. The brokers are all rascals."

This offer was supplemented by a proposition from one of the clique's lawyers, who suggested a payment of $200,000, which Speyers refused. In his sworn testimony before the Garfield Committee he declared that he never even received his commissions. The simple quality of his mind was indicated by his explanation of his course in following his orders so blindly. "Their transactions," said he, "were all so mysterious that even when they bought gold at 160, while it was selling for 140, I thought it quite natural for them. I thought that probably they knew something about it."

The Tenth National Bank had to face a severe run that afternoon, with its doors besieged by a mob of depositors who apprehended that it would fail, but it weathered the storm. The Gold Exchange Bank, of which H. M. Benedict was president, was in great difficulties, and by reason of the failure of a number of firms found its transactions impossible to clear. Thursday's clearances had amounted to $324,524,000, and it is estimated that those of Friday would have reached a total of $500,000,000, had they ever taken place. The Gold Board met on Saturday, only to adjourn till Monday. On Wednesday the Gold Exchange Bank, which had paid, at its own risk, and in order to check the growing list of failures, a portion of the balances due, was put into the hands of a receiver, at the application of the Gould party, by Judge Cardozo, who also
granted an injunction preventing the Gold Exchange from selling out the clique's gold "under the rule," or taking any action to protect its members except through the courts, and from expelling Henry N. Smith. "We have to say of Judge Cardozo," remarked the New York Times editorially, "that he has only furnished another illustration of the wicked purposes to which our judicial system may be perverted." The clique, in fact, succeeded in tying the hands of creditors and debtors alike by the aid of Tammany judges, a feat well illustrated by the injunction Barnard granted them against John Bonner, who had sold gold to Speyers. This order actually prevented Bonner from taking any legal action against them, otherwise than in defending a suit brought against him by Smith, Gould, Martin & Co. The travesty of justice closely approached perfection.

It enabled Smith, Gould, Martin & Co. to effect advantageous compromises with their creditors, in the course of settlements, lasting five or six weeks, though some litigation stretched well into the next year. Speyers never paid anything on his debts. Fisk repudiated every order he had given, and virtually escaped scot free. The clique cleared several millions of profit. Mr. Hodgskin, chairman of the Arbitration Committee of the Gold Exchange, estimated that a settlement, including the transactions of Speyers and other alleged agents, would have cost them at least $20,000,000.

The aftermath of the disaster must be briefly outlined. The Gold Exchange, of which the president was Townsend Cox, did not resume dealings until Thursday morning, September 30th, the Stock Exchange having meanwhile provided for gold trading in the Long Room. A committee of twenty, appointed by the Gold Exchange, eventually effected a partial clearance on the basis of a price of 135 for gold, the closing quotation on Black Friday, the members being instructed to settle the difference between that price and their contract prices by private agreement. Smith, Gould, Martin & Co. made frequent promises to send in their sheet, but never did so. The committee finally constructed a sheet for them from the tickets presented by other brokers. It showed that they had contracted to receive $20,630,000 in gold, and deliver $7,500,000 in gold, leaving a balance of $13,130,000 to be paid for by them at 135. It has been already seen that they got out of their difficulties by private settlements.

Individual deaths and ruin, and the failure of a long list of firms, marked the passage of this financial cyclone. The most notable fall was that of the celebrated house of Lockwood & Co., on September 29th.

1 Solomon Mahler, a ruined broker, killed himself with a pistol shot, in bed early on the morning of the 25th, the day after Black Friday.
And almost strangled him as he cried,—

Their coffer-dams were burst with the strain!

Thirty per cent, the index slid,

Small need to open the Washington main.

That drenched the bulls wherever they stood!

Or a rushing, gushing, yellow flood,

All ways at once, like a water-spout,

They had killed their Goose with the Golden Egg!

To that dangerous, last, particular peg.

Yet Freyer still kept making his bid

One Hundred and Sixty—Five Millions more!

“Five millions more!—for any part,

A doleful knell in the storm-swept mart,—

“If I give One Hundred and Sixty!”

Israel Freyer—the Government Jew—

Good as the best—soaked through and through

Faster than this rude rhyme can tell!

Israel Freyer’s Bid for Gold.

Sounds how the price went flashing through

Wall street, William, Broad street, New!

All the specie in all the land

Held in one ring by a single hand—

For millions more it was ready to pay,

And throttle the Street on hangman’s-day.

This story by E. C. S.
THE ENDING OF TWO NOTABLE CAREERS

WITH the period of the great gold corner of 1869, and until his death at the hands of an assassin two years and a quarter later, James Fisk, Jr., was undeniably the most picturesque and spectacular figure in the realm of speculation. Always a spendthrift, and quite ready to scatter in the form of largess the riches which passed through his hands, he could not amass a stable fortune. Mr. Gould, his associate, was the real basis of success in all the schemes that Mr. Fisk executed with such daring and bluster. But, despite Gould’s means and ability, it was Fisk who captured the greater share of public attention, and even held a little nook in the public heart. The question of character varies, like other questions, with the point from which it is approached. Thousands who were nowise inclined to thread the intricacies of Mr. Fisk’s operations in the Street, knew him as a man of striking and humorous speech, liberal in his expenditures and his gifts, easy to approach, and a royal companion in pleasure seeking. They cared little how he made his money, but were much interested in the methods he took to get rid of it. They dubbed him “Temptation Jim,” or “Prince Erie,” laughed at his Admiral’s uniform and his malodorous jests, and vowed that there were many worse than Fisk who concealed their failings better. No doubt they were right.

The brief era now calling for discussion was as thoroughly tinctured with Fisk’s presence as a glass of water by a drop of coloring matter. He had wound up a sensational, if futile, attempt to appropriate a railroad property on the very eve of the gold campaign described in the preceding chapter. It is possible simply to touch on the bare outlines of this story. In the early half of 1869 the Albany & Susquehanna, a railroad 140 miles long, had been completed from Albany to Binghamton—the latter point being on the Erie line. This little road would have been of much value to
the Erie as a means of establishing a New England connection. Stock to
the amount of only $2,800,000 was outstanding, and the so-called "church
party" in the Albany & Susquehanna directorate formed an alliance with
Fisk and Gould for purchasing the control of their property and
turning it over to the Erie. Joseph H. Ramsey, president of
the Albany & Susquehanna, the man who originated and
carried through the entire project for the road, opposed this
plan, and in order to frustrate it induced a group of his friends to subscribe
for 9,500 shares of new stock, upon which they were able to vote after
paying ten per cent. of their subscriptions. To get this ten per cent. in cash
for his obliging friends he actually hypothecated the road's own equipment
bonds, to the par value of $150,000, with David Groesbeck, justifying his
audacious act by the exigencies of defence against the Erie clique.
Fisk, who was the active mover on the part of the Erie in this affair,
succeeded, on August 5, 1869, with the aid of the ever faithful Judge
Barnard, in having the Albany & Susquehanna put into the hands of
himself and Charles Courter as receivers. On the same day
Ramsey induced Judge Peckham, of Albany, to appoint a
Mr. Pruyn as receiver. A period of disgraceful legal complications,
judicial warfare, and contempt for all the ordinary decencies of
litigation—such as we have seen in previous financial conflicts—was next
in order. Fisk attempted to take the Albany offices of the road by storm
on August 7th, and was thrown out, with his allies, by the employes. He
returned, to make an astonishing proposition to play a game of "seven-
up" with the superintendent of the Albany & Susquehanna Railroad, the
winner to take charge of the road. This offer was declined. He then
retreated to New York, to fortify himself with a "writ of assistance" and
various other awe-inspiring court orders, while Mr. Pruyn was doing some¬
thing of the same kind at Albany. Before the campaign
ended, the rival factions, supported by rival cohorts and borne
on rival trains, met in a head-on collision just outside a
tunnel near Binghamton, and, though no one was injured, the
excitement was such that the militia had to be called out, and Governor
Hoffman took possession of the road. A disgraceful scene on election day,
September 7th, marked by the arrest of Ramsey and the nominal victory
of the Erie faction, was followed by court proceedings at Rochester, which
ultimately wound up the fiasco. The Albany & Susquehanna was restored
to the Ramsey party, and in February, 1870, leased to the Delaware &
Hudson Canal Company.1
1Charles Francis Adams, Jr., in an article printed in the North American Review for April, 1871, and
Jeremiah S. Black, ex-Attorney-General of the United States, have each left an interesting account of this
escapade in finance. Mr. Adams denounces the Erie party and Mr. Black excoriates Ramsey. Both views
appear to be well supported.
THE ENDING OF TWO NOTABLE CAREERS

The year 1870 was marked by the prosecution of two suits, in which Fisk was the plaintiff, and which added to his notoriety although fruitlessly depleting his bank account. One of these had been started in the previous year. It was what is now termed a "strike"—a species of blackmail conducted through an action at court, with which the attorneys for all large corporations are familiar. Fisk claimed to have made four subscriptions, of 5,000 shares each, to the stock of the Union Pacific Railroad Company, and sued to establish his claim, incidentally securing the appointment of William M. Tweed, Jr., the son of the Tammany boss, as temporary receiver of the road.

The Union Pacific was already in the control of the famous Credit Mobilier of America, a Pennsylvania corporation, of which Sidney Dillon was the president and Thomas C. Durant the backbone. The scandals which later tainted its name were forecasted in the rumor of the day, and Fisk knew the weak points at which to direct his attack. But it was not successful.

The Union Pacific and Central Pacific roads had received, by Acts of Congress in 1862 and 1864, subsidies of United States six per cent. gold bonds at the rate of $16,000 a mile from the Missouri River to the base of the Rocky Mountains, $48,000 a mile for 300 miles through these mountains, $32,000 a mile between the Rockies and the Sierra Nevadas, and $16,000 a mile west of the Sierra Nevadas. The Central Pacific ran eastward for 881 miles, exclusive of branches, from Sacramento, California (which was connected with San Francisco by another road), to Promontory Summit, five miles west of Ogden, Utah, where the junction was made with the Union Pacific, running from Council Bluffs, Iowa. The latter road was 1,029 miles long. Work was commenced on both systems in 1863, and they were united in May, 1869.

The Government bond subsidies were liens upon the roads, but public lands to the extent of about 19,000,000 acres were turned over to them free and clear. This national aid was extended upon the theory that a transcontinental road would be of great value to the

1 The Credit Mobilier of America was composed of a group of Union Pacific directors, and took over from dummies the contracts for constructing the road which the directors executed. In short, they used their fiduciary position to enrich themselves as individuals, and as the contracts were grossly extravagant they made millions by the process. Prominent in the Credit Mobilier was Oakes Ames, who individually carried out the largest construction contract. Mr. Ames was a member of Congress, and distributed large blocks of Union Pacific stock among his fellow members on terms which made the process tantamount to bribery. The object was to secure favorable legislation on behalf of the road. In the report of the United States Pacific Railway Commission, transmitted to Congress by President Cleveland on January 17, 1888, it is shown that the Credit Mobilier of America had made a net profit on the so-called Ames, Hoxie, and Davis contracts of $43,929,328.34, in bonds and stock, the equivalent of $23,366,319.81 in cash. The legitimate expenses of building the road should not have exceeded the amount of the first mortgage bonds. Oakes Ames and James Brooks, of New York, were both expelled from the House of Representatives for their connection with the bribery.
nation in time of war. Similar assistance was also extended by the
Government to the Northern Kansas and Western Pacific roads, and the
Sioux City & Pacific.

William E. Dodge, Marshall O. Roberts, Moses Taylor, Samuel J. Tilden,
August Belmont, General John A. Dix, Thomas C. Durant, Thurlow Weed,
William R. Travers, and Leonard W. and Addison G. Jerome were among
the first subscribers to the Union Pacific.

The animus of the Fisk suit was thoroughly disclosed by a joint
affidavit, in which several of the directors joined, in reply to “Prince Erie’s”
charges. The statements it attributed to Fisk bear the stamp of truth.
Sidney Dillon swore to a conversation he had with Fisk in which the Erie man
admitted that his “subscription” had been made for other persons. John B.
Alley swore to an admission by Fisk that he aimed to get $100,000 in black¬
mail for stopping his suit. There is good evidence to the effect that Fisk
never paid a cent on his alleged sub¬
scriptions. His attempt at blackmail
collapsed in February, 1871, when Judge
Nelson decided the case in favor of the
Union Pacific directors. His other litiga¬
tion of this period was directed at
Commodore Vanderbilt, and was an outgrowth of the famous settlement
which concluded the first Erie conflict of 1868. This action Fisk prose¬
cuted, with Gould’s aid, on behalf of the Erie road. They had agreed with
Vanderbilt to definite terms, which we need not reiterate. The
agreement was sufficiently outrageous, but it had made pos¬
sible the truce, and this of itself should have estopped Messrs.
Gould and Fisk from bringing an action to overthrow it. The
suit came to trial in March, 1870, before Judge Barnard. The emotions of
this judicial luminary, called upon to decide a dispute between his old bene¬
factor, Vanderbilt, on the one side, and his loyal friends, Fisk and Gould, on
the other, may be left to the imagination of the reader. His Honor showed
plainly his wish to be tender of the feelings of both parties, if unable to
gratify more than one by his decision. When Fisk was on the stand, and
the Vanderbilt counsel asked him about the capitalization of the Erie,
Barnard excused him from replying, since to do so might “be furnishing
information to those who were anxious to prosecute the company.” Fisk
added to the entertaining character of these proceedings by voluble and
pungent testimony. He said that he dated his gray hairs from the time of the infamous agreement of 1868, and related, with great detail, how he had at last reluctantly consented to the schemes of the wicked. "After signing one paper," said he, "I signed every paper that came before me, for I knew the devil had got me."

Judge Barnard, responding to a process of reasoning we need not pretend to understand, dismissed the suit against Vanderbilt on March 27, 1871. It will be recalled that the disputed agreement had given the Commodore $1,000,000 in cash, as a little douceur, out of the Erie funds. David Dudley Field, counsel for the Erie, made bold to ask if Vanderbilt had a right to it. "I think in compromising he had a right," replied his Honor, "to receive such a sum as would compensate him for the trouble he had taken."

The most startling speculative movement of 1871 was one with which the Gould-Fisk-Tammany clique had nothing to do. The Rock Island corner resulted in disaster to its chief engineer, William Searle Woodward, at the instant when it had almost attained success. Its completion depended upon a loan of $250,000, which was promised to Woodward and never paid.

In preceding pages it has been seen that Woodward was associated with Gould in the early stages of the gold movement in 1869, but liquidated his holdings of gold well in advance of Black Friday. It was his practice to keep in his employ at Washington a confidential agent, who regularly sent him information of value to his speculative enterprises. Woodward was born in Haverhill, New Hampshire, April, 1825, and as a young man engaged in the cotton business in New Orleans. Later he entered business in Chicago, and shortly prior to the commencement of the Civil War he came to New York and began operating in Wall Street. He failed three times before becoming widely known in this city, but each time went vigorously to work rehabilitating his fortunes, and at length amassed about $3,000,000. His attorney advised him, when his career was at its height, to make a trust deed of $1,000,000 worth of United States sixes to his wife, insuring prosperity for the balance of his days; but he was too confident of his prowess to take the advice. He dealt continually, often handling 50,000 shares in one day's trading, and his reputation grew. Although essentially a domestic man, he was a liberal spender of his means, a fact instanced by the lunch club he formed with John B. Trevor, Charles A. Lamont, and the famous stutterer and wit, William R. Travers. These four men had a room
at Delmonico's set apart for their use, with a table bountifully spread each
day from 11 A.M. till 3 P.M. They made it a practice to invite to luncheon
the prominent public men who visited this city, and paid the expenses of
their unique club by speculations in the Street "for the lunch account."
Any one of the four had the right to buy or sell for this account, and any
one of his associates might close at pleasure a deal which he had under-
taken. They were able to preserve good feeling through the continuance of
this remarkable arrangement, which in one year cost the astounding amount
of $26,000. Trevor, Lamont, and Travers consumed a fair quantity of good
wine at the expense of the lunch account, and as Woodward
was a total abstainer he was compensated for their indulgence
by getting a hamper of fine fruits daily for the benefit of his
family. He was a man of markedly charitable tendencies, and his benefac-
tions were widespread and were quietly conferred. When the final crash
came, a poor Mississippi clergyman, to whose church Woodward had once
contributed $250, read in the newspapers of the operator's fall, and sent
him a letter, placing at his disposal the sum of $300, which he had saved in
the course of years of labor in his pastorate.

The shrewdness of this determined speculator may be illustrated by an
incident known to but few of his acquaintances. He had at one time accu-
mulated a good many thousand shares of a certain stock, and a clique of
outsiders asked to participate in his venture. Their request was denied,
and they revenged themselves by bribing a young clerk in the office of his
brokers, Marvin Brothers & Co., and getting from this lad a daily report of
Woodward's transactions, on which they gauged their own purchases.
Mr. Woodward had some occasion to suspect treachery, and employed a
private detective to watch his brokers' offices. The detective noticed that
the lad in question regularly went away with a package of papers after the
market was over for the day, saw him deliver his burden to another boy,
and traced the second lad to the broker's office in which the plotters made
their headquarters. When the spy reported his intelligence Mr. Woodward
instructed his own broker to keep his account in a private set of books, but
Concerning
to have a series of fictitious transactions, supposedly heavy
those who
purchases, entered in the books which came under the eye of
digged a pit
the boy who had turned traitor. In the course of the next
and fell therein.

few days the clique, relying on what they believed to be good
information, bought the stock heavily, and Woodward sold them all his
holdings at his own price.

For several years Mr. Woodward had been a large owner of stock in
the Chicago, Rock Island & Pacific Railroad Company, which then con-
trolled less than six hundred miles of road, lying wholly in Iowa and Illinois,
and had a capital stock of $17,000,000, and from 1860 till 1871 had been
paying eight per cent. He was an enthusiastic believer in Rock Island's future. In May, 1871, he was about to retire from active life, when Frank Work, then a special partner in the Stock Exchange house of Scott, Strong & Co., invited him to join a pool in Rock Island. Work declared that his firm had been lending a large amount of stock to Daniel Drew's firm, Kenyon, Cox & Co., evidently for Drew's account. The opportunity for a twist of the shorts was too good to be resisted, and Woodward consented to enter the pool. Its management was placed in the hands of George S. Scott, of Scott, Strong & Co., and the stock, which had sold between 105 and 107 in January and closed at 114% on May 19th, was lifted to 125 by June 7th. On the day following, the Rock Island directors met in Chicago and disappointed the bulls by failing to declare an extra dividend. The stock fell below 121.

It was about this time that Mr. Woodward, on a day when Scott was absent at Long Branch, undertook to protect Rock Island stock against a bear attack, by operations of his own. As a result he accumulated a much larger block of Rock Island than he desired. Late in the afternoon he went down to Long Branch and saw Mr. Scott at the West End Hotel. He explained what he had done and asked his associate to assume the day's transactions on behalf of the pool. It was manifestly to Scott's disadvantage to comply, and he flatly refused to do so. But he did consent to tie up the holdings of the pool—amounting to 50,000 shares—for a period of sixty days, in order to allow Woodward to dispose of the stock which he had bought in the pool's interest.

In agreements of this sort it is the custom among hard-headed operators to take memoranda of the numbers of those certificates which are pledged to be kept from the market, as a guarantee that the pledge will not be violated. But Woodward had never been willing to use that precaution. He made it a rule to enter close business relations only with men whom he trusted, and having once established such relations he put all suspicions aside. For the remainder of his life he believed that in this case his confidence cost him dearly. In fact, after the crash it was public gossip in the Street and the newspapers that the pool had broken faith with him, and it might be difficult to explain the course of events upon any other hypothesis. Woodward returned to New York, and began, through several brokerage offices, a campaign of manipulation. Strangely enough, instead of working his stock off, he kept increasing his holdings. He sought the advice of John F. Tracy, president of the Rock Island road, and of H. H. Porter, who was also connected with it. They both urged him to go slowly, as earnings were poor and the advancing season would, in the natural order of things, bring a tight money market. But Woodward had gone too far to retreat.
In June 16th Commodore Vanderbilt, who was engaged in obtaining about $5,000,000 for Harlem improvements by the sale of 40,000 shares of Harlem stock, posted a notice to the effect that on the following Thursday 10,000 shares of Harlem would be offered for sale, the proceeds to be applied to the completion of the new depot at Fourth Avenue and Forty-second Street. This notice, harmless as it appeared at the time, a few days later became a thorn in Woodward's flesh. He had run Rock Island up to 129½ on Tuesday, June 20th. At the close of that day's business, while the bears were offering Rock Island, seller thirty days, at four per cent. below the market, he went over his accounts and found that he had bought 190,000 shares of stock. Of the road's total capitalization of about 170,000 shares, 30,000 shares were too far out of the Street to be factors in the situation, and 50,000 shares were thought to be tied up by the pool. Therefore, about 90,000 shares were presumably purchasable on Change at the time he began his independent operations. As Mr. Woodward held contracts for 190,000 shares, there was apparently a short interest of 100,000 shares or more. Such a short interest should be sufficient to put the stock to 300 with comparative ease. But if the pool shares had really been tied up, as Woodward believed, it was strange that a sharper demand had not made itself felt, no matter how freely he had kept his stock loaned out. At all events, he was in a position to squeeze the bears most profitably, if the necessary cash to force a settlement of short contracts were provided. He had virtually exhausted his own resources in manipulation, and financial assistance was imperative. On the evening of this Tuesday he visited Commodore Vanderbilt, described the situation and offered to divide the prospective profits in return for a loan of $250,000 for the morrow. Vanderbilt's answer furnishes a remarkable commentary upon the changes in the Street since 1871. "Woodward," said he, "you hold the prettiest hand I ever saw—I play poker, you know—but, in the first place, I never speculate in stocks; and even if I did I couldn't help you. I haven't the ready money. I'm borrowing $4,000,000 or $5,000,000 for my Harlem improvements. There is only one man in New York who has any ready money to speak of—Daniel Drew. Better try him." Woodward answered that Drew was the biggest fish in the net. "Very well," said the Commodore, "if he's caught, he certainly wants to get out. Make a deal with him and he'll bite."
"Uncle Daniel" Drew lived at the time in an imposing house at the southwest corner of Broadway and Sixteenth Street, long since torn down. Woodward called at his residence on this same Tuesday evening, and the septuagenarian financier received him in the front parlor and listened calmly and attentively to the proposition of his antagonist. Perhaps Drew had reason to believe that the Rock Island short interest, irrespective of his own regrettable contracts, was not nearly so extensive as Woodward supposed, and if that were the case it would certainly pay better to let Woodward ruin himself than to join hands with him in an attempt to corner other men. At all events, he received his visitor with suave manners and a kindly voice. He permitted a benignant smile to find its way across features that were, as a rule, unlikely to inspire trust, and graciously accepted the proffered terms. He was to be relieved of loss on his own short contracts, and was to divide the profits of the deal in return for a loan of $250,000, which his brokerage firm, Kenyon, Cox & Co., would pay before 10 o'clock the following morning. Pleasantly the old man bowed his visitor out. As the house door closed he stepped back into a rear room, where a prominent broker, who still bears an honored name in Wall Street, had been sitting unobserved. "What d'ye think that 'ere feller wanted me to do?" he remarked. "Wanted me to give him a rope for him to hang me with."  

Shortly before 10 o'clock the next morning, Woodward sent to the office of Kenyon, Cox & Co., for the loan Drew had promised him. They knew nothing whatever of the matter. The market opened and he put in supporting orders, buying the stock at 130%, and a few points lower, and vainly waiting for his rescue as Bonaparte awaited Grouchy.  

At 10:30 A.M., with no word from Drew, and no hope of reinforcements from any other quarter, he realized that he had been betrayed. He sent word to his brokers to protect themselves, and announced his suspension to the Stock Exchange. 

Rock Island dropped to 110 cash at the first Board, 28,000 shares being sold under the rule, and 20,000 shares in free trading. The stock closed that day at 112%. Woodward's principal brokers were Dater & Timpson, Earl & Saltonstall, Robert Waller, and W. E. Tunis & Co. All these went to the wall that day, and J. W. Gillespie, James Austen, H. A. Dennison, A. G. Wood and H. A. Bowen also failed. The panic was virtually confined to Rock Island, the general list being well supported. The excitement was so great, however, that Mr. Fanshawe, of Fanshawe, 

Having appealed in vain to Commodore Vanderbilt for help, he secures a promise of aid from Daniel Drew.
McDougall & Co., burst a blood vessel while on the Exchange. The ruined brokers, as a whole, had no harsh things to say of the operator who had involved them in misfortune. His own liabilities amounted to about $3,500,000. How heavily the brokers suffered may be instanced by the case of Mr. Gillespie, who said that he had lost $100,000 in cash and plunged himself into debt to the extent of $200,000 or $300,000.

On Thursday, Commodore Vanderbilt, serene in the consciousness of having been graduated at the college of speculation, went on with his Harlem programme by selling the 10,000 advertised shares. One broker took them all, at 127 and 127%, in two lots. Mr. Woodward's great career was ended. His enemies camped on his trail for several years, endeavoring to prevent him from clearing off his debts. He got a discharge in bankruptcy on November 24, 1876. He died in August, 1890, from injuries resulting from carrying a woman out of a burning house in Brooklyn.

The Orangemen's parade on July 12, 1871, is still remembered in this city as the cause of frightful riot and bloodshed, and deserves some brief reference here as the only known occasion on which Colonel Fisk ever saw active service. For weeks before this event the public was well informed of its possibilities in the way of disturbance and loss of life. Among the Catholic Irishmen in New York there was a large number of unfortunate and illiterate persons to whom the Orange parade would be an insult calling for immediate battle. The Inspector of Police, although fully aware that the Orangemen had as good a right to march in this free country as any other body of men, was still possessed of sufficient common sense to forbid a celebration directly calculated to stir up riot. Governor Hoffman, however, was suddenly taken with a desire to manifest to the world the flourishing condition of religious liberty in America, and he "went over the head" of the Inspector by issuing a permit for the parade.

The celebration of the Battle of Boyne took place on the 12th, by favor of the Governor, and cost some sixty lives—chiefly the lives of poor, ignorant men and women who believed that they were doing a creditable thing in avenging an affront to their religion. Several regiments of militia and a formidable body of police were called out to escort about eighty paraders. When the column reached the Grand Opera House, at Eighth Avenue and Twenty-third Street, the mob of onlookers began an attack with stones. Fisk, who was in the Opera House at the time, hastened out and joined his regiment, the Ninth, taking the command from Braine, the Lieutenant-Colonel. Some one in the Ninth lost his head, for it was this regiment that started firing, under
small provocation. The result was a frightful slaughter. It is said that Braine had given the order to fire, when Fisk arrived and took command. At all events, the mob got a little satisfaction out of Fisk. "The crowd came for me," said Fisk, in describing the circumstances to a reporter a day or so later. "I was set upon by the mob with stones and brickbats and pitched in the gutter. When I got up my coat was all torn off and I found I was wounded. I limped into a house, which was broken open for a hospital. I got there a big overcoat and hat, blackened my moustache and otherwise disguised myself, and hobbled over a fence into the street." After clearing the fence the Colonel hastened to the Hoffman House, but, fearing that it would be burned down if he stayed there, slipped quietly away again and found refuge in Long Branch.

Two of the members of the Ninth Regiment lost their lives that day. The regiment's opinion of its Colonel's conduct may be gathered from the fact that when his name was mentioned in the armory it was greeted with a storm of hisses. Fisk had previously enjoyed among the militiamen such popularity as liberal spending, rough good humor, and a conversation spiced with questionable jests not infrequently offered.

The financial horizon of the fall of 1871 was devoid of a cloud, even though storms lurked beneath. The national crops were large, and business seemed thriving. Manufactures, said the statisticians, had increased twenty-five per cent. in twelve years. Old Government bonds were being successfully refunded into new ones on terms of advantage to the borrower. In August the Street heard that Jay Cooke, McCulloch & Co.—the London house of Jay Cooke, who was the floater of most of the national war loans—had taken over the balance of the new $200,000,000 refunding loan, amounting to some $130,000,000, for a foreign syndicate. This was an exaggeration. Mr. Cooke had taken only $30,000,000 of the loan, $10,000,000 for distribution among the national banks, as in war times, and $20,000,000 which had been placed abroad. Of the remaining $100,000,000, Secretary of the Treasury Boutwell said, half would be reserved for the banks for sixty days, and they were to get one-eighth of one per cent. commission on what they subscribed for and the right to be designated full depositaries. The bonds, which bore five per cent. interest, were well taken, and paid for in gold. Confidence and good feeling were general. In a speech at Cleveland on September 29th Mr. Boutwell said: "I cannot doubt that the last five years constitute the most prosperous period of the nation's life." The primal cause of all this commercial activity, over which statesmen grew eloquent, was currency inflation. Prosperity, boasting of its health, had two years more to live.

For weeks the market had seen the bulls triumphant, the advance of prices keeping pace with the garnering of crops. Then came the terrible
Chicago fire, which destroyed property estimated at $150,000,000, or more, in value. It was on Saturday, October 7th, that the first conflagration occurred. This was checked after four entire blocks had been consumed.\(^1\) At 10 o’clock on Sunday night the flames again burst into fury, and began ravaging the heart of the Western metropolis, erasing long wiping out not only bank and office buildings, factories and homes, but railway depots, warehouses, and the grain elevators at the edge of Lake Michigan. When the New York Stock Exchange opened its doors for business on Monday, October 9th, the fire was still raging. The market was weak at the opening, and prices fell off rapidly as telegrams poured into this city bearing news of the progress of the flames. By 2 o’clock the floor was a scene of intense excitement. Men had come to realize the import of the disaster. The insurance companies, they knew, had received a staggering blow, which might be expected to start a chain of failures, while the great railway trunk lines which entered Chicago had been so materially crippled that the prices of their shares must certainly be affected. Furthermore, the simple fact that thousands were being ruined by the flames in the Western city was likely to spread commercial disaster elsewhere. The downward movement of prices at the Board increased in velocity, and in a brief space of time the hopefulness of the first hours of trading had been succeeded by consternation. “Pale, eager, excited faces,” said a contemporaneous writer, “and eyes glittering with anxiety, and nervous, restless movements of hand and frame, and many a wild yell in hard, metallic, unnatural tones—these by themselves betokened the advent of a serious crisis.” By 4:30 p.m. prices had fallen from four to ten per cent., and money was commanding half of one per cent. a day. The market rallied slightly toward the close.

On the day following, Tuesday, the Stock Exchange held a meeting, after the first call, to consider the disaster. W. B. Clerke, who had succeeded William Seymour, Jr., that year, was president of the Board. On the motion of William Alexander Smith, who had served the Board three years as treasurer and once as president, the sum of $20,000 was appropriated for the Chicago sufferers. The Board also decided, on the motion of J. L. Brownell, the vice-president, that the amount should be increased to $50,000 if the Governing Committee found that the finances would permit it. At 3 p.m. of the same day the Gold Exchange voted to tax its members $10 each, and its treasury $5,000, for the Chicago victims. These benefactions were

\(^1\)The first fire originated in the planing mill of Lull & Holmes, on the block between Canal, Clinton, Van Buren, and Jackson streets, at 11 o’clock on Saturday evening. It did something more than $2,500,000 worth of damage. The second, and really calamitous, fire started in a frame stable in the rear of a DeKoven Street shanty. A woman entered the stable shortly before 10 o’clock on Sunday evening to milk a cow. She carried a kerosene lamp with her, which she set down in the straw beside her stool. The cow kicked the lamp over and the straw was ignited, thus giving rise to the conflagration. Curiously enough, the wretched little house from which the woman emerged to go to the stable was untouched by the fire.
THE ENDING OF TWO NOTABLE CAREERS

in line with the feeling exhibited by the entire nation. Such a sense of brotherhood prevailed as to touch even the masters of the Erie Railroad. The road gave free transportation to the supplies which charitable persons forwarded to Chicago.

The brokers' generosity did not ward off trouble on Tuesday, for, although the fire was then over, a semi-panic occurred in the morning. Prices fell lower than on the previous day, rallied with violence, and then lost a portion of the recovery. There were three failures on Tuesday and three on Wednesday. A good idea of the extent of the depression may be obtained from the following table of fluctuations on October 7th, 9th, and 10th:

<table>
<thead>
<tr>
<th>Stock</th>
<th>Saturday</th>
<th>Monday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Tuesday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>(Final bids on the curb.)</td>
<td>(Low prices.)</td>
<td>(Final bids on the curb.)</td>
<td>(Low prices.)</td>
<td>(Prices made on the recovery.)</td>
</tr>
<tr>
<td>Western Union</td>
<td>66%</td>
<td>56%</td>
<td>57</td>
<td>34%</td>
<td>59</td>
</tr>
<tr>
<td>Ohio &amp; Mississippi</td>
<td>42%</td>
<td>36%</td>
<td>37</td>
<td>38%</td>
<td>35%</td>
</tr>
<tr>
<td>Pacific Mail</td>
<td>52</td>
<td>47</td>
<td>47%</td>
<td>44%</td>
<td>47%</td>
</tr>
<tr>
<td>New York Central cons.</td>
<td>92%</td>
<td>86</td>
<td>87%</td>
<td>84</td>
<td>89%</td>
</tr>
<tr>
<td>New York Central scrip.</td>
<td>87%</td>
<td>83%</td>
<td>83%</td>
<td>80</td>
<td>83%</td>
</tr>
<tr>
<td>Union Pacific</td>
<td>27%</td>
<td>22%</td>
<td>23</td>
<td>20%</td>
<td>24</td>
</tr>
<tr>
<td>Erie</td>
<td>30%</td>
<td>25%</td>
<td>26%</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>Wabash</td>
<td>62%</td>
<td>54%</td>
<td>54%</td>
<td>52%</td>
<td>57%</td>
</tr>
<tr>
<td>Reading</td>
<td>114</td>
<td>108%</td>
<td>109%</td>
<td>103</td>
<td>108%</td>
</tr>
<tr>
<td>Lake Shore</td>
<td>106%</td>
<td>95%</td>
<td>96%</td>
<td>91%</td>
<td>97%</td>
</tr>
<tr>
<td>North-Western</td>
<td>69%</td>
<td>63</td>
<td>63%</td>
<td>60%</td>
<td>63%</td>
</tr>
<tr>
<td>North-Western preferred</td>
<td>90%</td>
<td>86</td>
<td>86%</td>
<td>83</td>
<td>88%</td>
</tr>
<tr>
<td>Rock Island</td>
<td>109%</td>
<td>98%</td>
<td>98%</td>
<td>94</td>
<td>101</td>
</tr>
<tr>
<td>St. Paul</td>
<td>62%</td>
<td>55%</td>
<td>56%</td>
<td>54</td>
<td>57%</td>
</tr>
<tr>
<td>St. Paul preferred</td>
<td>81</td>
<td>77%</td>
<td>77%</td>
<td>73%</td>
<td>77%</td>
</tr>
</tbody>
</table>

"On the capital of these concerns alone," said the Times on Tuesday, referring to this list of fifteen, "there is a loss of market value of between $25,000,000 and $26,000,000 in a single day (Monday). We submit that this is quite enough." The public seemed to acquiesce, for the market rallied, and continued for several months to improve. Its recuperative powers were well attested by the fashion in which it bore the bank failures of December. The Ocean National Bank went to the wall on December 12th by reason of bad loans, after the bank examiner had reported it to be in good condition. On the day following the Union Square National and the Eighth National banks went under. Stocks were dull, but fell a point or two on December 14th. The remarkable vitality of the general list was no doubt accounted for by the fact that the fire panic had gone beyond reason.

On December 22, 1871, a New York newspaper printed this London dispatch:

"The Erie Protective Committee publishes the following communication as received from its agent in New York: "The new Attorney-

1 Rock Island was ex-dividend 4 per cent. on Monday.
General (Barlow) proposes, in his official capacity, to break up the whole combination of the Erie ring, without respect to persons. 'The publication of this intelligence has been received with great joy by the parties interested.'

Here was a storm signal not to be neglected. Already the Tweed gang of thieves were in grievous trouble. The campaign for municipal honesty which the Times had started in 1870 was meeting with success. The defeat of Tammany at the polls, the resignation of Tweed, Sweeney, and Connolly, and the arrest of Tweed and Connolly, ended this triumvirate’s career of municipal crime and also their usefulness to the Erie managers. Between Gould and Fisk, moreover, there had arisen some ill feeling, the actual cause of which is in doubt. It culminated, at all events, in Gould’s demanding that Fisk sacrifice himself to public sentiment by resigning from the Erie directorate and thus averting trouble from the road. Fisk acceded to this demand in December, 1871.

At 4:30 p.m. of Saturday, January 6, 1872, Fisk was shot in the arm and abdomen by his old enemy, Edward S. Stokes, at the Grand Central Hotel, now known as the Broadway Central, Broadway and Bond streets. His death took place in the hotel early the following morning. His wife, who lived in Boston, came to this city, and showed much evidence of grief over the slaying of her erring spouse. Throughout his last hours Fisk conducted himself with fortitude and courage.

The quarrel with Stokes was twofold. The men were rival suitors for the favor of a woman, Helen Josephine Mansfield, whom Stokes won after Fisk had installed her in a handsome house within a stone's throw of his offices. "Prince Erie" ran after many women, but was genuinely infatuated with this one. He sobbed at her feet like a baby, imploring to be taken back, after one of their misunderstandings. He lavished gifts upon her and poured out his heart to her in letters rich in expression if defective in grammar. The letters, Fisk publicly declared, were the tools by which the woman and his rival extorted from him a substantial sum of blackmail money. They answered his charge by subjecting him to an action for criminal libel.

1 The Life and Times of Col. James Fisk, Jr. R. W. McAlpine. New York, 1872. Stokes explained his grievance after a fashion in a letter printed on April 29, 1872: "In regard to the idea that I ever desired to extort money from Fisk, I will say that I have been in legitimate business for the past ten years. With the exception of a reverse in 1865, I had been generally successful until I was induced to take James Fisk, Jr., as partner in my oil business in Brooklyn. By him I was flagrantly robbed and outraged. My refinery was seized at midnight on Sunday by a lawless gang of ruffians, without any process of law, while I was thrown into prison and there enjoined from even attempting to proceed to regain my property. After considerable litigation a satisfactory compromise was made, but an Erie lawyer adroitly trapped me into his confidence and induced me to move a satisfactory settlement, then made and on the verge of being signed and closed. After inducing me to abandon this settlement, which would have dropped all litigation between Fisk and myself, he obtained all the papers which they so much desired, and then betrayed my confidence by making an award in the interest of Fisk. The same day the lawyer left for Europe. This breach of confidence victimized me out of $50,000, which it was previously stipulated I should receive."
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an oil refinery and had separated. The life of Stokes' oil company depended on his possession of transportation facilities over the Erie. He learned that Fisk intended to shut these off and ruin him. When he found out that the libel action and a suit growing out of the oil quarrel were both going Fisk's way, he satisfied his feelings by committing murder.

The crime was dastardly and deliberate. Stokes lay in wait for his victim, and gave him absolutely no chance. Had Stokes been an illiterate laborer he would have dangled in a noose two months later. As it happened, he was convicted of murder once, but obtained a new trial, and finally had to serve a brief term for manslaughter. The miscarriage of justice, due to his position and connections, need not concern us nor provoke sympathy with the burst of nauseous sentimentality over Fisk which the murder called into being. If assassination endows a man with virtue, doubtless Mr. Fisk now sits in the company of the saints. Yet a candid narrator could scarcely permit the single trait of liberality in this man's character to offset his gigantic thieveries, his betrayal of all manner of trusts, his debauchery of the judiciary—in short, his contempt for purely ethical considerations. Certain it is that genuine tears were dropped on Fisk's coffin lid, and that many of the poor bewailed his death. Wall Street, with its ready knack of reducing such matters to commercial terms, hailed it as a bull argument on Erie. While Fisk lay dying, the brokers in the Fifth Avenue Hotel discussed with interest the better prospect for the stock.

In Fisk's justification it has been said that he was quite "cleaned out" in the Street in his early days, and vowed to repay this ill treatment, and that his later career was simply the fulfilment of his oath. Following a similar process of reasoning, many a man has turned brigand and cut-throat to repay the world's unkindness. But however we may regard the character of Fisk, it is undeniable that he meant much to the Erie ring. He wielded a power in his way. With Tweed in the law's clutches, and Fisk gone to his last account, and the English shareholders and American public inflamed, the times had changed for Fisk's surviving associate.
OW long President Gould could have defended his Erie fortress with Fisk at his side is rather uncertain. At all events, the hostile forces he had so constantly defied were now preparing an assault which he could not resist. Since his régime began, the Erie road had been not only virtually ruined by extraordinary stock issues but directly handled for his benefit. He unloaded one small railway property after another upon the Erie, purchasing in his fiduciary capacity what he was selling in his individual capacity. He antagonized those English investors who had been foolish enough to buy Erie shares and those who had interested themselves in the Atlantic & Great Western road, which ran from Salamanca to Dayton, was leased to the Erie for a term of years and was said to be misused for Erie's advantage.

His lawsuits were beyond number. In fact, it may be said that to be in litigation was his normal condition, and the decision of one or two important cases against him, in view of the evidence brought out, made an adverse public impression, which the weakness of Erie Stock increased.

Gould's power was maintained by a law, the enactment of which he had secured, dividing the Erie directorate into classes and keeping the control of the road in his hands for a term of years, irrespective of the changes in actual ownership of the shares, a device not uncommon in our own time, and often productive of good results. When the feeling of the stockholders reached a point that determined them to oust him from power, they had to contend with this measure. An ordinary election would not serve. Means must be used to induce some of the Gould directors to turn against him. For "means" read "money." The only argument likely to be effective with an Erie director was that indicated by the dollar mark.
Frederick A. Lane, a lawyer who had been reckoned among Mr. Gould’s faithful allies, was one of the Erie directors disposed to yield to this argument. By his cooperation, the enemy found, it would be quite easy to get inside the fortress. Mr. Lane seems not only to have given his own services to the attacking party, but to have influenced the minds of certain of his fellow directors. The representatives in this city of the English shareholders and of all who were dissatisfied with the Gould management constituted the attacking party. They were headed by Major-General John A. Dix, whom they agreed upon as Gould’s successor, and they had secured the services of General Daniel E. Sickles, then United States Minister to Spain, who was in this country on leave of absence from his post. The English house of Bischoffheim & Goldschmidt and its allies, including James McHenry, contributed the sum of $750,000 to secure the necessary resignations from the Erie Board.

On Monday, March 11, 1872, occurred the coup d’etat. A party of some twenty men, including General Dix, General George B. McClellan, W. Watts Sherman, William R. Travers, H. G. Stebbins, former president of the Stock Exchange, and others, met at the residence of Samuel L. M. Barlow, No. 1 Madison Avenue. At about 11 a.m. they proceeded to the Grand Opera House and entered the hallway leading to the Erie directors’ room. Jay Gould was downtown at the time. A letter demanding that he call a special meeting of the Board, signed by Frederick A. Lane, Justin D. White, H. N. Otis, Homer Ramsdell, Henry Thompson, John Hilton, O. H. P. Archer, M. R. Simmons, and George C. Hall, all directors, and couched in the hypocritical terms of pretended distrust of his management, had been addressed to Mr. Gould. Apparently it did not reach him. Archer took hold of the situation, in his capacity as vice-president of the road, and called a meeting in the Board room at noon.

The directors who signed the defiant letter and the attacking party fraternized at this meeting. Thomas G. Shearman, the Erie counsel, was first suspended from office. Then General Dix was elected to the vacancy which was created by Fisk’s death. One by one, each of the nine men who rallied beneath Lane’s banner resigned his place and a new director was elected to fill it. Those who thus entered the Board were General McClellan, Gen. H. L. Lansing, Gen. Alexander S. Diven (who had served some time

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1 The State Select Committee appointed to investigate Erie, in its report of May 17, 1873, said that the testimony before it was to the effect that Lane had offered to secure a majority of the Board for the London shareholders for $1,500,000, but that General Sickles found it could be done for $750,000, including his legal fee of $160,000. The committee gave the bribes paid as follows: To Lane and Thompson, $67,500 each; to Simmons, $50,000; to Archer, $40,000; to Otis, White, and Hilton, $25,000 each. This made $300,000 in bribes. Contingent expenses, exclusive of the Sickles fee, were about $290,000. It was an enormous bonanza for all concerned. The committee report commented as follows:

"Aside from the motives which inspired the policy and the actions which resulted in the overthrow of the Gould directors, the manner and the means cannot but be regarded with the severest disapprobation. . . . The spectacle of a United States Minister to a foreign court leaving his duties there and lending himself to the execution of a scheme of this kind is not calculated to heighten our respect for, or to inspire our confidence in, the integrity of the public service under our Government."
before on the Board), John Jacob Astor, J. F. D. Lanier, W. W. Sherman, W. R. Travers, H. G. Stebbins, and S. L. M. Barlow. Mr. Barlow was elected counsel and Joseph Larocque attorney. Finally Jay Gould was removed from office as president and treasurer, and General Dix was elected president of the rejuvenated Erie Railroad. The meeting was not altogether peaceful. In the course of these radical changes a party of roughs in the Erie employ broke into the room, armed with injunction papers signed by Judge Ingraham. These papers had been granted on the charge that the resignation had been purchased for $750,000. General Dix's troops met the invaders zealously, and the papers were torn up before they could be served.

Gould had now reached the Grand Opera House, and he and Shearman entrenched themselves in the president's room with several policemen. The Dix party was assisted by a group of stalwarts from the United States Marshal's office, and decided to serve Mr. Gould with orders to surrender the Erie books. They knocked at the door of the president's room and demanded that it be opened on the authority of the United States. The name of their country proving an ineffective weapon, they had recourse to a crowbar. The door was wrenched open, and in poured the Dix party and swept away their foes. Mr. McFarland, Barlow's law partner, took Mr. Shearman by the collar of his coat and threw him away from the door by which he was trying to escape. Crowley, a deputy marshal, then started in pursuit of Mr. Gould, armed with the papers which were to be served upon him. Mr. Gould began to run around the room, all egress being barred, and threw chairs behind him as he fled, in an endeavor to head off the representative of the law. The spectacle was exciting and not unmixed with humor. Crowley overcame all obstacles with despatch, and finally reached the panting financier, shoved the papers into the breast of Mr. Gould's coat, and signalized his triumph by shouting, "You are served!"

The Dix party retired with the honors of the occasion, and the next two hours were made eventful only by desultory combats between the roughs employed on either side. As the day wore on, a force of 119 worthies, with over-developed muscles, was posted in and about the directors' room, in charge of generalissimo Thomas Lynch. This strategic position they held throughout the night. Upon the furniture in this and neighboring chambers, which bore witness to the luxurious taste of the departed Fisk, they eventually stretched their limbs to enjoy a merited repose. Mr. Gould was baffled temporarily, but not yet

1 The new Board was evidently changed later, some of the Lane party returning to office. Poor's Manual of 1872-73 excludes the names of Messrs. Astor and Lanier from the list of Erie directors selected at this time, and adds the names of O. H. P. Archer, George C. Hall, F. N. Drake, Charles Day, Homer Ramsdell, John Ganson, Edwin Eldridge, and Henry Sherwood.

2 This money was alleged to have been obtained by Bischoffheim & Goldschmidt out of the Atlantic & Great Western coffers.
conscious of defeat. One of his first moves had been the securing of the telegraph office in the building, and he was soon emitting messages to all parts of the Erie road, asserting his authority and warning the employes to recognize none other. Furthermore, he had notices to the same effect posted about the building, but these were speedily torn down. His enemies, aware of his resourcefulness, enjoined their hired guards not to allow any one to smuggle legal papers into the directors' room. An incident which occurred in the course of the night was described in a contemporary newspaper as follows, the scene being the interior of the directors' room:

"Presently there came a gentle tap upon the plate-glass door of the apartment. The bluecoated guardian opened it sufficiently to admit of the insertion of a ruby tinted nose. 'You can't come in,' growled Cerberus. 'I want to see Mr. Archer. Don't push the door against me,' whined the owner of the nose, in a petulant manner. 'Yer can't see nobody without yer send in yer name.' 'I'm Mr. David Dudley Field, and I want to see Mr. Archer.' 'Hold on to that door—don't admit any one—don't take any paper,' hurriedly whispered an attendant of the new Board to the policeman. Mr. Field again sought to squeeze his way in. The officer unceremoniously thrust him back and shut the door in his face."

All the chief parties to the contest remained in the building while the issue was in doubt. The Erie clerks, many of whom had followed the Fisk fashion in the matter of apparel, and were constantly resplendent in velvet coats and diamonds, bought presumably with their savings, hovered about the scenes of turmoil in pitiable anxiety. They naturally desired to be on the winning side, but had no means of finding it. Mr. Shearman advised Mr. Gould that his position was legally impregnable, and urged him to gather his forces and assault the directors' room. But Mr. Gould knew better. At one time, however, there was a rumor of a coming attack, and the marshals in the directors' quarters hastened to fasten with hoops the sliding door leading to the president's room. The Gould forces in the latter chamber were at once impressed with the idea that the foe was about to take the aggressive, and displayed equal haste in fastening the same door on the other side with a rope.

Negotiations between the opposing parties were instituted through General Sickles, and at length Jay Gould was convinced that his Erie career was ended. On Tuesday morning, March 13th, the new Erie directorate met, and received his acknowledgment of defeat. Mr. Gould would step out, but to save his face he desired permission to hand in his resignation to his own Board—the old Board—the majority of whom had calmly betrayed him for good and valu-
able considerations. The victors consented and the old Board met and accepted Mr. Gould’s resignation. Then the nine men, who had formerly given up their places to the newcomers, repeated the process, and General Dix was a second time elected president. Mr. Gould shook the dust of the Opera House behind him, and the news was spread in the Street that ring rule in Erie was finally at an end.

This was a day of much excitement on the Stock Exchange, and comment on the great Erie coup filled every mouth. There were few, indeed, who had a good word for the ousted suzerain. Erie stock began to advance with the vigor of renewed youth. The quotation which had closed at 36½ on Saturday rose on Thursday to 40, and on Monday, one week after the revolution, it closed at 48½ bid.

A furious buying movement had set in from London, and, according to report, the professional operators were caught short of the stock, and had a desperate struggle to cover. On March 20th Erie sold up to 52, and one week later it touched 67½, a striking tribute to the general opinion of the Gould regime. On this day, at an hour when the market price of the stock was 63, the veteran Drew, who knew a thing or two about the real worth of Erie, disposed of 50,000 shares of it, seller one year, at 55, to a group of English investors, represented by Duncan, Sherman & Co. He vainly offered another equal amount on the same terms, and expressed his belief that before another year he could buy in the stock at $30 a share.¹

In May two of Gould’s faithful allies, whose connection with the Tammany ring has made their names malodorous in this city, met the disaster they had long been courting. The Judiciary Committee of the Assembly recommended the impeachment of Judge Barnard and Judge Cardozo. Cardozo was shrewd enough to resign at once, and Barnard was eventually turned out of office. The Assembly Committee’s report had an indirect influence on financial affairs. Mr. Gould, though out of Erie, had some accounts to settle with the road, and the day of reckoning was approaching. The ousting of Barnard and Cardozo meant that when that day came he would be deprived of one valuable source of defense—a free supply of judicial orders with which to tie his enemies’ hands. Erie stock meanwhile remained an active feature in the market. Drew bulled it sharply in September, with the aid of Henry N. Smith, and burned a number of other people’s fingers by the movement, although he explained, at the time, that he “wouldn’t make a corner for a million dollars.” He was also interested in a brief lockup in this month, which drove money up to one-sixteenth per cent. a day.

¹The stock did not fall to 30 in this period, but went low enough to enable Drew to cover at a profit. On August 16th it sold at 44½.
Monday, November 11, 1872, witnessed a market cataclysm, due to the
ruinous Boston fire, which started in a large mercantile building at Sumner
and Kingston streets, Boston, late on the previous Saturday night, and
burned till 3 p.m. Sunday, ravaging two hundred acres of the
commercial section of the city. It dispossessed about 930
firms. The loss, according to the newspaper estimates,
amounted to about $250,000,000.1 But the market recollected
how unreasonably extreme the panic at the time of the Chicago fire had
been proved by the subsequent course of prices. In this crisis, there¬
fore, although the depression was marked, the recovery was scarcely less
so, as the following table will show:

<table>
<thead>
<tr>
<th>Stocks</th>
<th>SAT., NOV. 9</th>
<th>MON., NOV. 11</th>
<th>MON., NOV. 11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CLOSE.</td>
<td>LOW PRICE.</td>
<td>CLOSE.</td>
</tr>
<tr>
<td>New York Central</td>
<td>95</td>
<td>89</td>
<td>93</td>
</tr>
<tr>
<td>Erie</td>
<td>51</td>
<td>48%</td>
<td>48%</td>
</tr>
<tr>
<td>Lake Shore</td>
<td>91½</td>
<td>83%</td>
<td>88</td>
</tr>
<tr>
<td>Wabash</td>
<td>71½</td>
<td>64</td>
<td>67%</td>
</tr>
<tr>
<td>North-Western</td>
<td>83%</td>
<td>77%</td>
<td>82%</td>
</tr>
<tr>
<td>North-Western preferred</td>
<td>87½</td>
<td>83%</td>
<td>85</td>
</tr>
<tr>
<td>Rock Island</td>
<td>109½</td>
<td>101</td>
<td>107</td>
</tr>
<tr>
<td>Union Pacific</td>
<td>36%</td>
<td>30%</td>
<td>33%</td>
</tr>
<tr>
<td>Pacific Mail</td>
<td>90%</td>
<td>81</td>
<td>84</td>
</tr>
</tbody>
</table>

Ten Stock Exchange failures took place on Monday, and two on the
following day.

Meanwhile preparation was making for one of the most cele¬
brated corners in Wall Street's annals, that in Chicago & North-Western common stock, of which Daniel Drew and Gould's old
partner, Henry Nelson Smith, were caught short, to Mr. Gould’s substan¬
tial advantage. On October 23, 1872, North-Western common closed at
74½ bid and the preferred at 87½ bid. The stock of the road consisted of
nearly $15,000,000 in common, and more than $21,000,000 in preferred
shares.

It was at about this time that Mr. Drew's brokers sold ten thousand
shares of the common stock to Mr. Gould at 78. On October 26th the
common rose to 83% and the preferred to 90. Drew and
Smith appeared to have joined hands and to have increased
their short interest, for the common stock was forced down to
78½ four days later, the bears bringing into play a fallacious
rumor that the Chicago & North-Western direction had decided to issue
convertible bonds to the amount of $10,000,000. The effect of this canard
was short lived and North-Western common again began to advance.

1It was afterward learned that the actual loss was about $80,000,000.
On Wednesday, November 20th, the situation was fully revealed. Jay Gould had quietly been absorbing the stock that his old partner and his former mentor had been flinging upon the market, and had contrived, with his marvellous cleverness at drawing aid from unexpected sources, to secure two allies from the Vanderbilt party, Horace F. Clark and Augustus Schell. He represented to them that the Chicago & North-Western property was being ruthlessly attacked and that it was incumbent upon them to help him in his effort at resistance. The fact that Schell and Clark were standing with Gould speedily became known and led to the rumor that Commodore Vanderbilt stood with him also. Gould undoubtedly had all the help he needed, as his enemies found

Mr. Gould's Vanderbilt allies.

North-Western common, which had closed on November 19th at 83 3/4, opened one-eighth lower on the day following, but rose with a swiftness that carried a warning. It reached 95, the highest quotation since the winter of 1868-69, when it had ranked as a ten per cent, stock. The closing quotation was a bid of 94 1/2, and the next day, Thursday, saw the stock carried to par by the frantic purchases of the shorts. It closed at 98, twelve points above the preferred.

It had for some time been apparent to Drew and Smith that they were fairly cornered, and that strategy transcending the ordinary limits of speculative battle must be employed to save them from heavy loss. Gould was personally directing his campaign. Any scheme which would suddenly carry him from the field of action at a critical moment might involve a rout of his forces. Kidnapping being impracticable, the sole alternative was that of a legal raid. The plotters were fortified by the knowledge of excellent reason for bringing about Mr. Gould's arrest. He had been guilty of malfeasance in office while president of the Erie, and Smith, his old partner, knew when and how. Here was the opportunity to entrap him.

General Dix, who had been elected Governor of the State, was no longer president of the Erie Railroad. His successor was Peter H. Watson, who was absorbed with a laudable desire to bring a good, paying property out of the wreck which the old management had left behind. Mr. Watson was approached by Mr. Smith and was easily persuaded to institute suit against Mr. Gould to recover the huge amount of which the Erie had been defrauded by its late president. The claim was placed at $9,726,551 and interest. Astonishing as the figure is, it appeared to be justified by subsequent events.

Nothing was known to Gould of this action till Friday, November 22d. That day North-Western common opened at 97 and sold down two points. It had risen to the neighborhood of par at 2:50 p. m., when Mr. Gould was suddenly arrested in the office of his brokers, No. 34 Broad Street, at the
THE PASSING OF THE ERIE RING

order of Judge Fancher, of the Supreme Court. The arrest was made in pursuance of the Watson suit, and the bail had been placed at $1,000,000. Furthermore, the papers showed that the plaintiff's attorneys had originally inserted the figure $9,000,000 to represent the desired bail—an amount which could not possibly be secured that day—and that the Judge had overruled them and divided the sum by nine. Even the smaller amount seemed likely to be prohibitive. The circumstances, and the hour at which the descent upon Mr. Gould was made—just when he was preparing to run up the stock—indicate that the arrest was part of a stock-jobbing scheme of Smith and Drew, although there is no reason to believe that Watson had any other motive than the performance of his duty. Smith averred that he put Watson in possession of the needed evidence weeks before the arrest was made.

Whether or not he managed to see that the event was properly timed the reader may judge. Certainly if Gould had been unable to obtain bail his corner might have gone to pieces. But the ruse of his foes was ineffectual. Clark and Schell went with him to the Sheriff's office and qualified as his bondsmen. In half-an-hour Gould was back in the Street, and meanwhile the brokers, acting under his orders, had begun to push up the stock. The result was a scene of wild excitement, which intensified as the moments wore on. The price of North-Western common rushed upward a point between successive sales. The dealers in this stock stood near the Wall Street door of the Board room—a little knot of half delirious men. About them crowded virtually the whole body of brokers in the chamber. Almost all other dealings seemed for the time to be suspended. The ordinarily distended scene of busy confusion resolved itself into one group of struggling bodies and gesticulating hands, whose owners shouted their bids in the centre of a mass of excited onlookers.

With inexorable force the stock continued to rise. It touched 125, sprang to 130, leaped twenty points higher, and fell again to 140. Then the buyers carried it twenty-five points up with a rush. It dropped to 160 and again rose to 165. And now came a spectacle of cruel import to the stray operators who had been caught short of stock. The brokers began to bid, with not an offer heard. "I'll give sixty-six, sixty-seven, seventy, seventy-five, for a hundred!" "Eighty for any part of a thousand!" "Eighty-five for a hundred North-Western!" Up, up, up, mounted the frantic bids, with the swelling of tumult and despair, till the figure reached 200. At this price a little stock changed hands. The hour for closing, 4 P.M., had come. The brokers poured out of the room, and the Street knew that Gould had won again.
REW was widely reported to be short of North-Western common to the extent of some 15,000 or 20,000 shares. He settled a large proportion of his contracts this day by the delivery of stock borrowed from Henry Keep's widow, who held it as an investment and was easily persuaded to accommodate her venerable friend as a reward for his advice on financial matters. The good lady seems to have quite overlooked the opportunity of selling her stock. Perhaps she shared the view which Mr. Clark expressed to a newspaper reporter who sought him out and requested an explanation of the remarkable price gyrations. "The only reason I can see," said Mr. Clark, after denying that a corner existed, "is that people have arrived at a just appreciation of the stock."

On Saturday the stock opened at 155, after being freely offered by the Gould brokers at 150, in pursuance of a policy to settle at that figure. Most of the day it fluctuated between 155 and 140, odd lots selling all the way down to par, while the smaller operators streamed into the office of Gould's brokers to settle at 150 or whatever lower figure was necessary to save them from bankruptcy. But at 2:45 p.m.—"Uncle Daniel" having failed to cover his remaining shorts, and being unable to borrow the needed stock—his creditors began buying it in "under the rule" for the account of his brokers, the move originating with S. W. Boocock. The first hundred shares cost 155, and the bids advanced without a sale from that figure to 199 3/4, 2,000 shares being sold at the latter price. All told, 64,000 shares were bought "under the rule," largely for Drew's account, the last lot of 400 shares changing hands at 230, the highest quotation forced by the corner.

W. R. Travers was among the operators caught in the melee, though his commitments amounted to only 900 shares. Mr. Gould, in a lively interview, declared that Mr. Travers had "stepped up to the Captain's office and settled," which Mr. Travers promptly denied over his signature. Of his former partner, Smith, Mr. Gould had this to say: "Mr. Smith was largely short of Pacific Mail a short time ago, and was caught in that fix by Mr. Stockwell,1 who intended to run the stock up on him in return for some lawsuit that Smith then had against the Pacific Mail Company. I was in a position, however, to get Mr. Stockwell to let him out easy, and thus saved him from ruin. His gratitude has been fully shown in the events that have transpired during the past few days." Smith's loss in the North-Western corner is impossible to estimate. Gould placed the total loss of the shorts at $20,000,000, doubtless a gross exaggeration. Drew is believed to have dropped about $1,500,000 in this struggle. On the Wednesday following the corner the stock fell to 90, and the battle was over.

1 The reference is to A. B. Stockwell, president of the Pacific Mail Steamship Company.
One interesting side light on the matter was thrown by a letter which Commodore Vanderbilt, enraged at the coupling of his name with the corner, addressed to the newspapers. After denying that he had the slightest connection with the matter, he proceeded to say:

"I have had but one business transaction with Mr. Gould in my life. I sold him a lot of stock, for which he paid me, and the privilege of a call for a further lot, which he also settled. Since then I have had nothing to do with him in any way whatever, nor do I mean ever to have unless it be to defend myself. I have, besides, always advised all my friends to have nothing to do with him in any business transaction. I came to this conclusion after taking particular notice of his countenance."

The charges brought against Gould in the Watson suit were based on an affidavit by Smith, and referred to events occurring while Gould was president of the Erie Railroad. Between August 3, 1868, and November 8, 1869, it was alleged, the Erie issued 407,347 new shares, which were sold through Gould's firm for about $12,803,000, Gould converting $4,499,131 to his own use. He was also charged with saddling his own losses in speculation upon the Erie road, and with various other acts which swelled the Erie claim against him to more than $9,700,000. At the first publication of these charges Mr. Gould had not only denounced his arrest as a stock-jobbing trick, but had also published a release of debt executed early in January, 1872, in favor of Fisk, Lane, and himself, by a committee representing the Erie Railroad Company. But apparently he came to the belief that this release would not hold water, and that he was too fairly caught to escape by a fight. Only on this theory can subsequent events be explained. For it was because of the Watson suit that he made his famous restitution, and Jay Gould was not accustomed to give valuable possessions for nothing.

He quietly turned over to the Erie Railroad property valued at $650,000, which reduced the claim against him to something in excess of $9,000,000. After realizing the inevitable he agreed to a compromise, based on the conveyance to the company of property which he claimed to be worth $9,000,000. The Erie road was represented in the negotiations by a committee, consisting of Mr. Watson, Governor Morgan, William R. Travers, William B. Duncan, and Samuel L. M. Barlow. In pursuance of the plan, on December 17th Gould wrote to Mr. Watson making the formal tender. The property concerned included a large amount of real estate in New York, New Jersey, Pennsylvania, and Ohio, and a miscellaneous collection of stocks and bonds, valued at between $6,000,000 and $7,000,000.
"I assume that there is no longer any sufficient reason why an adjustment of all open questions, satisfactory and honorable to both parties, should not now be made," wrote Mr. Gould; and further on: "I do this for the sake of peace, because any litigation of such questions is more annoying to me than the loss of the money involved, and because I am sincerely anxious for the success of the Erie Company, in which I have a large pecuniary interest."

According to Mr. Barlow, the property thus turned over by Gould would be worth about $7,000,000 at immediate sale, but was worth fully $9,000,000 to the Erie Company. The delivery of the deeds and certificates was made at the Barlow office at 11 a.m. on Friday, December 20th. Four hours were consumed in counting them, and at the end of that period Mr. Watson carried them triumphantly away in a coupé. Erie's long account with Jay Gould had come to an end.

The stock of the Erie Company, which opened at 53½ on December 19th, closed on the day following at 60%. Throughout the ten or twelve days occupied in the negotiations it had been extremely dull, hovering around 53. Mr. Gould is understood to have cleared several millions by buying calls on Erie stock in London prior to his restitution. Doubtless he recouped himself to a certain extent in this fashion, but his net loss on the whole transaction must have been substantial. It afforded some comfort to the lovers of justice and some balm to the wounds of Henry Nelson Smith.
XIX
THE PANIC OF 1873

"Building railroads from nowhere to nowhere at public expense is not a legitimate undertaking."—Cornelius Vanderbilt.

HERE is a striking variation in the popular views as to the causes of commercial panics. The events which bring them on are usually plain, after the fact if not before it. But the real origin of all these phenomena is a widely disputed point. The student of those most conspicuous in this country’s history will perceive, however, that they at least sprang from a common root, and will gather the impression that from the same root springs almost every genuine business panic—in other words, every general breakdown which crashes upon the very heels of boastful prosperity. This root is rank speculation, producing the rank weed disaster. Broadly speaking, the panic of 1837 was a land panic, that of 1857 a banking panic, that of 1873 a railroad panic, and that of 1893 a currency and industrial panic. The average man probes no deeper than the superficial characteristics. But the fundamental cause of all these misfortunes was the excessive passion for speculation, which inflated credit to the bursting point. And as speculation will always exist where surplus wealth exists, recurring panics will always hold a place in the normal order of things this side of the social millennium.

In the fall of 1873 there occurred a frightful depression, coming with the greatest suddenness that ever marked such an event in America. It ended a period of buoyant and artificial prosperity, which began with the issuing of legal tenders and the filling of shoddy Government contracts in the days of the Civil War. We have already traced the effects of the grossly inflated currency, the uncertain conditions of life and the existence of ill-
gotten riches, which in turn resulted from the emergencies of the nation’s trial. While the war was consuming billions of dollars’ worth of wealth, the people did not feel the waste, because they were not being directly taxed for it. They did feel the presence of a great deal more money in circulation, and forgetting that this money was a figment, a quantity of promises to pay, a subterfuge of taxation, they thought themselves prosperous. They spent freely and gambled freely. Individuals borrowed heavily to invest in everything that promised quick fortunes, and controllers of capital not only were eager to lend but actively engaged in helping on new enterprises. Had the nation soberly adapted itself to a gradual return toward specie payments, realizing that it had a heavy tax to meet, and proceeding with caution in its business ventures—had human nature in short been suddenly reformed—the panic would have been avoided. As it was, a growing extension of credits, the corollary of speculative fury, characterized a decade in which crops were good and labor troubles scarce. Then the rain descended, and the floods came, and the house was found to have been built upon sand.

The real crisis, the testing hour, arrived when the greatest banking house of America failed in its attempt to finance an unproductive railroad. This failure, which precipitated the crash, was typical of the whole depression. For the speculation of the era had taken the form of railroad building. If steam locomotion had not been discovered it would have taken some other form. But men were infatuated with projects for building steel highways, and they were aided and abetted by the Government. It is a question still debated, whether the Government ought ever to afford an artificial stimulus to any sort of industry. In the railroad era beginning with 1862 the wisdom of the Government’s interference was certainly not proved beyond doubt.

A brief survey of the field will be necessary before the recounting of specific events. The post-bellum era of railway building began in 1865, when there was an addition of 1,177 miles to the length of road in operation, the total being 35,085 miles. Each succeeding year saw a still larger addition, until by the end of 1868 there were 42,255 miles in operation. Mr. Poor finds that in the five years, 1869 to 1873, inclusive, 28,396 miles of new road were built, at an estimated cost of $1,381,850,000, and that almost all of this new mileage was in operation by the end of the period. As about $375,000,000 had been spent in improvements and equipment in the same time, the country had been putting about $350,000,000 of fresh capital into railroads every year for five consecutive years.¹ In 1873 the population of the country was a little in excess of 41,000,000 souls and the railroads comprised more than

70,000 miles, having cost $3,784,543,034 in bonds and stock. The roads in 1873 earned nearly five per cent. on this capitalization, but the solid earnings were made chiefly in New England and in the Middle States. In the Southern States the railways paid only four-tenths of one per cent. in dividends, in the Western States two and one-quarter per cent., and in Washington Territory and the Pacific States—California, Oregon, and Nevada—the total dividends were two per cent. of the capitalization.

Had the American people been left to build their new pathways for commerce with private capital, their temper at this time would still have made the movement excessive. But Congress gave it the further impetus of artificial aid. The proper development of great instruments of progress is in response to actual demand for their immediate use, not in anticipation of a condition which may make them useful after a long period of slight availability. Sound policy would have permitted the population to make its own way over the great plains beyond the Mississippi until it became necessary to supply these regions with the facilities of modern transportation.

Certainly no sensible business man provides a supply in advance of demand, except in sporadic and inconsequential cases. But the statesmen and speculators of the period under discussion had their own views and were determined to vindicate them. On the principle that great means of profit induce men to take great risks, Congress offered alluring terms to the transcontinental railway stock subscribers—subsidies in bonds to supply their immediate needs and huge grants of land to make them fortunes. Reference has already been made to the great Union Pacific and Central Pacific lines, the outgrowth, like many another economic blunder, of the alleged exigencies of war. The Northern Pacific Railroad was likewise rocked in the Government cradle and fed upon Government pap. This company was chartered in July, 1864, with authority to construct a road from Lake Superior, through Minnesota, Dakota, Montana, Idaho, and Washington, to Puget Sound, with a branch to Portland, Oregon, by the Valley of the Columbia River; 2,000 miles in all. Its authorized capital was $100,000,000. In 1870 the road was begun. By August 31, 1873, the company had 455 miles in operation, it had issued stock to the amount of $18,239,300 and bonds to the amount of $24,841,045, had a floating debt of nearly $7,000,000, and had spent about $28,000,000 on the road. Its land grants amounted to 47,360,000 acres, of which 374,886 acres—less than one per cent.—had been certified to the company, and contracts for the resale of about 41,000 acres at from $2.50 to $8 an acre had been executed. The financial agents of the road were Jay Cooke & Co., the bankers who had financed the Government war loans.
In the first eight months of 1873 there were no signs which indicated to the country the approach of trouble, although certain events which can be so interpreted by the historian occurred. February saw another flurry in North-Western. The same month witnessed the passage by Congress of the act demonetizing silver—the measure frequently described as "the crime of 1873."

March was remarkable for a squeeze in money, coincident with a rise in gold. On April 1st, the day the Harlem road was leased to the New York Central for 401 years for eight per cent. on the stock, money on call reached two per cent. a day. Two weeks later gold touched 119½ (the highest price since August 8, 1870, when gold was tending downward, after having been forced to 123½ by the Franco-Prussian War), and it never again sold for so high a figure. On the 16th, Barton & Allen, a prominent Exchange firm, went under in the course of a stock flurry that was almost a panic. On the 29th, Jay Gould was assaulted in Delmonico's by Joseph J. Marrin, attorney for some of the Black Friday victims, in punishment for breaking a promise to compromise certain litigation. It cost Gould some inconvenience and Marrin a fine of $200. The Street was still cogitating upon this sensation when news of the Vienna Bourse panic, on May 9th, arrived. The Austrians had for years been speculating in wildcat securities.

Their panic resulted in a shrinkage of $100,000,000 in values at Vienna, of $10,000,000 in American securities at Berlin, and serious disturbances at Frankfort, Amsterdam, London, and Paris; but the New York market was little affected, the only very weak issue being Pacific Mail, which had been falling pretty steadily since selling at about 77 in February, and which sold at 44½ in May. On June 7th it sold at 38½. Although our exports had increased and our imports had decreased since 1872, the latter were still far larger than the former. We owed Europe a heavy debt, and were sending her considerable gold. In the spring of 1873 it became known that merchants were finding much difficulty in disposing of their importations. Silks, velveteens, and millinery goods were little in demand. Foreign merchandise to the estimated value of $300,000,000 was held in bonded warehouses in this city, and imports began to be reshipped to foreign markets. Still no one in America seemed to have an atom of fear. Boasts of prosperity filled the universal mouth.

June was an excessively dull month in the stock market, and July was little better, but the prices were strong. On August 11th they were at about the highest level of the year. They were off a trifle in the latter part of the month, and were slightly more depressed in the first week in September, but optimism was as strong as ever.

When the tree to which the axe has been applied begins to tremble and creak the prudent man takes care that he be not in the path of its fall. On
September 8th, the New York Security and Warehouse Company, with a capital of $1,000,000 and a nominal surplus of $600,000, suspended payment. The company had been lending its funds and its paper to Southern and Southwestern railroads, which had been unable to protect it. Coincidentally it was learned that two directors in this company—Francis Skiddy and Sheppard Gandy, both heavy operators in sugar—had been seriously embarrassed by the price of gold, which had fallen to about 112. Stocks suffered a depression of a few points. On Saturday, September 13th, another failure was produced by the railroad mania, and prices fell one to four and a half per cent. Kenyon, Cox & Co., a Stock Exchange house in which Drew was a partner, had become badly involved with the paper of the Canada Southern Railway, in the directorate of which this venerable stock jobber was included. The road had a capital stock of $8,000,000 and a funded debt of $9,000,000. It was 324 miles long, but had made no public reports of its operations—doubtless because they were not worth reporting. The impression was general that Drew had left his firm to shift for itself in the hour of need and had in this way greatly moderated his own loss. Kenyon, Cox & Co., who were financial agents of the Canada Southern, had lent the road large sums. They had endeavored to get some English capitalists to take the load off their hands. The negotiations failed and they suspended payment.

On Wednesday, September 17th, the tree was creaking badly. Money climbed to one-sixteenth per cent. a day, influenced by the first effects of the fall crop demand and by a curious disposition toward hoarding on the part of well-to-do men. Stocks tumbled alarmingly, and the Herald commented on the event as follows: "Never before have offered such opportunities for investment. It is difficult to conceive any other cause . . . than an unwillingness to trust money to a tide that of late has been troubled by many hidden dangers."

On September 17, 1873, Jay Cooke, negotiator of war loans, and sponsor of the national bank system, was the most noted financier in America. He had for more than three years been actively engaged in a project which he believed would add to his fame—the carrying through of the Northern Pacific Railroad—"an enterprise," to use his own recent words, "which has never yet been excelled in the merits of its appeal to the public." The line ran through the valleys of the Red, Yellowstone, and Columbia rivers, and Mr. Cooke called it the "Valley Route to the Pacific." In the summer

of 1870 he had instituted negotiations for placing the railroad's bonds, which bore seven and three-tenths per cent. interest, with a European syndicate. The plan was ruined by the outbreak of the Franco-Prussian War. In the fall of 1872 the arbitration of the "Alabama" claims resulted in a decision favoring this country. Great Britain was angered, the feeling on both sides was bitter, and a result was the breaking off of other negotiations which Mr. Cooke had started with a syndicate of English capitalists. He attempted in the spring and summer of 1873 to place the bonds on the American market, already loaded with an immense mass of questionable railroad securities. Mr. Cooke's character was above reproach, and his name carried great weight with the better class of citizens throughout the country. Clergymen, school teachers, farmers, hundreds of persons of moderate means, and with the knack of saving, invested in Northern Pacific on his recommendation. But the aggregate of such investments was not sufficiently heavy. Despite the power with which he smote the rock, the stream of fresh capital was too thin to meet the needs of the enterprise. The Credit Mobilier scandals and the lavish issues of railroad securities which had preceded Mr. Cooke's appeal nullified its force. His firm began to draw upon their own resources to tide over the difficulty. The failures in the first half of September accentuated the crisis by precipitating a run on the New York banks. Mr. Cooke's burden became too heavy to bear.

When the New York Stock Exchange opened on the morning of Thursday, September 18th, the Board felt that danger charged the air. The scene was one of great confusion, and the chairman found it hard to get a hearing by the blows of his gavel. When a semblance of order was restored he announced the suspension of Jay Cooke & Co. "A monstrous yell went up," said a contemporaneous writer, "and seemed to literally shake the building in which all these brokers were confined. . . . Many tore their hair and ran about as if crazy, pushing, battling, shouting, shrieking to others equally crazy." To hundreds it seemed as if the very heavens were falling. If Jay Cooke had failed, who could be reckoned solvent? The descent of prices at the first call overwhelmed an
army of speculators. Western Union tumbled to 78, Central to 99%, Lake Shore to 86, Union Pacific to 21. It was a day of widespread disaster. The Cooke houses in Philadelphia and Washington went down with Jay Cooke & Co., but the London house, Jay Cooke, McCulloch & Co., a separate concern, escaped insolvency. In this city the New York & Oswego Midland Railroad, running between Oswego and Middletown, New York, defaulted on its bonds and went into the hands of Abram S. Hewitt, as receiver. George Opdyke was president of the road. His firm also failed. Richard Schell, and Robinson & Suydam announced their suspensions. E. W. Clark failed in Philadelphia, and the First National Bank of Washington, which was organized and chiefly owned by the Cooke houses, also suspended payment.

Around the offices of Jay Cooke & Co., at the northwest corner of Wall and Nassau streets, a gathering of anxious depositors waited for some word of hope. Over the desk of the manager within those offices hung a mutely sardonic sign bearing this advertisement: “Buy Northern Pacific 7-30 Bonds—as good as Governments—secured by mortgages and land grants.”

Mr. Cooke was in Philadelphia at the time, and expressed a hopeful view of the situation. “I believe,” said he, “that this house will speedily be relieved from embarrassment, and to this end, if need be, every dollar of means possessed by members of the firm will be applied. No one who has a dollar on deposit here will lose it.” The New York house issued this statement:

“The immediate cause of the suspension of Jay Cooke & Co. was the large drainings upon them by their Philadelphia house and their own depositors during the last fortnight. Both houses have suffered a large drain upon their deposits in consequence of the uneasy feeling which has recently prevailed and which has affected, more or less, all houses closely identified with new railroad enterprises. The Philadelphia house had previously been weakened by large cash advances to the Northern Pacific Railroad, of which they are financial agents. The business of Jay Cooke, McCulloch & Co., London, is entirely distinct, and that house is perfectly solvent, so that it will meet its outstanding drafts and letters of credit without inconvenience to travellers, and have a large cash surplus to apply to the American house. The firm of Jay Cooke & Co. and its members have large amounts of real and personal property upon which, however, they cannot immediately realize. They are confident depositors will be paid in full.”

To the mind of the average man the unhappy turn of affairs was a mystery, despite this explanation. The public was blinded by fictitious prosperity. “The country itself was probably never more really prosperous than it is at present,” said Horace B. Claflin. The Herald, commenting editorially on the situation, said on September 19th: “The country is too prosperous and wealthy to be seriously disturbed by the collapse of a few speculators or ephemeral banking institutions.” Old Commodore Vander-
bilt's keen eyes penetrated to the seat of trouble in an instant. He declared that men were trying to do about four times as much business as they should. "Of course," said the sage of Central, "they soon get short, and have to bolster up their business as best they can by robbing Peter to pay Paul. If people will carry on their business in this manner they must run amuck. Building railroads from nowhere to nowhere at public expense is not a legitimate undertaking."

Friday, the 19th, was a day of gloom. A dark sky, a pelting rain, and thick, black mud, through which despondent thousands plodded to the environs of disaster, all comported with the despair which filled so many minds. Long before the hour for the reopening of the speculative arena throngs of the curious, the eager, the fearful, and the ruined, as if foreseeing that this day would produce more failures than any other in the city's history, were mingling upon the thoroughfares of the financial district. Both sides of Wall Street, from Broadway to Hanover Street, were thickly lined, and the crowd on Nassau and Broad streets extended from the Post Office to Exchange Place. Upon the steps of the Sub-Treasury stood a battalion of spectators in the driving rain. Below them the crowds were thickest, and the brokers and clerks scurrying about among the strangers made the busiest scene. But it was a lively day for the restaurants and saloons of the vicinity.

At 10 o'clock the turmoil of the brokers began anew, and half an hour later the important house of Fisk & Hatch, which had been sustaining Chesapeake & Ohio, announced its suspension, due to an unexpected calling of loans to the amount of $1,500,000 by the firm's creditors. "It is impossible," said the head of the firm, "to obtain money on any kind of collaterals, and we could not afford to sacrifice our securities." This house was distinguished for having negotiated the sale of $40,000,000 of Central Pacific bonds, and its failure produced a remarkable sensation. Prices descended with accelerating speed. The Fourth National Bank, where Fisk & Hatch were heavy depositors, had to submit to a run, and paid out $300,000 in course of the day. Values recovered somewhat, but the fluctuations were constantly violent, a typical case being Western Union, which opened at 75, sold at 77, 68%, 75%, 68, and closed at 73. At one time this stock sold at 73½ regular and 70 for cash, making the value of money three and one-half per cent. of 70, or five per cent. a day. The general stringency was frightful, and a meeting of twelve bank officers was held at the Clearing House to consider the situation.

The failures this day included C. D. B. Randolph (whose partner was a son-in-law of the famous Thomas A. Scott, of the Pennsylvania Railroad), Greenleaf, Norris & Co., A. M. Kidder & Co., Beers & Woodward, and twenty
others. Among the brokers themselves the panic revealed notable instances of sangfroid, as when Mr. Beers was found playing checkers in his office by a reporter seeking news of his troubles. By the following day the list of suspensions included the Bank of the Commonwealth, the Union and National Trust companies, and thirty-three other brokerage or banking concerns in New York, twelve in Philadelphia, and various others in Albany, Chicago, Washington, Toronto, St. Louis, and smaller places. Marvin Brothers were among the victims. The Bank of the Commonwealth suspension resulted from overcertifying the checks of its former president, Edward Haight, to the amount of $225,000, of which Mr. Haight could only make good $60,000. The National Trust Company, capitalized at $1,000,000, was broken by a severe run.

The failure of the Union Trust Company involved two scandals. The company was financial agent for the Lake Shore Railroad, and had paid out $1,750,000 in bond interest for the railroad. Its suspension was due to inability to recover this sum, and also to the defalcation of its secretary, C. T. Carleton, who had disappeared with upward of $350,000. Furthermore, the company had turned over $2,250,000 in Lake Shore bonds, acting on the orders of the railroad company’s treasurer, to the brokerage house of George B. Grinnell & Co., which had hypothecated them and permitted the use of the money in the private speculations of Richard Schell and of Horace F. Clark, the Commodore’s son-in-law. Clark was dead. Schell and the brokers had become bankrupt in the panic, and the money had been dropped in the market. Commodore Vanderbilt came down on Saturday with a large amount of securities to help out the Union Trust Company, but was too late to prevent the suspension. Eventually he made good the Lake Shore debt of $1,750,000, by giving his notes for the amount, with Harlem stock as collateral. Meanwhile the Union Trust failure, and three minor suspensions, quickened the downward movement of prices. It is impossible to say what limit would have been reached save for the drastic action of H. G. Chapman, president of the Stock Exchange, and the Governing Committee, who decided to put an end to the market for the time being, and at noon Mr. Wheelock, one of the vice-presidents, entered the room and suspended the Stock Exchange sine die. This was in pursuance of a resolution passed at a special session of the committee.

1 Mr. Chapman had been elected in May to succeed Edward King, who succeeded W. B. Clerke. The closing of the Exchange, according to the account of Mr. Clews, in his "Twenty-eight Years in Wall Street," saved Jay Gould from bankruptcy. He is said to have been heavily short of stocks and to have purchased half-way down the decline to cover his contracts, and then to have discovered, upon trying to return the borrowed securities, that the persons (among them leading Vanderbilt brokers) who had loaned them to him could not take up and pay for them. Mr. Clews informs us that the notice of the suspension of Gould’s broker, Charles J. Osborn, was sent to the Exchange, but reached it just after the order to close arrived, and was therefore not made public.
President Grant and the Secretary of the Treasury, William A. Richardson, had come to the city and were at the Fifth Avenue Hotel. At 10 a.m. on Sunday they met a delegation of bankers, merchants, and other influential men, among them ex-Governor Morgan, and were besieged with demands for instant relief. Roughly speaking, the currency then outstanding consisted of $750,000,000, of which $356,000,000 were legal tenders, $350,000,000 national bank notes, and the balance fractional currency. The Government also held in reserve the right to issue an additional $44,000,000 in legal tenders. The President had started on Saturday to buy bonds, but only $2,500,000 in bonds had been offered on the Government's terms, and the visitors deemed this plan inadequate. They urged the issue to the banks, on approved collateral, of $30,000,000 of new legal tenders. Commodore Vanderbilt came in the afternoon and offered to contribute securities to the amount of $10,000,000 toward relieving the situation if the Government would supply $30,000,000. The President, however, not only disliked inflation, but doubted the legality of the proposal, and withstood the appeal. It was doubtless one of the wisest decisions of his administration, made in resistance to the strongest pressure.

On Monday the Associated Banks met and agreed to put out Clearing House certificates, receivable in settlement of their balances, to be issued to any Clearing House bank, on approved collateral at seventy-five per cent., and on public funds or gold certificates at par, the bank obtaining them to pay seven per cent. interest. All told, certificates to the amount of $26,565,000 were issued, the last one being retired in November. Coincidentally with this decision the banks pooled their legal tenders, the pool lasting till November 1st. In this period of forty days they suspended currency payments, except in a few cases of small drafts, and paid only by certified check. These measures were productive of better feeling, but the fact that the Union Trust Company went into the hands of a receiver, instead of opening its doors as it had expected to, did not tend to restore confidence. Crowds of depositors hung about its office awaiting news or selling their claims to speculators at seventy-five cents on the dollar. The Stock Exchange remained closed and the Gold Exchange was only nominally open. A run on the savings banks in this city, and two bank suspensions in Pittsburg, added to the gloom of the situation. On Tuesday the curbstone brokers started an independent stock exchange at No. 48 Broad Street, although they did but little business. The general feeling was better, and some trading began in the Gold Room. But at 2:30 p.m., Henry Clews & Co., whose London correspondents were the Government's financial agents in the British capital,
announced their suspension, due in general to the inability to realize on their assets, and in particular to a refusal of the Fourth National Bank to certify their checks. They had been the subjects of a heavy run. The day following, another important firm, Howes & Macy, after having paid out currency at the rate of $100,000 a day, also suspended. In less than a week both houses had resumed business by receiving special deposits in trust for new accounts. Mr. Clews, who had been worth $5,000,000 before the panic, had virtually to begin again at the foot of the ladder, and in time bravely regained and increased the fortune of his house.

Meanwhile the export trade of the country, at a season when crops demanded mobilization, was virtually paralyzed by the stagnation of the foreign exchange market, and the Produce Exchange passed a futile resolution on Thursday, September 25th, asking Secretary Richardson to issue currency to the banks, upon evidence that gold had been placed by their correspondents in special deposits in London banks, such currency to be used only in buying bills of exchange. A flurry in gold, which rose two and a half points, to 114 1/4, occurred on Friday, and the gold shorts flatly refused to pay the necessary borrowing charges, about two per cent. a day. Drexel, Morgan & Co. came to their relief and loaned them the gold at lower figures. Stock business continued stagnant, and the condition was indicated by a falling off in the sales of stamps at the Post Office from $8,000 to $6,000 a day. The week closed with a cessation of stringency, money falling to seven per cent.

On Tuesday, September 30th, after a ten days' suspension, the Stock Exchange, which had adopted the 3 o'clock closing rule, re-opened for business, and prices showed improvement. But a succession of fresh troubles followed. Heavy declines marked October 9th and 13th, and on the 14th Gillespie, Trowbridge & Co., leading tea importers, and five banking and brokerage houses failed. On the 20th the bankruptcy of a great London concern, Kimber, Vivian & Co., with liabilities of from £750,000 to £1,000,000, was reported, and the following day the National Life Insurance Company of New York went to the wall. On the 22d, A. B. Stockwell, former president of the Pacific Mail Steamship Company, who owed his corporation $840,000, compromised with it by agreeing to turn over 10,000 shares of the company's stock within the next seven months. On the same day the savings banks of the city were forced to protect themselves by taking advantage of the sixty-day rule.

1 The repudiation of Georgia and Alabama bonds, of which the firm were large holders, crippled them.
Prices continued to descend, even after currency payments were renewed, until, on November 7th, they reached the lowest level of the panic. Appended is a table indicating the extent of the market depression of this iconoclastic year, the dates given being respectively: (1) the high-water mark; (2) the New York Warehouse and Security Company’s failure; (3) the day before the Cooke failure; (4) the day of the Cooke failure; (5) the day following (another Black Friday); (6) the day of the Stock Exchange closing (September 20th); (7) the low-water mark (November 7th), and (8) the high prices of December 15th, when substantial recovery had been made from the depression. The quotations for August 11th and September 8th, 17th, 18th, and 19th are final bids. The other quotations are final sales.

<table>
<thead>
<tr>
<th>Stocks</th>
<th>Aug. 11</th>
<th>Sept. 8</th>
<th>Sept. 17</th>
<th>Sept. 18</th>
<th>Sept. 19</th>
<th>Sept. 20</th>
<th>Nov. 7</th>
<th>Dec. 15</th>
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<tr>
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<td>104</td>
<td>99 ex. div.</td>
<td>96½</td>
<td>93¼</td>
<td>91½</td>
<td>77½</td>
<td>96½</td>
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<td>129</td>
<td>127</td>
<td>124½</td>
<td>106</td>
<td>103</td>
<td>102½</td>
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<td>90½</td>
<td>87½</td>
<td>86½</td>
<td>83</td>
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<td>...</td>
<td>71½</td>
<td>65</td>
<td>55½</td>
<td>50½</td>
<td>45</td>
<td>......</td>
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<td>61</td>
<td>52½</td>
<td>50½</td>
<td>46</td>
<td>40</td>
<td>34½</td>
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<tr>
<td>North-Western, pref'd</td>
<td>83</td>
<td>78½</td>
<td>75</td>
<td>73</td>
<td>70</td>
<td>70</td>
<td>53½</td>
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<td>101¼</td>
<td>98½</td>
<td>91½</td>
<td>88</td>
<td>84½</td>
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<td>St. Paul</td>
<td>...</td>
<td>52½</td>
<td>46½</td>
<td>43</td>
<td>39½</td>
<td>35</td>
<td>32¼</td>
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<tr>
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<td>...</td>
<td>73½</td>
<td>69</td>
<td>67½</td>
<td>66½</td>
<td>57½</td>
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<td>38½</td>
<td>36</td>
<td>32½</td>
<td>30½</td>
<td>27½</td>
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<td>Union Pacific</td>
<td>...</td>
<td>28½</td>
<td>25½</td>
<td>23½</td>
<td>21½</td>
<td>20½</td>
<td>18</td>
<td>15½</td>
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<tr>
<td>Western Union</td>
<td>...</td>
<td>92½</td>
<td>90½</td>
<td>88</td>
<td>80½</td>
<td>73½</td>
<td>59½</td>
<td>45½</td>
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<td>Pacific Mail</td>
<td>...</td>
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<td>42½</td>
<td>42</td>
<td>38½</td>
<td>37½</td>
<td>32</td>
<td>26½</td>
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<tr>
<td>Gold</td>
<td>...</td>
<td>115½</td>
<td>112½</td>
<td>111½</td>
<td>112½</td>
<td>111½</td>
<td>111½</td>
<td>106½</td>
</tr>
</tbody>
</table>

It will be observed that the only stock which recovered the ground lost in the panic was Union Pacific. Jay Gould was probably engaged about this time in gaining control of the company, and is also believed to have been buying Pacific Mail.

BUT, unfortunately, this was no mere panic in stocks. The hour had arrived for the nation to settle the reckoning for its long debauch of inflation, for the innocent to suffer with the guilty, for the clerk to seek employment vainly, and for the workingman’s child to pay with hunger pangs the penalty of those illustrious triumphs scored by the gambler in millions. It was the old story of the disappearing bubble. As paper profits melted, and those who had believed themselves rich discovered that they were poor, so did the merchant’s goods gather dust upon his shelves for lack of a buyer, and the merchant’s credit prove of no avail. The mill wheels were checked, the operatives discharged. Railroad and steamship freights, at first too heavy

1 These two quotations are estimated.
to move in the absence of a fluid currency, became too light to provide dividends. Trade of all sorts found that men of all sorts clung to the money they had been used to freely spend. The large retail shops of this city vied with each other in advertising slaughtered prices, and all over the country, from New England to the Gulf, and from Hampton Roads to the Golden Gate, commercial stagnation, unemployed workmen, and ruin and privation accompanied the return of the people to a solid basis for honest endeavor.

Only the briefest outline of the progress of this commercial disaster will be possible. On October 27th the Dutchess Print Works, and several other concerns in Dutchess County, shut down, throwing thousands of men out of work. In Paterson, Newark, and other New Jersey towns similar catastrophies occurred. The banking of Pittsburg furnaces speedily deprived 50,000 persons of a means of support. Then, at the end of October, the famous Sprague concerns, the A. & W. Sprague Manufacturing Company, of Providence, and Hoyt, Sprague & Co., the New York correspondents, went to the wall, and an army of 10,000 men went upon the streets. Under the leadership of William Sprague, a United States Senator, these concerns had for several years been indulging in great speculations. They held real estate in Maine, Rhode Island, New York, South Carolina, and Kansas, and controlled a phalanx of minor corporations, producing cloths, flax, sewing and mowing machines, horse shoes, and what not, and running street car lines. They had extended their credit to the breaking point, and the break came just when they appeared to dominate half of Rhode Island. The liabilities of the Providence house alone were nearly $11,500,000. When one recollects how every workman thrown out of a job, and every impoverished capitalist, reduces the general purchasing power, it is easy to see the terrible effect of this one disaster.

All through November the commercial panic raged. In New York alone the unemployed were estimated at 40,000 souls. The municipality discharged 700 men because of the difficulty of paying them. Throughout the country, establishments which did not cease to run cut their forces down. The Erie and other railroads discharged many employees. In Tennessee, Virginia, and Kentucky, a twenty per cent. cut in railroad wages caused a strike that stopped the trains. Bricklayers in this city were cut from $4 to $3.50 a day, and building strikes resulted. By November 3d the express companies in New York, the coast steamship lines, and the Erie and New York Central railroads reported a loss of fifty per cent. in freights, and importers, jobbers, retailers, produce men, all testified to stagnation. The Rogers Works at Paterson, which had been turning out one locomotive a day, cut their force down.
from 1,700 to 500 men, and 6,000 mill employees were turned out in Philadelphia. Rents fell thirty per cent. in New York, and real estate prices shrank proportionately in Chicago.

The Northern Pacific road went bankrupt at the close of the year by defaulting on its interest payments. Among the assets in the schedule of Jay Cooke & Co. were loans of more than $4,000,000 to the railroad on its bonds and $1,500,000 on stock of the Oregon Steam Navigation Company. The total nominal assets of the banking house were $15,966,212.17, the liabilities being $7,938,409.26. The Union Trust Company had assets of $7,487,295.16 and liabilities amounting to $6,273,518.52. It eventually resumed business, but Jay Cooke & Co., despite the fine showing of their condition on paper, went out of existence as a firm. The Stock Exchange failures of 1873 numbered seventy-nine, and of these forty-seven took place after September 17th.
O one unfamiliar with the confusion of thought that exists in the United States, with respect to financial questions, the sharp controversies over the depression following the great railway panic are well nigh inconceivable. Those who really understood the cause of trouble began, while trade was still in the throes of convulsion, to agitate the resumption of specie payments. Public speakers and public prints rang into the ears of our countrymen the dogma that national prosperity could be regained only by a return to a sound and stable currency basis. Yet almost at the same time there arose another and an extremely vigorous school of theorists, who insisted that the cure for hard times, wrought by inflation, was a resort to still further inflation. The financial homœopathy of this school reached an extreme in the greenback delusion of good Peter Cooper, and in the "three-sixty-five bond scheme" which need not here be described. In the milder measures of the silver men it took hold upon the minds of a majority of the people. The supporters of the opposing financial creeds, paradoxical as it appears, scored triumphs for both in a single year. Only a few months elapsed between the enactment which debauched the currency anew and the defeat of the bill to repeal the Specie Resumption Act.

The five years intervening between 1873 and 1879 were characterized chiefly by misfortune and misery, during a painfully slow recuperation from commercial distress, and during the altering of currency conditions. The recuperation got merely its start in this period. How stale and unprofitable was the stock market may be deduced from the fact that time after time disasters which would in happier days have precipitated a wild scramble to sell were received with impregnable phlegm. Prices were too
low to be driven lower by events so common as failures or defalcations. Frauds were of frequent occurrence and occasionally produced excitement. In February, 1874, forged messages, announcing heavy prospective increases of Western Union and Wabash (Toledo, Wabash & Western) shares, were sent to the Exchange and read before the Board. The stocks tumbled several points before the sharp trick was discovered.

The stock market movements of both 1874 and 1875 are records of dulness. The Stock Exchange, which in 1873 adopted the gratuity fund plan—by which a $10 assessment on each member of the Board provides the sum of $10,000 at the death of any member—had also fixed its hours of session at between 10 and 3 o’clock, no exception being made of Saturday. There still was little occasion in the two extremely lean years that followed for any long periods of trading. What speculation was evident seemed to have Jay Gould for author and maintainer. He continued the purchasing of Union Pacific which was observed in the panic of 1873, and thus eventually secured control of the road. The stock reached 38½ in March, 1874, and by the close of the following year had been advanced to 82½. At the same time Pacific Mail began a downward career—due to the exposure of fraud in obtaining a subsidy for the company’s steamers—which did not end till its price sank to the neighborhood of $12 a share in April, 1877. Mr. Gould’s many ventures baffle calculation, but two should not be forgotten. Shortly after Horace Greeley’s death, he had purchased and held for a time a substantial interest in the New York Tribune, with the aims and politics of which he was in thorough sympathy. Furthermore, in the years just subsequent to the panic he was interested in a new rival to Western Union, the Atlantic & Pacific Telegraph Company, and was thus able to institute a rate war which proved of great aid in his subsequent operations. The Erie and Wabash roads became bankrupt in 1875, and were later reorganized. On July 27th Duncan, Sherman & Co., of No. 11 Nassau Street, one of the largest banking houses of the city, failed, with liabilities of about $6,000,000, chiefly because of losses in cotton, extending over a considerable period. Their suspension came without the slightest warning and caused a fall in stocks ranging between one and nine and three-eighths per cent. In times of greater inflation it might have started a panic. “Up to the latest moment,” said the firm in their

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The following table, indicating the extent of American failures in certain years, may be of interest here:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>FAILURES</th>
<th>LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1857</td>
<td>4,032</td>
<td>$291,750,000</td>
</tr>
<tr>
<td>1861</td>
<td>6,993</td>
<td>207,210,000</td>
</tr>
<tr>
<td>1863</td>
<td>485</td>
<td>6,864,700</td>
</tr>
<tr>
<td>1873</td>
<td>5,183</td>
<td>228,499,000</td>
</tr>
<tr>
<td>1874</td>
<td>5,830</td>
<td>155,239,000</td>
</tr>
</tbody>
</table>
statement to the public, "our unexampled credit, having remained unimpaired, would have compelled us, if we continued business, to hazard new obligations and incur new confidence, which we were unwilling to assume."

In the next month another memorable failure occurred, this time on the Pacific Coast. The Bank of California, which had been paying twelve per cent. on a capital of $5,000,000, suspended payment at San Francisco on August 26th. Its president, William C. Ralston, who had succeeded Darius O. Mills in his official position, committed suicide by drowning. He was a daring speculator, whose career had made him an enviable figure. His ruin and that of the bank were produced by a fall in the "bonanza" mining stocks, in which James R. Keene made his first fortune as an operator on the bear side. The famous bonanza kings, James W. Mackay, James Fair, J. C. Flood, and William S. O’Brien, all men who had risen from obscurity to wealth in the mining regions, had organized a rival institution with equally large capital—the Bank of Nevada—and had obtained supremacy in the Nevada mining regions. They all went heavily short of their own stocks, which Ralston's bank was carrying on margin, and precipitated the bonanza crash. The failure made a national sensation, but had little effect on the New York stock market.

For the sake of coherency it will be found advisable to treat the currency legislation of the period between the railway panic and resumption as a theme by itself, and for this purpose a simple recounting of its chief features is all that is necessary. The war-time inflation laws left the possible limit of legal tenders at $400,000,000. It will be recalled that at the advent of the crash in September, 1873, there had been issued $356,000,000 of these notes. The remaining $44,000,000 constituted a reserve which, in the opinion of most men, could be called on in an emergency. On the other hand, many contended that the Secretary of the Treasury could not legally issue one dollar of this reserve, save with the special authorization of Congress, and Grant ostensibly based his refusal to put out a fresh greenback issue, in mitigation of the 1873 panic stringency, upon the uncertainty as to the legality of the step.

Coincidently with our miseries here, the London market had sustained a panic in 1873, the contraction movement indeed becoming noticeable on every bourse in Europe. But England did not call for immediate payment of our debts to her. For years this country had been borrowing British capital to develop natural resources, and large quantities of our bonds were also held abroad. The fall in the prices of our securities was mitigated
in British eyes by the concomitant rise of the greenback in value and the demand of substantial interests for specie resumption which would bring the greenback to par. Accordingly, it happened that our foreign creditors were willing to prolong their investments.

The crisis itself had produced the needed shrinkage of credits and prices, a contraction so severe that it virtually discounted specie resumption. It was a good thing to get rid of inflation, but it would be an extremely bad thing to surrender the actual solid wealth which we had borrowed from outsiders to use in our business—in other words to export gold for the repurchase of American paper held abroad. A moment's thought will show that any step in this delicate situation which might tend to still further shake the confidence of foreigners in our solvency would be inordinately foolish. This was precisely the step which certain Statesmen desired to take. In 1874 they made the effort.

A bill to inflate the currency anew was introduced in the Senate. Secretary Richardson had been forced to meet ordinary expenses by issuing $26,000,000 of fresh greenbacks—whether legally or illegally—and the total outstanding had reached $382,000,000. The amount of bank notes authorized was $354,000,000, and of this sum all but $4,000,000 had been issued. There was also in circulation about $50,000,000 of fractional currency, redeemable at call in legal tenders. The proposed bill proposed to authorize beyond doubt the issue of greenbacks to the full amount of $400,000,000, and to permit the increase of the national bank notes to that sum. The measure was popular. The reasoning of the average man was simple. He repeated the veteran syllogism that had done duty since the days when Massachusetts colonial troops were paid in paper, and was destined to serve in the platform of the silver shouters of 1896. "The more money we have," said he, "the better off we are. This bill will give us more money. Let us have it and we shall be better off."

The Senate passed the measure on March 26, 1874, and the next day gold moved upward. Stock prices began to sink, and they receded almost continuously while the bill was in the House, which passed it on April 14th. Three days later a delegation of bankers, merchants, and others, among them Cyrus W. Field, visited the President at Washington to protest against this measure. The hero of Appomattox had resisted a similar delegation seven months before under more trying circumstances. He appeared little impressed with the honor of their visit, and listened with no show of excitement. They departed, not greatly inspired, wondering if they had spent their time in vain. On the 20th a flurry took place in the New York stock market, where anxiety was keen. The shares of the Cleveland, Columbus, Cincinnati & Indianapolis road dropped from 30% to 20
causing one failure. Gold the same day ran above 114. No one could imagine the decision forming in the mind of the taciturn, fearless, and simple-hearted man who had been called to lead a nation because he had proved able to lead an army. The Congress, his party, and his countrymen clamored for the execution of another piece of folly. He was not reckoned a master of finance, and the tide was a strong one to resist. Those of his fellow citizens who knew which way he ought to decide prepared to excuse him for signing this obnoxious bill by recalling his service in more thrilling days. But on April 22d Grant sent his veto to Congress. The inflation bill was dead.

It is easy enough in the light of history to perceive that the President did merely his plain duty. It was a very different matter to do that duty at that time. The performance was the greatest single act of Grant’s service as Chief Executive. One need only reflect that we might have drifted into a second abyss of disaster, had the principle contended for in this bill prevailed, to realize that the veto takes rank among the great decisions recorded by the elected leaders of this nation.

The average inflationist of Grant’s day did not exhibit the hostility to specie resumption which sound money advocates showed to greenbackism and the like. To begin with, he was not a logician. He did not carry his own reasoning to its proper conclusion, for if he had he would have been forced to adopt a new creed. Then again, he felt a natural pride, as an American citizen, in making the American paper note as good as gold. On January 14, 1875, specie resumption became the promise of the nation’s life. Grant affixed his signature to a measure providing that on and after January 1, 1879, the legal tender notes should be redeemed in gold coin. This gave the Secretary of the Treasury about four years in which to accumulate the stock of gold necessary to end a period of seventeen years of national insolvency.

But no sooner had financial wisdom won this victory than a considerable part of the public began to clamor for a fresh folly. The most ardent of the noise-makers, the Adullamites of their time, chose the venerable Peter Cooper for their standard bearer, and Mr. Cooper ran for the Presidency on a greenback platform. The election of Rutherford B. Hayes on November 7, 1876, which defeated Tilden and caused a long and bitter controversy over the question of the victory’s fairness, likewise overwhelmed the champions of fiat money. Mr. Hayes was widely denounced as a fraud by the Democratic newspapers and politicians. With the merits of the quarrel we need have nothing to do. It should be noticed, however, that something weakened the hold of Hayes upon his own party, and it resulted that, when Congress made the next financial blunder, Hayes could not apply a remedy.
This blunder was the passage of the Bland silver bill early in 1878. The country was slowly recovering, with the aid of good crops, from the hard times of the preceding four years, but there was still an enormous amount of public distress and dissatisfaction. Again the cry, “More money!” became formidable. It appealed as strongly to members of Congress as to their constituents, and it produced the silver measure which helped to precipitate another panic fifteen years later. Silver, as compared with legal tenders, had been worth between ninety and ninety-two cents on the dollar for about six months preceding the passage of the act. Prior to the so-called “Crime of 1873” silver was so valuable that none of it was coined. The “crime” simply recognized a condition when it demonetized the white metal and did away with the possibility of a double standard. But silver had since fallen very far below parity with gold. The “crime” took from it legally what it had not possessed actually since 1834—the opportunity to become money in some other shape than fractional currency—and it was characteristic of inflationists to reason that the “crime” had therefore caused the fall in silver’s price. The Bland bill was designed to offset an imaginary wrong by the commission of an actual wrong. It compelled the purchase of bullion by the Secretary of the Treasury and the coinage of silver dollars, weighing 412½ grains each, at the rate of between $2,000,000 and $4,000,000 a month, at his discretion. These silver dollars were made redeemable in legal tenders, a fact which postponed for years, as we shall see, the reaping of the measure’s evil fruits. Merchants and bankers convened and protested in vain against this bill. The sentiment in Congress was overwhelmingly in its favor. It was passed after many displays of oratory, and President Hayes vetoed it. On February 28, 1878, Congress repassed the bill over the veto with contemptuous ease.

Triumphant inflation now urged the repeal of the Specie Resumption Act, but this it could not accomplish. In June Congress made greenbacks receivable at par, with gold for bonds. The gold premium had meanwhile been working downward in a healthy, steady fashion. Gold speculation had so decreased that the Gold Exchange had ceased to exist on May 1, 1877, its assets yielding $260.72 to each of its 486 members, and the Stock Exchange had leased the Gold Room and continued it as a...
On October 14th gold was bulled, and the high figure reached was 101½. On December 17, 1878, at 12:29 p.m., there took place a transaction that should have made every loyal American heart beat high. The Government paper changed hands at par, P. Gimbernat selling to L. W. Gillet $10,000 in gold for $10,000 in greenbacks. Shortly afterward W. B. Sancton purchased another equal amount of gold at par from Kennedy, Hutchinson & Co.

A trifling fractional premium cropped up at times in the next two weeks. At the close of business on December 31, 1878, the Stock Exchange gold department was abolished. New Year's Day being a holiday, the test of specie resumption took place on Thursday, January 2, 1879. A stock of about $110,000,000 in gold coin had been accumulated in the New York Sub-Treasury, awaiting the event. At 10 a.m. Thursday, a salute was fired at the Brooklyn Navy Yard. Flags were displayed by virtually all the banks, and in the afternoon by the Stock Exchange. The test was met with supreme ease. Every dollar of the $347,000,000 legal tenders then outstanding was as good as gold, and easier to carry. In New York the Sub-Treasury was called upon for very little of the metal, and the banks received more of it than they paid out. In Washington many gold certificates were redeemed in legal tenders, and the actual result of the day's operations was an addition of $270,000 to the Treasury's gold balance. It was the same story everywhere. No one wanted gold. After a lapse of seventeen years the Government had redeemed its pledges.

The rise of the Granger movement—the union of farmers in the fruitful West and Northwest for the purpose of marketing their crops under definite, agreed-upon conditions, and so getting the best possible prices—was a feature of economic history in the seventies. The leaders of this movement instigated legislation of a sort likely to benefit the farmers and injure the railroads, and a severe decline in the market value of Minneapolis & St. Paul and Chicago & North-Western securities was coincident with 1876 and the earlier part of the following year. Measures restricting charges for the service of railroads, grain elevators, and the like, were sure to be bitterly fought. On one occasion an Illinois law, limiting the charges for storing grain in cities of more than 100,000 inhabitants, was carried to the United States Supreme Court, where the farmers, on March 1, 1877, won a notable victory. During this period also a ruinous competition among railway, telegraph, and coal companies, in which warfare and combinations alternated, helped to unsettle the market. The leading operator at all times was Jay Gould, and amid changing conditions he usually continued to increase his fortune.
Mr. Gould was at times singularly favored by chance. In the early part of March, 1876, he was heavily short of stocks. Western Union, which had sold above 80 in February, had been hammered down thirteen points by a rate war instituted by his concern, the Atlantic & Pacific Telegraph Company, and he had driven Pacific Mail below 19, besides bearing the general list. On the morning of the 14th the Bank of the State of New York, with a capital of $2,000,000, suspended payment. Richard Patrick, the vice-president, had overdrawn his account by $230,000, and there were other losses aggregating about $1,000,000. An immediate break in the market enabled Mr. Gould to cover his entire line with profit and to earn the reputation in some quarters of having prevented a panic.

Upon this same morning the newspapers announced the end of old Daniel Drew's career as a speculator. He had filed his petition in bankruptcy on the previous day, thus formally acknowledging a condition which the Street had known pretty well for months. Stephen V. White, William R. Travers, and J. D. Prince, the assignee of Kenyon, Cox & Co., were among Drew's principal creditors. A fortune that had once risen to $13,000,000, and a power that had earned him the sobriquet of "Ursa Major" in ante-bellum days, had vanished so completely as to vindicate the teachings of "Uncle Daniel's" religion on the paltry character of this world's goods. His assets included a gold watch and chain, a sealskin coat—as familiar to the Street as was the spire of old Trinity—ordinary wearing apparel worth $100, and family books, among them a Bible worth $530. Claims against other men, with doubtful stocks and real estate, brought the nominal assets to $678,499. His liabilities were $1,093,759. The Drew Theological Seminary was a creditor for $250,000.

Drew did not survive his ruin many years. On September 18, 1879, he died at his home, No. 3 East Forty-second Street. He had gone to bed at 9 p. m., apparently in perfect health. An hour later he was about to start for his final reckoning. A doctor was hastily summoned. The patient's heart was beating hard. Drew opened his eyes and seemed to be listening to the whispered conversation. An instant later he quietly turned over to the wall, and the strange mixture of piety and cunning which the Street had laughed at, and feared, and admired, and hated, by turns, was beyond the ken of his fellow creatures.

COMMODORE VANDERBILT died on Thursday, January 4, 1877, at his home, No. 10 Washington Place, after an illness of eight months' duration, which had so little sapped his wonderful strength of mind that he had directed a passenger rate war from his sick bed. His death
occurred shortly before 11 a.m., and the Street heard the news at noon, but the market was well supported and the event had long before been discounted. He left a fortune estimated at $75,000,000 to his son, William H. Vanderbilt, whose market career commenced at this time. The character of the heir to the Vanderbilt fortune and responsibilities was soon to be tested. In February of that year the bankruptcy of the Central Railroad of New Jersey became public, and in April a large Stock Exchange house, E. N. Robinson & Co., and a prominent operator, Trenor W. Park, went to the wall. Early in June the influence of William H. Vanderbilt began to enliven the situation. Throughout his career, which lasted less than nine years, Mr. Vanderbilt was a power, not only as a railway investor but as a speculator. He is estimated to have increased the fortune bequeathed him by his father to $200,000,000, and this result undoubtedly was accomplished largely by speculation. His opportunities, in the control of important railway properties at a time when every move looking to hostility or peace meant fluctuating prices, may be imagined. On June 2d he startled the public by lowering the passenger rate between Chicago and New York from $23 to $15, and a heavy break in the trunk road stocks followed. Battle for the next year or two was an important part of his programme.

In July, 1876, he demonstrated his executive capacity in a remarkable fashion. This was the month of the most terrible strike ever known in America—that of the railway employes. It was based in some instances on a demand for increased wages, and in others on a determination to resist a cut. The Baltimore & Ohio employes struck on July 16th, and rioting occurred at Martinsburg, West Virginia, and at Baltimore the following day. On the 20th a mob attacked Federal troops in Baltimore, and the troops responded with the rifle, killing four persons and wounding many others. In the next few days the strike spread to the Pennsylvania and Erie roads. The Governors of Maryland, West Virginia, Pennsylvania, and Ohio issued riot orders and called out the militia. The country was in a turmoil. At Pittsburg, Reading, and Chicago there were frightful conflicts with the police and militia, and the dead and wounded were reckoned by scores. The violence lasted for a fortnight, and then the law triumphed, the slaughter was ended, and the railroads, which had been virtually tied up, resumed operations.

Mr. Vanderbilt had never discontinued operations. He conciliated the representatives of the New York Central and Harlem employes who called upon him, got them to acknowledge his previous considerate treatment, and induced almost all of them to go back to work. In discussing the situation with a reporter he gave the
public a good insight into his methods and policy. "I cannot help sympa-
thizing," said he, "with men who are poorly paid. Still, they all feel as I
do, that half a loaf is better than no bread. If the company pays more
than it can earn, it is clear that it will soon quit paying altogether. Just
now we are sailing very close to the wind, and every dollar that is spent
by the company is expended with the most rigid economy. I believe I know
where every five dollars goes. . . . It is my rule to treat my people as
human beings—as men—for the most unwilling of all servants is the man
who feels himself a slave."

On August 1st, when the trouble had entirely gone by, Mr. Vanderbilt
issued an open letter to the 12,000 employes of the New York Central and
Harlem roads, announcing that the sum of $100,000 would be distributed
among them. He clinched his victory by promising them an increase in
pay "the moment the business of the company should justify it."

FROM the summer of 1877 to the following spring the market was
characterized by continued strength. This was due rather to
speculation than to improvement in business conditions, for times
were still hard, real estate in the depths, and the number of unemployed a
large one. Vanderbilt was on the bull side, and James R. Keene, whose
New York career had just begun, was also a heavy buyer. Mr. Keene had
come from California, where he had obtained his start by
buying shares in a mine which proved rich and had multiplied
his fortune by selling other bonanza shares short just before
the crash. He brought several millions in cash to New York.
At first he renewed bear tactics in the New York market, but
they proved ineffective and he turned buyer. For a time Mr. Keene was in
league with Mr. Gould and with Russell Sage. Mr. Sage is a man of extra-
ordinary capacity to judge the market and keep a position of vantage
through every peril. His eccentricities are famous to-day throughout the
country and were already well recognized at this time. His success had
come unaided. Born in Verona, New York, in 1816, he worked as a lad in
a grocery shop for his brother, and when only eighteen years old entered
the same business on his own account, at Troy, with another brother for
a partner. His fortune grew steadily; furthermore he became a figure in
politics, serving in Congress from 1853 to 1857. He entered Wall Street
almost immediately thereafter and profited immensely by the war time rise
in the values of securities. He began simultaneously to deal in "puts" and
"calls," an industry in which he has never had a peer. He was a very
wealthy man in 1877, and the controller of much ready cash. Keene
and Sage combined to get control of the Atlantic & Pacific Telegraph
Company, and in August sold out to Vanderbilt, who was at the head of the Western Union system. They turned over 71,000 shares of the former corporation, received 22,000 shares of the latter, and agreed that the earnings of the two companies should be pooled. The telegraph war was thus temporarily ended.

This truce, which rather left Mr. Gould out of consideration, was immediately preceded by a bitter feud between Gould and Keene. They had entered that summer into an agreement to bull the general market, with the exception of Western Union. That stock was to be driven down to $40 a share, it is said, and then bought for joint account. Gould not only made this compact, but advised a satellite of Keene, Major A. A. Selover, to sell Western Union short. In the end he meant to buy it himself. Possibly he learned that the control of the Atlantic & Pacific Telegraph Company had been secured by Keene and Sage, and wanted revenge; but that is not material. The stock began to advance with suspicious vigor, and Keene and Selover looked about them. They traced the buying to Mr. Gould, and Selover determined upon summary chastisement.

At noon, on August 2d, the Major, who was about six feet tall and of powerful physique, encountered Mr. Gould at the corner of Broad Street and Exchange Place. He detained his foe with a few innocuous words, and then, ripping out an oath and shouting, "I'll teach you what it is to tell lies!" caught him by the nape of the neck, shoved him over a railing which fenced off an area and struck him repeatedly. Then he dropped Mr. Gould to the bottom of the area and went on his way with much satisfaction.

It is characteristic of Mr. Gould that he landed upon his feet. He was helped into a barber shop which opened upon the area, and was soon able to go to his office, where he gave fresh orders to advance Western Union. The stock, which had sold at 60 ten days before, closed at 74% this day, no doubt entailing a further loss on Selover.

The same month witnessed the financial difficulties of the Hannibal & St. Joseph Railroad Company, the stock of which was destined to figure in a sensational corner. Mr. Gould entered into an arrangement with its president to lend the company $250,000, but the directorate repudiated the plan. The stock dropped sharply in October on the news of a prospective receivership. The latter part of December was marked by the failure of John Bonner & Co. Mr. Bonner was president of the Bankers' and Brokers' Association, and held it in control. It was a combined bank and clearing house for brokers. He devoted his time largely to borrowing and lending money in the Stock Exchange, of which he was a member. Having rendered himself liable to indictment by rehypothecating the securities pledged with him by his fellow
members and others, he disappeared, leaving balances of over $500,000 against him. His abilities and excellent social position served to emphasize the scandal. It was a trying period, and many small houses were badly hit by Bonner's peculiarly aggravating knavery. In January there were several other bad commercial failures, and the Bland bill was agitating the public mind. The market was well supported, the fact being known that the coal railroads were arranging anew the combination which they had broken in August, 1876.

A season of bettering conditions now set in. The telegraph war was already out of the way. The coal war was ended toward the close of January, 1878, by the formation of a trust, involving the Delaware, Lackawanna & Western, the Pennsylvania Coal Company, the Delaware & Hudson Canal Company, and the Central Railroad of New Jersey. Vanderbilt was a heavy buyer of Lake Shore, and the bulls as a class were in the lead. Occasional troubles, such as the sale of the Erie Railway in foreclosure, which took place in April, were easily endured, for most of the railroads were showing improvement. This was particularly the case with the Granger roads. The rate war instituted by Vanderbilt was working toward a settlement. This came in December, 1878, when a new freight pool was formed. Messrs. Roberts and Cassatt, of the Pennsylvania; J. W. Garrett, of the Baltimore & Ohio; H. J. Jewett, of the Erie, and W. H. Vanderbilt, of the New York Central, met on December 5th at the Windsor Hotel and arranged the combination, to extend five years from January 1, 1879, the date of specie resumption. Albert Fink was reported arbitrator. A new era began under better auspices and with brighter prospects than those of the period of suspension of specie payments.
In the two years immediately succeeding the resumption of specie payment the country enjoyed prosperity of the most desirable kind. Crops were good, all branches of industry revived, creating a brisk demand for labor, new enterprises were started, many miles of new railway were built, credit was freely extended, and yet the expansion did not greatly exceed the limitations of prudence. Lessons taught by a hard master were still remembered by the people.

The early part of 1879 witnessed a buoyant stock market. While the public were buying heavily Mr. Gould was credited with being the chief seller. Increasing prices spread the rumor that he was rapidly going bankrupt in an endeavor to withstand the advance of general prosperity. In the columns of newspapers which he did not control, his mental agonies were gleefully described. Nevertheless, we venture to assert a belief that Mr. Gould ate and slept as usual during this period of stress. On the 17th of February he escaped every snare by selling 100,000 shares of Union Pacific, at between 65 and 70, to a syndicate from which he coincidentally purchased 28,000 shares of North-Western at 62, possibly to cover short contracts. Union Pacific had sold at about $15 a share in September, 1873. As Mr. Gould had paid an average of about $30 for this big block, he was doing fairly well for a ruined man. The syndicate, with whom he closed his bargain at the old Windsor Hotel, included Addison Cammack, a famous bear, then known as the leader of the "Twenty-third Street party"; James R. Keene, Charles J. Osborn, Russell Sage, David P. Morgan, Frank Work, David Jones, and William L. Scott.

Two months later Mr. Gould completed the purchase of sufficient St. Louis, Kansas City & Northern stock to ensure its absorption by the
Toledo, Wabash & Western Railroad, of which he induced his friend Cyrus W. Field to accept the presidency. Wabash stock rose from 17% to 34% between April 10th and April 25th, and the buying of St. Louis stock forced the latter from 8 to 17% by May 2d. While conducting this movement Mr. Gould was preparing a fresh telegraph war. On April 29th he incorporated the Union—soon afterward called the American Union Telegraph Company, with a capital of $10,000,000, and eventually made Thomas T. Eckert its president. Under the management of Mr. Vanderbilt, who was enabled to use telegraph wires to great advantage in connection with his railroad system, the Western Union Telegraph Company had been reaping a harvest. Its executive committee, on June 11th, declared a scrip dividend of seventeen per cent., increasing the outstanding amount of capital stock to about $41,000,000, and a quarterly cash dividend of 1½ per cent. on both old and new securities. Western Union stock sold at 116 this day. It was the best price reached for many months. Jay Gould extended the lines of his new company, displacing those of the Western Union to make way for them, on the Union Pacific and other railroad systems. By alternately cutting rates and making peace, and by advertising his every move in the morning newspapers which he controlled, he produced a series of tremendous fluctuations in Western Union and was thereby able to transfer large sums from the public's purse to his own. Late in December, 1880, Western Union sold at 78, Atlantic & Pacific Telegraph at 32, and American Union at 70½, this being the low level. By January 13, 1881, the telegraph war having been settled, with Mr. Gould in control of the situation, Western Union changed hands at 114½, Atlantic & Pacific Telegraph at 49½, and American Union at 96. In the following month the Western Union Company absorbed the other corporations, increasing its capitalization to $80,000,000 for the purpose, and taking in Atlantic & Pacific at 60 and American Union at par. The Evening Post, in an editorial on February 11th, likened the consolidation to the gold corner which produced Black Friday, and added: "Both acts depended on hoodwinking and fleecing the public." Rufus Hatch and other minority shareholders fought the merger in the courts. Protracted litigation ended in their defeat. The Gould control of the Western Union had begun. Mr. Gould's company not only owned a majority of International Ocean Telegraph stock but held about half the shares of the Gold and Stock Telegraph Company, the ticker concern. It absorbed another rival in the Mutual Union Telegraph Company, by a lease based on six per cent. of the latter's capitalization of $7,500,000.

1 The new companies were merged in the Wabash, St. Louis & Pacific Railway, which was not organized till November 7, 1879.
The elevated railway merger of this period reeked of scandal, suggesting the old alliances with the judiciary that had made the Erie ring infamous in the days of Tweed's power. The Metropolitan and New York Elevated Railroad companies, of which Sylvester H. Kneeland and Cyrus W. Field were respectively the executive heads, controlled the elevated structures in this city. The Manhattan Railway Company was formed, and to this new corporation the New York and Metropolitan were leased on May 20, 1879. Jay Gould began a campaign to get possession of the elevated roads two years later. The lease agreement was an extremely vulnerable one. On May 18, 1881, Attorney-General Ward brought an action, in the name of the People, to vacate the Manhattan's charter and throw the company into a receiver's hands, on the ground that it had never constructed a road of its own, that the lease was illegal and was the basis of an issue of $11,000,000 of fraudulent stock—making a total capital of $13,000,000—and that the company was insolvent. Oddly enough, on the same day a firm of Gould lawyers, acting for an obscure client, brought suit to prevent the Manhattan from paying anything to the shareholders of the other two companies. The evidence is strong that both these actions were instigated by Mr. Gould. Upon a flimsy pretext the Attorney-General abandoned his suit and began another at Kingston, the motive being to get it before Judge Westbrook of the Supreme Court, who had once been an attorney for Mr. Gould.

By the use of this and other litigations, liberally advertised in his newspapers, Mr. Gould broke all the elevated stocks. On July 8th his party assumed control of the Metropolitan, and Russell Sage was elected president. A week later the market learned that Judge Westbrook had put the Manhattan company into the hands of receivers. By a most singular chance, these receivers were Judge John F. Dillon, attorney for the Gould Union Pacific road, and Amos L. Hopkins, vice-president of the Gould Wabash road. Manhattan stock sold at 18%, and those who knew the future had their opportunity. Several additional actions thickened the plot. In the course of the litigation Judge Westbrook came to New York and issued orders from Mr. Gould's private office. Mr. Field had taken a position of hostility to the invaders, but, whether he was an earnest foe or a secret friend, he soon agreed to a compromise. A new tripartite alliance was formed on October 22d, and the Metropolitan and New York companies were again to be leased to the Manhattan. Judge Westbrook courteously acknowledged the altered conditions by annulling previous orders, removing the receivers and declaring the Manhattan solvent. On November 9th Jay Gould was elected president of the Manhattan, his clique voting 70,000 shares; the stock sold at 55 that day and they were estimated to have made nearly $2,500,000 in the rise of this security alone.
ALL through the summer of 1879 the market was buoyant, and in October prices were not only booming but the activity was so great that the brokers demanded more elbow room, and the Governing Committee of the Stock Exchange decided to buy additional property on the south, about twenty-four feet on Broad and sixty-eight feet on New street, costing $375,000.1 By November 20th the daily dealing had reached 681,810 shares, breaking all records, and on Friday, November 21st, a bear raid caused the collapse of the boom. The extent of the revulsion may be indicated by this table:

<table>
<thead>
<tr>
<th>Shares</th>
<th>Number Sold</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erie,</td>
<td>196,800</td>
<td>39%</td>
<td>32</td>
</tr>
<tr>
<td>Erie preferred,</td>
<td>13,400</td>
<td>66%</td>
<td>60</td>
</tr>
<tr>
<td>Lake Shore,</td>
<td>38,500</td>
<td>102</td>
<td>99</td>
</tr>
<tr>
<td>Manhattan,</td>
<td>2,400</td>
<td>62</td>
<td>54</td>
</tr>
<tr>
<td>Union Pacific,</td>
<td>12,900</td>
<td>86</td>
<td>73</td>
</tr>
<tr>
<td>Delaware &amp; Hudson,</td>
<td>19,200</td>
<td>73%</td>
<td>59</td>
</tr>
<tr>
<td>Wabash,</td>
<td>17,600</td>
<td>54%</td>
<td>46</td>
</tr>
<tr>
<td>New Jersey Central,</td>
<td>20,200</td>
<td>77</td>
<td>70</td>
</tr>
</tbody>
</table>

This crash—which was followed by a moderate recovery on the same day—was precipitated by the publication of a report that William H. Vanderbilt had sold 250,000 shares of New York Central to a syndicate interested in the Wabash system, thereby insuring the sending of all Wabash east-bound freight over the Vanderbilt lines from Toledo, to the great detriment of the Erie road. The heavy selling of Erie shares, which came upon the market at a time when inflation had made it vulnerable, nearly produced a panic. Short covering by those who had sold stocks through foreknowledge of the publication stayed the decline.

Mr. Vanderbilt was, in fact, negotiating for the sale of Central stock to a syndicate represented by Cyrus W. Field, president of the Wabash road. This syndicate included Drexel, Morgan & Co., J. S. Morgan & Co, of London; Jay Gould, Cyrus W. Field, Russell Sage, Solon Humphrey, Sidney Dillon, Angust Belmont & Co., Kuhn, Loeb & Co.; Woerishoffer & Co.; and others, being composed of Wabash men and foreign and domestic bankers. The plan was perfected on November 26th, Vanderbilt selling 150,000 shares and giving an option for 100,000 more, which was eventually exercised. J. Pierpont Morgan, of Drexel, Morgan & Co., took a prominent part in carrying the negotiations through. The price was $120 a share, or about ten points below the market, the stock to be paid for in United States four per cent. bonds, and taken up by the syndicate in monthly instalments. Central stock this day gained about five points, closing at 134%, and Wabash was also strong.

1 The sale of forty memberships, increasing the number of members virtually to 1,100, was ordered to defray the expenses, and they realized an average price of $13,000, which was $6,000 more than their price in 1870. The enlargement of the building was completed in 1881.
The amount of outstanding Central stock was 894,283 shares, and Vanderbilt's holdings were in excess of 500,000 shares prior to this sale, by which he parted with the control. He certainly sold it cheap, for the stock was paying eight per cent., but he accomplished two objects, the securing of the east-bound freight of Southwestern roads, and the allaying of public alarm at the domination of the railroad system by one man. "We get kicked and cuffed by Congressional committees and legislatures and the public," said he, "and I feel inclined to let others take some of it instead of taking it all myself. There is a certain feeling among the public about one man having so much—I won't say it's wrong or that it's right, but there is such a feeling. I am a man who understands the public sentiment, and I am always ready to meet it." The stock was largely placed abroad. Jay Gould individually, however, took at least 50,000 shares.

The readers of this narrative are familiar with Mr. Gould's prowess as a destroyer. His constructive ability was not less striking and not wholly free from the methods which brought hostile criticism upon him. Its greatest example was the upbuilding of the Southwestern system of railways, grafted on the Wabash system, the stem of which arose from Toledo, at the westerly end of Lake Erie, where freight was now to be interchanged with the Vanderbilt roads. The facts which immediately preceded and led up to this work of construction were brought out beyond doubt in the light of Government investigation.\footnote{The Pacific Railway Commission of 1887, appointed by President Cleveland, took the evidence in the case. Ex-Governor Robert E. Pattison of Pennsylvania was the chairman.}

In the latter part of 1879 Mr. Gould's holdings of Union Pacific stock had decreased to about 27,000 shares, and he had acquired large interests in two rival roads. The Union Pacific ran from Council Bluffs, Iowa, to the point of junction with the Central Pacific, five miles west of Ogden, Utah, a distance of 1,038 miles. Mr. Gould, with whom Mr. Sage was associated in the enterprise, had acquired a parallel road about 640 miles long, the Kansas Pacific, which ran from Kansas City to Denver, and which controlled another road, the Denver Pacific, running northward from Denver to Cheyenne, Wyoming, where it connected with the Union Pacific line. Both the Kansas and the Denver Pacific roads were in bad financial shape. The Kansas Pacific, which had $9,689,950 of capital stock, had been placed in the hands of Henry Villard and Carlos Greeley as receivers in 1874, and they were still in control. As for the Denver Pacific, it was virtually bankrupt, and could have been foreclosed in three months' time. Of its $4,000,000 of stock, 10,000 shares were owned by Gould outright, having been purchased at ten
cents on the dollar, and the remaining 30,000 shares were owned by the Kansas Pacific (which Gould controlled), the latter company having built the Denver Pacific line. These 30,000 shares were a part of the collateral security of a funding mortgage of the Kansas Pacific Railway Company. This mortgage was wiped out by a consolidated mortgage, of which Jay Gould and Russell Sage were trustees, and the 30,000 Denver Pacific shares were therefore under their control, a circumstance which eventually inured to their profit.

The Denver and Kansas Pacific interests had quarrelled with the Union Pacific interests over the pro-rating of east-bound freight at Cheyenne. The directors of the various companies concerned had decided that the best way out of the quarrel was a merger of the three roads. But Mr. Gould and his fellow directors in Union Pacific could not agree on the prices at which he should deliver the smaller railroads. In the fall of 1879 there occurred an open break. Gould determined to whip his fellow directors into line by threatening to ruin the Union Pacific, of which he was a director at the time. This road having been built with corrupt extravagance, and running north of the great mineral belt, could readily be bankrupted by a parallel line, built at moderate cost and piercing the mineral belt. Such a line Mr. Gould could construct by extending the Kansas Pacific road from Denver through the Loveland Pass to Salt Lake City, and reaching the Central Pacific, which would give him his connection to San Francisco. But he needed more length of rail east of Kansas City. His Wabash system (for which he was then planning New York Central affiliations) started from Toledo and ran to St. Louis. Between St. Louis and Kansas City there was a break in his chain. To remedy the defect he decided to purchase the Missouri Pacific, which ran across the State of Missouri and connected these two cities. By obtaining this road and building his extension to Salt Lake City he would get a through line to the Pacific Coast and annihilate the Union Pacific, incidentally wiping out the Government claim in the latter property.

The Missouri Pacific had a capitalization of only $800,000, on which it was paying splendid dividends. Half of the stock was owned by Commodore C. K. Garrison. Gould started for the West, met Garrison early in November, and bought him out. "I paid Mr. Garrison 750 for his Missouri Pacific stock," said he before the Pacific Railway Commission. "You pay more for a ruby than for a diamond, and more for a diamond than for a piece of glass. I bought 4,000 shares for $3,000,000." He purchased at the same time one or two branch roads, and a short while later secured, from Oliver Ames, of Boston, the control of the Central Branch Union Pacific Railroad, running from Atchison to Waterville, Kansas, and comprising 387 miles, with its branches.
This simply strengthened his position a little. He had made a trip to Amsterdam that summer and purchased a quantity of Denver Pacific bonds at 74 from Dutch investors.

Early in January, 1880, he showed his hand. The Union Pacific directors who had quarreled with him were panic-stricken. They rushed to New York and eagerly assented to the consolidation of their road with the Kansas and Denver Pacifics on Gould’s own terms.

It was agreed to form a new corporation, the Union Pacific Railway Company, into which the dividend-paying stock of the Union Pacific Railroad, amounting to $36,762,000, and the almost worthless securities of the Kansas and Denver Pacifics, amounting to $13,689,950, should all go at par, giving the consolidated company a stock capitalization of $50,452,250, a bonded debt of more than $126,000,000, and a floating debt of about $9,666,000. The agreement was signed on January 14th by Mr. Gould and the Boston directors, Frederick L. Ames, Ezra H. Baker, F. G. Dexter, Elisha Atkins, and by Sidney Dillon, president of the Union Pacific.

A portion of the new Union Pacific stock to be turned over was to be used in the purchase of branch roads, which Mr. Gould controlled. He had so distributed the stock of these roads among the men who signed this agreement that each one profited by it individually.1

Mr. Gould made one concession. He turned over to the Kansas Pacific, prior to the consolidation, his 10,000 shares of Denver Pacific stock at just what it cost him, 10 cents on the dollar, and permitted the Kansas Pacific to turn it over to the Union Pacific at par. It will be recalled that the Kansas Pacific also held 30,000 shares of Denver Pacific stock as collateral for a mortgage. It was highly advisable to get this stock released so as to exchange it at par for new Union Pacific, and to do this Messrs. Gould and Sage took steps that nearly resulted in a criminal indictment eight years later. They directed the Kansas Pacific road to bring an action in equity against them as trustees of the consolidated mortgage, to secure the release of these 30,000 shares, and the substitution of other collateral. The case went to a referee. At the reference Sidney Dillon testified that these 30,000 shares were worthless, except in view of certain contingencies—by which, as he afterward explained, he had the consolidation scheme in mind—and those contingencies might make them worth between $200,000 and $300,000. The referee recommended the release of the stock and the substitution of some $500,000 in bonds for it; the Judge approved the referee’s report,

1“The parties to the agreement,” says the majority report of the Pacific Railway Commission, “were trustees of the Union Pacific. They had no right, without violating every principle that should control the actions of honest men, to make this bargain in the dark, without corporate action, and vote themselves large personal advantages.”
and the very next day the stock which Mr. Dillon swore would not be worth $300,000, under any circumstances, was turned into the Union Pacific for securities worth $3,000,000. The Kansas Pacific Company got par for its own stock, incidentally emerging from the receiver's hands, and par for its 40,000 shares of Denver Pacific stock. Most of the new Union Pacific stock which it received for the Denver Pacific was used to buy Gould's branch roads.

Peace having been declared, Mr. Gould began to develop his Wabash-Missouri Pacific system to the West and Southwest. He sold his Central Branch road to the Union Pacific, which leased it back to the Missouri Pacific, which in August, 1880, absorbed the St. Louis & Lexington and five other small roads. The Wabash system had $42,000,000 of capital stock and controlled 3,348 miles of road. Mr. Gould took the presidency of the Missouri Pacific, increased its outstanding stock to $12,419,800, and its funded debt to $19,259,000. He secured control of the Missouri, Kansas & Texas, which had nearly $50,000,000 in bonds and stock, and which ran from Hannibal, Missouri, just north of St. Louis, through Missouri and Indian Territory to Dennison, in the northern part of Texas. In December, 1880, he leased this road to the Missouri Pacific for its net earnings.

Meanwhile he had put his hands on the Texas & Pacific Railway, assuming the presidency of the company in August, 1880. This road ran from Fort Worth, Texas (which he connected with Dennison), eastward into Shreveport, Louisiana. In the following June Mr. Gould consolidated it with the New Orleans Pacific, thus extending his system to the mouth of the Mississippi. The same year he consolidated the St. Louis, Iron Mountain & Southern, which ran from St. Louis through eastern Missouri and Arkansas to Texas, with the Missouri Pacific, and the International & Great Northern with the Missouri, Kansas & Texas. His system now branched out from the Wabash, at St. Louis, through Missouri, Kansas, Indian Territory, Arkansas, and Louisiana, and he presently extended it throughout Texas, sending branches from Texarkana south to Houston and southwest to Laredo, on the Rio Grande, and from Fort Worth to El Paso, the extreme westerly portion of the State. At El Paso he joined hands with the Southern Pacific, thus obtaining a connection with San Francisco, and rounding out a magnificent scheme.

Early in 1882 he united with Collis P. Huntington, whose fame as a railroad man was already widespread, in purchasing large interests in the St. Louis & San Francisco, which ran from Pacific, near St. Louis, to Seneca, Missouri, with various branches, and in the Atlantic & Pacific, which was designed to run from Seneca to the Colorado River and there connect with another branch of the Southern Pacific.
In 1883 the Wabash was leased to the St. Louis, Iron Mountain & Southern, controlled by the Missouri Pacific. As early as 1880 Mr. Gould took an interest in a syndicate which acquired 100,000 shares of Central Pacific stock.

The year 1880 was one of the most prosperous years in the nation's history. Crops were abundant, trade increased, and confidence was general. The stock market was dominated by the bulls, although one bad break took place in May, due to the failure of the Philadelphia & Reading Railroad and its subsidiary corporation, the Philadelphia & Reading Coal & Iron Company. The Reading president, Franklin B. Gowen, had entered with the other coal road officials into the policy of restraining the production of anthracite. He succeeded for a time in increasing its cost to the consumer, but eventually he ruined his own companies. He piled up a floating debt of between $4,000,000 and $5,000,000, and staved off the evil day as long as possible. On Friday, May 21, 1880, the fact was revealed that the companies were insolvent. Reading stock, which had sold above 70 in the preceding month, and at 46% on Thursday, fell to 30%, and closed at 31%, after sales of 96,000 shares. Delaware, Lackawanna & Western lost three points that day on sales of more than 100,000 shares, and a violent Reading panic occurred in Philadelphia. The coal roads had gone through a bitter struggle in the preceding year, when their pool was no longer effective, and the Reading had suffered severely, its loss being estimated at $7,500,000, but the existing condition was understood to be that of peace. The depression in the coal stocks lasted for several days, its extent being indicated by this table:

<table>
<thead>
<tr>
<th>Stock</th>
<th>Highest, May 21</th>
<th>Lowest, May 25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reading</td>
<td>46%</td>
<td>18%</td>
</tr>
<tr>
<td>Delaware, Lackawanna &amp; Western</td>
<td>79%</td>
<td>63%</td>
</tr>
<tr>
<td>Morris &amp; Essex</td>
<td>108%</td>
<td>101</td>
</tr>
<tr>
<td>New Jersey Central</td>
<td>67%</td>
<td>45</td>
</tr>
<tr>
<td>Delaware &amp; Hudson</td>
<td>72%</td>
<td>60</td>
</tr>
</tbody>
</table>

The Reading failure caused a long and bitter fight with foreign shareholders, but the necessary reorganization led to Gowen's return to power and eventually to another collapse.

On November 2, 1880, James A. Garfield was elected to the Presidency, defeating the Democratic candidate, General Hancock. General Garfield's success was encouraging to investors, who were sufficiently reassured to desire no great changes at Washington. The market was well sustained through the winter. The new President entered on his duties under a bright sky, with the credit of the nation so firmly established as to permit the refunding of Government sixes in three and one-half per cent. bonds.
Throughout the spring a bull movement prevailed on ‘Change until the May reports of the Lake Shore, Michigan Central and Canada Southern railroads, all Vanderbilt properties, indicated a sharp falling off in earnings. A railroad year less prosperous than its predecessor had set in.

President Garfield was shot by Charles Jules Guiteau on the morning of Saturday, July 2d, while entering the depot of the Baltimore & Potomac Railroad at Washington, to take the train for a trip through New England.

He was carried in an ambulance to the White House, and thence removed, on September 6th, to a cottage at Elberon, New Jersey, where he died on the evening of September 19th.

His assassin was a French-Canadian, who, while scarcely able to buy a night’s lodging, had been hanging about Washington in the endeavor to persuade the President to give him the Austrian ministry. Many who knew him believe to-day that he was insane, without, however, regretting that he was hanged.

The market broke sharply on the morning of the shooting, and throughout the remainder of the summer fluctuated, in sympathy with the news of the President’s condition, a particularly bad break coming on July 23d, when tidings of a relapse was received. Yet when the end came the dealers in stocks had discounted it, and prices were firm. The greater part of the decline took place some time afterward, when the effect of poorer crops was felt. Closing prices on important days were as follows:

<table>
<thead>
<tr>
<th>Stock</th>
<th>July 1</th>
<th>July 2</th>
<th>July 23</th>
<th>Sept. 19</th>
<th>Sept. 20</th>
<th>Dec. 24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Southern</td>
<td>68%</td>
<td>66%</td>
<td>64%</td>
<td>65%</td>
<td>66%</td>
<td>58%</td>
</tr>
<tr>
<td>Central Pacific</td>
<td>99%</td>
<td>97</td>
<td>92%</td>
<td>91%</td>
<td>91%</td>
<td>93%</td>
</tr>
<tr>
<td>Chicago, Burlington &amp; Quincy</td>
<td>164</td>
<td>162%</td>
<td>157</td>
<td>161</td>
<td>161%</td>
<td>185</td>
</tr>
<tr>
<td>North-Western, com.</td>
<td>106%</td>
<td>104</td>
<td>122%</td>
<td>125%</td>
<td>127</td>
<td>124%</td>
</tr>
<tr>
<td>St. Paul</td>
<td>127%</td>
<td>124%</td>
<td>110</td>
<td>119%</td>
<td>121</td>
<td>103%</td>
</tr>
<tr>
<td>Delaware, Lackawanna &amp; Western</td>
<td>124%</td>
<td>122%</td>
<td>119%</td>
<td>125%</td>
<td>127</td>
<td>127%</td>
</tr>
<tr>
<td>Hannibal &amp; St. Joseph, com.</td>
<td>91%</td>
<td>91</td>
<td>91%</td>
<td>........</td>
<td>........</td>
<td>95%</td>
</tr>
<tr>
<td>“ pref.</td>
<td>116%</td>
<td>115</td>
<td>109%</td>
<td>118%</td>
<td>118</td>
<td>111%</td>
</tr>
<tr>
<td>Lake Shore</td>
<td>126%</td>
<td>124%</td>
<td>121%</td>
<td>126</td>
<td>127%</td>
<td>115%</td>
</tr>
<tr>
<td>Erie</td>
<td>62%</td>
<td>58%</td>
<td>54%</td>
<td>53</td>
<td>55%</td>
<td>85%</td>
</tr>
<tr>
<td>Manhattan</td>
<td>26</td>
<td>24%</td>
<td>17%</td>
<td>........</td>
<td>........</td>
<td>54%</td>
</tr>
<tr>
<td>New York Central</td>
<td>146%</td>
<td>145</td>
<td>142</td>
<td>142%</td>
<td>144</td>
<td>132%</td>
</tr>
<tr>
<td>Reading</td>
<td>60%</td>
<td>57</td>
<td>56%</td>
<td>63%</td>
<td>65%</td>
<td>66%</td>
</tr>
<tr>
<td>Union Pacific</td>
<td>131%</td>
<td>128%</td>
<td>126%</td>
<td>122%</td>
<td>123%</td>
<td>115%</td>
</tr>
<tr>
<td>Western Union</td>
<td>91</td>
<td>88%</td>
<td>86%</td>
<td>88%</td>
<td>89%</td>
<td>78%</td>
</tr>
<tr>
<td>Northern Pacific</td>
<td>45</td>
<td>40%</td>
<td>38%</td>
<td>39%</td>
<td>30%</td>
<td>85%</td>
</tr>
</tbody>
</table>

It was while the President was lingering on his death-bed that the corner in Hannibal & St. Joseph common stock was forced to completion, and, though apparently a technical success, stripped its author of the bulk of his fortune. The Hannibal & St. Joseph Railroad was at this time an independent line, running across the northern part of Missouri from Hannibal, on the
Mississippi River, to St. Joseph, on the Kansas River. With its branches the road comprised 282 miles. The outstanding stock consisted of common shares to the par value of $9,168,700, and of preferred shares to the par value of $5,083,024. The railroad had seen prosperous times in 1880, but in 1881 its revenue, like that of almost every other line, had fallen off, and the line was earning, in addition to the dividend on the preferred, only about one and one-half per cent. on the common stock. This circumstance induced a number of operators to sell it short. James R. Keene and Russell Sage were supposed to be among them, but whether this was the case or not, Amos L. Hopkins, of the Gould-Sage clique, certainly was so. William Dowd, a prominent New Yorker, was president of the road. The vice-president was John R. Duff, a Bostonian, who had recently come into a large fortune and was using it freely in speculation through the office of Kennedy, Hutchinson & Co.

William J. Hutchinson of that firm was not only a broker of enviable standing but a leader in church affairs in this city. This did not prevent his conducting a series of operations by which his wealthy customer was systematically cheated. As Mr. Duff was out of the city and put his affairs into the hands of his brokers with perfect confidence, giving them written instructions to use their own discretion, an unscrupulous agent had such a principal at his mercy. Mr. Duff began through these brokers to buy all the Hannibal & St. Joseph common stock which the bears were willing to sell. The dealing was very moderate, but the price had been forced above 97 by Monday, September 5th. On the following day the attempts of the shorts to cover revealed the situation. Hannibal & St. Joseph common opened at 98 and rose in leaps till 137 was vainly bid for it at the close. Yet the sales had amounted to no more than 1,800 shares. On Wednesday, when 2,700 shares were sold, the price climbed to 200, and the next day, September 8th, the Stock Exchange being closed, the Governor having chosen this date for general prayer in behalf of the President's recovery, the bears had time to conceive a means of escape. On Friday Amos L. Hopkins brought an action before Judge Donohue, charging that Mr. Dowd, the president of the road, was in a conspiracy to corner the stock, and obtained an order to show cause why Dowd should not be compelled to issue common stock in exchange for convertible bonds, complying with a decision reached by the directors in the previous June. Hopkins was short 300 shares through the office of W. E. Connor & Co.¹ The stock this day sold between 160 and 225.

¹ The firm had been formed but a short while, Jay Gould having invested $300,000 in it as a special partner. It comprised his son George J. Gould, Washington E. Connor, and Giovanni P. Morosini.
only 650 shares being covered. On Monday, Hopkins procured an injunction forbidding Kennedy, Hutchinson & Co., and W. E. Connor & Co., from dealing in the stock. There was no further sale till Wednesday, when the holder of five shares put them on the market and got par, while on Thursday, 100 shares sold at 300, and on Friday, September 19th, the stock touched 350, the high price of the corner.

The Hopkins litigation was ultimately settled out of court. This was a comparatively small matter. Mr. Hutchinson was privately undertaking another settlement—that of the outstanding short contracts. The fact was, that he was the only man short of a great portion of the stock, and he used his position as broker to make such settlements as broke the price in due time and nearly ruined Mr. Duff. Eventually the matter was carried to the Governing Committee of the Exchange. On June 6, 1882, the Exchange, in view of this and other betrayals of Duff's confidence, expelled William J. Hutchinson "for obvious fraud."¹ Duff was saddled with about 90,000 shares of the common stock, practically the whole issue, which he succeeded in having carried by prominent brokerage houses for a considerable period. In the following March, Messrs. Gould, Sage, and others purchased it at $42 a share. In April, 1883, they turned it over at higher figures to the Chicago, Burlington & Quincy Railroad.

BULL movement in one or two stocks occurred in the late part of the winter of 1881-82. The most sensational advance took place in the common stock of the Richmond & Danville road, which had sold as low as 99%, in 1881, and was pushed up by a clique to 263 on February 21st, and fell to 130 on February 23d, in the course of only 1,800 shares' trading. The year 1882 was chiefly characterized, however, by reverses. The Union Generale, of Paris, a banking concern with deposits of 100,000,000 francs, failed on January 30th, and spread disturbance through the foreign bourses.² European holders began to return us our securities, and gold was exported to pay for them. The poor crops of 1881 had, of course,

¹ Early in the year 1882 Mr. Duff forced Mr. Hutchinson to surrender $750,000 to him, about half the amount of which he had been robbed. This transaction set afoot stories as to the honesty of Hutchinson's dealing and on one occasion resulted in a personal encounter between two brokers on the floor of the Exchange. Mr. Hutchinson finally demanded an investigation by the Exchange, and a committee was appointed which heard the evidence and recommended his expulsion.

² In March, 1882, not only Wall Street but the financial marts in various other cities were filled with rumors that Jay Gould was liquidating his stocks and was on the verge of insolvency. On March 13th, in the presence of Russell Sage, Cyrus W. Field, and Frank Work, who were called to his office for the purpose, he displayed securities of the par value of $53,000,000, the great bulk of which were unendorsed, showing that they had never been sold, loaned, or hypothecated. These assets included about $23,000,000 of Western Union stock, selling at 78; $12,000,000 of Missouri Pacific, selling at 91, and $18,000,000 of Manhattan, Wabash, and Southwestern stocks. Mr. Gould offered to display $20,000,000 of bonds in addition, but his visitors spared him the trouble. This exhibition had the effect of temporarily aiding the market.
reduced railway earnings, and a rate war was renewed early in 1882, and helped to depreciate prices all through that year. There was an upward turn in July, but the autumn saw a reduction in the iron trade, due to overproduction, while the combination of the usual crop-moving stringency at that period, with the continuance of the railway war, broke the market again and spread an uncomfortable feeling on the Street.

One important event this year demands attention—the unloading of the New York, Chicago & St. Louis Railroad, commonly called the "Nickel Plate," upon the hands of William H. Vanderbilt. This was a project of the so-called Seney syndicate, of which George I. Seney, Calvin S. Brice, and Samuel Thomas were leading members. The railroad law at the time made it perfectly feasible for any one possessed of the requisite means and audacity to parallel any railroad with a new line, which the proprietor of the old one must buy or take the risk of insolvency. The Seney syndicate had organized the "Nickel Plate" road in April, 1881, to parallel the Lake Shore. It was designed to run from Buffalo to Chicago, via Fort Wayne, Indiana. The company issued $28,000,000 of common and $22,000,000 of preferred stock, $15,000,000 of first mortgage and $4,000,000 of income bonds. On April 26th, the line having been completed from Chicago to Black River, Ohio, about 310 miles, the Stock Exchange listed all the stock and half of the mortgage bonds. The common sold at 16, the preferred at 35, and the bonds at 89; but these prices were not long obtainable. The common fell in June to 10½ and the preferred to 27½, while Lake Shore, which had sold at 120 in April, sank to 98 in June, when the directors labored to arouse it by declaring a two per cent. quarterly dividend which it had taken six months to earn. In September the shares of the Lake Shore and of its audacious rival had both recovered most of the lost ground. On October 26th the market learned that Vanderbilt had bought out the "Nickel Plate" on behalf of the Lake Shore road, paying 17 for the common and 37 for the preferred.

Mr. Vanderbilt has been criticised for this purchase on the score of the impending bankruptcy of the "Nickel Plate" road. Undoubtedly if he had waited awhile he could easily have bought it in at foreclosure—provided no one secured it meanwhile. It did go into a receiver's hands in March, 1885, and was reorganized two years later. But Jay Gould was thought to be after it in 1883, and was reported to have bid 15 for the common and 35 for the preferred, and Mr. Gould could no doubt have made use of the property, if he had been so disposed, which would have seriously crippled the Vanderbilt interests.

Late in December the officials of the northwestern roads, having battled most of the year, met and agreed on terms of peace, and the stock market
THE NEW YORK STOCK EXCHANGE

was gravely informed that the rate dispute was settled. In January, 1883, William K. Vanderbilt was elected president of the "Nickel Plate." His father, in the following May, laid down the trying duties of the presidencies of the New York Central and Lake Shore roads.
THE students of history who hold, with Carlyle, that it is chiefly a record of the work of a few great men, will doubtless find in the annals of Wall Street evidence to support their theory. Leadership is nowhere more pronounced than in the New York stock market. Nowhere is it more effective in achieving results. The market is made by the great army of investors and speculators, not by the few brilliant manipulators. But the few contrive almost all of the sensations—almost all of the great schemes through which fortunes accumulated in ordinary business channels are deftly withdrawn from their original owners by the operator’s art.

In the period between 1882 and the summer of 1886 there were several occasions of extraordinary speculative disturbance, distinctly traceable to the work of a few men. Of these persons Henry Villard was the only one who carried through a really constructive enterprise. To his faith and genius a great transcontinental highway, the Northern Pacific road, owes its completion. So far as his own fortunes and those of his allies were concerned, he failed of success, for he had to combat with unfavorable conditions, and, it must be admitted, his project was somewhat too far in advance of the times. But he has left a record of good intent, large foresight and energy. His gifts were beyond question, and their net result was a contribution toward the material progress of his country. A contemporaneous figure, strongly contrasting with Mr. Villard’s, was that of one of the greatest pure-and-simple speculators ever known in Wall Street, Charles F. Woerishoffer. The former was a builder up. The latter, though a man remembered for admirable qualities, can scarcely lay claim to such a title, however he may have coveted it. The distinction should be borne constantly in mind, all the more so because the contest in which these vigorous fighters were arrayed against each other resulted in Woerishoffer’s victory.
Ferdinand Ward likewise played a leading part in the period under discussion, but his character forbids us to rank him with Villard or Woerishofer. Prominent he certainly was in the day of his triumphs and in the hour of his downfall. But, when all is said, one sees him as merely the chief examplar in Wall Street of the methods of the confidence man.

HENRY VILLARD was a Prussian by birth, a former newspaper correspondent at Washington, who made his way into finance by obtaining the receivership of the Kansas Pacific road. In the summer of 1879, a short while before that railroad emerged from the hands of its receivers, Mr. Villard organized the Oregon Railway & Navigation Company, with the aid of W. H. Starbuck, James B. Foy, J. N. Dolph, Artemas H. Holmes and others. These gentlemen raised the sum of $100,000 and paid it as a bonus to the Oregon Steam Navigation Company and the Oregon Steamship Company for an option on the properties concerned. Their own company was capitalized at $6,000,000 of stock and $6,000,000 of bonds, the mortgage for the latter being executed at Portland, Oregon. Mr. Villard came East and succeeded in negotiating his securities with George M. Pullman and others. The capital stock of the Oregon Railway & Navigation Company had been increased by December, 1882, to $18,000,000, while scrip certificates to the amount of $1,200,000 were outstanding.1

1The steamship companies brought to the control of the Oregon Railway & Navigation Company in 1879 four ocean steamers, twenty-eight steamboats (serviceable for use on the Columbia River), five barges, and seven wharf boats. In December of this year the railway line of the company was only about 100 miles long, running from Wallula Junction westward to Celilo, Oregon. In the following June, George M. Pullman, of Chicago, and William Endicott, Jr., of Boston, entered the directorate. The road then ran from Walla Walla west, through Wallula Junction, to The Dalles, Oregon, a distance of 158 miles, and was paying eight per cent dividends. The company's statement of December, 1883, when the road had been completed to Portland and branches in operation swelled its total mileage to 592 miles, showed $21,000,000 in stock, $5,753,000 in bonds, and $1,200,000 in scrip certificates. Henry Clews, who was an active operator and broker at the time, estimates that the assets of the company in 1879 were worth only $3,500,000. If it be assumed that the additional 492 miles of road built in December, 1883, cost $16,000,000, which is certainly a liberal sum, and that $2,000,000 more may have been spent for additional steamboats and other equipment, the result is a capitalization of about $31,000,000 on the basis of assets worth only half that amount. The road was still paying eight per cent dividends.
Meanwhile Mr. Villard had induced the capitalists whom he had interested in this road to extend their lines. The Oregon Railway & Navigation Company was designed to connect Portland, Oregon, with Wallula Junction, Washington Territory, by a road about 212 miles long, running along the Columbia River. At its easterly terminus, Wallula Junction, it touched the line of the Northern Pacific road, which ran westward to that point. At Portland another connection with the same rival was projected, for the Northern Pacific had a branch running north from Kalama to New Tacoma, Washington Territory, on the Puget Sound, and was to build from Portland to Kalama. Now, the Northern Pacific road was planned to run from Ashland, Wisconsin, and Duluth, Minnesota—both on Lake Superior—across Minnesota, North Dakota, Montana, Idaho, and Washington Territory, by the "Valley Route," to the Pacific Coast. At this time it was only partially built, the construction work having been abruptly halted by the panic of 1873. The road had been sold in foreclosure, August, 1875, to a new Northern Pacific Railroad Company. This company had $49,000,000 of common stock, about $42,300,000 of eight per cent. preferred stock, and a funded debt of about $21,600,000, on June 30, 1881, and its statement showed some $140,000,000 in proceeds of land sales and in surplus. At this time it had about 1,200 miles built, or in process of construction, but had operated for revenue only 754 miles in the year then ended.

The requirements of the property, as every one knew, would compel the road's completion at least to the branch which ran from Lake Pend d'Orielle, Idaho, to Wallula Junction, Washington Territory. A glance at the map will show that if it were extended west from Wallula Junction to the Puget Sound it would, possessing the advantage of a through route to the region of the Great Lakes, certainly cripple and possibly ruin the Oregon Railway & Navigation Company, in case the latter's road should be extended to Portland. But by connecting the two properties a strong combination could be made, and the additional construction planned to carry Northern Pacific trains from Wallula across Washington to the Pacific Coast could be saved.

The Villard party had also acquired control of the Oregon & California Railroad, which had $7,000,000 of common and $12,000,000 of preferred stock, and a funded debt of $6,000,000. This road connected Portland with Roseburg and St. Joseph, Oregon, and was designed to be extended southward to a junction with the Southern Pacific, thus enabling the Villard system to tap the traffic passing through the Golden Gate.
Frederick Billings, the president of the Northern Pacific road, refused to enter into a proposed arrangement for the running of his trains over the line of the Oregon Railway & Navigation Company. Mr. Villard saw that it was to his interest to get control of the Northern Pacific. He induced his financial backers in the Oregon property to make up a fund to obtain such control, complete the Northern Pacific, and construct the branches which it needed as feeders, and, in fine, to create a magnificent railway system connecting the Great Lakes with Puget Sound and tapping the stream of traffic east-bound from San Francisco. An association was formed for the purpose, and purchased control of the Northern Pacific in the spring and summer of 1881.

Inasmuch as the charter of the Northern Pacific forbade the construction of branches, resort was had to the forming of a new corporation, the Oregon & Transcontinental Company, organized on June 28, 1881, under the laws of Oregon, with Villard as president. It started with an authorized capital of $50,000,000, with $30,000,000 subscribed for, and acquired the control of the Oregon Railway & Navigation Company and of the Northern Pacific, together with the telegraph lines running along these routes. On August 25, 1881, Mr. Villard issued a circular, asking for Northern Pacific proxies and announcing that the new holding company had secured control of both the common and preferred stock. He declared that the Oregon Railway & Navigation Company, which his friends were prepared to deliver to the Oregon & Transcontinental Company, would “be worth five million dollars gross annually to the Northern Pacific” from the moment that the connection between the two systems was established. In the following month he was elected president of the Northern Pacific. He was already president of the three Oregon corporations.

Having effected the merger, Mr. Villard proceeded to extend the Northern Pacific’s main line. The Oregon & Transcontinental Company began to purchase and to build branch roads for the Northern Pacific. Each of these branches was leased to the Northern Pacific for a minimum net rental of $1,400 a mile, or six per cent. on $20,000—the estimated cost of constructing a mile of road—with one per cent. added to establish a sinking fund for the ultimate redemption of the bonds issued to do this work of building. These bonds, bearing six per cent. interest, and running for forty years, were to be issued by the Oregon & Transcontinental Company. The stock of the branch roads was deposited in trust under an arrangement by which the Northern Pacific exercised the rights of ownership, while paying the rental, and would own this branch road stock entirely upon the wiping out of the construction bonds by the operation of the sinking fund. The
rental on each branch line did not begin till two years after its acceptance by the Northern Pacific. The latter issued its own bonds to extend its main line.

Charles F. Woerishoffer, E. D. Adams, and William Endicott, Jr., were among the first directors of the Oregon & Transcontinental Company. The company—which has been well called a blind pool—never gave the public a satisfactory idea of its condition. But it succeeded for a time in creating a belief in its great good fortune. It declared dividends of one and one-half per cent. each in January, April, and July, 1883, while Mr. Villard and several of his associates were vigorously protecting their stocks on the Exchange. The weakness in the company’s assets was its Northern Pacific holdings, and this weakness eventually caused the collapse of the bull campaign. Jay Cooke’s day was too early for the Northern Pacific enterprise, and so was Henry Villard’s. It was a hopeless task to build a profitable transcontinental road through the thinly populated country which the Northern Pacific route was designed to serve. Mr. Villard’s scheme was magnificent on paper—calculated to stir the investor’s imagination. But at that period it lacked the one thing needful to financial success—a sufficient body of persons in the stretch between Lake Superior and Puget Sound.

By June 30, 1883, more than 2,077 miles of Northern Pacific road had been built and 129 additional miles were planned. The company had issued bonds and dividend scrip to the par value of $45,000,000. Its share total was still about $90,000,000. Late in June Mr. Villard and his colleagues had pushed the price of Northern Pacific common to 52, that of the preferred to 90, that of Oregon Railway & Navigation to 150, and Oregon & Transcontinental to 86. These figures marked the topmost level reached by the speculative movement of the Villard party. They were far too high, and the fact was presently to be made plain.

The year 1883, taken as a whole, was one in which slackening trade, particularly in those very important branches, iron and textile fabrics, strongly tended to depress the prices of securities. Crops were rather poor. Stock market events in the first part of the year were not over-sensational. There were several centres of speculation—none of great importance. The Wabash road was leased to the Iron Mountain in 1883 a balance applicable to stock dividends of only $1,149,583.
April. In the month following the New Jersey Central emerged from a receiver's hands and was leased to the Reading road—itself a recent graduate from the bankruptcy school—for 999 years, at a rental of six per cent., on a share capital of about $18,500,000. On June 16th a panic in lard at Chicago ended the attempt of McGeoch, Everingham & Co. to corner that staple, and forced this house and half a dozen others to suspend. This mishap created some excitement in the Produce and Stock Exchanges here. But the securities market was decidedly bullish in the latter part of the month, the crop reports being good. The event did not justify the favorable rumors of June. The disappointing fashion in which the crops turned out was an important factor in the stock market.

In July there occurred a serious strike of the telegraph operators. Mr. Gould's Western Union Company (which now owned a majority of the International Ocean Telegraph Company—the cable concern—and about half of the Gold and Stock Telegraph Company) was the chief target of attack. Some 15,000 operators made demands, which were refused, and quitted work on July 19th. For a considerable time the business of the country was hampered by lack of wire communication and there was serious interference with the transmission of market quotations. Western Union stock hung steadily around 80 till the middle of August, when the forced reduction in earnings caused it to drop about eight points. On August 18th the operators renounced their union and returned to work. On September 1st the Western Union Company issued a statement virtually granting all the demands for which their employés had contended seemingly in vain.

Weakness in the Villard properties became apparent in July and grew more pronounced. By August 11th, Oregon & Transcontinental had fallen to 67½ and Northern Pacific common to 42¾, under the attack of a powerful and intrepid foe. The enemy was Mr. Woerishoffer, who had left the Oregon & Transcontinental directorate after a sharp verbal encounter with Mr. Villard, who accused him of selling the stock short.

Charles F. Woerishoffer was the most brilliant bear operator ever known in Wall Street. Furthermore, judged simply as a speculator, he was in the first rank of all who have ever contended for speculative laurels. He began at the ladder's foot and made his way upward by the use of such a combination of shrewd judgment, daring initiative, and pluck, as the elect alone possess. His triumphs were the fruits of skill, knowledge, and indomitable courage, and in openhanded generosity the Street has rarely seen his peer. Naturally a keen operator, he perhaps...
contributed little to the advancement of commercial progress. Yet his
caracter compels admiration and has never lacked it. The quality of
consummate gayety in the face of peril—the very bloom of the flower of
courage, which Rostand calls “Le Panache”—was inherent in Woeris-
hoffer’s nature. He could have marched upon a cannon’s mouth with a
jest on his lips.

Woerishoffer was a native of Germany, and came to this country in
1865 at the age of twenty-two. His capital consisted of his brains and
of the fruits of some previous training in a German brokerage office. He
became a clerk for August Rutten, and later started in business for himself. Henry Budge,
of Budge, Schuetze & Co., bought him a seat
on the Stock Exchange. The young broker
formed a valuable connection with L. Von
Hoffman & Co. and other bankers, and his
affairs prospered. In 1876 he formed the
banking firm of Woerishoffer & Co. His house
participated in various syndicate arrange¬
ments and brought the Denver & Rio Grande
Railroad upon the market. This
particular enterprise was unfor-
tunate for him and for those who
purchased the shares. The stock
sold at $113 1/4 in June, 1881, and at $4 1/2 in June,
1885. But most of Woerishoffer's adventures
were successful in the extreme. His fortune
had been swelled by his marriage, in 1873, to
Miss Annie Uhl, a stepdaughter of Oswald
Ottendorfer, owner of the Staats-Zeitung. He multiplied the dowry she
brought him. Though usually accounted a bear, he made large profits on
each side of the market, following its turns as a successful operator must.
In the flush times succeeding specie resumption he was a heavy buyer, but
turned bear after the shooting of Garfield.

Woerishoffer had examined the field and concluded that the Villard
properties were selling at grossly inflated prices. He began an attack upon

\[1\] One incident will serve to illustrate the fashion in which Woerishoffer faced emergencies. When
Messrs. Gould and Sage, in pursuance of their Union Pacific merger plan (described in the preceding
chapter), determined to release 30,000 Denver Pacific shares from the lien of a mortgage given by the
owner, the Kansas Pacific Railroad, they found it necessary to hold a majority of the Kansas Pacific
bonds secured by that mortgage, in order to have a standing in court. Woerishoffer represented large
foreign holders of these bonds, and Gould and Sage offered him eighty cents on the dollar for the paper
owned by his clients. The offer having been accepted, the promoters shortly afterward announced that a
consideration of the Kansas Pacific roadbed had convinced them that the bonds were only worth 70,
and that they would pay no more. Woerishoffer promptly cabled abroad for the bonds, deposited them
with a New York trust company, and informed Messrs. Gould and Sage that they would either pay par
for the bonds or do without them. The bonds were accordingly sold for par.
Mr. Woerishoffer attacks the Villard party with success.

them which proved the greatest campaign of his career. Addison Cammack, also a noted bear and the leader of the "Twenty-third Street party" (which included William R. Travers, "Ben" Carver, George Osgood, and others, and operated from an uptown office), followed Woerishoffer in this conflict as in many others. Cammack was an extremely capable speculator and deft in turning his position, but could not compare with Woerishoffer in point of judgment, daring, or persistence.

The Villard clique of bulls had subscribed a large fund for the purchase of 100,000 shares of Northern Pacific. Their financial resources were formidable. For Woerishoffer to start an open attack upon them was regarded as inviting ruin. In the summer of 1883 the great bear came daily to his office from his country home at Long Branch to encounter the doleful greetings of friends, who warned him of impending bankruptcy. He would sit for hours on a lounge, fighting the heat with a palm leaf fan, fighting prophecies of ill with jests and quips, and fighting the bulls by the issuance of orders which seemed evidence of dementia. He hurled Northern Pacific and Oregon & Transcontinental stock upon the market in blocks of thousands of shares, feeding the bulls till their appetites were glutted. Values fell beneath the load, yet his friends feared that any day he might find himself entrapped in a corner, so one-sided did the contest seem. But the strength of Woerishoffer's position lay in the fact that his estimate of the intrinsic merits of the stocks was correct. His attacks provoked apprehension in the minds of holders of these shares. He was risking his whole fortune, to be sure, but he had thoroughly reconnoitred the ground. Whenever he tossed his brokers an order to "sell twenty thousand more" the action meant that the bulls must take on twenty thousand additional shares of Northern Pacific at exorbitant prices, or see values sink. At length their pool had run dry, and the inducement to refill it was small. The bull movement began to slacken.

On September 22, 1883, the sales of stock on 'Change aggregated 526,827 shares. Of this amount Oregon & Transcontinental (which fell to 54) accounted for 98,670 shares, Northern Pacific common (which touched 34%) for 108,700 shares, and Northern Pacific preferred (beaten down to 64%) for 42,485 shares. The Oregon & Transcontinental Company declared the usual dividend that day, but it is doubtful that this dividend was ever actually paid. On December 17th, after three months more of a losing battle, the Oregon & Transcontinental directors passed the dividend, and it was announced that Mr. Villard would retire from the presidency. The stock, which had sunk to 32¾ that day, closed at 39¾, the trading amounting to 406,290 shares. Northern Pacific common sold at 29% and the preferred at 50. The whole market was shaky this month, its
weakness being augmented by the breaking up of the Iowa grain rate pool. On December 28th Oregon Railway & Navigation fell to 90, and three days later Oregon & Transcontinental sold at 29%, about one-third of the price it commanded in June.

Mr. Villard's retirement had been forced by an investigation of Oregon & Transcontinental affairs, on the part of a committee. It was now discovered that he was ruined. He had invested a great deal of money for his friends in his properties, and had fought hard to carry the enterprises to success, even adopting such unusual means as the giving of free excursions over the Northern Pacific road to emigrants who might possibly settle in the territory it traversed. When the stocks began to fall he was foremost in coming to their support. As a result his wealth had melted away. On January 4, 1884, he resigned the presidency of the Northern Pacific, and made a deed of his magnificent home, at Madison Avenue and Fifty-first Street, to Horace White and William Endicott, Jr., as trustees, to secure a personal debt to the Oregon Railway & Navigation Company. His health had been undermined by the labors and anxieties of the campaign. The Northern Pacific directors, recollecting that he had served the road without compensation, voted him a salary of $10,000 a year for the time he had held the office, and appointed J. Pierpont Morgan, August Belmont, and others a committee to decide on future action.

Sitting in the ruin of his cherished plans, Mr. Villard still retained his faith in their soundness. "I am consoled," he declared, "by an abiding confidence that the future will completely vindicate all I have done."

The year 1884 was a year of panic, and, strange as it seems, the panic was the work of one man. Had the gigantic swindle of Ferdinand Ward come to exposure at a period of large general inflation, it doubtless would have wrought an even more wretched and lasting depression. But prices had been declining for months in advance of the Grant & Ward failure and values were less vulnerable than ordinarily. Mr. Ward, who brought the panic about, deserves attention. He was known as the "Young Napoleon of Finance." The title indicated a certain capacity for leadership which cannot be denied, though it was undoubtedly pernicious in effect.

In more recent times, a youth named Miller opened an office in Brooklyn, and advertised the fact that he stood ready to pay ten per cent. a week for money to any one who would furnish it. So large a return, it was explained, could be paid because the money was used to enormous advantage in Wall Street. Hundreds of persons in humble stations carried their
savings to his counters, and all received ten per cent. a week on their "investments." His dupes multiplied so rapidly that the enterprise was a flourishing success. Suddenly the authorities discovered and exposed his scheme. It came abruptly to an end after fleecing the poor out of many thousands. The public learned that Miller had followed the simple method of paying "dividends" out of each day's receipts to those who had "invested" on previous days. Wise men wondered at the poor, ignorant fools who could be caught in so plain a snare. Yet a momentary consideration should have brought to mind the fact that this was but a variation upon Mr. Ward's device. For Ward was Miller's prototype, and the financiers who "invested" in the former's visionary schemes were the prototypes of Miller's dupes.

Ferdinand Ward was the son of a clergyman, and a native of New York State. He was employed by the Produce Exchange, as assistant superintendent, at a yearly salary of $1,800, when he made the acquaintance of James D. Fish, president of the Marine National Bank, which was domiciled at Wall and Pearl streets. Mr. Fish was not far short of seventy years of age. His business record was excellent and his bank enjoyed public confidence. He no sooner met Mr. Ward than he succumbed to the influence of a curious personal magnetism which Ward seemed to exercise at will. They jointly speculated in Produce Exchange membership certificates, Fish presumably supplying the money and Ward effecting the trades. This venture was successful. Ward soon afterward resigned his position, took desk room in a brokerage office, and joined with Fish in stock dealing. By 1880, when in his twenty-ninth year, he had gathered a tidy fortune. It was at this time that he met Ulysses S. Grant, Jr.—familiarly known as "Buck" Grant—a son of General Grant and a man of about Ward's own age. The circumstance entailed the financial ruin of the Grant family.

Ward instantly recognized the commercial value of the name of Grant, and prepared to use it. The firm of Grant & Ward was formed on July 1, 1880, to do a stock brokerage business, with a capital of $300,000, of which Messrs. Grant, Ward, and Fish each contributed a third. Mr. Fish was a special partner. General Grant added $50,000 to the firm's capital later in the year, also becoming a special partner. His son Jesse then invested $50,000 with the firm, half of which represented the interest of Mrs. U. S. Grant, Sr. The entire Grant family was already prepared to follow Ward's rising star.

William C. Smith, a member of the Stock Exchange, entered the firm of Grant & Ward, which took offices in the United Bank Building, at the north corner of Wall Street and Broadway. For a time the new house, favored by the magic name of Grant and directed by the magic touch of Ward, did a legitimate and most flourishing brokerage business. Then it began to
branch into other things. A few speculative ventures went wrong. A little "flyer" in West Shore bonds and stock and a purchase of Southern mining shares cut great slices from the profits made in the less dashing but more stable pursuit of one-eighth per cent commissions. Mr. Ward decided to recoup the losses by a plan of his own invention.

To comprehend thoroughly the working out of Ward's stupendous swindle, we must bear clearly in mind the fact that his partners were in his hands. Mr. Fish, to begin with, was his dupe, the softest of clay in the hands of a most skilful potter. Fish was ultimately forced into prison garb for misapplying the funds of his bank. True. The law holds sane men responsible for their acts, brushing aside questions of personal magnetism. But to believe that a man of Fish's years and honest name would enter open-eyed upon a scheme which was sure to wreck his bank, and not only ruin himself but his relatives, is preposterous. General Grant's position was entirely different from that of Fish. The veteran warrior was never a man of thorough business experience. He trusted in his son, Ulysses. If this was weakness, surely it was a weakness to be pardoned. Ulysses was in business and doing extremely well, thanks to a brilliant partner. What more natural than that the father should invest his own means in the firm, content to leave his interests in the hands of his son and never caring to inspect the books while the returns were satisfactory and the whole financial world seemed to approve of Ferdinand Ward? This is precisely what General Grant did. That he made a mistake argues neither a blind trust in Ward nor an unexampled lack of prudence. All things considered, he was a victim of fate. As for his son, Ulysses, the young man simply lacked the experience and acumen to justify the father's trust. He left the entire business in the hands of Mr. Ward, who was empowered to sign all the firm's checks and carry out all the firm's transactions. That Ward should have obtained such power is a striking evidence of his adroitness. It is not unlikely that when he established his brokerage house he fully intended to conduct a business both lucrative and respectable. His sworn statement tells us that when he found it impossible to continue the big dividends that the firm had been earning he resorted to borrowing money at exorbitant rates in order to seize a possible chance of scoring a great hit, and kept on borrowing as he fell behind, always hoping to make up lost ground. There is no reason why this statement should not be accepted. Men of decent standing and connections do not ordinarily turn to roguery save under the stress of a severe temptation.

Ward's method was delightfully simple. He took, from all who would
lend it, money at exorbitant rates, handing his victim in each case a receipt for the amount of the loan and a due bill for the amount of the prospective "profit." He explained that he could pay so high a figure for capital because he used it in supplying the Government with hay, corn, oats, pork, and other staples, all on extremely desirable contracts. These contracts, he hinted, were obtained through the influence of General Grant, but the matter must be kept absolutely secret, as the General might be nominated for a third term as President, and this contract business would prejudice him in the voters' eyes. "So not a word about it, my dear fellow; but please accept this check for $160,000 as repayment of that loan of $100,000, which you made us three months ago."

The contracts were pure figments of the imagination, described by an eloquent tongue. Their records were scrawled upon the pages of the firm's books, the counterfeits of honest accounts, and were cleverly deceitful. The swindle lasted about two years. As fast as Ward paid over his exorbitant profits, his "customers" hastened to reinvest the funds in his "contracts." When we recollect that General Grant had early declared that he and his son would both leave the firm if it had any business with the Government, and that Ward had to conceal from the Grants the nature of the honey which was entrapping all his flies, we perceive the quality of the "Young Napoleon's" gifts. He was aided of course by the consciousness of his dupes that the whole affair was a little out of the trodden path and must not be talked about. Many financiers and acute merchants were among these "customers." They certainly must have known that the big "profits" paid by Mr. Ward were not honestly earned.

For two dazzling years Ward's star ascended. His partners, even to the General, considered him a phenomenon and rated his judgment as infallible. Occasionally young Ulysses would inquire as to the business details, only to get the smiling reply: "Oh, now, Mr. Grant, you ought to be satisfied with your profits. I am willing to do all this work. If there is any loss upon these contracts, I stand ready to guarantee them for the firm." The guarantee was enough. The Grants had all their available capital in the business.\footnote{Ulysses S. Grant, Jr., threw his own fortune and that of his wife into Ward's trap, and borrowed $500,000 from his father-in-law, ex-Senator Chaffee, of Colorado, to throw in also. Some time after the crash he made this statement: "The articles of agreement of the firm provided that Mr. Ward should draw all the checks and transact all the business. . . . I had the greatest confidence in him. . . . When he first proposed the partnership to me I knew that he was making plenty of money, and I said, 'Oh, you don't want to attach yourself to a slow coach like me.' . . . Up to the time of the failure I believed that I was worth $1,700,000. . . . No one in our family had an idea that the firm had overdrawn its account." Mr. Grant said that he and his brother drew merely their bare living expenses out of the firm, because they thought it was making heavy profits.} They were getting rich by the minute. So was Fish. So were all their customers. Mr. Ward was carrying the whole burden, and fortunately he, too, was getting rich. The profits of the firm between April 18, 1882, and May 1, 1884, were alleged to be $2,559,849.
Mr. Ward's game could not last forever. It was terminated by the demand upon him for cash made in the spring of 1884. He had loaned out large sums on collateral and had afterward resorted to rehypothecating the securities. He had raised money by discounting the firm's notes, paying sometimes as high a figure as thirty per cent, "to persons whom Grant & Ward desired to oblige." He had built up a pile of liabilities which in his wildest dreams he could not hope to level. In the early part of 1884 the bears ruled the stock market. As prices fell, wiping out his own chances for legitimate profit, and inducing individuals to demand back their investments because they needed money, the "Young Napoleon" perceived at a distance the end of his career. He was a member of the Marine Bank directorate, and had induced Fish to lend him a large portion of the bank's funds. Undoubtedly he must have known that his failure would drag down that institution also.

The events preceding and accompanying the Grant & Ward collapse must be briefly narrated. January was notable not only for the Villard failure but for a drop in the bonds of the New York, West Shore & Buffalo Railway, of which General Edward F. Winslow was president and whose directorate included General Horace Porter, Charles F. Woerishoffer, George M. Pullman, Frederick Billings, H. V. Newcomb, and others, and had included Mr. Villard. This road was built to parallel the New York Central from New York City to Buffalo. It had capital stock to the par value of $40,000,000, and had issued $50,000,000 of five per cent. fifty-year bonds, which Winslow, Lanier & Co. sold in 1883 at between 78½ and 82. These bonds were listed on 'Change and soon began to sink. On January 1, 1884, the first through train to Buffalo ran over the road. In the same month the property defaulted on its bond interest. The price of the bonds fell from 65% on January 7th to 57% on January 12th. The failure of McGinnis Bros., Fearing & Co., was hastened by this drop. In June the West Shore went into a receiver's hands, but for a year longer it remained a thorn in Vanderbilt's flesh.

1William H. Vanderbilt in an interview in the Tribune, printed in August, 1884, declared that the "West Shore was built as a blackmailing scheme, just as the Nickel Plate was." The New York, West Shore & Buffalo Railway had been organized in February, 1880, to build a road from New York to Buffalo by way of Utica and Syracuse, with branches to Albany and Rochester. In June, 1881, the company absorbed the North River Railway Company, which owned a line from Weehawken, N. J. (opposite New York City), to Fort Montgomery, N. Y., and was to extend this line northward to Albany, with a branch running from Cornwall-on-the-Hudson west to Middletown. The New York, Ontario & Western road (which ran from Middletown to Oswego, about 250 miles) took a contract to complete the West Shore line from Weehawken, via Cornwall, to Middletown, for $10,000,000 of West Shore bonds and $2,367,000 of the stock. The section from Cornwall north to Albany and thence west to Buffalo was built by the North River Construction Company as contractor. This concern was paid in West Shore bonds and went bankrupt early in 1884. The New York, Ontario & Western took a lease of the section which it built, subject to the West Shore's right to use the tracks from Cornwall south to Weehawken. The same interests dominated all these corporations. The West Shore was built with extravagance. It earned a deficit in the year ending September 30, 1884, of about $955,000.

2This firm was closely associated with the Villard party and had already been severely hurt by the fall in the Villard securities.
Late in February there was heavy dealing in Delaware, Lackawanna & Western, and in the following month there were two large coffee trade failures and a little "squeeze" in Lackawanna, which S. V. White was manipulating, and another of about ten points in Central, which rose to 128% on short covering. Mr. White's corner produced spectacular events on March 1st, Lackawanna stock selling at the same time for 130 regular and 139½ cash. Russell Sage was caught, 1,500 shares being bought in for him under the rule. General C. H. T. Collis brought several thousand shares of Lackawanna by special train from Philadelphia to this city, to take advantage of the premium offered in the loan crowd.

The cutting of rates by Commissioner Fink caused weakness in the northwestern railways. The general stock list kept sagging. On April 30th James R. Keene, who had been vainly attempting to rival Russell Sage in the put and call market, announced his suspension. "After paying out millions of dollars in cash in the last few months," said he, "in my efforts to protect my privileges in a falling market, I have finally determined to-day to call a halt in the interests of those with whom I have business." Mr. Keene had passed an early crest of prosperity in the spring of 1879, when an attempt to corner the wheat market cost him a fortune. In the summer of 1883 he made large profits in oil, in connection with the Tidewater Pipe Line Company, but had lost heavily in the Villard stocks and Jersey Central. His suspension resulted from dealing in privileges on a large scale, a pursuit which he does not seem to have fully mastered. He issued puts lavishly at prices cheaper than those charged by Mr. Sage, and failed to protect himself by short sales. We may instance his sale at 35 of puts on Oregon & Transcontinental, good for a year, made when the stock was selling at 85. On the day of his failure it touched 16%, less than half of the price at which he had agreed to take it.

Mr. Keene was able to effect an arrangement with his creditors, by giving them notes for his debts. A few weeks later he resumed business. His subsequent career has been one of extraordinary success.

At eleven o'clock on the morning of Tuesday, May 6th, the Marine National Bank suddenly closed its doors, and the sidewalks surrounding it were thronged with a quickly gathering crowd of depositors who could scarcely believe their senses. A few minutes later the firm of Grant & Ward notified the Stock Exchange of its inability to keep its contracts, and something less than 2,000 shares were sold under the rule for its account. That afternoon General Grant rode downtown to the
office where he believed that he and his family were making a fortune. As he passed through Grant & Ward's doors his eye fell on his son Ulysses. "Father," said the young man, "everything is burst, and we can't get a cent out of the concern." It was General Grant's first intimation that his firm was in the slightest trouble. The Marine Bank had lent to Grant & Ward, all told, $4,144,000 — most of it on the firm's unprotected notes — and the borrowers still owed the institution enough to wreck it, for Grant & Ward's assets, like their contracts, were chiefly visionary. 1 The bank's failure had been so sudden as to surprise most of the directors. Its underlying cause was the action of President Fish in advancing bank funds to Grant & Ward. It was directly precipitated, however, by Ward, who, in his capacity as director, accepted on deposit his own fraudulent checks on the First National Bank and issued a Marine Bank certified check against this deposit, in favor of William Strong Warner. By reason of the system then prevailing, this fraudulent check, calling for $81,000, had to be paid by the First National Bank when presented at the Clearing House. The officers of that institution, on learning that they had been cheated, hastened to demand an explanation of the Marine Bank and found its doors closed. Warner, 2 who profited by this check, and was eventually indicted for the transaction, was probably an accomplice of Ward. He represented J. H. Work (according to Ward) in all his investments in the firm of Grant & Ward. Julien T. Davies, who became assignee and receiver for Grant & Ward, was a former partner of Mr. Work.

The failure of the bank and the end of Ward's career not only depressed stock prices one to three per cent. at the time but led the way for a series of bankruptcies and losses which constitute the "Grant & Ward panic" in the history of the Street. The immediate effects were pathetic. General Grant was ruined, save for the trust fund which he enjoyed as a tribute of his grateful fellow citizens to his public services. He had not only lost all he put into the firm, but on Sunday, two days before the failure, had borrowed $150,000 from William H. Vanderbilt and turned it over to Ward, believing it was to tide over a little temporary emergency. After the denouement he mortgaged all of

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1 The Marine Bank had been thirty-five years in business. Its statement on the Saturday prior to the failure showed: capital stock, $400,000; surplus, $225,000; deposits, $5,254,000; loans, $4,571,000; specie on hand, $1,049,000; circulation, $266,000; profit and loss, $50,000. The actual condition of Grant & Ward is shown by the following figures published by the receiver on July 7, 1884: nominal assets, $27,139,098; real assets, $67,174; liabilities, $16,792,647.

2 Warner and Work were jointly indicted, but the indictments were quashed. Ward served about six and a half years in prison, and Fish served about four years, and then obtained a pardon. It has always been a matter of wonder that no trace could be found of the fortune absorbed from the public by Ward's swindle. Many professed to explain the mystery by the theory that Ward and Warner were in collusion and divided the spoils among them. Ward's conveyance of his property to Warner, and the fact that the latter left America to escape the effects of a judgment for about $1,400,000, rendered against him in favor of the creditors of Grant & Ward, furnish the strongest circumstantial evidence in support of this theory.
his property— even the Philadelphia dwelling given him by residents of that city— to Mr. Vanderbilt, in partial payment of the debt. His sons, Jesse and Frederick, had "invested" heavily in Ward's enterprise, and were forced to make assignments. So was Ulysses the younger, who held worthless paper of the firm to the amount of $935,000 for which he had paid $780,000, by no means all his own money. Mr. Smith, the Board member of the firm, likewise made an individual assignment. The city had $1,000,000 on deposit with the Marine Bank— the directorate included J. Nelson Tappan, the City Chamberlain— and lost about a fifth of it. On May 13th the bank went into the hands of Walter S. Johnston, as receiver. A short while before the suspension its stock sold at $160 a share. In the ultimate winding up of its affairs its depositors received about eighty cents on the dollar.

Without tracing the court proceedings which grew out of this swindle, we may note the fact that Fish was finally sentenced to ten years in prison for misapplying the bank's funds, and Ward was punished with a like sentence for his fraudulent check certification. The old bank president, if guilty of criminal folly, was at least the worst sufferer by its fruits. He was doubtless unfaithful to his trust, moderating for the sake of private gain the diligence he owed to his position. But we may, without violating the cause of justice, regard his downfall with some feeling of pity. Old, broken, and stripped of his honor and his goods, with the knowledge that his own blood relations had sunk their little wealth in the failure that ruined him, he was compelled to exchange a high place in the world of affairs for the stripes of a convict. His own bitter contention that he had lost everything by trusting Ward is not unsupported by evidence. Many heard the ring of truth in his words: "I may be the most stupendous fool in the country, but I am not a robber."

As for General Grant, he had at least the comfort of a clear conscience, the continued respect of his fellow countrymen and enough to live on. But the terrible overthrow of his hopes doubtless hastened his end. He died at Mount McGregor, New York, of cancer of the throat, on July 23, 1885, after an illness of nine months.

On May 13th the Street received another shock in the news that John C. Eno, president of the Second National Bank, had robbed it of an enormous sum (most of which had been squandered in speculation) and had fled to Canada. He was a young man who had filled this important post by reason of the interest in the bank held by his father, Amos F. Eno. The father donated $3,500,000 to make good the bulk of his son's peculations, and the directors raised $500,000 to supply the remainder.

Wednesday, May 14th, was a day of genuine panic. Prices, already
AN ERA OF IMPAIRED CONFIDENCE

The Seney panic. tottering by virtue of the preceding week’s revelations, suffered a fresh succession of heavy blows, and tumbled with a crash, closing near the lowest levels reached. This occasion marked the collapse of the Seney fortunes. George I. Seney, who, it will be recalled, gave his name to the Nickel Plate syndicate, was a notable figure in the financial world. As president of the Metropolitan Bank, with its capital and surplus of $4,500,000 and deposits of more than $11,000,000, he enjoyed a position of high importance in the money market. As a figure in railway ventures he headed an active and prominent group of operators. The stocks of the Ohio Central, Virginia & Georgia, and other roads with which he was identified, were made active under his leadership, and with unfortunate results to the buyers. But his career was one of much success for a time, and he was conspicuous not only as a financier but also for his liberal patronage of the fine arts and of charitable enterprises. Mr. Seney was the son of a Methodist clergyman, and his purse seemed always open to the church in whose faith he had been reared. He gave $27,000, for instance, to Wesleyan University. The Seney Hospital, in Brooklyn, was the outgrowth of his gift of land worth about $40,000, and of $400,000 in money.

The Metropolitan Bank had been established since 1851, and occupied offices at No. 108 Broadway. Mr. Seney had entered its employ as a clerk, and had become its chief executive in 1865. The credit of the institution

Following is a table showing the range of prices in most of the active stocks in the course of the 1884 panic. The columns give, in the order named, (a) high levels of March, 1884; (b) closing prices the day before the Grant & Ward failure; (c) closing prices on May 6th, day of the Grant & Ward failure; (d) closing prices on May 13th; (e) closing prices on May 14th, day of the Metropolitan Bank failure; (f) low levels of June:

<table>
<thead>
<tr>
<th>Stock</th>
<th>[a]</th>
<th>[b]</th>
<th>[c]</th>
<th>[d]</th>
<th>[e]</th>
<th>[f]</th>
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<tbody>
<tr>
<td>Chicago &amp; North-Western,</td>
<td>120%</td>
<td>112%</td>
<td>111</td>
<td>107 %</td>
<td>101%</td>
<td>81%</td>
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<tr>
<td>Chicago, Milwaukee &amp; St. Paul,</td>
<td>93%</td>
<td>88%</td>
<td>81%</td>
<td>73%</td>
<td>66%</td>
<td>58%</td>
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<tr>
<td>Delaware, Lackawanna &amp; Western,</td>
<td>133%</td>
<td>118%</td>
<td>116%</td>
<td>112%</td>
<td>109%</td>
<td>99%</td>
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<tr>
<td>Louisville &amp; Nashville,</td>
<td>51%</td>
<td>46%</td>
<td>45%</td>
<td>40%</td>
<td>35%</td>
<td>22%</td>
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<td>Missouri Pacific,</td>
<td>92%</td>
<td>82%</td>
<td>79%</td>
<td>78%</td>
<td>67%</td>
<td>91%</td>
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<td>New York Central,</td>
<td>122%</td>
<td>113%</td>
<td>112%</td>
<td>110</td>
<td>107%</td>
<td>94%</td>
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<tr>
<td>New Jersey Central,</td>
<td>89</td>
<td>80%</td>
<td>79%</td>
<td>77</td>
<td>73%</td>
<td>54</td>
</tr>
<tr>
<td>New York, Lake Erie &amp; Western,</td>
<td>23%</td>
<td>19%</td>
<td>17%</td>
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<tr>
<td>Northern Pacific,</td>
<td>22%</td>
<td>24%</td>
<td>23%</td>
<td>21%</td>
<td>20%</td>
<td>14</td>
</tr>
<tr>
<td>Oregon Transcontinental,</td>
<td>22%</td>
<td>19%</td>
<td>17%</td>
<td>15%</td>
<td>12%</td>
<td>6%</td>
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<tr>
<td>Pacific Mail,</td>
<td>56%</td>
<td>45%</td>
<td>44%</td>
<td>42%</td>
<td>36%</td>
<td>35%</td>
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<tr>
<td>Philadelphia &amp; Reading,</td>
<td>60%</td>
<td>42%</td>
<td>40%</td>
<td>34%</td>
<td>33%</td>
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<td>Rock Island,</td>
<td>124%</td>
<td>119</td>
<td>118</td>
<td>116</td>
<td>113%</td>
<td>100%</td>
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<tr>
<td>Texas Pacific,</td>
<td>21%</td>
<td>16%</td>
<td>15%</td>
<td>12%</td>
<td>10%</td>
<td>11</td>
</tr>
<tr>
<td>Union Pacific,</td>
<td>82%</td>
<td>60%</td>
<td>57%</td>
<td>45%</td>
<td>41%</td>
<td>28</td>
</tr>
<tr>
<td>Wabash, St. Louis &amp; Pacific,</td>
<td>16%</td>
<td>9%</td>
<td>9%</td>
<td>6%</td>
<td>5%</td>
<td>4</td>
</tr>
<tr>
<td>Western Union,</td>
<td>76</td>
<td>61%</td>
<td>59%</td>
<td>55</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

The high price given for Delaware, Lackawanna & Western refers to regular sales only. Missouri Pacific’s remarkable recovery from the panic level will be noticed. Of the stocks named, the following sold later in the year below the June prices: D., L. & W., which touched 86%; N. Y. Central, 83%; N. J. Central, 37%; Phil. & Reading, 16%; Western Union, 49.
was extremely high. But in the spring of 1884 the fact that Mr. Seney was widely identified with speculative stocks, and that their prices were constantly descending, caused unpleasant rumors. A feeling of dissatisfaction with his course had been expressed by the directors, and the president had agreed to work out of his railroad duties and devote his entire time to the bank, of which he was reputed to own the control. Naturally its fortunes were identified in the public mind with his own.

Mr. Seney was a member of the Stock Exchange firm of Nelson Robinson & Co., headed by his son-in-law, Mr. Robinson, and also including his sons, Robert Seney and George I. Seney, Jr. About ten o'clock on the morning of May 14th, after long fighting of a hostile market and responding to heavy monetary drains, this firm suspended payment, owing a million and a half. The failure, following the reports of Mr. Seney’s ill fortune, was taken by the Street as a proof of his ruin. Instantly a terrible run on the Metropolitan Bank ensued. At a quarter past eleven o’clock the institution closed its doors. The suspension of two minor houses had already taken place, and now the large firm of Hatch & Foote, whose customers had omitted to make their margins good, announced its inability to meet obligations. The news created great excitement on the Board, and the selling movement ran into a panic. The financial district’s thoroughfares were speedily thronged. The failures of various brokerage firms and of the Atlantic Bank, of Brooklyn, came in quick succession. Banks everywhere were calling in loans, and energetic measures were required. A meeting was held at the Clearing House in the afternoon, and the banks determined, for the sixth time in their history, to issue Clearing House certificates. This prevented a general bank suspension.

At noon on the following day Mr. Seney resigned his executive position. Henry L. Jacques succeeded him, and the Metropolitan Bank, to the immense relief of the Street, resumed payment. But the shock sustained by the Street, which had raised the rate of money to three and a half per cent. a day, and had spread ill fortune in Boston, Philadelphia, Baltimore, Albany, Hartford, Bridgeport, Pittsburgh, Chicago, and Milwaukee, was not yet exhausted. The stock of the Bankers and Merchants’ Telegraph Company, which had closed on Wednesday at 119, fell on Thursday, May 15th, to 45. Anthony W. Dimock had been conducting a bull campaign

1 Mr. Seney owned about one-quarter of the stock of this institution, and had a large amount of Metropolitan Bank funds deposited with it. He was forced suddenly to withdraw these funds, and the Atlantic Bank went under.

2 Clearing House certificates to the amount of $24,915,000, all told, were issued. They bore six per cent. interest and were taken by twenty of the eighty-two banks belonging to the association. The last of these certificates was issued on June 26, 1884. They were not all retired and cancelled until September 23, 1886.
in this issue, and his firm, A. W. Dimock & Co., failed with liabilities of more than $3,000,000. In the afternoon the firm of Fisk & Hatch, composed of Harvey Fisk and Alfred S. Hatch, suspended payment. Two days previous, Mr. Hatch had been elected president of the New York Stock Exchange. Upon his firm's suspension he instantly resigned the office, his place being taken by the vice-president, William Lummis. The house of Fisk & Hatch was famous for its handling of Government bonds. It had also been closely connected for years with the Chesapeake & Ohio Railroad Company, of which Collis P. Huntington was president. When Fisk & Hatch failed for more than $8,000,000, in 1873, it was by reason of a debt of $2,651,000 owed the house by this railroad. The connection was also credited with the cause of the second failure. It carried down the Newark Savings Institution, which, for the sake of convenience, had kept a large amount of securities on deposit with Fisk & Hatch. The firm never resumed business, but its members did. Mr. Hatch was reinstated in the privileges of the Exchange on June 6th.

The veteran hero of the privilege market, Mr. Russell Sage, was forced on Friday, May 16th, to stand a siege well calculated to rack the nerves of a much younger man. For months he had been freely selling puts, and, like unwelcome chickens, they had come home to roost, driven by the storm which had been sweeping confusion through Wall Street. Mr. Sage's obligations on the score of his puts were enormous. When their purchasers began to present them, Mr. Sage proceeded to temporize with such effect that the holders hawked his privileges about the Street at half their face value. Mr. Sage may have reckoned that by delaying payment he could profit in two ways, giving the market time to recuperate and to diminish the losses on his puts, and influencing the holders to compromise their claims. The terms of his privileges provided that they should be paid within twenty-four hours after having been stamped at his office, No. 71 Broadway. A great crowd gathered there this Friday and presented puts—all bearing Mr. Sage's promise to purchase stock at prices far above those then prevailing in the market. He kept his entrance doors closed and declined to stamp more than one put in ten. An incipient riot was checked only by the arrival of a detachment of police from the Liberty Street Station. Acting President Lummis of the Stock Exchange visited Mr. Sage and threatened him with official discipline, without however greatly accelerating the redemption of Mr. Sage's puts. They were compromised at various discounts. When the day's siege was raised Mr. Sage declared that he had paid out between six

1 Collis P. Huntington bought the Stock Exchange seat of Mr. Hatch's son, John R. Hatch, in January, 1885. The price was understood to be $25,000.
and seven millions in the last three days, and was prepared to pay as much in the next three. By May 21st his doors were open as usual. On this day Lake Shore stock sold between 85% and 83%, and Mr. Woerishoffer put two thousand shares of Lake Shore to Mr. Sage at 95. The market was extremely weak, and another failure—that of Brownell & Co.—was recorded.

On the following day the new cable of the Commercial Cable Company, running from Valentia, Ireland, was landed by the steamer Faraday at Emerson’s Point, near Rockport, Cape Ann, Massachusetts. The Mackay-Bennett interests had also strengthened themselves against Mr. Gould in another way, the Postal Telegraph and Cable Company having taken advantage of the panic to acquire control of the Bankers and Merchants’ Telegraph Company.

On May 24th the West Side Bank suspended payment, and on June 2d the Philadelphia & Reading Railway Company went for a second time into a receiver’s hands and the stock closed at 23, a loss of 26¾ points. The market fell off somewhat on June 6th, when the Republican party nominated James G. Blaine for the Presidency. On the 9th the West Shore road went into bankruptcy. On the 18th Charles Francis Adams, Jr., the historian of Erie, became president of the Union Pacific, succeeding Sidney Dillon. Boston interests had supplanted the Gould party in the control of the road. However, Mr. Gould remained master of the Wabash and of the Southwestern system, and their lines for a time were cast in no pleasant places.¹

June 24th witnessed the failure of Matthew Morgan’s Sons, and the virtual end of the Grant & Ward panic—the effect of one young man’s swindling enterprise upon a market which was already vulnerable by reason of the inflation of railway securities.

¹The Texas & Pacific Railroad, which had earned $2,355 net per mile in 1880, earned only $527 net per mile in 1884. In June of the latter year it defaulted on its bond interest payments, having suffered severely by heavy Louisiana floods, which closed its New Orleans division for several months. Receivers took charge of the property.

The Wabash, St. Louis & Pacific fell contemporaneously into trouble. This road had been leased on April 10, 1883, to the St. Louis, Iron Mountain & Southern, which was controlled by Mr. Gould’s Missouri Pacific. For a time the Wabash paid unearned dividends, the money being obtained on notes to the amount of more than $2,200,000, indorsed by Messrs. Jay Gould, Russell Sage, Sidney Dillon, and Solon Humphreys. This made possible a lucrative manipulation of the stock. Suddenly, in May, 1884, the Gould party, anticipating a default in bond interest, had their Wabash road clapped into receivers’ hands—the receivers being Solon Humphreys and Thomas E. Tutt—and directed their Iron Mountain road to set aside the lease. The receivers issued certificates to protect the notes which bore the Gould and Sage indorsements. They likewise piled up a debt of $7,590,000 in the course of a thirty months’ administration. In April, 1886, the Wabash was sold in foreclosure, and the road’s debts to Messrs. Gould and Sage were funded in prior lien bonds. Judge Gresham, in an action brought in the Circuit Court of Chicago to obtain new receivers for the Wabash lines east of the Mississippi, removed Messrs. Humphreys and Tutt from office in December, 1886.
FRESH BATTLES AMONG THE RAILWAYS

In the month of July, 1884, the market seemed to have shaken off the effects of the Grant & Ward panic, and something of a bull movement in stocks was stimulating activity. The price of Stock Exchange seats, which had shortly before been at $20,000, rose to $25,000. Union Pacific, which had changed hands at 28 in June, was forced by the heaviest of buying to 57½ in August, but reacted to 45½ in a few days.

On Monday, August 11th, came a fresh shock. The Wall Street Bank, situated in the Mills Building, which had shown by its last previous statement a surplus of $113,969 on its half million of capital, suspended payment and posted a notice reading, "Owing to irregularities on the part of its cashier this bank will remain closed until the matter can be investigated." The institution had lost $100,000 in bad loans. Twice that sum had been taken by the cashier, Mr. John P. Dickinson, for use in some ill-advised speculations, and he was already en route for the Canadian border. He had complete charge of the loans—the bank employing no loan clerk—and had enjoyed the directors' entire confidence. Mr. Dickinson was an ardent church member. Unfortunately, he was not under bonds. The Stock Exchange, that summer, on Monday mornings, did not open its doors until 11 o'clock, and the failure was made public some time before that hour. When trading began the tendency was toward weakness, but the market rallied under good support.

August, 1884, was also notable for the passage of the measure giving Jacob Sharp's Broadway Surface Railway Company a franchise to operate

1 The Wall Street Bank was founded in 1838 as the Mechanics' Banking Association, and had been for a time a national bank. It never resumed payment after the suspension.

2 Mr. Sharp was found guilty of bribery in June, 1887, in connection with the granting of the franchise. He obtained from the Court of Appeals the right to a new trial, and died while awaiting it.
a street car line on Broadway. It was rushed through by the “boodle” Board of Aldermen, over Mayor Edson’s veto. This franchise was the nucleus about which the Metropolitan Street Railway Company was ultimately built up.

The Presidential election took place on November 4, 1884, and the people signified their dissatisfaction with the existing condition of the country by terminating the Republican party’s twenty-four-year period of power. Grover Cleveland, the Governor of New York State, was chosen Chief Executive, defeating Mr. Blaine. It had been generally believed that a Democratic success would break the market. But Mr. Cleveland’s clean record and high character were not without effect. The market showed only a slight tendency to decline on November 5th, although Union Pacific stock went off about three points. The railroad was in no position to square its accounts with the Government, and it was the prevalent impression that Mr. Cleveland would be severe with it.

Heavy selling of Delaware, Lackawanna & Western stock took place on December 12th and 13th, the price, which had been 111 on December 1st and 139½ earlier in the year, falling to 97%. By December 29th it had dropped to 89%, and it reached 82% in the following month. This was a result of the liquidating of the White pool in Lackawanna. Mr. S. V. White had sent out, on December 12th, a notice to his customers to the effect that he had sold most of his Lackawanna and all of theirs, provided they desired to accept the sales. Doubtless they did so “desire,” on perceiving the subsequent course of the stock.

In 1885 the tide of stock market prosperity, which had been briskly running out since the Garfield assassination and the termination of the specie resumption boom, shifted again to the flood. The welcome change came in July, turning upon the settlement of the West Shore difficulty. A magnificent corn crop of the previous year then began swelling the earnings of the railroads, peace succeeded their battles over rates, the retail trade of the country expanded and flourished, prices of commodities rose, and the market experienced one of the phenomenal bull movements of its history.

The early portion of the year requires no extended comment. It was gloomy in the extreme. On January 15th the great Pittsburg iron firm of Oliver Bros. & Phillips failed with liabilities of several millions. The stoppage was produced by an enormous payroll carried in hard times. This very day J. J. Cisco & Co., a prominent New York Stock Exchange house, suspended payment, owing upward of $2,000,000, and causing a drop of
one or two per cent. in securities on the 16th. The firm was carrying a large amount of Houston & Texas Central Railroad bonds. Collis P. Huntington's Southern Development Company was a heavy shareholder in the railroad. Mr. Huntington had used some Southern Development cash to make advance purchases of Houston & Texas Central coupons, thereby injuring the road's credit and depreciating its bonds. Furthermore, the Ciscos, who were custodians of about $25,000,000 in securities and $475,000 in cash belonging to Mrs. Edward H. Green, were suddenly called upon to repay her the cash for transfer to the Chemical Bank. Inability to respond forced them into bankruptcy. Mrs. Green, familiarly known as "Hetty" Green, is the most remarkable woman ever known in American finance. She is the daughter of a New Bedford whaler, named Robinson, who gathered a fortune said to be nine millions. This and a later inheritance of four millions were the nucleus of Mrs. Green's wealth. She had increased it to some thirty-five or forty millions at this time by the exercise of an extraordinary native shrewdness and the practice of fearful economies. Her husband owed the Messrs. Cisco some $800,000 at the time she demanded her cash, but she refused to take this fact into consideration.

In March, 1885, the Stock Exchange recognized the growth of corporations formed for dealing in commercial products, and now known as "industrials," by the adoption of a constitutional amendment creating an "unlisted department," in which their shares might be bought and sold. It paved the way for a new and most important branch of speculative activity.

Early in this month there occurred a strike of the mechanics and section hands on the Wabash, Missouri Pacific, and other Gould roads, comprising some 10,000 miles. The wages of the men had been cut in the previous October. They succeeded in restoring the old rate in about ten days. On March 19th the market was broken by the news that the Central Pacific would thereafter charge the Union Pacific full local rates west from Ogden. Mr. Huntington, of the Central Pacific, had developed his "Sunset Route" (by steamer from New York to New Orleans and thence to San Francisco by way of the Southern Pacific), and was feeling independent. The Union Pacific announced that it would depend on its Oregon Short Line, connecting with the Oregon Railway & Navigation Company in Oregon, to reach the Pacific Coast and that it would no longer continue

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1 The trustees of these bonds, Nelson S. Easton and James Rintoul, were later made receivers of the road. They ultimately succeeded in recovering for the bondholders their capital, interest, and interest upon interest.

2 The Oregon Short Line Railroad Company connected Granger, Wyoming, with Huntington, Oregon. It leased the Oregon Railway & Navigation Company for six per cent. on the stock in April, 1887, Union Pacific guaranteeing the rental.
its half of a monthly subsidy of $95,000, which the two great Pacific roads were paying the Pacific Mail Steamship Company to maintain rates. Pacific Mail stock, which had sold on March 16th at 62, dropped to 47% on March 21st, while Union Pacific fell to 41, a loss of six points and a half, in the same time. On the 25th Messrs. Gould and Sage were dropped from the Union Pacific Railroad directorate. Mr. Sage, who knew in advance that the Boston party would force them out and that the subsidy arrangement would be attacked, is credited with having made a large sum by bearing Pacific Mail. The railroad fight was ultimately settled, and in May the subsidy was reduced to $85,000 a month.

In June, 1885, Chauncey M. Depew was elected president of the New York Central. On July 7th J. Pierpont Morgan called on George B. Roberts, president of the Pennsylvania Railroad Company, and suggested that a truce be patched up between the then warring trunk lines, unfolding a plan by which the New York Central was to acquire control of the West Shore and thus eliminate the situation’s most disturbing factor. The visitor and his suggestion were heartily received. It came about that the ending of the Central’s immediate troubles smoothed the way for trunk line peace. The West Shore had been a notorious rate cutter from the beginning. Its five per cent. bonds, which sold at 82% in April, 1883, had fallen to 28½ in April, 1885, while New York Central stock was driven down to 81½ in June of the latter year, the dividend being cut from eight to two per cent. Mr. Morgan’s scheme, backed by Mr. Vanderbilt, was soon carried into effect.

Late on the afternoon of July 27th Drexel, Morgan & Co. issued to the first mortgage bondholders of the West Shore a circular letter announcing that the New York Central had agreed to lease the former property for 475 years, after its sale in foreclosure. The West Shore, if the plan were acceptable, would be sold to a new company, which would issue $25,000,000 of new four per cent. bonds in exchange for the outstanding $50,000,000 of five per cent. West Shore bonds, and stock to the amount of $10,000,000, the latter to belong to the New York Central. The rental paid by the Central was to be the interest of the new bonds. This scheme, which virtually paid the West Shore bondholders 50 cents on the dollar, was Mr. Morgan’s first great achievement as a harmonizer. It was crowned with signal success. Central stock had already risen in anticipation of the announcement. On the day following it sold at 99, West Shore firsts rising to 44½, and the ebb tide of the stock market gave way to the flood.

1 The New York Central, in the fiscal year 1880, earned $10,569,200 on its stock; in 1883 it earned $4,327,155; in 1884, $4,668,760, and in 1885, $2,176,343.
By August 29th all but $2,500,000 of the outstanding West Shore bonds had come into the Morgan agreement. The plan was duly consummated, the West Shore road sold in foreclosure, and the lease to the Central made from January 1, 1886.

Good railroad earnings, advances in the prices of steel rails and coal, and expansion in retail trade, accelerated the bull movement, which began with the West Shore settlement and lasted through the remainder of the year. It swelled the earnings of commission houses and brought the biggest bears to grief. On September 29th the Stock Exchange house of Soutter & Co. by suspending payment ended an ill-advised campaign of opposition. The morning of October 2d saw the failure of the celebrated firm of William Heath & Co., which had enjoyed Mr. Gould's intermittent favors since the old Black Friday days. The house had been enormously short of the market. After its failure was announced on Change 43,700 shares were bought and 3,100 sold "under the rule" for its account. Its liabilities were estimated at $1,200,000, its assets at $400,000. The woes of Mr. Heath were chiefly the work of one large client, Henry Nelson Smith, who had been carrying a short interest involving him in a reported loss of $1,700,000. Mr. Smith was one of the most prominent operators then in the Street. He had deserted the clothing business in Buffalo to come to this city in 1860, had flourished for a while as Jay Gould's partner in the firm of Smith, Gould, Martin & Co., had dropped several millions as the result of the North-Western corner of 1872 and the panic of 1873, and had recouped in a measure only to see his resources again depleted by an attempt to fight the upward trend of prices. In the early part of the year Mr. Smith was associated as a bear with Mr. Woerishoffer. But the German guerilla

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1 The extent of the rise in the latter half of 1885 will be appreciated by a glance at the following table:

<table>
<thead>
<tr>
<th>Stocks</th>
<th>Low Prices</th>
<th>High Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York Central</td>
<td>83%</td>
<td>107%</td>
</tr>
<tr>
<td>Pennsylvania Railroad,</td>
<td>91%</td>
<td>112%</td>
</tr>
<tr>
<td>Missouri Pacific</td>
<td>81%</td>
<td>106%</td>
</tr>
<tr>
<td>Union Pacific</td>
<td>45%</td>
<td>82%</td>
</tr>
<tr>
<td>St. Paul</td>
<td>70%</td>
<td>99%</td>
</tr>
<tr>
<td>Chesapeake &amp; Ohio</td>
<td>7%</td>
<td>23%</td>
</tr>
<tr>
<td>Reading</td>
<td>13%</td>
<td>35%</td>
</tr>
<tr>
<td>Erie (New York, Lake Erie &amp; Western)</td>
<td>22%</td>
<td>57%</td>
</tr>
<tr>
<td>Chiengo &amp; North-Western,</td>
<td>61%</td>
<td>115%</td>
</tr>
<tr>
<td>Western Union</td>
<td>50%</td>
<td>81%</td>
</tr>
</tbody>
</table>

2 At the time of Heath's suspension his firm owed Jay Gould $290,000. Furthermore, G. P. Morosini, who was understood to represent a Gould pool in the matter, had securities valued at $215,000 in the firm's custody, and caused the subsequent arrest of Mr. Heath in a civil action, alleging that his stocks and bonds had been fraudulently hypothecated. It is reported that Messrs. Morosini, Gould, and others had been bulling Manhattan with the intent to twist the shorts, and were surprised to find that among the Manhattan certificates delivered to them were 2,380 shares which had been intrusted to Heath's keeping, and that they were buying up their own stock. This tale, however, is apocryphal. Mr. Heath was noted for the swiftness of his market turns, and for his tall, gaunt figure, long, sweeping mustache, and a peculiar, rapid stride. His physical characteristics earned him a rather striking sobriquet, "The Great American Reindeer."
of finance had the foresight to turn his position in good time and escape the disaster which overwhelmed his confederate.

The failure of bear speculators in a rising market is never likely to unsettle confidence. Prices were halted for the day, only to resume their advance. The public was in the field. The operations of Philip D. Armour, who seemed to have turned for the moment from the packing of pork to the shearing of wool, shoved up St. Paul and stimulated the growing speculative fury. On November 19th the sales at the Board aggregated 814,225 shares, a very large day's business for that time.

William H. Vanderbilt's death, in the following month, furnished the real check to the "boom" of 1885. Mr. Vanderbilt possessed neither the creative genius nor the indomitable will of his father. He was a great owner and not a great builder. But the Street recognized him as a shrewd conserver of the properties in which his enormous wealth was invested, and feared that the scattering of his shares among his children might result in throwing many of them on the market. Mr. Vanderbilt died on the afternoon of Tuesday, December 8th, in the study of his home, at 175 Madison Avenue and Fortieth Street. He was conversing with Robert Garrett, president of the Baltimore & Ohio, in reference to his visitor's wish to purchase some of the Vanderbilt Staten Island property for a terminal, when he was seized with apoplexy and died in a few moments. Lake Shore, which closed that day at 88, sold at 84 on the curb when the news arrived downtown. Pools in which J. P. Morgan, Jay Gould, Russell Sage, Cyrus W. Field, and E. D. Adams were concerned were formed in the evening to support the market. However, Central, which had closed at 104$1/2 that day, touched 102$1/2 on Wednesday, and Lake Shore sold at 84$, and closed at 86% bid. These stocks sold at 101$1/2 and 81$, respectively, within a fortnight. The "boom" was over.

The year 1886 was prolific of net advances in the prices of stocks, although their course was extremely irregular. It was likewise marked by broadening speculation, about 101,000,000 shares changing hands, as against some 91,000,000 in 1885. There was a greater increase in railway construction than had taken place in any year since 1882. Prosperity flourished in the channels of

Death of William H. Vanderbilt.

1 Mr. Vanderbilt's will divided $80,000,000 equally among his eight children, and in addition left $3,000,000 to Cornelius Vanderbilt, the eldest son, and his family. The residuary estate was divided equally between Cornelius and William Kissam Vanderbilt, the two oldest sons. It has been estimated at more than $100,000,000.

2 Following is a table showing the number of railway miles in operation at the end of each railway year from the resumption of specie payments until and including 1886, with the respective yearly increases in mileage:

<table>
<thead>
<tr>
<th>Year</th>
<th>Operated</th>
<th>Increase</th>
<th>Year</th>
<th>Operated</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1879</td>
<td>86,465</td>
<td>4,746</td>
<td>1883</td>
<td>121,454</td>
<td>6,741</td>
</tr>
<tr>
<td>1880</td>
<td>93,349</td>
<td>6,886</td>
<td>1884</td>
<td>128,357</td>
<td>3,025</td>
</tr>
<tr>
<td>1881</td>
<td>103,145</td>
<td>9,796</td>
<td>1885</td>
<td>128,987</td>
<td>3,608</td>
</tr>
<tr>
<td>1882</td>
<td>114,713</td>
<td>11,568</td>
<td>1886</td>
<td>137,986</td>
<td>8,999</td>
</tr>
</tbody>
</table>
trade. The two features of industrial life which awakened apprehension were the silver dollar inflation, constantly increasing through the workings of the Bland law of 1878, and the multiplication of the large industrial corporations to which the title "trusts" was already being applied.

Coal stocks were the speculative leaders in the early part of the year. Coal prices were cut in January, 1887, inducing weakness in the shares of the anthracite carriers. Yet they recovered ground rapidly in the early part of the next month, Reading advancing from 18½ to 26%, New Jersey Central from 44½ to 55%, Delaware & Hudson from 90% to 108½, and Lackawanna from 119% to 135%, although a pending plan for the reorganization of the Reading was yet in embryo. February was also notable for a sale by Jacob Sharp, George Law, Alfred Wagstaff, and others of 10,000 shares of stock of the Broadway and Seventh Avenue Railroad Company, which had control of the Broadway Surface Railway Company, to William C. Whitney, W. L. Elkins, and Peter A. B. Widener. The transaction, which involved an average price of $292.50 a share, was the forerunner of the Metropolitan Street Railway Company. In the same month the Pacific Mail Company received notice of the complete disruption of the transcontinental pool and the withdrawal of the subsidy of $85,000 a month previously paid to it for maintaining rates. The company bought two new steamers and its railroad rivals proceeded to cut rates between San Francisco and Chicago. Shortly thereafter the Reading Reorganization Committee, J. Pierpont Morgan, John Lowber Welsh, and John C. Bullitt, issued a statement to the effect that Austin Corbin had joined them. Mr. Corbin was acting for Franklin B. Gowen, the former Reading president, who had secured control of some 67,000 shares previously owned by the Vanderbilts, and had been threatening to block the reorganization plan. The announcement that harmony was assured aided all the coal stocks, and on March 6th Reading sold at $30 a share.

The same day saw a renewal of the strike on the Gould southwestern roads, under the direction of the Knights of Labor. This strike (which lasted until May 4th), and a subsequent agitation in favor of an eight-hour work day, which made itself felt throughout the country, helped to depress stock prices. The best bull argument of the period was the establishment of a new coal pool, strengthened the anthracite situation by his "gentlemen's agreement."

On March 23d J. Pierpont Morgan, whose fame as an organizer was rapidly growing, gave an elaborate dinner at his home, the guests including George B. Roberts, president of the Pennsylvania Railroad; Samuel Sloan, president of the Lackawanna;

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1 This strike was led chiefly by Martin Irons, chairman of the Executive Board of District Assembly 101, K. of L., although T. V. Powderly, General Master Workman of the Knights of Labor, took a prominent part in it. The men contended that the arbitration agreement of 1885 had been violated. The strike was attended with some bloodshed, and resulted in victory for the railroads.
E. J. Wilbur, president of the Lehigh Valley; George de B. Keim, receiver of the Reading; R. M. Olyphant, president of the Delaware & Hudson Canal Company, and John King, president of the Erie. The diners effected a "gentlemen's agreement," by which the anthracite production for the year ending April 1, 1887, was restricted to 33,500,000 tons, and the price of coal was advanced 25 cents a ton immediately.

On Sunday, May 9th, Charles F. Woerishoffer ended his career at the country seat of Oswald Ottendorfer, Manhattanville. Mr. Woerishoffer's death was due to heart disease. He had been in indifferent health since the beginning of the year, and had severed his connection with Woerishoffer & Co., intending soon to start upon a trip to Europe. Evidently it was his intention to rid himself of all speculative commitments before sailing. He had covered practically all his short contracts—about 200,000 shares—but still held an interest in a bull wheat pool, estimated at 8,000,000 bushels. His death was announced at the Stock Exchange on Monday. A committee was appointed to draft resolutions expressive of the esteem which his courage, brains, and generosity had won for him. The wheat market paid an immediate tribute to his prowess. A break of three cents in the May option followed the news of Mr. Woerishoffer's demise.

Within a brief time after the death of Wall Street's greatest bear the market's tendency toward weakness had been checked, although no sharp upward movement was to be seen before the autumn. A battle over cable tolls between the Commercial Cable Company and the Western Union, and the passing of the latter's dividend in June, failed to seriously affect prices. The market was somewhat irregular in the following month. A monetary stringency, which carried the call rate to forty per cent., and the breaking away of the Baltimore & Ohio from the trunk line pool, owing to the Pennsylvania's refusal to give the road an outlet to New York, aided the bears in August. But this mishap was balanced by the patching up of a Western traffic agreement. In the fall the effects of a prosperous trade, large bank clearances, and fine crops engendered one of those public rushes to the market which inevitably mean a rapid advance in prices and an ultimate severe reaction. The leaders in the advance were Reading—aided by the news that the property would be restored to the shareholders and that Austin Corbin would succeed to the presidency of the company—and the Richmond & West Point Terminal and Richmond & Danville stocks. Reading was forced to 53% in November. Richmond & Danville advanced from 144 to 200 within a few weeks. On December 7th the decision of Judge Gresham at Chicago, removing Messrs. Humphrey and Tutt from the receivership of the Wabash lines east of the Mississippi and appointing John McNulta in their place, virtually shattered the Wabash reorgani-
FRESH BATTLES AMONG THE RAILWAYS

A reorganization scheme,\(^1\) broke Wabash stock three points and checked public enthusiasm. On the 15th, with call money at ten per cent., came the crash which the great bull movement had invited. There had been two previous days of weakness. The heavy liquidation of the 15th created a market of 1,096,509 shares, breaking all previous records on 'Change, and produced one small failure—that of L. Marx & Co. Between the closing prices of Saturday, December 11th, and the low levels of the following Monday, there was an average difference of five or six points in the leading stocks. The most startling fall was in Richmond & West Point Terminal, which dropped from 44\(\frac{1}{2}\) to 30 in this brief period.

The extraordinary rise of the Richmond stocks, prior to the speculative collapse, was due to the purchase of the control of the Richmond & Danville road by the Richmond & West Point Terminal Railway & Warehouse Company.\(^2\) The party interested in this purchase was headed by Alfred Sully. Calvin S. Brice, Samuel Thomas, Henry M. Flagler, and John H. Inman were among his colleagues. Mr. Sully had assumed the presidency of both roads. He was in administrative control of an important system connecting Richmond with Atlanta and ramifying through the heart of the South in branches whose mileage ran into the thousands. He conceived the plan of acquiring a still more important property, which chanced to be in the market, and uniting it with the Richmond roads. This was the Baltimore & Ohio.

To understand the series of negotiations of which the Baltimore & Ohio was the object in 1887 it must be realized that this trunk line occupied at the time a rather isolated position. Under the presidency of John W. Garrett the property had enjoyed an honored and prosperous career. But Mr. Garrett had passed away, bequeathing to his son, Robert, his office and a number of schemes for the development of the road's resources, which worked out in a deleterious fashion. The Baltimore & Ohio Telegraph Company and the road's express service were losing ventures. In an effort to reach the greatest of Atlantic ports a line had been constructed from Baltimore to Philadelphia, with poor success, and an extension to New York was projected. The road still carried a great nominal surplus, yet it

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\(^1\)The Wabash lines were, however, reunited by a reorganization effective in April, 1889.

\(^2\)The Richmond & Danville road, which was earning eight per cent. on a capital stock of $5,000,000, ran from Richmond to Danville, Virginia, and controlled by lease various lines, which ran as far south as Atlanta, Georgia. The system comprised 854 miles. The Richmond & West Point Terminal Railway & Warehouse Company had been formed in 1880 to acquire lines that did not directly connect with the Richmond & Danville, which was prevented by its charter from such an acquisition. The primary object in the manoeuvre was to benefit the Richmond & Danville system. Harmony between the various interests in the properties was spoiled in April, 1886. The Warehouse company controlled 4,000 miles of road at the time. A faction in its directorate, headed by George S. Scott, was apparently managing the property in the interests of the Richmond & Danville road, and succeeded in leasing to the latter company four minor roads owned by the Warehouse company. This induced the Warehouse directors who opposed Mr. Scott’s policy to buy the control of the Richmond & Danville. They went into the market and succeeded, after terrible competition, in getting 25,001 shares, a bare majority.
had acquired a floating debt which threatened to throw it into a receiver's hands. Robert Garrett was looking about for some one to relieve him of his burden.

Nevertheless, the Baltimore & Ohio was a property of great inherent worth. Its line ran westward from Baltimore, through Maryland, into West Virginia as far as Parkersburg, connected Grafton, West Virginia, with Wheeling, West Virginia, shot into Pittsburg, tapping the great source of steel and iron freights, and, from a point below Wheeling, ran west into Ohio, where it touched, among other points, Zanesville, Newark, Columbus, Cincinnati, and Sandusky, on Lake Erie. From Chicago Junction, a few miles south of Sandusky, it ran through Ohio, Indiana, and Illinois to Chicago. Thus, although it lacked a connection with St. Louis on the west and with New York on the east, it was a powerful system. Instead of developing its seaport advantages at Baltimore by the building of an adequate mercantile fleet, Robert Garrett had aimed his endeavors at a New York outlet. Being rebuffed by the Pennsylvania, whose line to this city he desired to use, he let it be known that he intended to build a branch to New York. Meanwhile, the road was disturbing the trunk line situation by the cutting of rates.

What Mr. Sully planned to do with the Baltimore & Ohio is mere matter of conjecture. The lines of the system touched his properties in Virginia, and the junction made it possible to effect some advantages by a merger. The Baltimore & Ohio had outstanding 147,000 shares of common stock (carrying the voting power) and 50,000 shares of preferred. Mr. Sully obtained from Mr. Garrett an option on 80,000 shares of the common, at $200 a share, payment to be made in cash to the amount of $6,000,000, and in $10,000,000 of Richmond & West Point Terminal collateral trust bonds. The terms necessitated the production of $1,000,000 in cash at once. Mr. Sully's associates refused to approve the project, and it fell through abruptly.

At this juncture the situation was enlivened by the intervention of Henry S. Ives, the second of Wall Street's notabilities to attain the title of a "Young Napoleon of Finance." "Napoleon" Ives and "Napoleon" Ward exhibited many points of similarity. Each dazed the heads of older men, and reached a position of much influence and prominence within a brief time. Each carried on an extensive swindle under the guise of legitimate finance. But their careers differed in results. Ferdinand Ward brought about a panic and acquired a convict's stripes. Ives was neither important enough for the one nor unfortunate enough for the other.

Although Mr. Ives' performances rank far below the first order of monetary events, they created a sharp temporary disturbance. Ives was
about twenty-four years old when he began negotiating for Mr. Garrett's property. He was a native of Connecticut, who had come to this city as a penniless youth, had worked by turns as a publishing house clerk, bank clerk, and bond broker, and had then suddenly appeared as the head of a Stock Exchange firm. At nineteen he was earning a stipend of $10 a week. At twenty-four he controlled property worth many millions, "Napoleon" Ives and was recognized as a rising and menacing factor in the railway world. His firm—Henry S. Ives & Co.—was established in January, 1886, and comprised, besides himself, George H. Stayner and Thomas C. Doremus. Stayner shared in all the fraudulent plans of Ives, following him even to the bitter end of indictment and disgrace. Doremus was the Board member. When the partnership was first formed the Stock Exchange suspended Mr. Doremus, because of the bad reputation Ives had earned through the corrupt manipulation of a corner in Mutual Union Telegraph stock. Unfortunately the suspension was soon afterward revoked.

In brief, Ives' methods consisted in buying the stock of a promising railroad and in the immediate hypothecation of it for money with which to buy more stock, the hypothecation of the second purchase and a continuation of the game until he had acquired control of the property. The fact that his steady purchasing kept raising the price of the stock increased his borrowing capacity. Once in control of the property, and filling its executive positions with his tools, he could loot its treasury and thus obtain the means to plan the capture of another road. Meanwhile he would steal enough in addition to enable him to live in luxury and create a great public impression. He was rather insignificant in appearance, short, pale, small featured, wearing a dapper pair of side whiskers and peering through gold-rimmed glasses. But general contempt for his physique was swallowed in admiration for his achievements.

Ives needed some extraneous money to carry out his plans. This he obtained by ensnaring Christopher Meyer, a wealthy German, who had made a fortune in rubber and was readily victimized by the "Young Napoleon's" plausible tongue. The first campaign for which Meyer contributed the sinews of war resulted in the capture of the Mineral Range Railroad, a small property in northern Michigan. Ives then transferred his operations to Ohio. In the summer of 1886 he marched triumphantly into the citadel of the Cincinnati, Hamilton & Dayton Railroad. This road had $3,500,000 of common stock on which it was paying six per cent., about $450,000 of six per cent. preferred stock, a funded debt of $2,836,250, and a surplus of $2,635,709. Ives had been buying the common stock on an upward scale and had advanced the price to $147 a share. He next
proceeded to lay hands on the Dayton & Ironton and Dayton & Chicago roads, which he consolidated during the summer of 1887 in the Dayton, Fort Wayne & Chicago, with $13,375,000 of outstanding stock. Meanwhile he had bought control of the Terre Haute & Indianapolis, which leased two other roads, the whole comprising the so-called Vandalia line. The last named system had previously served as the great Pennsylvania Railroad's outlet to St. Louis, and was of enormous importance. Ives made his firm the fiscal agent of the Cincinnati, Hamilton & Dayton, and forced the authorization of $10,000,000 of new preferred stock of that road, to aid him in a still more ambitious project.

It is the hope of every really able schemer to achieve a position of respectability. In the prosecution of his most unwarrantable plans he looks forward to the day when he may enjoy the luxury of an honest life. He knows that the only really comfortable existence must be led within the pale of the law, and he therefore aims to acquire enough to become a good citizen. Ferdinand Ward certainly knew that the very nature of his game made it impossible for him to stave off a ruinous finale. But Ives undoubtedly expected something better. If he could put together a great railroad system, increasing the value of the stock he carried by welding his properties into a harmonious whole, he could repay a part of his sequestrations, cover up the rest and become a railroad magnate and an ornament to society. It is possible that he would have succeeded in doing this had the powerful men whose interests he threatened been content to sit still.

A study of the railroad map of 1887 makes it plain that by uniting the properties under his control with the Baltimore & Ohio, Ives would have created one of the greatest trunk lines of the world. He would have connected St. Louis with the Atlantic seaboard, by a short route, and, as he controlled the Pennsylvania outlet to St. Louis, would have been able to demand from the Pennsylvania directorate an entrance into New York for the Baltimore & Ohio. The pendency of the negotiations which he now began with Robert Garrett for the control of the Baltimore & Ohio, threatening the entire trunk line situation, was a pall over the stock

1 The Cincinnati, Hamilton & Dayton system controlled lines running from Cincinnati, on the Ohio River, northward through Hamilton and Dayton to Toledo, on Lake Erie, and crossing at Deshler, Ohio (some miles south of Toledo), a line of the Baltimore & Ohio which ran from Chicago Junction, Ohio, westward to Chicago. In addition, the Cincinnati, Hamilton & Dayton ran westward from Hamilton, Ohio, to Indianapolis, Indiana. There it joined with the Vandalia system, which continued westward, through Terre Haute, Indiana, and across the State of Illinois to East St. Louis, which is separated only from St. Louis by the Mississippi River. The Vandalia likewise ran northward from Terre Haute through Indiana to South Bend, also crossing the line of the Baltimore & Ohio. The Dayton, Fort Wayne & Chicago ran from the southerly part of Ohio in a northwesterly direction across the Cincinnati, Hamilton & Dayton line as far as Delphos, Ohio, and was designed to push west to Fort Wayne, Indiana. Had Ives joined these properties to the Baltimore & Ohio he would have produced a system based on Baltimore, Washington, and Philadelphia in the east, and on Chicago and St. Louis in the west, and touching several Virginia points, Grafton, Parkersburg, and Wheeling, West Virginia; Pittsburg, Pennsylvania; Zanesville, Newark, Columbus, Sandusky, Toledo, Dayton, Hamilton, and Cincinnati, Ohio; Indianapolis, Terre Haute, Logansport, South Bend, and Fort Wayne, Indiana, and numberless minor points.
market and enraged the owners of the Pennsylvania road. It is not surprising that mysterious but mighty hands threw obstacles upon his path.

Messrs. Ives and Stayner struck a bargain with Mr. Garrett, and signed contracts on March 18, 1887, for the purchase from him of 34,000 shares of Baltimore & Ohio common and 15,000 shares of Columbus & Cincinnati Midland Railroad stock for the sum of $7,270,000. Of this amount $4,500,000 was to be paid Mr. Garrett on or before April 25th, and four per cent. notes, maturing at various times, were given for the remainder. The stock, until paid for, was to remain in Mr. Garrett’s hands. He was getting a good price and was anxious to sell. As the obligations of Ives and Stayner matured, and their unexpected failure to get from the money lenders the needed accommodation made it impossible for them to pay what they owed, Mr. Garrett gave them one extension after another. Doubtless he received powerful intimations that his course was ill regarded in high quarters. At all events he suddenly broke off his negotiations and on July 20th sent a letter to the editor of the Philadelphia Record, announcing that the Ives party “did not at the appointed time comply with their engagements” — which was, of course, true — and that the negotiations were at an end. Mr. Garrett had received for his option $320,000 and 15,800 shares of the new Cincinnati, Hamilton & Dayton road. This bonus he refused to return. Three days later he sailed for Europe.

Henry T. Ives & Co. brought a fruitless suit against Mr. Garrett for the return of the cash and securities deposited with him. Their credit was ruined and the demands of the banks were too heavy to meet. On August 8th a small block of Cincinnati, Hamilton & Dayton stock sold on 'Change at 40. This low price may have been fictitious — the work of those who were “gunning” for Ives. It was certainly destructive of his solvency, in view of the great amount of the stock which he was carrying on loans. Stayner and he respectively resigned the presidency and vice-presidency of the road on the following day, being succeeded by A. V. Winslow and Christopher Meyer. On August 11th the failure of Henry S. Ives & Co. was announced on the Stock Exchange, and was greeted with ringing cheers. The pall had been lifted from the market. The liabilities of the bankrupt firm exceeded $17,000,000. Their nominal assets were more than $25,000,000, but their creditors ultimately accepted five cents on the dollar.

1 Ives and Stayner were eventually indicted for grand larceny in connection with their fraudulent stock issues. They were tried in September, 1889. Despite copious testimony as to their guilt, the jury disagreed, standing ten for conviction and two for acquittal. They spent some months in Ludlow Street Jail, having been arrested on a civil suit of the Cincinnati, Hamilton & Dayton to recover $2,553,328. The road bought and retired the preferred stock issued by Ives. Ives died of tuberculosis at Asheville, North Carolina, in April, 1894.
On September 2d official announcement was made that Drexel, Morgan & Co., Drexel & Co., and Brown Bros. & Co., of America, and J. S. Morgan & Co., Baring Bros. & Co., and Brown, Shipley & Co., of England, had formed a syndicate to negotiate five millions of new consolidated bonds and five millions of new preferred stock of the Baltimore & Ohio, and that the policy of the road would be no longer hurtful to trunk line harmony. The Baltimore & Ohio’s troubles were temporarily ended. In November Mr. Garrett was succeeded in the presidency of the road by Samuel Spencer. The syndicate announcements started a boom in stocks, which lasted till checked by the monetary stringency of the crop moving period.

We must retrace our steps to recount an incident which made June of 1887 a vivacious month. A Chicago wheat corner, engineered by Maurice Rosenfeld, was broken June wheat dropped 74%, amid the failures other firms. A few days stock market began to Chicago account. Call 15 per cent. On Fri- a fright- stock, had been quanti- having high as $175 a share, opened at 156½ at to 120, rallied to 130, three-quarters of an

Cyrus W. Field loses heavily through a break in Manhattan stock.

Cyrus W. Field.

The entire market was violently disturbed, and money jumped to 5-16 per cent. for three days’ use. Manhattan recovered to a final bid of 135, but broke on the following Monday to 127, money reaching ¾ per cent. per diem. On this day Messrs. Jay Gould and Russell Sage, who were widely credited with having sold Manhattan heavily while their friend Mr. Field was trying to support it, relieved him of 50,000 shares of the stock at a price said to be $120 a share. Mr. Field was nearly ruined, but he expressed himself as perfectly satisfied. Manhattan sold at 93½ on August 31st.

The Chesapeake & Ohio road went into the hands of receivers in October, 1887, but was subsequently turned over to a new company without reorganization. November saw a fresh advance in securities which resulted in the failure of A. S. Hatch, former president of the Exchange, who was a bear on the market. The year itself was one of good
crops and prosperous trade, but of decreasing prices for stocks, the total sales of which amounted to nearly 83,000,000 shares. In 1888 the sales were only slightly in excess of 62,000,000 shares. This was another year of bearish triumph, although the country enjoyed a good trade condition and crops were good, a large decrease in wheat being offset by an increase in corn. Among railroad stocks Atchison, Topeka & Santa Fe was the greatest sufferer, selling down from 99½ to 53½ and closing at 58½—a net loss of 36 points for the year 1888.

The result of the good railroad earning of 1887 had inspired a burst of outside buying in January, 1888, and seats on the Stock Exchange jumped in value from $17,000 to $21,000 within a few weeks. A strike in the coal regions and a renewal of freight cutting by some of the roads checked the good feeling. But Reading common stock was remarkably strong. It closed at 36½ in 1887 and had advanced to 67½ by the middle of February, 1888.

Dealing in oil was in progress on the Stock Exchange, and a squeeze in the staple took place on March 6th, the price running up fifty cents a barrel. On Monday, March 12th, the "Eighty-eight Blizzard" occurred. The city was snow bound. Only sixteen stocks were dealt in that day. The sales had amounted to less than 16,000 shares when, at 12:30 p.m., it was decided to close the Exchange. The following day saw only about one hundred brokers at the Board and the session ended at noon. One member, intrusted with foreign buying orders in St. Paul, Erie, and Lake Shore, bid up the prices of these stocks, there being scarcely any offerings, and thus awakened the wrath of certain of his fellow brokers. On Wednesday the effects of the blizzard were almost negligible and a business of 100,000 shares was transacted.

The stock market advanced in April on the belief that the Secretary of the Treasury would buy bonds, was dull in May, and readily supported in June a default on the part of the Missouri, Kansas & Texas road. Good crop news aided prices in July, and nothing sensational occurred until September, when the Chicago, Milwaukee & St. Paul Railroad passed the dividend on its common stock and reduced the six months dividend on its preferred stock from three and a half to two and a half per cent., causing a serious break in these issues and a decline of the general list. It had been the practice of the St. Paul directors to anticipate fall earnings in declaring the September dividends. The workings of the Interstate Commerce Law had so weakened the property that they hesitated in this instance to take the risk.1

1 Austin Corbin, the Reading's new president, went abroad in May, 1883, and placed $29,086,000 of new Reading four per cent. bonds, with a syndicate including the Rothschilds, Baring Bros. & Co., J. S. Morgan & Co., and Brown, Shipley & Co. Thus old six and seven per cent. bonds were refunded.
The Sherman Anti-Trust bill, forbidding combinations in restraint of trade, was reported from the Senate committee on finance in this month. Its passage in some form was assured, and the fact did not help the market. But the prompt payment of the Rock Island dividend, the averting of a Chesapeake & Ohio foreclosure, and the news of a large corn crop at length steadied prices. In October a great Chicago wheat corner, engineered by "Old Hutch" (Benjamin P. Hutchinson), went to pieces badly. On November 6th, Mr. Cleveland was defeated for re-election, General Benjamin Harrison leading the Republican forces to victory.

The remainder of the year was unpleasant for the bulls. A heavy fall in Missouri Pacific stock followed the cutting of the dividend from seven to four per cent., the wheat crop was a disappointment, exports of merchandise fell and those of gold increased. The northwestern roads renewed their rate war in December. The Stock Exchange gladly bade the year 1888 farewell.

1 Just prior to this collapse in wheat Mr. Hutchinson had successfully cornered the September option. On the last day of September he forced its price to two dollars a bushel and kept it there.
PIERPONT MORGAN’S genius for transforming a chaotic business situation to one of order and prosperity was illustrated early in 1889 by the settlement of a transportation war. The previous year, marked as it was by a poor wheat crop, declining exports, weak iron prices, and alarm over tariff agitation, had tended to sober the minds of financiers. The cutting of railway rates, which led to reduction of dividends in some cases, had accentuated the prevalent uneasiness. Pooling of freight business was forbidden by the Interstate Commerce law, now in force. Some other method of dealing with the rate cutting evil had to be found. In January, 1889, Mr. Morgan called together the most prominent railway presidents. They met at his home and formed the “Gentlemen’s Agreement,” officially known as the Interstate Commerce Railway Association, for the maintenance of railway rates. It was the subject of cynical remark at the time, but it did accomplish certain practical results. Eighteen roads were comprised in the association. The reformers soon had an opportunity to point to an instructive example of the neglect of the principles for which they stood. The Atchison road, a victim of rate cutting, passed its dividend late in this January. Its stock, which had sold about par in the previous year, now sold at 50. It fell below 38 in July.

Something of a bull speculation enlivened the market in February. Stock of the Cincinnati, Indianapolis, St. Louis & Chicago road—the “Big Four”—was bought for the Vanderbilt “Bee Line,”¹ and ran from 87 to 106 in a few weeks, while “Bee Line” shares rose from 56 to 74 simultaneously. The collapse of an important French copper syndicate, and the news that

¹The “Bee Line” was the Cleveland, Columbus, Cincinnati & Indianapolis. The roads which ran through Ohio, Indiana, and Illinois were consolidated in a new company, the Cleveland, Cincinnati, Chicago & St. Louis, with a bonded debt of $27,000,000 and $30,500,000 in capital stock.
the Union Pacific would pass its dividend, checked in March the triumphs of the bulls. From this time until May, when stocks advanced on reports of improved railroad earnings, the tendency was toward depression. On Friday, May 31st, news of the terrible loss of life in the flood at Johnstown, Pennsylvania, due to the breaking of the Conemaugh Lake dam, reached the city. Despite the loss of property, running into the millions, the market was firm. A bad break in stocks was feared on Monday, June 3d, but it did not come. The day was saved by dulness, incident upon the lack of a ticker service. The rival ticker concerns, the Gold and Stock, and the Commercial Telegram Company, both of whose contracts with the Stock Exchange had just expired, were engaged in a lively dispute, each endeavoring to cut the other out of future business. The Board excluded them both, thereby greatly embarrassing speculation. By Thursday the dispute was settled, the tickers were restored, and stocks were booming under the leadership of the "trust" shares, White Lead, Sugar Refineries—which ran up and down with the speed of lightning—American Cotton Oil, and the like. Sugar, which had sold for three months at 84, now sold at 116, after paying a dividend of two and a half per cent. in cash and another of eight per cent. in scrip. Then it climbed to 123½, this being the summit of its rise in 1889. The rest of the year was a wearisome period for all of the "trust" shares, and Sugar sold at 55 in December.

Railroad shares as a class advanced with fair constancy from early in July till near the end of November, aided by good earnings. The glaring exception was the Atchison road, the stock of which went below 27 in October. A reorganization plan was then put through, which avoided foreclosure and saved the road from bankruptcy.

Addison Cammack, in this city, and Irving A. Evans (known as "Nervy")
Evans), in Boston, were the bears who were credited with making most of
the profit in Atchison’s fall. Money rates were high through the latter part
of the summer and the fall of 1889, and helped to bring about a crash on
November 30th, when the banks were calling loans in preparation for the
next day’s disbursements. December was a rather gloomy month, but the
horizon brightened with the reflux of money from the interior in January,
traffic earnings increased, and it began to look as if 1890 would be a good
year. It was indeed destined to be auspicious in general business, although
tight money was to make it one of trying financial disturbance.

The “Baring panic,” of November 15, 1890, which will always be
remembered as the dramatic event of the year in finance, was simply the
culmination of influences which for months had been undermining values.
In both Great Britain and the United States the channels of trade had been
drained by the hoarding of money on the one hand, and by its extraor-
dinary diversion on the other into speculative enterprises.

The great English house of Baring inherited a business two centuries
old, which was at first purely mercantile and later had acquired a financial
character. In 1890 the firm of Baring Brothers enjoyed a reputation for
solidity and conservatism absolutely without equal among private banking
concerns. At the height of its power and fame it was unwittingly hastening to an infelicitous end. Lord Revelstoke, the
captain of this stately ship of commerce, had taken aboard a
strange pilot, and his vessel was being headed for the shoals.
In other words, Lord Revelstoke had been induced by an eloquent Argentine
promoter to invest heavily in the securities of the Argentine Republic, and
of her little neighbor, Uruguay, and to negotiate millions of these securities
in England.

British capitalists, who at one time or other had made excellent profits
out of Colonial enterprises, proved eager to entrust their sovereigns with
the sons of Argentina—the Yankees of South America. However, the

\[\textit{The Atchison, Topeka & Santa Fe ran from Chicago to Galveston, Texas, and through Santa Fe, New}
\[\textit{Mexico, into lower California, and had a network of Texas lines. Light crops and consequent business}
depression in the Territory it served, together with the construction of rival lines, had brought competi-
tion and rate cutting. Under the Interstate Commerce law the Atchison could meet local competition
only by a proportionate reduction of rates throughout its whole system, and this was well-nigh equiva-
 lent to ruin.}\]

\[\textit{The financial importance of 1890 will render interesting the following statistical comparison between}
\[\textit{that year and its immediate predecessor:}\]

\[\begin{array}{lll}
\text{1890.} & \text{1889.} \\
Wheat raised, & 399,000,000 bushels & 495,000,000 bushels \\
Corn raised, & 1,489,000,000 & 2,040,000,000 \\
Cotton raised, & 7,750,000 bales & 7,250,000 bales \\
Petroleum, & 28,504,000 bbls. & 21,242,742 bbls. \\
Pig iron, & 9,000,000 tons & 8,000,000 tons \\
Imports, m.de., & $539,004,932 & $497,120,858 \\
Exports, m.de., & $332,560,232 & $337,551,012 \\
Stocks sold, & 56,126,365 shares & 60,823,904 shares \\
\end{array}\]

The stock sales do not include unlisted securities, which were heavily dealt in throughout 1890. .
The price of pig iron fell from $20 a ton on January 1, 1890, to $17.50 a ton on January 1, 1891.
Argentine Republic was going ahead far too rapidly. In 1890 that country, with a population of less than 4,000,000 souls, had piled up a stupendous public debt of $234,743,558, almost $60 per capita, to say nothing of some $91,000,000 of railroad obligations on which interest had been guaranteed by the government. Argentina was heavily overbuilt with railways.

Argentine securities began to fall, and with them the government credit. Gold had risen to 144, when one of the Barings visited Argentina in March and relieved the situation by purchasing the Western Argentine Railroad for £8,000,000. This was only hastening the collapse of the Barings. They had long maintained the proud usage of redeeming at full value the securities which they had sold to dissatisfied customers, and which now returned to their counters in large amounts. As the year waned the house grew short of ready money. At last, in November, the Barings were forced to depend on their rivals to protect them from bankruptcy. They were saved on terms which sacrificed their business and disturbed the civilized world.

Meanwhile the United States had not only been feeling the monetary drain from London, due to the exigencies of the Barings, but had been suffering from two specific ailments which also induced stringency in money.

The first was the passage of the Sherman Silver Purchase act. This raised the price of silver, injured public confidence, and initiated the hoarding of gold. The second was the passage of the tariff bill fathered by Representative William McKinley, which became a law on October 1, 1890. Its ultimate enactment was regarded as certain long before President Harrison gave it his signature. Importers rushed to anticipate it by bringing in heavy consignments of foreign merchandise in time to escape the high duties imposed by the bill. Naturally this tied up capital and strengthened the money market.

On January 30, 1890, the financial world received a shock through the failure, under discreditable circumstances, of the Sixth National Bank, which in its fall dragged down two State banks—the Lenox Hill and Equitable. About the same time the announcement was made that the Union Pacific and Chicago & North-Western roads had withdrawn from the "Gentlemen's Agreement." The stock market was stagnant for the next

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1 This bill was signed on July 14th, and became operative a month later. It was a compromise measure. It repealed the provision of the Bland act of February 28, 1878, which required the monthly purchase and coinage of silver to the value of between $2,000,000 and $4,000,000, and in lieu thereof provided for the purchase by the Secretary of the Treasury of 4,500,000 ounces a month, at a market price not to exceed a dollar for 371 1/2 grains. This silver was to be paid for in legal tender Treasury notes. The Secretary was to coin 2,000,000 ounces of the metal a month, until July 1, 1891, and afterward as much as was needed to redeem the said Treasury notes. The notes could be lawfully used for national bank reserves.

2 The Sixth National Bank, which had a capital of $200,000, was located at Broadway and Thirty-third Street. Its president, Charles H. Leland, sold out his stock, at an enormous price, to a syndicate headed by George H. Pell, and the syndicate wrecked the bank a few days later. Mr. Leland was adjudged innocent of direct complicity in the matter.
few months, save for some brisk speculation in Sugar, in which traders asserted that the hand of Henry O. Havemeyer was perceptible. A squeeze in Reading in March—a month in which Stock Exchange seats were quoted at $19,000—was followed by a moderate rise in April and by a brisk one, stimulated by good earning reports, in May. During the latter month news was rapidly made. Chicago Gas rose to 64 and fell below 50, while Sugar dropped from 89 to 67 and rallied to 81 in four days. The Gould party was ousted from Pacific Mail. The railroad presidents signed a fresh agreement. By July traders had turned from stocks to silver. The white metal, aided by the new bill, rose to $1.13 an ounce, about 17 cents above the price in May.

As autumn approached, money showed a tendency to intermittent stringency. London began to sell Americans in October, but our trade was good and prices of standard stocks held fairly well, though a recession of silver to 103 caused uneasiness. Election day, November 4th, resulted in a Democratic sweep, the Republicans losing even Pennsylvania. The following day was characterized by a sharp break in the market. The Bank of England gave warning of impending trouble by raising its minimum discount rate from five to six per cent. The fear of fresh disturbance of the tariff situation, which men had thought settled by the McKinley bill, soon became prevalent. Weakness in stock values and monetary stringency characterized the remainder of the week, and Saturday's bank statement showed a loss of about $4,000,000 in cash. On Monday morning, November 10th, with London selling heavily and local holders demoralized, the market seemed drifting into a panic, when the sudden death on the floor of a member, James Struthers, caused a half hour's suspension of trading. When business was resumed men seemed to have recovered their self-command, and stocks rallied. Toward the close, however, call money rose to ninety-seven per cent. and the market broke again.

Tuesday, November 11th, saw a heavy crash in "the Villards," accompanied by failures on 'Change and bank embarrassments. Henry Villard, always equipped with fertile ideas and a convincing way of stating them, had risen to fresh power since his downfall seven years before. He had succeeded in enlisting new German capital in American enterprises, and returned, in 1886, to the Northern Pacific field, which still inspired his enthusiasm. He had made his way again to the control of its railway system, and had held it against attack. The Northern Pacific road now had outstanding some $37,000,000 of preferred stock (on which three per cent.

1 Mr. Struthers, a man of fifty-eight years, was a specialist in Chicago & Eastern Illinois. He was making his way through the crowd at the New Jersey Central trading post about noon on this day, when he fell beneath a stroke of apoplexy. The word ran about the floor—"Jimmy Struthers has fainted." A few moments later it was found that Mr. Struthers was dead. Business was at once suspended.
was paid in the year ending June 30, 1890), and $49,000,000 of common stock. Mr. Villard had also renewed his hold on the Oregon & Transcontinental Company, which he reorganized under the name of the North American Company in the summer of 1890, and which had $40,000,000 of stock and about $6,000,000 of bonded debt. Its assets included huge blocks of Northern Pacific common and preferred, Oregon Railway & Navigation stock, Oregon Improvement Company stock, and other securities. North American shares were listed on the Stock Exchange, and Mr. Villard, who was president of the North American and Northern Pacific companies, was conducting a bull campaign in their securities. He was absent in Germany during November, 1890, and his brokers, Decker, Howell & Co., were carrying a heavy line of his stocks. North American, which had sold above 47 a few months ago, was now below 27, Northern Pacific common had fallen from 39$\frac{1}{2}$ to 23$\frac{1}{2}$, and the preferred had dropped from 86 to 66; and, as the collateral which Decker, Howell & Co. could offer to the banks consisted chiefly of these stocks, the decline had subjected them to an unbearably strain.\footnote{They had notified Mr. Villard by cable on Sunday, November 9th, that they needed $825,000 immediately to save them from going to the wall. He had spent Monday in raising this money in Berlin, and cabled them the required sum at the day’s close, but the firm now discovered that it was insufficient.}

At eleven o’clock on Tuesday morning the failure of C. M. Whitney & Co. was announced on Change and weakness was speedily apparent in the market. Traders knew that even a larger house was in trouble. At 2 o’clock the announcement of the suspension of Decker, Howell & Co. came over the ticker. The firm had assigned to William Nelson Cromwell, and its liabilities were estimated at over $10,000,000. The high standing of the house gave its failure a most depressing effect, and the gloom was shortly accentuated by the news that three banks were in difficulties. While the market recovered after the worst was known and closed without heavy net loss for the day, “the Villards” were subject to great declines. North American Company, of which more than 97,000 shares were sold, fell to 17$\frac{1}{2}$ and closed at 17$\frac{1}{2}$ bid; Northern Pacific common sold at 16$,\frac{3}{4}$ cash, and closed at 17$\frac{1}{2}$ bid, while the preferred dropped to 55 and closed at 55 bid. Before the close a third failure on Change was announced—that of David Richmond.

The Clearing House banks convened at 2 o’clock, and for the seventh time in their history decided to issue Clearing House certificates, on bills receivable and other approved securities. Meanwhile a number of the banks combined to advance money to three institutions which needed to

Panic in “the Villards” marks a day of failures.
be helped through the Clearing House—the Bank of North America, the Mechanics and Traders Bank, and the North River Bank. The first two were able to meet their obligations on Wednesday, but the North River Bank, which had a capital of $240,000, closed its doors on that day, and there were two more failures on 'Change. Stocks, however, recovered with great rapidity. The leader was Union Pacific, which had sold at 42% two days before and closed at 48½ bid. Mr. Jay Gould and his associates had taken advantage of the slump to buy back the control of the road. Their generalship bore fruit early in the following year, when Sidney Dillon, a Gould man, supplanted Charles Francis Adams in the presidency.

William Rockefeller and four others were appointed a committee by the creditors of the North American Company to devise a means of keeping its assets from being thrown suddenly on the market. Despite this precaution its stock fell to $7 a share on Thursday. It then recovered four points. Friday was a day of heavy tendencies. On Saturday, November 15th, London prices came one to three points higher. Not long after the opening the New York market was stunned by the news that the great English house of Baring Brothers was going into forced liquidation.

The South American speculations fathered by Lord Revelstoke had at length done their work. To prevent the failure of Baring Brothers it had been found necessary to form a syndicate, headed by the Bank of England, to guarantee the acceptances of the firm falling due this day. The syndicate included several important rivals of the great house. The terms upon which their aid was conditioned involved the liquidation of the assets of Baring Brothers within a given time, and the rival bankers fell heirs to the business of the firm. Its liabilities were stated to be £21,000,000, of which acceptances accounted for £16,000,000, while its assets were reckoned at £24,000,000. The fund subscribed by the syndicate of guarantors was £10,000,000. The underlying causes of the trouble have already been detailed. It was precipitated by the action of the Russian Government, which, taking alarm at the fall in Argentine securities, had suddenly withdrawn £2,500,000 of deposits from the vaults of Baring Brothers and transferred the money to Berlin.

Stocks fell violently upon the receipt of the ill news from London, many issues reaching the lowest prices of the year on this unhappy Saturday morning. Atchison was the weakest of the list, dropping about five points,

1The Bank of North America had overcertified the checks of Decker, Howell & Co. to the amount of $900,000, and lacked that sum to make its balances good. It was contributed by nine banks, each of which advanced $100,000 to the Bank of North America over night. The Clearing House banks also lent $100,000 to the Mechanics and Traders Bank. They advanced to the North River Bank $119,000, of which $59,000 was repaid later in the day, but this institution was unable to furnish the remaining $60,000 on Wednesday . . . The Clearing House certificates were issued between November 12th and December 22, 1890, the last one being called in and cancelled on February 7, 1891.
to 23%, and then rallying 2½. This stock was made a target because Kidder, Peabody & Co., the American agents of the Barings, were identified with it. The New York house was perfectly sound. Toward the close the market, having wiped out a host of speculators, rallied as quickly as it had fallen. The day’s trading aggregated about 385,000 shares.

Three New York failures occurred on the following Monday and two on Tuesday without seriously affecting a market which had sustained a drastic purging. On Wednesday, November 19th, Jay Gould and Russell Sage, having bought control of the Pacific Mail Steamship Company in the course of the panic, entered its directorate, and George J. Gould was elected president. On the following day the prominent Philadelphia bankers, Barker Bros. & Co., failed with upward of $6,000,000 in liabilities, but the New York market was nowise affected. Friday, which saw the United States Rolling Stock Company forced into a receiver’s hands by the monetary stringency, also saw a genuine bear panic in stocks. The death of August Belmont, on November 24th, created no excitement, while only a slight recession accompanied the announcement on the following day that the Oregon Improvement Company had applied for a receiver. Fresh weakness prevailed early in December, however, as several mercantile concerns went to the wall under the influence of tight money, which interfered with collections. A recovery and a show of strength at the close ended the year.

GENERALLY speaking, 1891 was characterized by advancing values, good crops, and good business, while bulls and bears divided honors in the following year. Yet all the while the pernicious Sherman Silver Purchase law of 1890, which had supplanted the inflation of the Bland act of 1878 with another kind of inflation almost as bad, was undermining confi-

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Later in the year several of the stocks made new low figures. Louisville & Nashville sold at 65%, Missouri Pacific at 56, and Union Pacific at 42%, and there were other instances of the kind.
The Anti-Trust act had been in force since 1888, but its actual accomplishments in preventing the restraint of trade were small. The establishment of such a complete monopoly as the Standard Oil Company necessarily meant opportunity for great profits. The ambition and force of the men controlling this corporation swept all competition aside and, by giving them a clear field, gave them fortunes. Yet when they had built up their enormously lucrative business they were shrewd enough to conserve it by lowering the price of oil. The commodity was thus put within the range of world-wide consumption, the business of the Standard Oil Company grew by leaps and bounds, and John D. Rockefeller, once a grocer's clerk, became the wealthiest of living investors and the patron of religion and education.

But the great majority of the so-called trusts which arose in the eighties and nineties adopted a far different policy. They aimed to raise prices artificially. Their promoters had not the boldness to choke off competition by arson, bribery, highway robbery, or the like. They endeavored to stifle it simply by combining all possible rivals in one corporation, and then, instead of using the economies obtainable by consolidation to lower prices and thus broaden their markets, they endeavored to raise prices to artificial levels and keep them there. Doubtless the effort was a result of the issuance of watered stock, designed to sell at great profit to investors, for the managers of the corporations saw no way to pay dividends on inflated capital save by charging inflated prices. At all events the effect of the high prices was to encourage the very thing the trusts were formed to eradicate—competition. New rivals sprang up to undersell the would-be monopolists. Dividends on watered stock became no longer possible, and one trust after another went to the wall. The Standard Oil Company crushed its antagonists. The average trust distressed its own shareholders.

It took, of course, several years for the full effects of the industrial combinations to become visible. The trust movement was pronounced in the late eighties. The formation of the "Whiskey Trust" under the title of the Distillers & Cattle Feeding Company, with four times as much stock as represented the legitimate value of the combined plants, set a bad example.

\[\text{Andrew Carnegie, in an interview in the New York Times, published October 9, 1888, after denying that a combination existed in steel rails, had this to say:} \]

"The trust words that can be said about trusts are that no one has much cause to fear trusts except him that goes into them. There is no possibility of maintaining a trust. It is bound to go to pieces sooner or later and generally to involve in ruin those foolish enough to embark in it. It is successful for a time and undue profits accrue, competition is courted which must be bought out, and this leads to fresh competition. And so on until the bubble bursts. And the article which it was proposed for years to enhance in price is made for years without profit, and the consumer has his ample revenge. When you find me trying to organize a steel rail trust, set it down that softening of the brain has begun."
in 1887. The Cottonseed Oil Trust had preceded it, and it was followed by many other combinations. Before the close of 1888 they attempted to monopolize beer, bluestone, chemicals, clay sewer pipe, coke, copper, fruit, gas, guns, hides, jute, lead, linseed oil, lumber, matches, nails, paper, peanuts, rice, rubber, salt, sashes and blinds, school slates, silk, soap, sorghum, spool thread, steel rails, storage warehouses in Brooklyn, and sugar. New implements of speculation were furnished by the securities of industrial companies. The speculation became excessive and tended to alarm conservative men. They were further disturbed by the efficacy of the Sherman law in depleting the Treasury reserve and by the strenuous efforts of free coinage adherents in Congress to throw this country upon a silver basis.

The United States raised 650,000,000 bushels of wheat, 2,075,000,000 bushels of corn, and 8,250,000 bales of cotton in 1891, and produced 40,000,000 tons of anthracite. With these sound bases to work upon, general business was good, though foreign commerce was restricted, both imports and exports falling below those of the year next preceding, while the balance of trade remained against the country. Improved conditions stimulated and increased Stock Exchange business. The formation in January of the Western Traffic Association, headed by President Roswell Miller of the St. Paul road, helped the market. Hard times in the West, prevalent by reason of the crop failures of 1890, failed to depress securities, which also resisted the efforts of silver men to get a free coinage bill enacted and of Nebraska legislators to pass measures limiting freight rates. Favorable American crop reports and news of foreign crop failures started a good rise in April. Speculation grew fairly brisk, and was characterized by erratic movements in the industrials. In May, 1891, began the outflow of gold which was necessary to pay for our heavy importations of the previous year. It was drifting toward Russia, which was then accumulating metal for the purpose of loan repayments. The efflux unsettled the situation and checked the rise. By July the silver question was already beginning to awaken apprehension, and satisfactory crop reports met no further response. In August and September, however, the market improved again. Gold began to return. Russian peasants were starving in consequence of poor crops and setting fire to their houses to get into jail, but American farmers were prosperous. The splendid corn crop brought disaster to Mr. S. V. White, who ended a bold operation in corn by announcing his suspension on September 22d. He was said to be carrying between 10,000,000 and 12,000,000 bushels of the staple, which had fallen seventeen cents in three weeks. Mr. White eventually got upon his feet again, made a new fortune, and paid off his debts.
The passing of the Missouri Pacific quarterly dividend on September 24th caused a ten-point break in the stock, carrying it to 65, and depressed the whole market. Prices rallied early in October, however, and sustained with composure the bad failure of a prominent Boston house, Irving A. Evans & Co., and the subsequent downfall of the Maverick National Bank of Boston, incidents both highly flavored with scandal. On November 3d the Democrats swept New York, Roswell P. Flower defeating J. Sloat Fassett for Governor, and shortly afterward the market yielded to a bear raid but recovered sharply. The year ended in a bull triumph tempered by two adverse circumstances, a Stock Exchange failure and the attempt of a dynamiter on Russell Sage’s life. The failure, which occurred on November 27th, was that of Field, Wiechers, Lindley & Co. The head of this firm, Edward M. Field, had become deranged and his firm had indulged in hypothecation of securities in its care, a fact which gave the failure an ugly look. Mr. Field was committed to an asylum. His father, Cyrus West Field, the originator of the Atlantic cable, received a fatal blow in this disaster, and died in the following July.

On December 4, 1891, Russell Sage’s office, in the old Arcade Building, was entered by Henry L. Norcross, a young man presumably insane, who demanded a huge sum, and upon Mr. Sage’s refusal exploded a dynamite bomb, killing himself and wounding other persons. William R. Laidlaw, a clerk who chanced to be in the office, acted as a human shield for Mr. Sage, and eventually sued him for damages without success. Mr. Sage was only slightly injured by the force of the explosion. The excitement caused by the episode had an evanescent effect. Bear raiding of the market and an erratic performance in Whiskey Trust shares characterized the first month of 1892, and in February the coalers experienced a general rise. It preceded the most important announcement of the year—that of the McLeod anthracite combination. Archibald Angus McLeod was the president of the Philadelphia & Reading Railroad. A few years previous he was the manager of a little New York State railroad owned by Austin Corbin. Mr. Corbin had brought him to the Reading system, and his display of energy and capacity ultimately made him Mr. Corbin’s successor as president of the road. His administration was apparently most prosperous. He had gained powerful friends, chief among them Mr. J. Pierpont Morgan, and led a clique of intimates whose faith in him was such that he seemingly induced them to

Irving A. Evans, widely known as “Nervy” Evans, was Boston’s most prominent operator. He ruined his firm by injudicious speculations, and killed himself on October 16th, at Allenstown, New Hampshire. The Maverick National Bank, which had a capital of $400,000, closed its doors fifteen days later. Its president, Asa P. Potter, was a friend of Mr. Evans, and was accused of having involved the bank in the latter’s ventures. He was arrested, indicted on a charge of false certification, bogus entries, and other violations of law, and was convicted in February, 1893. He obtained a new trial and was acquitted in the following September.
invest their means at his discretion. Among his bright ideas was a project to enhance the price of coal by monopoly. He succeeded with Mr. Morgan's aid in negotiating a lease to the Reading of the Lehigh Valley and New Jersey Central roads. While his plans were being carried out the coalers boomed. Reading, which sold about 40 when February began, ran from 57½ to 65 on February 11th, the day the great scheme was announced, and trading in the issue on this occasion exceeded 530,000 shares in volume. The new combination included an arrangement by which the Reading interests were enabled to manage the coal business of the Delaware, Lackawanna & Western Railroad. It was estimated that the monopoly controlled about eighty-five per cent. of the country's total anthracite production. A lease arrangement enabled Mr. McLeod to escape the hand of the Interstate Commerce law. But public opinion was aroused by his plan to advance the price of coal, and the New Jersey State authorities took action against the New Jersey Central. In August it was forced to cancel its lease to the Reading, and withdrew from the combination. Meanwhile Mr. McLeod was laying fresh schemes for the Reading and preparing to run it into its third bankruptcy.

Late in February there began an outflow of American gold which became the prominent financial feature of the year and threw a damper on all speculation for the rise. There were sporadic jumps in industrials, National Cordage stock being a leader, but little in the way of a steady bull movement took place in 1892. Money was a glut in the market, through the plentiful supply of Treasury notes which the Sherman Silver law ground out each month. Silver bullion fell in April to 85 cents an ounce. Every succeeding week increased the public apprehension that these notes, which had nothing behind them save the Government credit and depreciated silver, could not be sustained on a parity with gold. The great exports of the last named metal throughout the year were not susceptible of explanation by the movement of trade. They were largely due to European sales of American securities, inspired by distrust of our finances. While Europe was throwing over our stocks American statesmen were endeavoring to justify her course. The free silver party was fighting hard in Congress, and on July 1, 1892, a bill providing for the absolute free coinage of silver passed the Senate, aided by the vote of Senator David B. Hill of this State. The measure was killed in the house, but the growing strength of the silver party excited just alarm.

However, the market was moderately firm throughout the summer, though financiers were anxious, the iron trade was depressed, and the low price of cotton was making times hard for the South. A heavy speculation in New York & New England Railroad stock came in September. October
was distinguished by tighter money, incident to the crop-moving period, by a crash in Whiskey Trust shares, and the virtual break up of the Western Traffic Association. On November 8th the people expressed their dissatisfaction with prevailing conditions by returning the Democratic party to power. President Harrison was defeated for re-election by former President Cleveland. The market was rather soft on the following day, weakness being most apparent in the industrials. Later in the month gold exports were resumed and the bears gained still more control of the situation.

On Friday morning, December 2, 1892, Jay Gould died. The public had known that he was ill, but his death was a surprise. Mr. Gould was a victim of phthisis. He had been going down hill for many months, though the fact was hardly realized. A severe cold which he contracted while taking a ride on the day before Thanksgiving had produced a hemorrhage, and brought his remarkable life quickly to an end. He left a fortune estimated at between $70,000,000 and $100,000,000, only a small portion of which he had ever been able to enjoy. His death removed its greatest actor from the New World's financial stage, but resulted in no shock to public confidence. In the week ending December 11th the Gould stocks were strong, a gain of 2% points being credited to Missouri Pacific, one of 5% points to Manhattan, and one of 5¼ points to Western Union. Manhattan, which sold at 138 on the day after Mr. Gould's death, closed that year at 155½.

The general market was rather weak during the remainder of December, with sharp breaks in Chicago Gas and Whiskey Trust shares. Rumors affecting the credit of Reading exerted a depressing influence. The Street seemed to apprehend that Mr. McLeod was coming to the end of his career. Perhaps, also, it had some vague foreknowledge of more serious trouble in store.

1The official appraisal of the Jay Gould estate, made for the purpose of the inheritance tax, was $72,000,000.
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EW intelligent and dispassionate observers of public affairs in America will dissent from the statement that our currency system is reasonably sound to-day and — politics apart — free from the menace of serious disturbance. The records of finance show us that, from a time antedating the birth of the Nation till the close of the Presidential campaign in 1896, our people had one long struggle to establish and preserve a sensible, adaptable currency. Periods of truce alternated with periods of bitter contest. To-day, the money system, if short of perfection, is in good working order. It may permit of too violent fluctuation in interest rates, but it is not easily made a vehicle of panic. Those who would make it such were taught a lesson that should serve for at least one generation.

During the period now to be considered the champions of inflation made an open and alarming campaign. They enjoyed a temporary and malign success while the Sherman Silver Purchase act of 1890 remained operative. When Mr. Cleveland killed this measure they began to lay plans industriously for the enactment of a far worse law. Whether they were winning partial triumphs or threatening to win complete ones, the effect on the business world was the same — distrust, at home and abroad, of our currency crippled trade; gold left our shores in an almost steady stream, and the vision of National insolvency hovered in the minds of half our people.

Here lay the chief cause of the panic of 1893, although it was due in

1 Deficiency in the crops may be thought to have played a part in the depression of 1893. While 1892 was an indifferent crop year, 1893 was a decidedly poor one. The following table, showing the production of wheat, corn, cotton and oats in both years, will be of interest:

<table>
<thead>
<tr>
<th></th>
<th>Wheat</th>
<th>Corn</th>
<th>Cotton</th>
<th>Oats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1892</td>
<td>515,949,000 bushels</td>
<td>1,628,464,000 bushels</td>
<td>6,700,365 bales</td>
<td>661,035,000 bushels</td>
</tr>
<tr>
<td>1893</td>
<td>396,131,725 &quot;</td>
<td>1,619,496,000 &quot;</td>
<td>7,549,817 &quot;</td>
<td>638,854,850 &quot;</td>
</tr>
</tbody>
</table>

In connection with these figures it should be remembered that the panic of 1893 was well advanced before the crop prospects for the year could be definitely realized.
some measure also to "trust methods" and their accompanying evils—the overcapitalization and foolish management of industrial companies, and overspeculation in their shares. Inasmuch as this disturbance came on while one political party was yielding the reins of power to another, and while the people were expecting a change in tariff systems, uneasiness concerning the possible effects of such a change intensified the trouble.

If we regard currency as the life blood of trade, and remember that varying degrees of illness are produced by blood disorders, we get a clear idea of the main cause of the panic. When the Bland act was passed in 1878 the country began the regular purchase of $2,000,000 worth of silver a month and its conversion into American dollars. Each of these dollars was worth less than its face value and was made acceptable at that value by the utilization of the government's credit. With every succeeding month the strain upon that credit grew and the difference between the volume of money needful for trade and the volume of money authorized was widened. These dollars began to pile up in the Treasury vaults. The people thought them good things with which to pay taxes.

For more than twelve years this process continued. Then something worse was substituted for it. The Sherman Silver Purchase act of 1890 compelled the purchase of a great amount of the white metal—about 140 tons a month—and the issuance in payment therefor, after July 1, 1891, of Treasury notes. These notes as well as the greenbacks (of which some $346,000,000 were in circulation) were redeemable in coin. The Government very properly interpreted "coin" to mean "gold," being bound by law to maintain the parity of the metals on the established basis of sixteen to one. It therefore had outstanding an immense and continually growing volume of paper liabilities, and for their redemption held a stock of gold, already far too small and constantly diminishing. When a Treasury note was redeemed, the Government, instead of cancelling it, was forced to reissue it, in consequence of which the same note might be redeemed in gold many times. Thus was formed the "endless chain" which drained the Treasury of its stock of the precious metal.

Under these conditions gold exports became alarmingly large in the Summer of 1892, despite the fact that the trade balance was substantially in our favor. Europe, which for years had supplied us with working capital by purchasing our securities, was now withdrawing it, and we were obliged to ship gold to buy back those securities as they returned to our market. The action was analogous to that of a bank which, having advanced funds on the shares of a corporation, finds that it is hazardously managed.

\[\text{Between the date when the Sherman act became operative and July 1, 1891, the Secretary of the Treasury issued no notes for payment of the silver purchased, but coined 2,000,000 ounces of it every month.}\]
Europe feared that the Sherman act would eventually force us to a silver currency basis, which would mean the payment of all our obligations in dollars worth about sixty cents apiece. Early in 1893 the spectacle of gold flowing steadily to Europe produced a grave distrust at home. A great part of this gold was taken for shipment from the Treasury vaults. While the reserve diminished individuals began to hoard their funds. Credit contracted as the feeling of disquietude spread, and the resultant injury to business at length reached the extent of a commercial panic.

Coincidently the large industrial corporations discovered that it is one thing to water stock and quite another to pay dividends on it. The system of overcapitalizing industry to fatten promoters' purses, throttling competition and artificially raising prices, broke down. This result was hastened by the monetary stringency which our defective currency brought on. But it was due sooner or later, irrespective of the Sherman act.

Wall Street usually is ahead of the country in detecting a change in business conditions. It discounts the coming of adversity as easily as a return of good times. Early in 1893 the decline of security prices gave warning of coming misfortune. The Philadelphia & Reading collapse was the first of a calamitous series of bear triumphs which came to an end on the last day of July. Mr. A. A. McLeod, president of the Reading road—which had been reorganized in 1887—was currently believed to have won a permanent prosperity by the touch of veritable genius. Through leases of the Central Railroad of New Jersey and the Lehigh Valley he had obtained an outlet for his system to New York, and by his anthracite combination of 1892 had secured a commanding and presumably advantageous position in the hard coal carrying trade. Meanwhile he was assuming large new commitments in order to extend the sphere of Reading's influence through New England. McLeod and his friends were in fact buying up the control of the New York & New England Railroad. The shares of that property were being carried on borrowed money. The Reading road itself was a heavier borrower of funds with which to carry on its coal business. Its obligations apparently were based on the assumption that profits never would fall off. As earnings decreased and the growing difficulties of the money market made the property's floating debt hard to provide for, its stock began to

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1New York & New England stock was a favorite speculative football. For years it used to advance sharply before each annual election, on rumors of “buying for control.” The road, which was a reorganization of the Boston, Hartford & Erie, ran between Boston, Massachusetts, and Hopewell Junction, New York, with branches through Connecticut and Rhode Island, about 538 miles being comprised in the system. The company furthermore owned a line of steamers between New York and Norwich. It had stock outstanding to the amount of $19,809,000 and a funded debt of about $16,000,000. Mr. McLeod succeeded Charles Parsons as president of the company on March 14, 1893. His ambition was gratified at the expense of antagonizing Drexel, Morgan & Co., who had planned the eventual transfer of the New England road to the New York, New Haven & Hartford.
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decline in value. In January the road had issued a statement showing earnings sufficient to pay interest on its mortgage and income bonds and leave a surplus on the stock. At the beginning of February it was virtually bankrupt. New York and New England stock, which the McLeod pool had hypothecated their Reading securities to carry, was lamentably weak. The conditions meant an inevitable misfortune for the clique. They were forced to throw over something in the absence of a plentiful supply of money. Apparently they chose to sacrifice their Reading stock.

The Philadelphia & Reading earned $10,495,174 net in 1892, making a yearly surplus of $3,157,147; and in 1893 it earned $9,459,423, showing a deficit of $606,694. Its statement issued November 30, 1892, showed $39,830,361.78 outstanding in common stock, $138,152,171.83 in mortgage obligations, and total liabilities of $232,629,997. The statement of a year later showed stock to the amount of $40,141,361.78, total liabilities of $256,732,698.99 and a system of 2,222.7 miles.

On February 17, 1892, the storm broke. Reading fell from 46½ to 40%, and closed at 40% after sales of 392,230 shares. New York & New England dropped about five points, to 41%, and rallied to 43½. A terrific mass of Reading stock was hurled upon the market on the following day, Saturday—more than half a million shares changing hands—and the price fell to 36%, with a trivial recovery. On Monday, the 20th, Senator Platt brought a friendly foreclosure action against the company, in the United States Circuit Court, and Judge Dallas promptly put it into receivers' hands. The dealing in the stock this day created a new record for activity in any single issue. In the first fifteen minutes 196,400 shares changed hands, the sales amounting to 515,625 shares in the first hour and to 957,955 shares in the day's trading. It must be borne in mind, however, that Reading is a half-stock, each share having the par value of only $50, so that two shares of it must be counted as but one in any computation of the amount of business transacted. Naturally, the record for activity in the general list was broken, the total sales aggregating 1,473,953 shares of stock, and bonds to the par value of $6,020,000. Reading stock was driven down to 28 and made a slight recovery. It sold at 25½ one week later.

The market was of course weak, and excitement was intense during this disturbance. Irrespective of the Reading fiasco, conditions all favored a

1 The McLeod pool included George M. Pullman, United States Senator Thomas C. Platt, Thomas Dolan, and Samuel Shipley; and, according to reports, Senator Platt's United States Express Company had obtained the express business on the Reading lines formerly carried on by the road's officials. Mr. Platt held $55,000 of Reading third preference bonds, and sued to foreclose the property on the ground of a default in the payment of his coupons.

2 The receivers were A. A. McLeod, E. P. Wilbur, president of the Lehigh Valley road, and Judge Edward M. Paxson of the Supreme Court of Pennsylvania, who resigned his official post to accept the appointment.
decline. The balance of trade had turned and was now greatly against us, our exports being far less than those of the preceding period of 1892, while our imports had increased extravagantly. The currency question was already productive of the gravest concern. Evidence was not lacking of corporate mismanagement, and railroad earnings were poor. It was in this month that the stockholders' investigating committee of the Northern Pacific road issued a report severely attacking the administration of the property's affairs. Mr. Henry Villard had returned to the presidency of the company, but fresh opposition to him developed at this juncture, and he resigned office later in the year.

On March 4th the reins of government passed into Democratic hands. Mr. Cleveland's inaugural contained a strong attack upon monopolies, which tended to unsettle values, but a far more serious trouble lay in a problem bequeathed him by the preceding administration—the problem of saving the Treasury gold reserve. The amount of free gold had fallen to $982,410 on the 3d, the day on which John G. Carlisle became Secretary of the Treasury. His predecessor, Charles Foster, had barely escaped an impairment of the reserve—in other words, its fall below $100,000,000—by obtaining $8,000,000 in gold from New York bankers in exchange for United States notes. All thoughtful men saw that this method of relief could not be employed indefinitely. Meanwhile Europe was rapidly calling in the working capital she had lent us. Almost every ocean liner that left this port was carrying American gold to her in payment for American securities and foreign merchandise, and the shipper's most convenient source of gold was the Treasury. Call money rates rose to fifty per cent. in the first half of the month, but their sudden recession to normal figures on the 17th, coincident with the renewal of certain sterling loans, relieved the tension, and a rise in stocks marked the latter part of March. Yet the stream of gold exports was continuing, the discount rate in mercantile bills had risen to ten per cent., and the monetary stringency had started that large chain of commercial failures which made 1893 a year of misery.

Mr. Carlisle at first succeeded in replenishing the reserve by the same plan which Mr. Foster had employed, inducing the banking community to give to the Treasury gold in exchange for other forms of currency. But
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continued withdrawals speedily reduced the precious stock. On April 15th the free gold had fallen to $1,850,000, and for the first time since the passage of the Sherman Act the issuance of gold certificates in return for bullion deposits was suspended. On Monday, the 17th, the market grew weak again, largely influenced by a break in Manhattan, which tumbled from 159 to 148%, and four days later the large Pennsylvania Steel Company went into a receiver's hands, as a result of the stringency. This day Mr. Carlisle issued a public statement that he would redeem the Treasury notes in gold as long as he had gold "lawfully available for the purpose." The publication of his words on the following day, April 22d, produced a most disquieting effect. Many persons inferred that the Secretary intended to stop redeeming these notes in gold if the reserve should fall below the $100,000,000 mark. The result was a rush to withdraw the metal from the Sub-Treasury in New York, and the reserve was impaired for the first time, falling to about $97,000,000. President Cleveland met the emergency by a decisive statement that the Government would continue to pay gold for Treasury notes. Its publication on Monday, April 24th, allayed the public distrust and checked gold exports, sterling exchange dropping at once. Through the aid of New York bankers, whom Mr. Carlisle came to this city to meet, the reserve was again raised above the reputed safety mark. But the time was short indeed before the export drain made further inroads on the Treasury stock.

With the month of May the process of liquidation in the stock market became quite rapid, but it was as yet chiefly confined to industrial issues. So far as international stocks were concerned the heaviest selling had come from London. Englishmen not only were moved by fear of financial catastrophe here, but were wincing almost daily at news of severe distress in Australia, where banks had been falling like bricks in a row. The sixth bank failure since the year's beginning occurred on Monday, May 1st, and the same day witnessed the breaking up of a foreign coffee corner with resultant disaster to thirty firms scattered through Havre, Antwerp, Rotterdam and Hamburg, and the failure of a large Liverpool sugar house. In this city the calling of loans incidental to dividends and interest disbursements carried money to twelve per cent. The entire securities list receded sharply during a session of great activity.

The weakest issues on this day were those of the National Cordage Company—a fact due to the public announcement that the corporation would put out new preferred stock to the amount of $2,500,000, at par, to provide working capital. In the existing condition of the money market this incident was aggravating. It aroused all the more bitter criticism because the Cordage Trust had but lately doubled its common stock, and
had paid a quarterly dividend on the inflated capital. To follow such an extravagant display of self-satisfied prosperity with an actual demand for fresh working capital took away the breath of conservative men. The Street concluded that there was "something rotten in the state" of this corporation. Its common and preferred shares poured upon the market, and the artificial values of these issues melted rapidly away. Cordage Common, which had sold at 75 a few months previously and had closed on Saturday at 57%, fell on Monday to 49%; it rallied about two points and a half, evidently on short covering. The preferred stock—which masqueraded as an eight per cent. investment—dropped to 99%, a decline of 4% from Saturday's close, and was finally quoted at 99% bid. On the following day there was renewed weakness in the general list, and the Cordage Trust issues resumed their journey downward. Closing prices were 50 for the common and 98 for the preferred.

The National Cordage Company was admirably typical of the so-called monopolies produced by the inflation craze of the period. It had been started three years earlier by ambitious promoters who thought it both easy and profitable to control the twine manufacture of the country. The first flush of prosperity had induced its managers to water its capital and distribute its assets in dividends, while they urged their friends to invest every spare dollar in the new Golconda. For a time the management, like a circus performer bestriding two horses, seemed to have the campaign in Wall Street and the business of the company under equal control.

It was in the beginning of May, 1893, that the unhappy denouement took place. The National Cordage Company had to expect an annual period of strain just before summer, and this year its resources had been too severely drawn upon to stand it. The market position of the stock was as weak as the company's administration. Mr. Waterbury, the president, had a large acquaintance among fashionable and wealthy young men who were well disposed towards picking up a profit in Wall Street. Many

1 The National Cordage Company was organized in 1890 and took in most of the twine concerns in the country, frequently using a policy of threats to induce them to enter the combination. It had $10,000,000 of common stock, on which it had paid nine per cent. in 1891, and ten and a half per cent. in 1892, and three per cent. in February, 1893, when it doubled the number of common shares outstanding; soon afterwards declaring a quarterly dividend of one and a half per cent. on the entire $20,000,000. The preferred stock, which paid eight per cent., amounted to $5,000,000. James M. Waterbury was the president, and Frank T. Wall and Chauncey Marshall were the vice-presidents, of the company.

Foremost among the Cordage Trust's competitors was John Good, a rival who was rendered formidable by his control of valuable patents and his thorough acquaintance with the business. When the trust was formed an arrangement was made to restrain Mr. Good's activities. The sum of $200,000 was paid him yearly to remain idle, and an option was taken on his plant. In April, 1892, he formally notified the trust that he considered their compact no longer binding, and that he proposed to re-enter business. Thereupon he formed the John Good Cordage & Machine Company, with a capital of $2,000,000, and resumed the making of twine. The National Cordage Company began a rate war with Mr. Good, which he could stand, but which the corporation could not. The high prices it had paid for some of the mills it took in made a weak spot in its armor.

2 Inasmuch as summer was the active market season for binding twine and cordage, it was necessarily preceded by heavy outlays in manufacturing without immediate compensation.
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of them had been induced to "go long" of a large quantity of Cordage. The whole set were bulling it—the stock was too good to sell. Their buying had raised the prices to artificial levels, and when an ill turn in the company's affairs made it advisable to market the securities the buying power had been virtually exhausted.

When the banks began calling loans on Wednesday, May 3d,1 and thereby started a flurry in industrials, Cordage Trust issues were the weakest of the weak. The common plunged from 49% to 35%, and rallied but a point and a half, while the preferred fell to 83, and was vainly offered at 82 at the close. Chicago Gas dropped from 81 to 68%, and rallied about two points this day, while Sugar, after opening at 96, about a point below Tuesday's close, fell to 89% and made but a trivial recovery. On Thursday the industrial market reached a panicky condition, though railroad issues were comparatively firm. The rate for call loans on industrials ran up to twenty per cent., while call money was still obtainable on railroad collateral at six. Cordage shares, in which there was great activity, plunged rapidly downward, the common tumbling from 37 to 18%, and closing at 20, while the preferred declined from 78 to 65, and rallied two points. Manhattan fell ten points, to 125, and Burlington receded four points and a half, but weakness was mainly centered in the industrials. Sugar dropped to 83, and General Electric to 79%, the prices involving a loss of more than twenty-one points, since April 28, in each of these issues. About twenty minutes after the opening the suspension of Henry Allen & Co.,2 a direct result of the Cordage decline, was announced. A short time later the names of Bernard L. Smyth & Co., and Schuyler Waldron, were read from the rostrum. They, too, had been drawn into the Cordage whirlpool through the action of customers unable or unwilling to meet obligations. Late that evening the directors of the National Cordage Company met at the Front street office of the corporation and, after considering its inability to repay a bank loan of $50,000, decided to apply for a receivership. The news of the appointment of the receivers—George Weaver Loper and E. F. C. Young—confronted Wall street on the following morning.

It was on this day, Friday, May 5, that the "White panic," the most exciting event of the year, took place. Mr. S. V. White, who had for long months been bringing his conspicuous pluck and ability to bear on the task of paying up old debts, was compelled to announce his fourth suspension. He had made money rapidly

1 There was one failure on 'Change this day—that of A. H. Wheeler—the first occurring since the establishment of the Stock Exchange Clearing House on May 17, 1892.

2 Henry Allen & Co. were understood to be carrying 40,000 shares of Cordage common, bought at 60, and to have been depending upon a loan of $200,000 to be furnished by the National Cordage Company's president, James M. Waterbury. Mr. Waterbury had become too deeply involved to help any one. He had heavily endorsed the company's notes, and, when they fell due and could not be renewed, he was compelled to face a ruinous loss.
through the winter, but had suffered a recent and disastrous loss in the fall of Whiskey Trust shares. With weakened resources he had conducted extensive bull campaigns in Sugar and Manhattan, and, it is said, placed undue reliance on the fidelity of a coadjutor intimately associated with the management of the American Sugar Refining Company. The tendencies of the year made but one outcome possible. Mr. White had added to his funds by the liberal sale of "puts" on his favorite stocks. As the market dropped, these outstanding privileges increased his financial peril. He made public his defeat shortly before eleven o'clock on this Friday morning. The Exchange immediately became a scene of fierce excitement. The bears jumped at their opportunity to uncover weak spots, and a mountain of long stock, thrown suddenly upon the market, made their success easy. Visitors packed the gallery, fascinated by the spectacle of struggling crowds below, or pale with apprehension of personal ruin. The failures of Ferris & Kimball and of W. L. Patton & Co. were announced not long after that of Mr. White, and the wires brought speedy news of similar trouble in Boston. A rapid rise in call rates of money to forty per cent. facilitated the selling movement.

About one o'clock, the liquidation having spent itself, the bears began to cover, and stocks rose well nigh as rapidly as they had fallen.¹ Cordage common, which had opened at 19 and fallen to 15½, rallied about 6 points, while the preferred, after declining to 45, recovered as sharply and closed at 59 bid. Other fluctuations were as follows, the high prices having been made early in the day:

<table>
<thead>
<tr>
<th>Stock</th>
<th>Opening</th>
<th>High</th>
<th>Low</th>
<th>Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar</td>
<td>85</td>
<td>86½</td>
<td>62</td>
<td>79½</td>
</tr>
<tr>
<td>General Electric</td>
<td>80</td>
<td>84</td>
<td>58</td>
<td>78½</td>
</tr>
<tr>
<td>Chicago Gas</td>
<td>74</td>
<td>74¾</td>
<td>59</td>
<td>72%</td>
</tr>
<tr>
<td>Manhattan</td>
<td>126</td>
<td>130½</td>
<td>115</td>
<td>128</td>
</tr>
</tbody>
</table>

Mr. White bore his misfortune with philosophic calm. He was able in time to resume active operations, but never on the scale to which he had been accustomed in the days of the Lackawanna "squeeze."

By a curious paradox, early in May, while the country as a whole was suffering from monetary stringency which was producing a terrible series of bankruptcies, and while lenders upon securities were injuring the price of industrial shares by discriminating against them, the call rates in Wall street still remained low. This fact accounts for a brief period of firmness

¹The violence of the decline and recovery was illustrated by the experience of a broker who received an order, when General Electric had fallen to 70, to sell 500 shares of that stock. Upon reaching the General Electric trading post he found that the price had fallen twelve points more to 58, and he offered his stock at that figure. The best bid was at 53, and the broker turned away momentarily to execute another order, rather than sell the stock at such a sacrifice. Returning almost at once to the General Electric post, he heard some one shouting, "Nine for a hundred." He disposed of his 500 at "nine," and then discovered to his astonishment that he was getting 69, not 59, for the stock. Afterward it ran promptly up to above 80.
in the middle of the month, existing in the face of continual gold exports. Bad news of all sorts kept pouring into the city day by day. The failure on May 9th of the Chemical National Bank of Chicago precipitated the downfall of two other institutions soon afterward—the Columbia National Bank of Chicago and the Capital National Bank of Illinois. The president of the Columbia Bank—Zimri Dwiggins—had formed a chain of dependent banking institutions in Indiana, and these went speedily toppling over.  

A few days later the largest loan company of Minnesota—the Northwestern Guaranty Loan Company—succumbed to the influence of tight money, while three more Australian bank failures induced London selling in our markets. The Archer-Pancoast Manufacturing Company, one of the foremost makers of gas and electric light fixtures in the United States, went to the wall with liabilities estimated at $1,000,000. The industrial situation was further disturbed by a sharp break in Whiskey Trust shares. The Attorney General of Illinois began an action against the Distillers & Cattle Feeding Company, and almost immediately afterward five of the Trust's largest distilleries broke away from the combination because of nonpayment of rentals due the owners.

The latter part of May ended badly for the bulls, in consequence of a succession of reported difficulties. There were several fresh bank failures (among others that of a small institution in this city, the National Bank of Deposit), but the circumstance most depressing in effect was the financial ruin of Charles Foster, Secretary of the Treasury under Mr. Harrison. In his official capacity Mr. Foster had advocated the passage of the Sherman Silver Purchase act. Nemesis had decreed that he should be numbered among its early victims. It was his inability to obtain the usual monetary accommodations that carried down the bank of Foster & Co., and the various industrial concerns of Fostoria, O., with which the ex-Secretary was identified. His prominence accentuated the gloomy effect of the disaster.

On the 3d of June the long drain of Treasury gold imposed by the incessant shipments of bars and eagles to Europe forced a shrinkage of the reserve to a new low record point, and three days later a sharp tightening of call rates ended Wall street's enjoyment of easy money. New York had heard a cry of distress from the west, and currency was whirled away into the interior at the rate of $8,000,000 a week. The chief trouble was in

1 In connection with these bankruptcies, it is worth noticing that Mr. Eckels, the Comptroller of the Currency, expressed the opinion, in a newspaper interview published on May 20th, that the causes of the bank failures of the time were bad management and speculation.

2 The reserve stood at $89,931,217 on this day. Exports of gold since the beginning of the year had amounted, by June 3d, to more than $67,000,000. Furthermore, in the first twenty weeks of 1893 our imports of merchandise had exceeded merchandise exports by about $53,000,000.
Chicago, where a new series of heavy failures had frightened the public. The streets on which Chicago savings banks fronted were thronged with scared depositors, and paying tellers stood for long weary hours counting out currency, which New York was called on in large measure to supply.¹

The Chicago savings institutions weathered the storm. A week later a run on the savings banks of Omaha took place, following the news of two failures there. Similar trouble was threatened in Detroit, where bank officials issued a joint circular to depositors beseeching them to be calm.

Meanwhile the New York stock market was still giving way. Prices in the early part of June kept sagging steadily, but the dulness of the market prevented a sudden break. An atmosphere of gloom had settled over the entire country. The stream of gold exports had at last been checked, yet no one seemed able to take a cheerful view of the future. Day after day developed a fresh cluster of mercantile failures, with here and there the downfall of a bank, and brought home to thinking men the extremity of the situation.

With these circumstances the Clearing House Association decided to protect the banks by a resort to a well tried and trusted expedient—the issue of Clearing House loan certificates to members.² This step was taken on June 15th, and for a considerable time afterwards the banks all limited their payments of currency for checks in such fashion as the period required. It was generally realized that, while they had no legal right to do this, their stand was abundantly justified. The condition in effect was one of partial suspension of currency payments. It speedily resulted in the creation of a new sort of business—that of dealing in bank checks. Certain Wall street offices were soon actively engaged in furnishing currency to persons who were willing to give a premium for it, making their payments by check.

London commenced to rebuy our securities a month or two before the low price level was reached. In mid-June quite heavy purchases by Englishmen turned the foreign exchange account in our favor. As exchange declined Wall Street's spirits revived, and when, on June 21st, the announcement was made that half a million in gold had been engaged for import, stocks had a moderate rally. Soon afterward weakness was engendered by new bank failures, and on June 26th the market received a blow which

¹ The failure at this time of the Kansas Grain Company of Kansas City—an important grain buyer—and of banks in Spokane, Washington, and Sandusky, Ohio, increased the feeling of apprehension in Chicago.

² These certificates bore interest at the rate of six per cent. In all, $41,490,000 of them were issued, a larger amount than had been put out in any previous year. Between August 20th and September 6th there were outstanding $38,280,000 of these certificates at one time. On November 1st the last of them was cancelled.
materially quickened its journey toward the bottom. This was the closing of the Indian mints to the free coinage of silver. The announcement of the India Council's decision, made to Parliament by Mr. Gladstone and the Earl of Kimberley, produced a world-wide shock. To this country it came with most unhappy significance. The decline in silver which it foreshadowed was destined to cripple an important mining industry in the
West and to increase the strain upon the Government's credit—a strain which had already plunged the country into a commercial depression. Silver bullion,¹ which was worth $1.25 cents an ounce on the 24th, fell to 77 cents on the 26th, to 68½ cents on the 28th (a day marked by pronounced weakness in stocks and one failure on 'Change), and to 62 cents on the 29th, when call money ran up seventy-five per cent. and was promptly lowered to three per cent. by the concerted action of the banks, which took out $5,000,000 in loan certificates. President Cleveland realized that the new feature of the financial situation made it inexcusable to delay the repeal of the Sherman Act. Accordingly, on June 30th, he issued a message calling an extra session of Congress to convene on August 7th, for the alleviation of the country's financial distress.

Throughout the summer of 1893 the current news abounded with reports of bank and mercantile failures in every section of the United States. Everywhere credit was fearfully contracted. Merchants and manufacturers were forced to the wall in thousands, by inability to get the monetary accommodations to which they were used and on which they depended. With every fresh failure the huge army of unemployed men was swelled, and solvent concerns suffered from the lessened resources of the public. In New York City and in Denver—where 15,000 men were discharged by railways, mines and factories because of the silver depression—rioters proclaimed their hunger in the streets and bloodshed was frequent. The stock market could not, of course, withstand the tendencies of the hour. Prices sagged when they did not break. The weakness of stocks was accentuated by an active bear party, which was reaping a harvest out of the panic. Of these the most conspicuous was H. G. Weil, whose method in depressing prices incidentally earned him a year's suspension from the Exchange. There was a sharp break on July 11th, and a still sharper one—amounting to from 2 to 8½ points in the leading stocks—on the 18th, when a financial scare in London was the factor of chief influence. A crash in Denver, where thirteen savings banks went to the wall, and failures in Milwaukee were among the current misfortunes. On July 25th the Granger stocks were hit by the downfall of the Wisconsin Marine and Fire Insurance Company Bank of Milwaukee, an institution thus far rated among the

¹The Indian mints had been open since 1835 to the free coinage of silver, but the continuous fall in value of the rupee had compelled the British Government to change its policy in this respect. The trade between England and India was being seriously injured by the decline in silver. At the time of the passage of the Bland-Allison bill in February, 1878, silver was worth $1.22 cents an ounce, and the intrinsic value of the metal in a silver dollar was 93 cents. Silver fell to 92 cents an ounce while this measure was in force. Upon the passage of the Sherman Silver Purchase Act, in 1890, it ran rapidly up to $1.21 an ounce, but speedily fell away again.
strongest of the West. On the following day, when the market learned that the Erie Railroad had gone into receivers’ hands, and on July 31st, the low levels of the panic were reached. About noon on the latter date the bears started a covering movement, in which the market began its upward journey out of the slough of despond.

1 On July 18th the firm of A. J. Weil & Co. sold to Harvey Fisk & Sons $50,000 worth of Government 4s. at 110, three-quarters of a point below the regular market, “for currency.” The purchasers regarded a sale on these terms as being designed to injure public confidence. They determined to punish the sellers by making payment in five and ten dollar gold pieces, and the Messrs. Weil were obliged (under threat of having the bonds bought in for their account “under the rule” if they declined to accept the gold) to hire a cab and remove their coin. On the 18th also, H. G. Weil of this firm created some stir by demanding $50,000 in cash from the Manhattan Bank in payment of his check. The bank refused to let him have more than $25,000, and two days later obliged him to take up his account. He afterwards let slip the remark, on the floor of the Exchange, that the bank of the Manhattan Company could not pay him cash. This remark and the previous action of his firm in the matter of the bond sale produced considerable feeling in the Street. On July 21st the Board of Governors of the Stock Exchange adopted certain new rules, among them the following: “All offers to buy or sell securities requiring a form of contract or mode of dealing other than is duly provided for by the medium of the Clearing House or by other regulations of the constitution shall be deemed in contravention of the rules of the Exchange, and render members liable to suspension or expulsion.”

On August 4th Mr. H. G. Weil was suspended from membership in the Exchange for one year because of the Manhattan Bank incident.

The Milwaukee institution was called the Mitchell bank because of the interest in it held by J. L. Mitchell, United States Senator from Wisconsin. The following table illustrates the course of the Granger stocks on July 25th:

<table>
<thead>
<tr>
<th>Stock</th>
<th>High</th>
<th>Low</th>
<th>Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi. &amp; N. W.</td>
<td>103%</td>
<td>86%</td>
<td>91%</td>
</tr>
<tr>
<td>St. Paul</td>
<td>73%</td>
<td>52%</td>
<td>67%</td>
</tr>
<tr>
<td>C. B. &amp; Q.</td>
<td>74%</td>
<td>70%</td>
<td>71%</td>
</tr>
<tr>
<td>Nat. Cord. com.</td>
<td>95%</td>
<td>89%</td>
<td>90%</td>
</tr>
<tr>
<td>Mo. Pac.</td>
<td>94%</td>
<td>87%</td>
<td>87%</td>
</tr>
<tr>
<td>A., T. &amp; S. Fe.</td>
<td>89%</td>
<td>83%</td>
<td>85%</td>
</tr>
<tr>
<td>Chic. B. &amp; Q.</td>
<td>78%</td>
<td>74%</td>
<td>77%</td>
</tr>
<tr>
<td>Dist. &amp; C. F.</td>
<td>60%</td>
<td>49%</td>
<td>54%</td>
</tr>
<tr>
<td>C. M. &amp; St. P.</td>
<td>78%</td>
<td>71%</td>
<td>72%</td>
</tr>
<tr>
<td>Chi. Gas.</td>
<td>14%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Chic. B. &amp; Q.</td>
<td>36%</td>
<td>21%</td>
<td>23%</td>
</tr>
<tr>
<td>Dist. &amp; C. F.</td>
<td>11%</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>Gen. Elec.</td>
<td>37%</td>
<td>34%</td>
<td>35%</td>
</tr>
<tr>
<td>N. Y. &amp; N. Eng.</td>
<td>149%</td>
<td>115%</td>
<td>115%</td>
</tr>
<tr>
<td>N. Y. Cent.</td>
<td>139%</td>
<td>106%</td>
<td>106%</td>
</tr>
<tr>
<td>N. Y. L. E. &amp; W.</td>
<td>149%</td>
<td>115%</td>
<td>115%</td>
</tr>
<tr>
<td>No. Pac., com.</td>
<td>16%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Phil. &amp; Read.</td>
<td>37%</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Un. Pac.</td>
<td>92%</td>
<td>82%</td>
<td>83%</td>
</tr>
<tr>
<td>West. Un.</td>
<td>94%</td>
<td>81%</td>
<td>82%</td>
</tr>
</tbody>
</table>

1On Tuesday, July 25th, Judge Lacombe put the New York, Lake Erie & Western road into the hands of John King (its president), and J. G. McCullough, as receivers, because of inability to meet its floating debt. The suit was a friendly one, brought by Trenor L. Park, a bondholder. In the panic of the following day call money rose to 4½ per cent, a day, Erie fell from 9% to 7%, Manhattan from 111 to par, Delaware & Hudson from 111 to 102½, Lake Shore from 114 to 106, and Western Union from 73½ to 67%; the recovery was slight. H. I. Nichols & Co. and John B. Dumont & Co. were forced to suspend.

*Sold at 3½% on July 28th.
*Corrugate common sold at 9% on July 29th. An assessment was paid on the stock later and figures in the prices given under subsequent dates.

2Sold at 4% on August 15th.
The next few weeks witnessed a sharp advance in prices in the teeth of a continuance of bankruptcy and misery. The existence of good crops; the addition to railroad earnings caused by the World’s Fair at Chicago, an expansion of the gold import movement and the hope of a repeal of the Sherman Act, were the few bright spots in the situation. The influx of gold was due partly to the purchases of stocks for foreign account and partly to the fact that Americans bought securities here and sent them to London to be carried because of the easy British money rate. In the seven weeks ending with September 2d, gold imports reached a total of $42,000,000.

Currency rose to a premium of five per cent. of the face value of checks, early in August, and the effect of the virtual bank suspension was so widespread that diners in restaurants in all parts of the city paid by check for their more costly meals and often got their change in checks. Savings banks were as anxious for protection as were Clearing House institutions, and they combined to enforce the rules requiring advance notice from depositors who intended to withdraw funds. On Monday, August 7th, Congress convened in special session, and received a strongly worded message from the President dealing with the crisis. The fact that the message also contained an allusion to tariff changes caused some selling of industrials on the following day; the market was further weakened by the news of the Madison Square Bank’s collapse—a result of official treachery—and a leading brokerage firm suspended on Change. A week later the Northern Pacific Railroad Company, from the control of which Mr. Henry Villard had recently withdrawn, was pronounced a bankrupt. Its floating debt of $9,000,000 and the business depression in its territory were the prime causes of misfortune. Thomas F. Oakes, President of the company, Henry C. Rouse and Henry Payne were appointed receivers.

Throughout many succeeding weeks, while hungry workmen rioted in the streets of New York and Chicago, and the terrible lists of bank and mercantile failures grew like a mortuary roll in a time of plague, Senators haggled and debated over the question of applying the remedy most needed. The House acted with fair promptitude. On August 28th it passed the Wilson bill, repealing the purchasing clauses of the Sherman Act, by a vote of 240 to 210, and killed half a dozen inflation measures also. Early in September the influence of the gold imports strengthened

1The following excerpt from Mr. Cleveland’s message on this occasion, will be of interest: “The matter rises above the plane of party politics. At times like the present, when the evils of unsound finance threaten us, the speculator may anticipate a harvest gathered from the misfortunes of others; the capitalist may protect himself by hoarding or may even find profit in the fluctuation of values; but the wage-earner—the first to be injured by a depreciated currency and the last to receive the benefit of its correction—is practically defenseless. He relies for work upon the ventures of confident and contented capital. This failing him, his condition is without alleviation, for he can neither prey on the misfortunes of others nor hoard his labor.”
prices of securities, and on the fifth of the month the practical disappearance of the currency premiums marked the end of panic conditions. The banks were freely paying cash for checks and drafts. Confidence had returned in some measure and seemed to be growing. But the Senate's action on the silver purchase repeal measure was insufferably slow. As day followed day without bringing a death blow to the financial evil, the business of the country, which had begun to revive, fell away again. Growing bank reserves, at the very period when the crop movement should make capital in keen demand, indicated the feebleness of our commercial health. Security prices sagged monotonously, the decline culminating in a sharp flurry on October 13th, when the great Union Pacific system went into the hands of receivers. Directly afterwards there began a sharp advance in the market, stimulated by good evidence that the silver repeal bill was to be successful. In fact the Senate passed the measure in an amended form toward the end of the month, and on November 1st it was repassed by the House and signed by the President. The resulting improvement itself culminated on October 28th, but a somewhat independent advance in the coal stocks, which had begun while the general list was yet dull and weak, reached its extreme one week earlier, when Delaware, Lackawanna & Western stock sold at $171.50 a share. The rise in this issue was largely due to the aggressive manipulation of Mr. S. V. White, whose previous misfortunes had not impaired his courage or annihilated his resources. His campaign was aided by the entrance of important new interests into the property.

The passage of the silver repeal bill was succeeded by an instant improvement in business, shown through an increase in bank clearances and a decrease in the number of failures. Good railway traffic returns and absorption of bonds by investors strengthened the market. However, it sustained a setback after the making public, on November 27th, of the text of the Wilson tariff bill, fathered by Mr. Wilson, Chairman of the House Committee on Ways and Means. The measure placed most raw materials on the free list and

1 These imports totaled $42,000,000 in the seven weeks ending September 24th.
2 The Thurber-Wyland Company, a large New York grocery concern, which went into bankruptcy in November, testified to this fact in a statement of the causes of its failure. "If Congress had acted promptly in repealing the silver bill," said the company, "we might have recovered the ground previously lost, but the long delay at Washington greatly injured the fall trade and complicated the situation."
3 Oliver W. Mink, E. Ellery Anderson, and John W. Doane were the receivers first appointed for the Union Pacific road. Its president, at the time of the failure, was S. H. H. Clark. The company had control of lines aggregating 7,690.77 miles. Its outstanding stock amounted to about $61,000,000, and it had a bonded debt of some $79,000,000. Obligations on the score of Government subsidies, and other debts, brought its total list of liabilities to $286,525,000. The earnings of the property fell off sharply in the panic year. In 1892 it earned $8,530,268 net, and other receipts, amounting to $2,389,970, swelled its total income to $10,940,238, and made possible a surplus of $2,649,518 for the year. In 1893, the road earned, instead of a surplus, a deficit of $432,452. The income of this year was reduced to $7,553,469, composed of net earnings to the amount of $6,304,717, and other receipts aggregating $1,348,752.
substituted ad valorem for specific duties. It reduced the duty on refined sugar from half a cent to one quarter of a cent a pound. All industrials were weakened and Sugar stock declined about seven points, to 80, but the market rallied immediately. In December prices were irregular, with periods of pronounced weakness, due to unfavorable conditions. The regular session of Congress had begun and the public was disturbed over the uncertain tariff outlook. Gold was exported to Germany. The St. Nicholas Bank, a State institution, closed its doors under unpleasant circumstances, and the Atchison, Topeka & Santa Fe and New York & New England railroads went into the hands of receivers. Gloom and depression ushered out this terrible year.

In the years between the panic of 1893 and the first McKinley administration the securities market was highly irregular. It was under the influence of cross currents. On the one hand there was unmistakable evidence of industrial convalescence. On the other hand currency and tariff problems caused distrust of the future. Active speculation was centered mainly in shares of so-called trusts, and manipulation in these issues was peculiarly flagrant.

It was in this period that the difficult task of saving the national gold reserve fell to President Cleveland. He preserved the credit and fair name of the country by the only means available—the issuance of Government bonds—and for this action has been vilified ever since by a large body of his fellow partisans. In the middle of January, 1894, the rapid dwindling of the Treasury reserve brought the necessity of a bond issue prominently to the fore. Secretary Carlisle gave the Senate Finance Committee notice that the reserve had fallen to about $74,000,000, and that, unless immediate legislation authorizing him to issue low rate bonds were effected, he would proceed to issue such bonds as the Act of 1875 made possible. Shortly afterward, seeing no prospect of Congressional assistance, the Administration invited bids for five per cent. bonds to the amount of $50,000,000, redeemable after

1Mr. F. L. Eames, in "The New York Stock Exchange," estimates that in 1893 there were 642 banking failures, with liabilities of $210,998,808; 15,242 commercial failures, with liabilities of $346,779,889, and receiverships for railway properties capitalized at $1,651,116,000 in stocks and bonds, and comprising 32,379 miles of road.

2Atchison stock sold at $14 a share on December 23d, when Joseph W. Reinhart (the president), John J. McCook, and Joseph C. Wilson were appointed receivers of the property. The Atchison system, which was capitalized at $346,000,000 in stocks and bonds, comprised 9,344 miles of road. In 1890 the property had been reorganized to avoid foreclosure. For several years it had suffered by being saddled with other railroad systems, which were burdens rather than aids to development. In common with all other lines, the Atchison suffered from the business depression of 1893.

The New York & New England road, which went into the hands of Senator Thomas C. Platt as receiver, on December 21st, had been bankrupt in 1884 and reorganized in the following year. The Reading road, prior to its failure early in 1893, had acquired a large block of New York & New England stock and sold it at a great sacrifice. In December, A. A. McLeod individually was understood to be conducting a bull pool in the stock, and to have in mind a project to extend the line of the road from Brewsters, Connecticut, to New York. Some one must have suffered a fearful loss in this issue, for the price fell from 25% to 12 between December 19th and 21st. The decline was shortly followed by the failure of Samuel Heilner of Philadelphia, a prominent coal dealer, who was a director of the railroad.
THE THREAT OF UNSOUND CURRENCY

...ten years, and named an upset price of $117,223, making the investment equivalent to a three per cent. bond at par. The reserve fell below $66,000,000 before February 1st, the day on which the bids were opened, and the loan would have been a wretched failure but for the patriotic action of a syndicate of New York banks and banking houses, which took $30,000,000 of the bonds and thus stimulated public demand for the remainder. The gold reserve was increased by nearly $59,000,000, and stood at $107,440,802 on the sixth of March.

The House passed the Wilson bill in a radical form on February 1st, and the measure went to the Senate without a provision for sugar duties. Leading directors of the American Sugar Refining Company were in the national capital, endeavoring to impress their ideas of sugar schedules upon the minds of our statesmen. Their efforts were remarkably successful, and the results were soon reflected in the stock market, in which various prominent Senators began a brisk speculation. Sugar common rose from 80% to 85% on March 1st, and sold at 90 four days later. On the sixth the price opened at 89, declined a point and then ran rapidly up to par. It receded to 91, recovered to 90 1/2 and again fell back, closing at 90 1/2, after trading to the extent of nearly 170,000 shares. On the seventh Sugar ran up to 95 1/2, and the next day the “good news” was out. The Senate tariff bill was made public and was seen to include duties on both raw and refined sugar.

Extraordinary weakness in the price of wheat (which meant hard times for the farmer), a sharp decline in silver bullion, renewal of gold exports to repurchase American securities sold abroad, a Western rate war and an extensive coal miners’ strike, all united to repress stock speculation during the early part of 1894. However, the absence of forced liquidation prevented a severe decline in prices. The great boycott instituted by the

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Footnotes:
1These were bonds authorized by an Act of 1870, and made available five years later for discretionary use by the Secretary of the Treasury, to maintain the gold reserve. They were not of the most marketable sort. It would have been to the Government’s advantage to issue bonds bearing a lower rate of interest, but to do so a special act was necessary. On this and on every other occasion, during the period in question, when the Administration appealed to Congress for legislative aid in maintaining the credit of the country, the appeal was ignored.

2The deference paid to the sugar magnates by certain Senators, with whom lay, in great measure, the power to shape tariff legislation, is a matter of official record. The Senate’s handling of the tariff bill, and particularly of the sugar schedule, created a scandal, which eventually caused the appointment of a Senate investigating committee to ascertain whether or not Senators had been guilty of using the advantages of their positions for the purpose of stock speculation. Certain wearers of the toga were suspected of trading legislative favors for assistance in the New York Sugar campaign. Nothing definite was ever accomplished by this committee, except the temporary incarceration of one or two stock brokers who refused to answer pertinent questions. However, the actual facts are that certain Senators were engaged in speculating in Sugar stock at this time and that their ventures made them handsome profits while the Senate was busy with tariff legislation, and it is believed that most of them eventually left these profits, together with other sums, in Wall Street.
American Railway Union\(^1\) began on June 26th, and lasted till the middle of July, impeding traffic on more than thirty railroads, injuring general business and producing riots and bloodshed. But it was not accounted the main factor in such disquietude as existed in the stock market.

The Senate passed a tariff measure on July 3d, by a majority of five votes. It was a measure in which protection for certain privileged interests was dominant and the principle of free raw material was utterly obscured. The authors of this transformation of the Wilson bill were bitterly denounced, but the House had either to accept the Senate's dictum or get no tariff enactment of any sort. After six weeks of angry debate the House passed the Senate bill, and the President permitted it to become a law without his signature.\(^2\) Throughout the country the feeling was one of intense relief that the measure had been settled. August witnessed an excited rise in stocks—despite news of a failure of the corn crop. The business of the country began slowly to improve, though heavy bank reserves still showed a poor commercial demand for capital.

It was only for a brief moment that hope irradiated the gloom. Free silver agitators were busy in fanning the popular discontent which adversity had caused, and fear of national insolvency induced the hoarding of gold in this country. Despite a large trade balance in our favor, exports of the metal were renewed. Once more the reserve began to melt rapidly away and the stock market to show heaviness. One after another the dividends of the Rock Island, Baltimore & Ohio, and Burlington roads were cut. The December wheat option fell below 52 cents in October, and cotton sold at 5½ cents a pound. Disorganization of the coal trade induced a bear campaign against the anthracite coal carriers, which lasted several months and was highly effective. In November, 1894, the reserve standing at about $62,000,000, the Administration again invited bids for five

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\(^1\)Eugene V. Debs (nominated for the Presidency of the United States by the Socialists, ten years later) was at the head of this union in 1894 and managed this boycott, which was directed against the Pullman Palace Car Company, and affected the railroads using the cars of this concern. These roads included the Atchison, Northern Pacific, Illinois Central, Lake Shore, Southern Pacific, St. Paul, Chicago & Northwest, Baltimore & Ohio, “Panhandle” and Rock Island among others. Federal troops used to suppress disorder.

\(^2\)Mr. Cleveland's disgust with the Senate was profound. He expressed it on August 27th, in a letter to Representative Catchings of Mississippi, of which the following sentence became famous: "I take my place with the rank and file of the Democratic party who believe in tariff reform and who know what it is, who refuse to accept the results embodied in this bill as the close of the war, who are not blinded to the fact that the livery of Democratic tariff reform has been stolen and worn in the service of Republican protection, and who have marked the places where the deadly blight of treason has blasted the councils of the brave in their hour of might."
per cent., bonds to the amount of $50,000,000, and accepted a bid of $117,077 for the entire issue, made by a New York financial syndicate. The replenishment of the reserve afforded a merely temporary relief, for withdrawals from the Treasury increased at a frightful rate. They aggregated $172,000,000 in 1894, and of this amount $69,000,000 was taken out in the last two months of the year. In his message to Congress on January 28, 1895, President Cleveland appealed, in language at once forceful and considerate, for legislative relief—the authorization of long term, low rate bonds, to be used in maintaining the gold reserve and in exchange for currency notes, which could thus be redeemed and cancelled. The reserve had fallen to $56,000,000, a little more than a tenth of the Government's outstanding currency notes of all descriptions. With the continuance of conditions then existing, it would take less than two months to make this country a bankrupt nation, and a helpless victim of adversity such as Americans had never before endured. These terrible facts the great body of inflationists that appeared to dominate Congress seemed incapable of grasping. The President's appeal was without effect.

Mr. Cleveland waited a few days, and then prayer gave way to action. On February 8th—following a consultation at the White House with J. Pierpont Morgan—he caused the announcement that the Government had agreed to purchase a little more than $65,000,000 in gold with four per cent., thirty year bonds, to the amount of about $62,400,000. At this time the Treasury reserve contained $41,340,181. The bond contract of February, 1894.

The Morgan-Belmont syndicate, which had struck this bargain with the Government, obtained the bonds at less than 104% and resold the entire issue in February at 112%, thereby greatly enraged the free silver party all through the country. But it agreed to perform certain services the value of which can scarcely be estimated with accuracy. It contracted to procure half of the required metal from abroad and the remainder from other sources than the Treasury reserve, and, moreover, to "exert all financial

The syndicate making this bargain with the Government consisted of J. P. Morgan & Co. (which firm had been organized on January 1st, succeeding Drexel, Morgan & Co.), acting for J. S. Morgan & Co., of London, and themselves, and August Belmont & Co., acting for N. M. Rothschild & Co. and themselves. Much of the indignation aroused among silver men by this transaction was based upon the foreign participation in it. According to the terms of the agreement the syndicate were to furnish the Government 3,500,000 ounces of standard gold coin, to be paid for the bond contract, at the rate of $17.80441 an ounce in four per cent bonds, redeemable at the Government's pleasure after thirty years. Fixing this price for the gold was equivalent to paying about 104.4946 for the bonds. Mr. Cleveland gives the aggregate of the bonds issued in the carrying out of this contract at $62,315,400 and the total of gold thus purchased as $65,116,244.62. The agreement provided that at least half of the gold furnished should be shipped from abroad in amounts of not less than 300,000 ounces a month, and that the syndicate should have the first call on any additional bonds issued before October 1st. As it happened, there was no further bond issue before that date. None of the gold supplied was to be taken from the Treasury reserve. The bonds were to be delivered from time to time as the coin was presented at legal depositories of the United States.

By the purchase of bonds on these terms the syndicate obtained what was virtually a 3.75 per cent. investment in Government funds.
influence and make all legitimate efforts” to protect the Treasury from gold withdrawals during the life of the contract. The latter stipulation it was able to fulfil by selling foreign exchange at figures that made it unprofitable to export gold. For months after the contract had been carried out—which was in June—the syndicate voluntarily extended this protection to the Treasury. It would have been highly acceptable to the bankers to substitute a three per cent. gold bond at par for the coin bond named in the bargain, and the President informed Congress that this change could be made and would save the Government $16,000,000 in interest. The requisite legislation was not obtainable.

Weakness lingered in the stock market while Congress remained in session. News of that body’s adjournment, March 4th, was greeted with cheers on the floor of the Exchange. That very day there began a vigorous bull movement which bore witness to relief at home and abroad. It did not culminate till unfavorable crop reports reached the city in the latter part of May. The campaign was justified by a certain amount of business improvement, showed in renewed activity at mills and furnaces, and rising wages. But it went too far, particularly in industrial issues, and the result was a violent reaction late in June. Between the 27th and 29th of this month, Sugar fell from 113 1/4 to 100 1/2, Chicago Gas from 71 1/2 to 60, and American Tobacco from 114 3/4 to 107, while the general list suffered somewhat less.

RENEWAL of the gold efflux this summer checked the market’s tendency to advance. In its efforts to prevent this very misfortune the bond syndicate apparently had oversold exchange, expecting to cover when the year’s wheat and cotton bills should come into the market. But these bills proved too scanty, for the winter wheat crop had been small and both the spring wheat and cotton crops were extremely late. The situation kept sterling rates high and the heavy outflow of gold rendered the market vulnerable. The Venezuelan crisis, which came with great suddenness at this period, carried ruin to many a speculator.

In his annual message to Congress, on December 3rd, President Cleveland gave news of a demand which had been made by this country upon Great Britain to arbitrate a dispute in which she was engaged with Venezuela, in reference to the boundary line between that republic and British Guiana. A large portion of the territory affected had been in the uninterrupted possession of Great Britain and of Holland (by whom it was ceded to Great Britain) for two centuries. In respect of this portion the British Government would not entertain the idea of arbitration, and refusal to do so was regarded by Mr.
Cleveland as a menace to the Monroe doctrine. The first public intimation that serious trouble might arise out of this controversy was contained in a second message which the President forwarded to Congress on Tuesday, December 17th, announcing that the American proposals had been rejected, and requesting Congress to authorize a commission which should determine the true boundary line and Venezuela's rights. He plainly declared his belief that after such determination had been made it would be our duty to resist British aggression to the utmost.

This was tantamount to a promise of war in the event of Great Britain's refusal to accept our view of the case. The news of the message reached the market in the afternoon of that day, and stocks sharply declined. Congress enthusiastically responded to the President's call, and passed a measure appropriating $100,000 for the expenses of such a commission as he named. The fear of war communicated a severe shock to financial centers both here and abroad. The market weakened rapidly and on Friday, the 20th, the selling movement ran into a panic, stocks dropping from five to ten points and call money running up to ninety per cent., stimulated by a report that London was to withdraw her American credits. The Central Trust Company broke the call rate this day by offering funds at from five to two per cent., and the panic was checked after three Stock Exchange firms had been forced to suspend. Between Monday and Friday of this week Sugar fell from 104 to 92, Tobacco from 75% to 68%, St. Paul from 75% to 62%, General Electric from 31% to 20, Louisville & Nashville from 53% to 39, and New York Central from 100% to 91%, while various other issues suffered equal losses. Prevalent anxiety was heightened by the rapid diminution of the gold reserve, and after a rally there was a fresh break on Saturday. On December 23rd the news that the President had determined on a fresh bond issue, and the authorization of loan certificates by the Clearing House, checked the demoralization, and the market rose sharply. The Venezuelan thunderstorm swept through Wall Street with devastating effect and swept out again as suddenly as it had come.

On January 5, 1896, Mr. Carlisle invited proposals for $100,000,000 of four per cent. thirty year bonds, and when the bids were opened a month later the issue was six times over subscribed. About one-third of the bonds went to a syndicate organized by J. Pierpont Morgan, at 110.6877, and the remainder to other bidders, at higher figures. The gold reserve was replenished and since that occasion has never been in very serious peril.

The commission appointed consisted of Justice David J. Brewer of the Supreme Court, Chief Justice Alvey of the Court of Appeals of the District of Columbia, Andrew D. White, Frederick R. Coudert, and Daniel C. Gilman. Months were consumed before the matter was peacefully settled, but it ceased to be an important market factor after the panic of December, 1895.
It was in the political campaign of 1896 that the inflationists of the country met their most crushing defeat and confidence in our financial integrity was most firmly established. The free silver agitation, which business men recall with shudders, was effective in injuring stock values very early in the year. The brief era of good feeling promoted by the success of the government loan ended when the great Baltimore & Ohio road went into the hands of receivers, the stock tumbling from 35½ to 16½ in a week. As the months went by and the sixteen-to-one mania spread through every State, a species of paralysis seized upon trade. Bank clearings and railway earnings dwindled away, the prices of textiles and iron and steel crept lower and lower, the controllers of capital tightened their grip upon it and anxious merchants offered their paper at twelve and fifteen per cent. discount. As credit contracted, mills and factories shut down. The clerks and operators, looking in vain for work, and the farmer, burdened with mortgage obligations and suffering from the low prices of grain, joined the great army of discontent. Each day new lips shaped the cry that the money power was ruining the country, and new recruits repaired to the standard of fifty-cent dollars.

Naturally, the course of the stock market was downward and the movement rapid. In mid-June when the Republicans held their National Convention at St. Louis, nominated William McKinley for the Presidency and declared for the gold standard, prices rallied briefly. But as one Democratic State Convention after another declared for free silver, confidence ebbed away and the bears repeated their triumphs.

The Democratic party met in National Convention, at Chicago, on July 7th, and the silver faction was at once seen to be in control. Two days later a young Nebraskan—William Jennings Bryan—who had earned some reputation for oratory in Congress and had made a religion of free silver, replied to a speech on behalf of the gold standard made by Senator Hill of New York. Of his deliverance it may simply be said that it wrought the free silver party into a passion of enthusiasm and earned Mr. Bryan the nomination for the Presidency. Stocks rallied after his selection as standard bearer for the inflationists, on the theory that he would be "an easy man to beat." But in the following week heavy liquidation set in, and fresh gold exports carried the Treasury reserve again below the point of reputed safety.

Late in July the bankers of New York met the crisis by forming an association to protect the reserve. They supplied $25,000,000 in gold to the Treasury and agreed to furnish sterling exchange to the amount of

1 The receivers appointed were John K. Cowen, president of the road, and Oscar G. Murray.
£10,000,000 and sterling loans to the amount of £5,000,000, if necessary. The result was an immediate stoppage of the drain upon the reserve. Early in August the panic culminated, and at a time when commercial failures were multiplying, and looms and furnaces ceasing to be active, the market began to rise. The unnatural exports of gold were succeeded by an influx of the metal, which amounted to $15,000,000 in two months time. The Gold Democrats formed a party of their own, nominating General John M. Palmer, of Illinois, for the Presidency, and the Republicans began an aggressive canvass which promised success. In September they scored overwhelming victories at the State elections of Vermont and Maine. The following month saw a sharp rise in wheat, due to the failure of foreign crops, and this promised moderation of the farmer's discontent. Steadily the rising values of securities drove the bears to cover, as the conviction gained that the country would be saved from wretchedness and disgrace. On November 2d, the day before election, with call money at ninety-six per cent., and gold at a cent and a quarter premium, the stock market soared like a released balloon.

The people decided against the inflationists by a splendidly decisive vote, and the business community awoke on Wednesday to a sense of salvation from a fate which it had dreaded to picture. London prices came three to four points up this day and the New York market opened correspondingly high. But Wall Street, true to its traditions, had discounted the election, and prices, which had risen violently while the country still groped in the dark, sagged through the remainder of the year, now that the future had grown bright with hope.

1 The trade balance at this time was largely in our favor and the rise of exchange to the gold export point was due simply to the free silver scare. Men who feared that the value of their capital might be cut in two by the enactment of a free silver measure, converted money into sterling exchange, which was the equivalent of gold. This was quite as effective a measure of protection as drawing gold from the Treasury. The free supply of exchange by the bankers reversed the direction of the gold current.

2 Following is a table indicating the course of the "Bryan panic" of 1896 and the subsequent recovery:

<table>
<thead>
<tr>
<th>Stock</th>
<th>High, April 28</th>
<th>High, June 17</th>
<th>Low, July 9</th>
<th>Low, Aug. 8</th>
<th>High, Nov. 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Sugar</td>
<td>125%</td>
<td>133%</td>
<td>107%</td>
<td>95%</td>
<td>125%</td>
</tr>
<tr>
<td>Chic., B. &amp; O.</td>
<td>82%</td>
<td>80%</td>
<td>71%</td>
<td>53%</td>
<td>81</td>
</tr>
<tr>
<td>Chic., M. &amp; St. P.</td>
<td>79%</td>
<td>79%</td>
<td>74%</td>
<td>60%</td>
<td>80</td>
</tr>
<tr>
<td>Chic., R. I. &amp; P.</td>
<td>79%</td>
<td>72%</td>
<td>61%</td>
<td>49%</td>
<td>71</td>
</tr>
<tr>
<td>Chic. Gas.</td>
<td>69%</td>
<td>69%</td>
<td>56%</td>
<td>44%</td>
<td>75%</td>
</tr>
<tr>
<td>Gen. Elec.</td>
<td>37%</td>
<td>33%</td>
<td>25%</td>
<td>21%</td>
<td>32</td>
</tr>
<tr>
<td>Louis. &amp; N.</td>
<td>53%</td>
<td>52%</td>
<td>48%</td>
<td>38%</td>
<td>51</td>
</tr>
<tr>
<td>Mo. Pac.</td>
<td>28%</td>
<td>24%</td>
<td>20%</td>
<td>16%</td>
<td>25%</td>
</tr>
</tbody>
</table>
WHILE McKinley's succession to the Presidency marked the return of prosperous times, it required the advent of a calamity — the war with Spain — to initiate the country's most notable period of commercial advancement. One of the paradoxes of our industrial annals became evident. For a year the portents of this conflict agitated our people. The thought of war was ever present amid the plans and schemes of the financier, and sober business men viewed its possibility with something akin to dread. Stock values melted upon its near approach. The long suspense was ended at last by the breaking of our relations with Spain. Fear gave way to satisfaction. The test of battle taught Americans to understand America, and the roar of guns in Manila Bay, which introduced a new world power, likewise revealed a new commercial giant.

War, however just or inevitable it may appear, can scarcely be regarded as anything but calamitous. Economically considered, it means the alienation of workers from employment and the destruction of property. Yet both the Civil and the Spanish wars were followed by times of active trade. The prosperity of the sixties was rooted in a debased currency, and the wretched character of the soil produced its due results in 1873. But the seeds of the industrial expansion which began a quarter of a century later were sown in better ground.

We had been husbanding our resources and awaiting our opportunity for six patient years. The whole country was preaching economy, cutting down expenses, talking hard times and worrying over the money question. At length the turn in the road was reached. Decreasing imports and fair harvests had created a trade balance favorable to the United States; the thrift-loving classes of the population were again in possession of surplus funds; the perils of the "endless chain" and the menace of free silver were no longer productive of anxiety. Yet the people
were still timid, still distrustful, still mindful of recent misfortunes and ignorant of their strength. The manufacturer and the merchant, uncertain of their market, hesitated to extend their lines. Into this situation of distrust the war threw a new element—that of a sudden, extraordinary demand for the products of furnace and mill. The effect was powerful and the response immediate.

Of course, the mere fact that the Government was a good customer of the people during the war, and afterward spent large sums in the Antilles and the Philippines, and in the enlargement of the Navy, could not produce and sustain good times. These expenditures afforded a stimulus to trade, and sound basic conditions enabled it to flourish. One good harvest succeeded another in this country, while deficiency in European crops raised the prices of the American farmer's grain and multiplied his purchasing power.

The Bryan inflationists saw a treasured argument brought to naught when a rise in the value of wheat became coincident with a fall in the value of silver, and the visible weakening of the free-silver movement inspired capital with confidence. The enactment of a high protective tariff increased the manufacturer's profits. Moreover, the effects of bountiful crops, of restored confidence and a satisfactory tariff, were supplemented by a momentous increase in the world's gold production. The rush of gold seekers to the Klondike began in 1897, and has since resulted in great annual additions to the wealth of America. The generous output of the Transvaal in succeeding years also swelled the volume of money available for the world's use, so that the plenitude of currency stimulated the prices of staples and favored the development of trade.

Under the influence of these diverse and powerful factors, the country's gain in wealth surpassed all precedent. The farmer began to rid himself of the mortgage beneath which he had staggered for years, while the clerk and mechanic saw the return of large opportunity for employment.

To the merchant and manufacturer the revival of prosperity brought fortune hitherto unknown. A collateral result of the change was the creation in the public's hands of a large surplus fund, available for pure speculation or for speculative investment. This situation provoked a renewal of the trust movement which had been checked by the panic of 1893. Manufacturing concerns were united into corporations, which in turn were combined in larger ones, with capitalizations running into billions of dollars. The old trick of watering stock to pay insiders' profits and foisting inflated securities on the public was vigorously pressed into use. Such securities found a legion of eager buyers, now ready to forget the hard lessons of less happy
times and willing to believe that fortune waited just around the corner. It was an easy matter for the shrewd promoter or manipulator to fill his pockets out of this large coffer of opportunity. Just as a class of millionaires had arisen with the Civil War, so a class of "multi-millionaires" appeared in these later and more opulent days.

During the early part of 1897 the evidence of growing hostility toward Spain among our countrymen was unmistakable. The accounts of Spanish brutality in Cuba, and particularly of the murder of an American citizen, Dr. Ricardo Ruiz, in the Guanabacoa jail, created a strong desire to deal retribution to the authors of this wanton cruelty and bloodshed. But the traders in securities treated the war danger as remote. The market advanced in January and, though somewhat irregular in the following month, showed no great disposition to weakness until the rendering by the Supreme Court, on March 22d, of a decision which stamped railroad pools as illegal. This caused a decline in the general list, lasting several days. A subsequent recovery was followed by a further decline in mid-April, upon the outbreak of war between Turkey and Greece, which had been quarrelling for some time over Crete. The Powers united to stop these hostilities after about a month of fighting, in which the Ottoman was easily victorious. In May there were some exports of gold, but the market contained no possibilities of further liquidation and prices held firm. Even the Senate's action in recognizing Cuban belligerency was of slight effect. Toward the latter part of this month the Supreme Court handed down another important decision, this time bringing joy to discouraged holders of securities. The Court held that the Interstate Commerce Commission had no right to prescribe railroad rates.

This pronunciamento inaugurated an advance in the market for which conditions were already ripe. The movement lasted four months without a noteworthy setback, despite persistent selling of foreign holders, who lacked faith in the future of American prosperity, and despite one or two unfavorable events, such as an extensive coal miners' strike. Agitation over the Dingley tariff bill was not very effective in disturbing the market, but the final debates on the measure did act as a check upon speculation. Of course there was no such public uncertainty touching the nature of the coming tariff legislation as existed while the Wilson bill, for instance, was in process of formation. Mr. McKinley had been elected on a platform declaring most

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\textsuperscript{1}This decision was handed down in the case of the United States versus the Trans-Missouri Freight Association,—a league which comprised eighteen railroads and was a part of the Transcontinental Traffic Association, a body operating in the far West and Northwest and with ramifications elsewhere. Furthermore, the Joint Traffic Association,—covering the territory east of the Mississippi and south of the Ohio,—the Southern Railway and Steamship Association, and the Western and Southwestern Traffic Associations were similarly affected.
unmistakably for protection. At that time he was the veritable high priest of this political faith. His inaugural address made plain his intention to carry out immediately the wishes of his party. When Congress, responsive to his call, met in special session on March 15th to enact a new tariff, the country was perfectly aware that the new administration’s policy would have full and hearty support. Nevertheless, the Senate maintained its rôle of dictator, and when the tariff bill came to its hands from the House, early in July, it altered the form of the measure as it pleased, and compelled the lower body to acquiescence. On July 24th the President’s signature made the new tariff the law of the land.

The principal change forced by the Senate was in the sugar schedule. The American Sugar Refining Company had prior knowledge of the form this schedule was to take, a fact which enabled it to save large duty payments by the quick importation of quantities of the raw staple. A heavy bull speculation in Sugar shares, carrying their price from 130 to 146, marked the last of the tariff debate. The advancing movement in the general list became an actual boom in late July and August. Such rises were noted as that of Consolidated Gas, from 170¼ to 196½, in the week ending August 4th, during which the news was made public that the company had absorbed various smaller rivals.

The speculative spirit was not confined to stocks. Under the leadership of young Joseph Leiter, whose indulgent father had enabled him to start a disastrous gambling venture, wheat options in Chicago and this city were soaring. In the three weeks ending August 21st, the September options in Chicago rose from 74½ cents to a dollar a bushel. Many, who had little to risk in the wheat pit or the stock market, threw their lives into a still swifter game of chance, and the rush of gold seekers to the Klondike drained city and hamlet. Along with this venturesome spirit existed the more desirable sentiment of renewed confidence among manufacturers and merchants. Commercial buyers invaded the city in hosts. The cotton mill and the furnace pulsed with new life. The Kansas farmers, rejoicing at the high prices of grain, held a festival to celebrate prosperity’s return.

In September, the year’s stock market rise reached its culmination, St. Paul crossing par and Sugar selling at 159, while Consolidated Gas rose from 193 to 241¼ and fell back to 215 in about a week. Toward the end of this month a mild yellow fever scare provoked a reaction, and the bears were in the lead during October, despite increased railway earnings, better consumption of pig iron and some importation of gold.

The period had now been reached when the stock market could no longer ignore the war cloud. Throughout the remainder of this year speculation for the rise was lifeless, save in the wheat pit, where young
Leiter won a temporary victory by closing his December contracts at good prices. Each incident which seemed to bring nearer a rupture with Spain—like the public declaration of ex-Minister Hannis Taylor that only by our intervention could peace be restored in Cuba—depressed stock quotations. Recoveries were stimulated by the Spanish Government's proclamation of Cuban autonomy late in November and by President McKinley's first annual message to Congress. The President was determined to maintain peace if it were possible, and his attitude did much to re-assure the timid. However, he was compelled, by rioting in Havana, to send the second-class battleship Maine to that port in January, and the putative friendliness of the visit did not allay the current disquietude. Not only the ticker but the counting-room and the shop began to show evidence of a returning public distrust, and proprietors of New England cotton mills cut down the wages of their operatives. The publication of an impudent private letter by Senor Enrique Dupuy de Lome to a friend, in which the Spanish Minister lampooned McKinley, increased the strain upon our friendly relations with Spain. Still the market showed periods of intermittent strength. It was aided, early in February, by the announcement of the New York Central's purchase of the Lake Shore and Michigan Southern Railway, and by a sharp upward manipulation of Metropolitan shares a few days later. Metropolitan, which had sold about par in the previous November and had since paid a twenty per cent. scrip dividend, ran from 149 to 169 in a week, and, on February 14th, tumbled from 171 3/4 to 157 in fifteen minutes.

It was the blowing up of the battleship Maine in Havana Harbor on the night of February 15, 1898, and the deaths of 266 of our officers and men, that really destroyed the possibility of continued peace with Spain. The news reached the market upon the following day and provoked instant weakness in securities. It was the inception of a violent decline in prices, which lasted for nearly six weeks and was sufficiently extensive to be denoted a panic. One incident after another hurried the approach of war. On behalf of this country, a naval court of inquiry sailed for Havana, investigated the circumstances of the tragedy, and returned to report that the Maine had been destroyed by an external explosion. Meanwhile both nations had been busy in the purchase of battleships, and in similar hostile preparations, and Congress enthusiastically appropriated $50,000,000 for American defense. Throughout the country business men, with an excess of precaution, were contracting their lines. On 'Change crash after crash showed how ill-fitted were the speculators to prejudge the true results of the conflict that every one knew to be impending.
The war panic reached its extreme on March 26th, about twenty-four hours after the country knew the gist of the court of inquiry's report. Prices began this day to ascend from a level to which they never returned and doubtless never will return while America is a growing nation. The ascending movement became one of the most remarkable in stock market history. In the ten months succeeding, Burlington ran from 86 to 141 and Metropolitan scored a net advance of 85 points.

The bears were terrified on March 28th by the circulation of the rumor that a peaceful settlement of the Spanish trouble was at hand. Sugar rushed up from 107 1/2 to 121. Metropolitan rose from 125 1/4 to 142 3/4, and the general list showed remarkable strength. A denial of the statement provoked reaction, but the market held a portion of its gain. The recent liquidation had been complete.

It required well nigh a month for the circumstances which had rendered peace impossible to bring about the actual declaration of war. The President's message early in April went no further than to request authority to use the army and navy for the purpose of ending the Cuban war and left doubt in the popular mind as to whether he meditated an attack upon Spain or upon the insurgents. On the twentieth, as the result of action by Congress, he signed an ultimatum to the Spanish Government, limiting the time in which satisfaction could be given for the Maine outrage, though Spain denied all responsibility in the matter. This ultimatum was refused. On the twenty-second Rear Admiral Sampson's squadron established a blockade at Havana, and Spain declared war on the following day.

It was on Monday, May 2d, that the stock market reaped the first benefits from our rapid succession of victories over Spain. The news of the battle of Manila Bay on the previous day was ringing in the universal ear. With the realization of the ease with which Dewey had annihilated the Spanish fleet came a sense that the whole long ordeal of dread had been needless and foolish. The entire list opened up—Sugar at from 127 to 130 against a close of 123 1/2 on Saturday; St. Paul at 92 against 87%; Metropolitan at 145 against 139— and this initial strength was well maintained throughout the day. Coincidentally, young Leiter forced a startling rise in wheat, aided by the removal of the French export duty. Between May 2d and 10th, the May options in Chicago rose from $1.17 1/2 to $1.85, the price of flour advancing a dollar a barrel. On the 10th Robert Lindblom of Chicago, who had been fighting Leiter, became insolvent. This was the last of the Leiter triumphs, since the price of cash wheat and the figures for all the options began rapidly to decline from this point. The stock traders ignored the gigantic struggle in the grain pit. The securities market was, in fact,
End of the Leiter wheat corner causes a decline in securities.

Market dull during the war.

phlegmatic, but with a continuous tendency to advance. When on Monday, June 13th, Mr. Leiter received the fall for which he had so vigorously been riding,¹ and wheat options tumbled in Chicago, Duluth, Minneapolis and New York, wiping out many paper fortunes, stocks declined two points or more in sympathy. But most of the traders merely shrugged their shoulders, remarked that cornering a staple was bad business, and forgot the incident.

Throughout the Spanish war period speculation in stock was narrow but preserved a firm tone. The capitulation of San Juan de Puerto Rico, the destruction of Cervera’s fleet outside the Harbor of Santiago, the dashing land campaign in Cuba, in which successive American victories led to the capture of Santiago itself—all failed to bring an enthusiasm into the market, and dullness ruled the exchange through the epoch-making month of July. Possibly the new taxes² upon stock transfers and bank checks—which were among the measures adopted by the Government to provide war funds—contributed to repress speculation. But the public feeling certainly was one of renewed confidence. In June the Government offered the people $200,000,000 in three per cent. twenty year bonds at par, and within a month the issue was six times over subscribed.

On July 26th the Queen Regent of Spain formally sued for peace, and stocks moved rapidly upward under the leadership of Sugar. The Spanish Cabinet yielded to our demands on August 7th, and on the 12th—the same day on which the United States flag was hoisted at Honolulu, and Hawaii became ours by peaceful annexation—the peace protocol³ with Spain was

³ The Leiter wheat deal was begun on April 2, 1897, with the purchase of wheat at 72½c, and in the following June Leiter bought it as low as 64½c. The highest price which he forced in Chicago was $1.85, though the May option went to $1.91 on May 10th, 1898, in New York. On the last day of May, 1898, May wheat opened in Chicago at $1.40—thirty-five cents off—fell to $1.25 and closed at Joseph Leiter’s the latter figure. On the following day its equivalent—cash wheat—opened at $1.18 venture in wheat, and declined to $1.08. Leiter was virtually beaten at the end of May, when the deliveries proved heavy enough to swamp him, the foreign demand being inadequate to his needs. Throughout the early part of June cash wheat fell steadily. On the 13th, the day of the Leiter failure, it sold at 85c, and the July option, which was worth $1.16½ a fortnight previous, fell from 85c to 75c a bushel.

Joseph Leiter carried 16,000,000 bushels of wheat when he acknowledged defeat. His father Levi Z. Leiter, devoted several million dollars to paying the young man’s debts. The Illinois Trust and Savings Bank, as trustee, took charge of the wheat carried in the younger Leiter’s account.

² These taxes became effective on July 1, 1898. That upon stock transfers was two dollars for each hundred shares, and that upon bank checks was two cents for each $100 of face value.

³ The peace protocol, which was signed by Secretary Day of the Department of State, and the French Ambassador, M. Cambon, who represented Spain, arranged a general agreement for the cessation of hostilities and left the details of the settlement in the hands of a peace commission, representing both countries, which met in Paris. By the terms of the treaty which this commission negotiated, Spain sold us the Philippines (where Dewey was already in control) for $20,000,000,000, certainly a generous price, and ceded to us Cuba, Puerto Rico and Guam. Our flag was raised in Hawaii on January 1, 1899.

Trouble with the Philippine insurgents, under Aguinaldo, was brewing in the latter part of 1898, but it did not begin until February, 1899, after Aguinaldo’s representative, had made a trip to America to get some expression from our President as to our future policy in the Philippines, and Mr. McKinley had refused to see him.
signs. With the beginning of August the public came rushing into the stock market. Peace and good harvests were in sight. All through the country the commercial demand for staples showed quick response to the changed condition of affairs. Stocks advanced with exhilarating speed. Brooklyn Rapid Transit, which had sold at 35 early in the year, was carried rapidly above 70 by Flower & Co., and all the old speculative favorites showed kindred vigor. In September the fever was checked by tight money and by conflict between rival gas, sugar and tobacco magnates. Between September 19th and October 1st, American Tobacco fell from 153\% to 115\%, netting a small fortune for James R. Keene. A Supreme Court decision adverse to the Joint Traffic Association, and the disquieting quarrel between England and France over the Fashoda incident, caused some weakness in October, but the market recovered, and Tobacco, Sugar, St. Paul, Federal Steel and Brooklyn were soon leading another spectacular advance. Early in November the Republican party swept the country, and Theodore Roosevelt was elected Governor of the Empire State. Our final settlement with Spain, on November 28th, ended some unpleasant gossip anent a hitch in the peace negotiations. The advance proceeded without much interruption throughout the remainder of the year, and on December 27th the sales of stock exceeded 925,000 shares. The organization of the Continental Tobacco Co.—a rival to the American—and the forming of tin plate, furniture, pottery and flour combinations marked the return in full vigor of the time of trusts and commercial activity.

Prices of securities were carried to unprecedented heights in January, 1899,¹ by the usual reinvestment demand and a speculative movement which seemed to increase in power daily. Brooklyn Rapid Transit stock was the chief public fancy and ran easily up to 96\%; a single week witnessed the sales of twice as many shares of Brooklyn as were outstanding. On Monday, January 23d, the record for activity in the general list was broken, with sales of 1,575,000 shares. "Pan Handle" common stock, which had closed on Saturday at 68\%, opened at 75, ran up to 88 and

Heavy speculation in January, 1899.

¹The following table will indicate the decline in stocks during the war panic of 1898 and their advance from the prices then established to the high level of January, 1899:

<table>
<thead>
<tr>
<th>Stock</th>
<th>Feb. 15, 1898</th>
<th>Mar. 26, 1898</th>
<th>January, 1899</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan,</td>
<td>High: 164%</td>
<td>Low: 123%</td>
<td>High: 220%</td>
</tr>
<tr>
<td>Sugar,</td>
<td>139%</td>
<td>107%</td>
<td>135%</td>
</tr>
<tr>
<td>Manhattan,</td>
<td>117%</td>
<td>91</td>
<td>118%</td>
</tr>
<tr>
<td>St. Paul,</td>
<td>95%</td>
<td>85%</td>
<td>139%</td>
</tr>
<tr>
<td>Cons. Gas,</td>
<td>154</td>
<td>167</td>
<td>196%</td>
</tr>
<tr>
<td>Penn. R.R.,</td>
<td>119%</td>
<td>111%</td>
<td>142</td>
</tr>
<tr>
<td>C., B. &amp; Q.,</td>
<td>102%</td>
<td>85%</td>
<td>141%</td>
</tr>
</tbody>
</table>
closed at 74, and Canada Southern ran from 60 to 70 and back to 63. Brokers found it impossible to execute the bulk of their orders. In the next three days Metropolitan rose from 196 to 220%. The public indulgence in stock speculation was coincident with a craze for trust formation. The American Steel and Wire Company, in which John W. Gates, John A. Drake, Isaac L. Elwood and a number of other rich Westerners were dominant, increased its capital stock from $24,000,000 to $90,000,000, and absorbed a number of its competitors. Gas and electric light companies in Ohio and Indiana were combined, and borax, thread, paper, cast iron and oatmeal trusts, among others, were added to the list of large corporations.¹

Early in February the smouldering trouble between our troops in the Philippines and Aguinaldo's insurgents burst into flame. The Filipino attack was so promptly repulsed that the effect of these new hostilities upon stock prices was merely temporary. However, the natural tendency of the market was reactionary. Metropolitan (which sold close to 250 at this time) and Consolidated Gas were exceptions.

Between the 17th and 23d American Tobacco ran up from 134 to 189, and a few days later sold at 198%, under the influence of reports of a trade combination. Third Avenue advanced from 191 to 238 in a single week, went to 242 a day or two later and dropped to 212½ in another week. Sugar went through a somewhat similar performance in the following month,² but the speculation in Brooklyn Rapid Transit—which ran up to 136½—was the most notable feature of the March market. Governor Flower's firm was leading the bull movement in Brooklyn, People's Gas and Federal Steel, and his following was large. A waiter who had started a Brooklyn Transit deal in the previous April closed out his account with a profit of $100,000, which Wall Street took back at a later date. Brooklyn, throughout the wild speculation of the period, was the public favorite. Words failed the satellites of the ticker to describe the glowing future of this trolley road,

¹ In the following months the National Tube Company (organized under the auspices of J. P. Morgan & Co. with a capital of $60,000,000), the American Car & Foundry, Union Bag & Paper, Electric Boat, New York Electric Vehicle, United Shoe Machinery, American Woolen, and United Zinc & Lead companies were among the corporations formed. A bicycle trust and a new whiskey trust came into being. The Brooklyn Rapid Transit Company increased its capital stock from $20,000,000 to $45,000,000, and absorbed the Nassau Electric Railroad Company.

² On March 16th Sugar ran from 141 to 170—almost ten points above its previous high record—broke to 151, rallied to 162½ and closed at 159%, the sales aggregating 265,000 shares. This movement was merely a squeeze of the shorts, which rumor credited to Thomas W. Lawson. The Sugar Trust had enlarged its capital in 1893 and absorbed plants which gave it control of ninety per cent. of the country's sugar production. New competition by the Doschers and the Arbuckles injured the Trust's business, and Mr. Havemeyer, a few months before the squeeze of March, 1899, had opened fire on his foes by reducing the price of refined sugar to an unprofitable level. This started the bear attack.

The movement on March 16th was extremely rapid. One man, who was short of 1,500 shares, started to make out a check for $45,000 when the price was 170, to protect his account. As he was writing the stock fell back to 155, and he drew the check for $22,500 instead. Sugar sold at 182 on March 20th, and fell to 150 the next day.
THE INFLUENCE OF A FOREIGN WAR

which was no more in sight of dividends now than when it sold at 35 in the
previous year. The market reacted early in April and a sharp break came
on the 6th, carrying Brooklyn below 107, but nine days later the public
buying had raised its price to 137, and, after a fresh decline, it rallied to
within a fraction of that price later in the month. Then it began the
inevitable descent toward the level of intrinsic worth, ruining many of its
too zealous friends as it fell.

It was at this time that the news of an electric combination by the
Whitney-Widener-Elkins syndicate, and of the flotation of the Amalga¬
mated Copper Company, with its capital of $75,000,000, tended to excite
the public mind.

The immense growth and huge profits of the Standard Oil Company
had stimulated general cupidity. Small investors who were not engaged in
attempting to make fortunes by betting on the ticker were eagerly awaiting opportunity to put a dollar into some new enterprise and draw out a hundred dollars a year or two later. The Amalgamated Copper shares were many times
over-subscribed, and, after having been listed, began to advance rapidly in
price. But the general list now showed the effect of a too sudden rise.
Weakness in April was largely centred in the Gas stocks, due to a rate war
between the Consolidated, Standard and New Amsterdam Gas companies,
which continued for months afterward. The first week in May witnessed
a smart reaction, and on May 9th prices fell violently. Metropolitan
tumbled from 231 to 216, Third Avenue from 211 to 200, and Brooklyn
from 123½ to 114½. The instability of the tractions was credited to the
agitation over the Ford bill to tax franchises introduced in the Legislature.
Still, the market merely wanted an excuse for recession. It was, in fact,
the vulnerable character of the market that made possible the break which
followed upon Governor Flower's death. Roswell Pettibone Flower was
regarded at the time as the chief leader in bull manipulation. Once a
farm boy and later a brickyard laborer, he had advanced himself through

Marcus Daly, who was as well known a copper mine owner as any one in America, was the first
president of the Amalgamated Copper Company, and Henry H. Rogers of the Standard Oil Company was
its vice-president. The directorate likewise included William Rockefeller, F. P. Olden, Roswell F. Flower,
Robert Bacon and Albert C. Burrage. The public fancy was captured by the prominence of the men behind
the enterprise, and subscriptions were made for more than $400,000,000 of the stock. Thomas W. Lawson
publicly advised its purchase for 200. In recently published articles he has explained at length that Mr.
Rogers and a few associates bought the mines which were comprised in the company for $39,000,000
and floated them at $75,000,000. Long before the appearance of these articles Wall Street at least was
familiar with the nature of the deal which the Amalgamated Copper Company represented, and a remark¬
able decline in the stock gave evidence of the artificiality of its rise.

It was rather a coincidence that, about the time of the Amalgamated Company flotation, the
Standard Oil Company, which was believed to be behind the Copper combination, increased its capital
stock from $10,000,000 to $110,000,000. The Standard Oil Company of Ohio had been ordered, in 1892,
to dissolve, as the result of an action by that State, and had consumed some seven years in getting ready
to do so, paying 130 per cent. in dividends meanwhile. Its stock had risen from 156 to 490 in the interim.
In 1899 the liquidating certificates were exchanged for shares of the Standard Oil Company of New Jersey.
The devil had been beaten around the stump.
enterprise and sagacity to a position of marked financial power. Certain securities—such as Brooklyn, Air Brake, Federal Steel, and People's Gas—known as "Flower stocks" were favorites with the speculative public, and Mr. Flower was looked to as the natural source of their support. His death, from heart disease, occurred at the Country Club at Eastport, L. I., on the evening of Friday, May 12th. When the market opened upon the following day, with initial breaks of from one to thirty points in the "Flower stocks," the paper fortunes of many of the late Governor's followers were annihilated in a moment. The low prices of the day came in the first few minutes of trading, and then the market rallied. But the great bull movement of 1899 was at an end.¹

Stocks advanced somewhat in June, despite exports of gold, but once more fell away upon the initiation of a futile Congressional investigation of trusts. Easy money and increases in pig iron production and in steel imports helped the market in the summer, but dulness for the most part was noticeable. The stock of the American Tobacco Company, however, was doubled and the watered issue ran up to 131½. In September the bears had the market. Cornelius Vanderbilt's death on the 12th, a period of tight money, and the threatening attitude of the Transvaal war cloud depressed stock prices. Mr. Keene indulged in an effective attack on the "Flower stocks," and the once glorious Brooklyn tumbled below 87.

The outbreak of hostilities between Great Britain and the Transvaal had a depressive influence upon Wall Street during the latter part of 1899. True, values improved immediately after the declaration of war. There were favorable signs in the financial sky. The Steel Rail pool was getting enormous orders from the railroads. Pig iron was selling

¹New York Air Brake led the decline of May 13th, falling 5 to 10 points between sales. The following table indicates the movement of "Flower stocks" on this day:

<table>
<thead>
<tr>
<th>Stock</th>
<th>Close</th>
<th>Opening</th>
<th>Low</th>
<th>Close</th>
<th>May 12</th>
<th>May 13</th>
<th>May 13</th>
<th>May 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brooklyn R. T.</td>
<td>118¾</td>
<td>110 to 100</td>
<td>100</td>
<td>100</td>
<td>106%</td>
<td>109</td>
<td>107¼</td>
<td>109%</td>
</tr>
<tr>
<td>People's Gas</td>
<td>119</td>
<td>112 &quot; 104&quot;</td>
<td>101</td>
<td>101</td>
<td>112%</td>
<td>108</td>
<td>107¼</td>
<td>106%</td>
</tr>
<tr>
<td>Rock Island,</td>
<td>112%</td>
<td>109 &quot; 108&quot;</td>
<td>107¾</td>
<td>107¾</td>
<td>109%</td>
<td>108</td>
<td>107¼</td>
<td>109%</td>
</tr>
<tr>
<td>Fed. Steel, com.,</td>
<td>61%</td>
<td>58 &quot; 50&quot;</td>
<td>50</td>
<td>50</td>
<td>55%</td>
<td>54%</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>Fed. Steel, pfd.,</td>
<td>81%</td>
<td>78%</td>
<td>72%</td>
<td>72%</td>
<td>77%</td>
<td>78%</td>
<td>72%</td>
<td>77%</td>
</tr>
<tr>
<td>N. Y. Air Brake,</td>
<td>155</td>
<td>155</td>
<td>125</td>
<td>125</td>
<td>164%</td>
<td>155</td>
<td>125</td>
<td>164%</td>
</tr>
<tr>
<td>Atchison, pfd.,</td>
<td>55%</td>
<td>54½</td>
<td>51</td>
<td>51</td>
<td>52%</td>
<td>54½</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>Inter. Paper, com.,</td>
<td>49%</td>
<td>44 &quot; 39&quot;</td>
<td>35</td>
<td>35</td>
<td>46%</td>
<td>44</td>
<td>39</td>
<td>46%</td>
</tr>
<tr>
<td>Int. Paper, pfd.</td>
<td>81½%</td>
<td>.....</td>
<td>78</td>
<td>78</td>
<td>81%</td>
<td>81</td>
<td>78</td>
<td>81%</td>
</tr>
</tbody>
</table>

Governor Flower's power as a manipulator is instanced by his lifting of Air Brake from 14, in 1898, to above 200 early in 1899. He was the promoter of the Brooklyn Rapid Transit Company and also reorganized the Chicago Gas Company into the People's Gas, Light & Coke Company of Chicago. He was also interested in the formation of the Illinois Steel and Minessota Iron & Steel companies into the Federal Steel Company. John W. Gates sold his interest in the Illinois Steel Company at the time and organized the American Steel & Wire Company.

Governor Flower's estate was estimated at $3,781,969. It contained only 2,815 shares of Brooklyn Rapid Transit stock.
for twice what it had brought a year before. But as the news of one
British reverse after another forced liquidation in the London market, our
own vulnerability grew evident. The fall business on 'Change
was uneventful, save for a pretty speculation in "little
Leather," an upward spurt when the Government promised to
relieve the money market by purchasing bonds, and a break
early in December upon the Supreme Court's decision adverse to the
Addyston Pipe Trust. Then came a pressure of tight money, causing
heavy liquidation on December 8th and 9th, and directly afterward the
news of British misfortune poured into London and New York. Gatacre
was beaten at Stromberg; and Lord Methuen had been repulsed with heavy
loss at Magersfontein. Sterling exchange rose promptly and crash followed
the Boers.

On December 16th the world knew of Buller's repulses at Colenso.
Heavy liquidation in London caused depression here, Third Avenue selling
at 126 and Metropolitan at 166%. The downward tendency of prices was
heavily committed in United States Flour Milling and Seaboard Air Line
owners were paying sorely for their recent over speculation.
shares, closed its doors on the 18th, and Henry Allen & Company sus¬
signed on the same day. Call money ran to 186 per cent., and the
market wore an ominous aspect. At this juncture The Clearing House
banks rapidly formed a money pool of $10,000,000 and broke the call rate
to six per cent. Stock prices then rallied sharply. But many of them went
still lower four days afterward. The year, despite its early buoyancy, and
its flotation of new trusts with capital of two billions, ended in bitterness
and gloom.

Although Lord Roberts had taken command of the British forces in
South Africa, there was much uncertainty over the war situation, and the
market declined early in January, 1900, upon news of Boer activities about
Ladysmith. The evidence of American prosperity and financial power con¬
tinued strong. The price of pig iron had doubled in the last year, the
gold production of the new world was still heavy. But the conflicts of
rival capitalists affected prices adversely. The Standard Oil interests had

<table>
<thead>
<tr>
<th>Stock</th>
<th>High</th>
<th>Low</th>
<th>Close</th>
<th>Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar,</td>
<td>131%</td>
<td>120</td>
<td>125</td>
<td>5</td>
</tr>
<tr>
<td>Amer. Tobac,</td>
<td>99</td>
<td>75%</td>
<td>83</td>
<td>16</td>
</tr>
<tr>
<td>B. R. T.</td>
<td>78</td>
<td>65%</td>
<td>73%</td>
<td>16</td>
</tr>
<tr>
<td>Cont. Tobacco,</td>
<td>31%</td>
<td>20</td>
<td>22%</td>
<td>9</td>
</tr>
<tr>
<td>Fed. Steel</td>
<td>52</td>
<td>39%</td>
<td>45</td>
<td>6%</td>
</tr>
<tr>
<td>People's Gas</td>
<td>103%</td>
<td>90%</td>
<td>94</td>
<td>9</td>
</tr>
</tbody>
</table>

1 The following table indicates some of the striking price changes of December 18, 1899:
succeeded in capturing the control of a new lighting trust from the Whitney party, and the news of this coup was followed by trade war developments which sent Sugar stock tumbling 20 odd points. Toward the end of the month the positive news of a severe repulse of Buller’s army at the Tugela River found the market in an over-sold condition and stocks rallied. Even the collapse of two of the recent trusts—the United States Flour Milling and Brooklyn Wharf & Warehouse Companies, both promoted by Thomas A. McIntyre—proved of little assistance to the bears.

A battle between steel kings—Henry C. Frick’s suit against Andrew Carnegie, whom the plaintiff accused of having withheld him from his rights—aroused public interest in February. But the really absorbing feature of the market was a bear campaign against Third Avenue stock, which was now in full swing. The Whitney party had been worsted by the Standard Oil cohorts in the gas and electric fight. They were now deriving satisfaction from an attack of their own upon a weaker foe. They had resolved to capture the Third Avenue Railroad and make it an appendage to their Metropolitan system. To accomplish their desire they must beat down the price of the coveted shares.

Fortunately for Mr. Whitney’s plans the Third Avenue Railroad was staggering beneath an unwieldy floating debt, which had been acquired in the course of buying subsidiary properties and completing the road’s equipment by the employment of a Tammany contractor. The contract work was understood to have enriched a little clique in the Third Avenue directorate. Reports that the property had been plundered and ruined

1 The New York Gas and Electric Light, Heat & Power Company was organized by William C. Whitney and Thomas F. Ryan in November, 1898, with a capital of $25,000,000, and absorbed a number of electric companies. Parties in this corporation were also identified with the New Amsterdam Gas Company. The Consolidated Gas Company was controlled by the Standard Oil people, who determined upon taking the Whitney lighting trust into camp, and putting down the price of Metropolitan stock—which the Whitney contingent were heavy owners—as a means of accomplishing their end. When the deal for a merger of the new corporations was effected, it was decided to end the gas war, and, with this object in view, Mr. Whitney bought Russell Sage’s and the Andrews estate’s holdings of Standard Gas Company stock. This led to a complete gas and electric merger, with the lighting industry in this city dominated by the Standard Oil party. A slight indication of the monstrous strength of this party was furnished by the increase of the capital stock of the National City Bank from $1,000,000 to $10,000,000 in January, 1900. The Standard Oil Company declared a dividend of 20 per cent. upon its new capital of $100,- 000,000 on February 6, 1900, and the stock advanced 33 points to 545, on sales of 400 shares.

2 In 1892 Carnegie Bros. & Co. (having a capital of $5,000,000) were re-organized into the Carnegie Steel Company, capitalized at $25,000,000. Henry C. Frick owned about six per cent. of the stock of the latter concern. Its shareholders were supposed to be bound by the so-called “ironclad agreement,” which compelled any of the signatories who desired to withdraw from the company to sell his stock at a price decided on by Andrew Carnegie. Mr. Frick’s resignation from the directorate was forced by Carnegie in December, 1899. Mr. Carnegie held 58½ per cent. of the stock of the Carnegie Steel Company. In May, 1899, he received from Judge W. H. Moore (who then had a large steel trust in mind) a bonus of $1,170,000 for a ninety days’ option to purchase this property at $157,550,000. Mr. Frick calculated on this basis that he was entitled to $16,238,000 for his stock and sued for that amount. Mr. Carnegie maintained that the proper price was $6,000,000. The suit was eventually settled out of court.
THE INFLUENCE OF A FOREIGN WAR

were carefully circulated throughout the bear campaign on the stock. Much exaggeration crept into these stories, but the evident difficulty of financing the road's indebtedness lent color to them. The public became speedily imbued with the idea that this once prosperous corporation, the shares of which had sold at nearly 250 in the previous year and were the investments of the little means of widows and orphans, had fallen into bankruptcy through the malfeasance of its directors.¹

Third Avenue stock fell from 126 to 119½ on January 10, 1900, and worked rapidly downward from this date. It had fallen to 107 on the 25th, and then rallied eleven points, but the ground gained was lost in another twenty-four hours. The stock broke to 96 early in February, rallied twelve points on a fresh scramble of shorts to cover, and again declined with rapidity. The banking house of Kuhn, Loeb & Co. had undertaken to finance the road's floating debt. It dropped the negotiations in mid-February and the market value of the stock decreased again. On the 19th H. H. Vreeland, president of the Metropolitan Street Railway Company, facilitated the work of the bears by a public announcement that his company had no intention of buying the unfortunate Third Avenue property. Vermilye & Co., now took up an investigation of the Third Avenue floating debt with a view to financing it, but decided not to attempt the task. Meanwhile the stock kept sinking, sinking. It fell from 90 to a point below 84 on the 23d, reached 74½ on the next day, sold at 68 two days later, and on the 27th declined from 68 to 51 amid sales of 72,000 shares. The creditors of the property were encumbering it with mechanics' liens and the Street awaited news of a receivership for the derelict.

On March 1st, Hugh J. Grant took charge of the Third Avenue Railroad Company's offices, having been appointed receiver upon the application of creditors. This day although the general list was stimulated by the news from South Africa that Ladysmith had been relieved, Third Avenue stock fell to 49½ and closed at 50, a net loss of 8½ points. On the second it sold at 45½, while the Street freely admitted the utter ruin of the property. On the very next day the stock, heavily bought by strong commission houses, ran up to 56. A page had been turned in the chapter of manipulation.

The Metropolitan Street Railway interests were in fact engaged in buying control of the wronged and maligned Third Avenue road. A fortnight

¹ The Third Avenue road was originally held in a private copartnership. In 1858 the property was sold to the Third Avenue Railroad Company. In 1891 the capital of the company was increased from $2,000,000 to $16,000,000. Early in 1900 the floating debt of the property was betwenn $16,000,000 and $17,000,000. Albert J. Elias, the president, was the son-in-law of Henry Hart, who was the principal holder of Third Avenue stock. Mr. Hart was an aged man and his mind was failing. He was quite unable to extricate his company from its embarrassments.
before, for reasons unprofitable to seek, their mouthpiece had been induced to explain publicly that the Metropolitan had positively no intention of buying the Third Avenue, and it may be imagined that this pronunciamento had quickened the tendency of the price to decline. Moreover, for a considerable time before the stock turned upward, certain of the directors of the Third Avenue property had shown themselves rather lukewarm, at least, in the effort to protect its good name.\(^1\) It is difficult to resist the conviction that the entire movement of the stock was the product of superior design.

The upward tendency of the stock, when once defined, was as irresistible as its downward impetus had been. On the 14th, for example, the day on which the receiver’s report, indicating the hopeless condition of the property, was made public, Third Avenue ran from 56 to above 66. The next day it sold above 70\(\frac{1}{2}\), with violent fluctuations. The Metropolitan purchases were concluded on the 19th, when the stock leaped to 85\(\frac{1}{4}\) and closed at 85, the bulk of the movement taking place in the last fifteen minutes. At the end of the day’s business, Mr. H. H. Vree-land formally announced the purchase of Third Avenue control by Metropolitan interests, and made public a letter of congratulations from the venerable Henry Hart. No one who knew Mr. Hart would have credited him with the literary composition of the document. But it made good reading.

Third Avenue opened five points up on the 20th, and the frightened shorts rapidly forced the price to par. The public was permitted to see that the plundered property when controlled by the right hands was no longer worthless. Within a brief time the road was leased to the Metropolitan, the rental being seven per cent. on the par value of the capital stock.\(^2\) Students of affairs recognized a striking illustration of the methods of high finance.

\(^1\) Henry Hart’s private affairs were badly muddled and he was unable to carry the huge amount of stock which he held in the face of the decline. James R. Keene came to his aid, taking over his entire holdings of Third Avenue. According to report, these amounted to 53,000 shares of which Mr. Keene bought 20,000 shares outright, giving Mr. Hart a call on the other 33,000 shares at par. This call was exercised later (when the course of events had brought up the price of the stock) by means of a fresh loan which Mr. Hart was able to negotiate.

Mr. Keene was regarded, by reason of this transaction as a bull on Third Avenue. The stock declined heavily afterward, but it may be doubted that the decline caused him any loss. He is understood to have briskly and deftly reversed his position, selling out the stock which he had bought outright, and going short of a considerable quantity in time to safeguard his position.

\(^2\) The debts of the Third Avenue railroad were provided for by the flotation of a $50,000,000 bond issue (guaranteed by the Metropolitan Street Railway Company), of which $35,000,000 was taken by Messrs. Kuhn, Loeb & Co.
XXVII

CULMINATION OF AN ERA

Beyond doubt, the greatest of those industrial combinations which have formed so striking a feature of trade activity since the first election of McKinley was the so-called Steel Trust. It was remarkable quite as much for the interest it elicited from the public as for its huge capitalization, and ever since its formation its shares have been speculative favorites. Indeed, the shares of the smaller companies that went to make it up were equally popular in their day. The peculiar nature of the steel industry made possible times of excessive profit, as well as times of great depression. The former have predominated in recent years. Just prior to the birth of the Steel Trust, the principal steel properties, the shares of which were listed on 'Change, were showing dazzling earnings on their grossly inflated capitalizations.

The leading iron and steel property—the Carnegie Company—was not among the footballs of Wall Street. It was a formidable rival of the steel concerns dominated by the Morgan, Flower, Gates and Moore parties. It was not, in fact, until this Carnegie competition threatened to become still more dangerous that these financiers found it necessary to organize the United States Steel Corporation. The Steel Trust was an outcome of the logic of events.

Early in April, 1900, the stock market gave evidence of liquidation, and, toward the middle of that month, an incident occurred which might well have tended to shake the nerves of "Steel" investors. John W. Gates, who had returned to this city after a western trip, suddenly announced that the steel trade was in bad condition and that he had closed down twelve mills of the American Steel and Wire Company, because of poor business. Steel & Wire common dropped from 51 to 42%, and the preferred fell from

In March, 1900, the public learned that Andrew Carnegie and Henry C. Frick had agreed to settle their differences in the formation of the new Carnegie Company. This corporation was capitalized at $200,000,000 of stock, of which $160,000,000 was paid in, and $100,000,000 of bonds.
85 to 80½ on the 16th, the day the mills shut down, and on the 17th a
sharp break in all the steel stocks ensued. The views of Mr. Gates as
to the trade met little sympathy outside of his own company,
and certain of his fellow directors, who represented the
banking house of J. & W. Seligman, showed much displeasure,
which ripened into hostility. But on April 20th the Ameri¬
can Steel & Wire directorate indorsed Mr. Gates by cutting the prices of all
products from thirty to thirty-three and a third per cent. The Steel stocks
opened off sharply on the following day and indulged in semi-panic, Steel
& Wire common falling to 37½, while the public execrated Mr. Gates for not
having taken it into his confidence. His opponents in the directorate held
that he had misled them as to trade conditions, while he and his intimates
had been quietly selling stock. Washington Seligman, a relative of the
bankers, even instituted legal proceedings against Mr. Gates; but they
came to nothing. The American Steel & Wire directors met again on
May 7th, and Henry Seligman and Frederick Strauss resigned from the
board because Mr. Gates refused to do so. A few days later he voluntarily
gave up the post of chairman of the directorate, reorganized the board on
his own lines, and sailed away to Europe in triumph. The Gates person¬
ality, the Gates lucky star, the Gates magnetism and daring, were familiar
topics of Wall Street gossip from that hour.

Rumors of a steel combination were not lacking at this time, but no
tangible steps to effect it were taken until the following year. Nor was
speculation of an epic character during the remainder of 1900. It was a
year of progress and health, one in which our exports at last overtopped
our imports, but it was somewhat reactionary from the business excesses
of 1899, and was marked by a falling off in Clearing House activity and
Stock Exchange dealing.

The Transvaal War scare reached an end in May with the British
occupancy of Pretoria, and the market showed signs of relief. The failure
on May 24th of Price, McCormick & Co., with liabilities of
$13,000,000, after an extensive bull campaign in cotton, was
easily sustained, and the collapse of Seymour, Johnson & Co.,
four days later, was quite without effect. In June sentiment changed for
the worse, with bad news of the wheat crop and the advent of ten-cent
cotton. The market was steady, but uneventful, throughout the remainder
of the summer. The disturbances in China, which drew thither the atten¬
tion of the civilized world, the renominations of McKinley and Bryan, and
the assassination of King Humbert of Italy, by the anarchist Bresci, in

1 This firm was more active on the Cotton Exchange than in the stock market. It consisted of
Theodore H. and Walter W. Price, W. G. McCormick, R. M. Stuart-Wortley, and a special partner, George
Crocker. The failure was accompanied by a break in cotton prices. Mr. Crocker publicly laid the disaster
to the "illegitimate speculations" of one member of the firm, a charge which Mr. Theodore Price publicly
resented.
July, were all phlegmatically treated on 'Change. The death of Collis P. Huntington, builder of the Southern Pacific and ruler of the Chesapeake & Ohio, which took place at his Adirondack camp in August, was without effect on prices.

In September the market weakened momentarily. An extensive strike of anthracite miners—which lasted about a month—a reduction in the price of tinplate, and the cutting of the price of steel rails from $35 to $26 a ton, were the depressing factors. While values improved in October, a strong bull market was yet impossible. Rail orders were largely held in abeyance, waiting the outcome of the election, although the Pennsylvania Railroad placed a large order promptly at the reduced price. The officials of the road had not misread the future. On November 6th the McKinley and Roosevelt ticket was swept into power by a decisive majority. The importance of this election was vastly inferior to that of 1896. Nevertheless the relief of business men at the second defeat of Bryan was profound. Stocks opened up one to three points on the day after the election and continued to advance, amid great activity, for nearly a week. The favorable influence of the election on general trade was made evident during the same time.

The announcement of the Southern Pacific’s control of Pacific Mail, and of the plan to merge the Guggenheim smelting business with the Smelters’ Trust, were both made in November. On the 23d of the same month a new security, Amalgamated Copper, was added to the list, 45,000 shares selling between 99½ and 97%, the stock closing at 98. The following month saw a vigorous stock market, with heavy advances in Sugar, Brooklyn Rapid Transit, and the Coal shares. The Pennsylvania Coal Company had been acquired by interests in the Erie, New York, Ontario & Western and Delaware & Hudson companies. The bulls hailed the merger as a point in their favor.

With the opening of the new century there began a period of public speculation so animated as to suggest a new dispensation. The surplus accumulated in successive years of prosperity by men in all walks of life was large. With its growth came the desire of its holders to increase it. The ensuing movement did not culminate until the “Northern Pacific panic” of May, 1901, although several periods of dulness broke the activity of the preceding four

<table>
<thead>
<tr>
<th>Stock</th>
<th>November 5</th>
<th>November 12</th>
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<tr>
<td>American Sugar</td>
<td>124%</td>
<td>133%</td>
</tr>
<tr>
<td>American Steel &amp; Wire</td>
<td>33%</td>
<td>47%</td>
</tr>
<tr>
<td>American Tobacco</td>
<td>97½%</td>
<td>110%</td>
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<tr>
<td>Consolidated Gas</td>
<td>173%</td>
<td>186%</td>
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<tr>
<td>Federal Steel</td>
<td>40%</td>
<td>51%</td>
</tr>
<tr>
<td>Manhattan</td>
<td>97½%</td>
<td>109%</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>159½%</td>
<td>171%</td>
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The advance immediately following the national election of 1900 may be illustrated by the following table:

The Twentieth Century figures.
months. Excitement in the market was pronounced in the first days of January, 1901. On the fourth a new record for activity was established by the sale of 1,816,581 shares. Of this number 250,000 represented the dealing in St. Paul, which stock ran from 145 to 158%, while Northern Pacific gained 6½ points, closing at 88. St. Paul sold at 162 the next day and then fell off five points. On the seventh the market broadened to 2,113,000 shares. Rumors of great railroad combinations were filling the air and tempting merchant, manufacturer, lawyer and clerk to throw judgment and sense of proportion to the winds and buy at any price. Several of these rumors were well founded. The Philadelphia & Reading Railway purchased the Central Railroad of New Jersey and the control of Chicago Terminal Transfer changed hands. E. H. Harriman and his associates also acquired the Huntington and Speyer holdings and other stock of the Southern Pacific Company—a total of 75,000 shares—for the Union Pacific Railroad Company, which later made a four per cent. issue of bonds to finance the purchase. This acquisition gave the Union Pacific practical control of the great southwestern property in which it had long held an interest. The purchase by George Gould of the control of the Denver & Rio Grande and the entrance of the Rockefeller party into Missouri Pacific likewise excited the public mind during this period of unrest.

It was early in 1901 that long considered plans for a merger of the leading steel industrials took definite shape. The general fact that economies were to be effected by the combining of these properties was widely understood, but it required the stimulus of danger to induce their owners to take action. This stimulus was provided by Andrew Carnegie.

Mr. Carnegie caused the announcement to be made in January that he would immediately erect a tube plant costing $12,000,000 at Conneaut Harbor, Ohio, and that the Carnegie Company would later embark in the manufacture of tin plate, steel wire and sheet steel. This was primarily a blow at the National Tube Company, a Morgan concern capitalized at $80,000,000, and controlling 85 per cent. of the trade in wrought iron pipe. Its business, which

1 This deal made the Union Pacific system one of 15,000 miles. The Southern Pacific Company owned all of the Central Pacific, on which the Union Pacific road was dependent for its connection to the coast. It was the fear of an ultimate disturbance of that connection which urged the Harriman syndicate to this purchase. The James Speyer stock had been bought about a year previous from the Charles Crocker and Leland Stanford estates.

2 Conneaut Harbor was the Lake Erie terminus of the Pittsburg, Bessemer & Lake Erie Railroad, a Carnegie property. It was possible to ship finished products from Conneaut Harbor, via Lake Erie and the Erie Canal, to New York City, for five cents the hundredweight, against a railroad freight rate of eighteen cents from Pittsburg to this city. By establishing a plant of any sort at Conneaut Harbor, whether raw material could be cheaply shipped from Pittsburg, the Carnegie Company could undersell any existing competitors in the New York market.
was prosperous in the extreme, was threatened with destruction by the announcement of Mr. Carnegie. The bugaboo of water freights, thrust suddenly into view, obscured the prospect of dividends and even aroused in timid souls vague fears of bankruptcy. Mr. Carnegie’s promise of later competition in other lines suggested the possibility of a steel trade war, with disaster to many investments in which Wall Street and the public had placed millions.

Whether or not it was true that Mr. Carnegie’s threats were the result solely, as men alleged, of displeasure at his failure to get railroad freight concessions out of Pittsburg, or that he had simply decided to retire and to compel Mr. Morgan and his associates to assist him in the process, the effect of his coup was irresistible. It was known that he had the means, and it was believed that he had the power, to make good his declaration. J. Pierpont Morgan recognized that the only decisive remedy lay in the discovery and acceptation of Mr. Carnegie’s terms. It seemed obvious, moreover, that if the task of buying Mr. Carnegie out were to be undertaken, it were wise to effect a consolidation of all of the leading steel competitors, and thus eliminate the possibility of war in the steel trade. The Steel Trust was forced to meet this situation.

On February 6—less than a month after the Carnegie outgiving—the news flashed through Wall Street that Mr. Carnegie had sold out to the Morgan party, and stocks leaped upward, buoyed by the conviction that a black cloud had rolled away beyond the horizon of finance. But the work of welding into one whole the component parts of this giant steel combination was far from complete. Mr. Carnegie had condescended to accept some $300,000,000 in choice bonds for his steel holdings. But with the leading directors in the National Tube, Federal Steel, American Steel and Wire, National Steel, American Tin Plate, American Steel Hoop and American Sheet Steel Companies, all of which were comprised in the original merger negotiations, separate bargains had to be struck. Between a maze of conflicting interests, jealousies and prejudices, Mr. Morgan threaded his way to success.

The final details of the steel merger were arranged at Mr. Morgan’s office, late on Saturday afternoon, February 23d, after a lengthy conference of the leaders of the various steel companies. On Monday morning the news that negotiations had succeeded, and some inkling of the terms, appeared in public print. The steel stocks thus affected opened up sharply and advanced amid wild excitement, reacting later. The new giant among trusts, the United States Steel Corporation, was formed this day in New Jersey, and on the next Mr. Morgan announced the details of his coup like a modern Caesar recounting his triumphs over the barbarians.
Within a few weeks the capital of the new trust had been fixed at $1,400,000,000 in stocks and bonds, and the entire country was ringing with the news of the Morgan achievement. From Maine to Texas small-bore investors rushed to the savings bank or the woollen stocking and appeared as buyers of the new securities. What prices they were paying they seemed not even to care to understand. What mattered it that the Illinois Steel Company was heavily watered in its formation; that the Federal Steel Company, which swallowed it and its fellows, was similarly watered again, and that the titanic Morgan combination required still more water in its making? Let us be agreeable, said the public, and for water read capitalization of earnings. The newspapers were widely used to explain the economies and benefits to be gained by the consolidation. Equal publicity attended the company’s early business success, and, with the preferred stock paying seven and the common four per cent., the Steel Trust shares were tempting at the prices first prevailing. Thus the flotation proved most profitable to the insiders. The underwriting syndicate, formed to effect the exchange of subsidiary stocks for those of the Steel Trust, was called on only for $25,000,000 out of the $200,000,000 pledged, and made very handsome gains out of its use.

James R. Keene was intrusted with the delicate task of actually getting the steel stocks into the public’s hands. His handling of the problem was masterly beyond doubt. But his signal success could not have been hoped for, with the finest manipulation known to Wall Street history, had not the public prosperity and the public temper united to favor his efforts.

BENEATH all the extravagances of modern high finance (and its ardent admirers must admit that its failings do exist) there lies fidelity to one principle which is assured of permanent recognition—the principle of co-operation. Its adoption comprises all that is meritorious in the industrial movement. Its application to the railroad

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1 As first made the steel combination comprised 78 blast furnaces with an annual capacity of 6,500,000 tons of pig iron, and 149 steel works and six finishing plants with a total annual capacity of 9,000,000 tons. The United States Steel Corporation was capitalized at $550,000,000 of preferred stock, $550,000,000 of common, and $305,400,000 of five per cent. first mortgage bonds. The bonds were used to redeem, at par, the $159,450,000 of Carnegie Company bonds, held by Andrew Carnegie, and to pay for the $86,379,000 of Carnegie Company stock owned by Mr. Carnegie, and for other shares held in his family. It is understood that these favored holders turned in their stock at 150 for bonds, and the minority holders in the Carnegie Company got 150 in new preferred and 150 in new common for their shares.

The Federal Steel, American Steel & Wire, National Tube, National Steel, American Tin Plate, American Steel Hoop and American Sheet Steel Company stocks were paid for in United States Steel, preferred and common, at rates fixed by Mr. Morgan, and ranging from par to 125. The four last named companies constituted the “Moore group.” Judge Moore and his associates were thought to have got a disproportionately high price for their holdings, and certain National Tube shareholders loudly protested. But Mr. Morgan’s terms prevailed, and practically all of the stocks of the constituent companies went into the merger.

The American Bridge Company and the Lake Superior Consolidated Iron Mines were taken in on April 1, and the Shelby Steel Tube Company in June, 1901. The Union Steel Company and the Troy Steel Products Company were absorbed in 1902 and the Clairton Steel Company in 1904.
has proven, when faithful, satisfactory in results. The famous "community of interest" idea, one of the features of the renaissance of prosperity, was only a plan to put the co-operative principle into effect.

Although the expansion of the railroad systems of America has been accompanied by a gradual lowering of freight rates, the public has always regarded with disfavor the efforts of railroads to protect themselves against over-competition. With the passage of years came legal enactments in many States, forbidding the consolidation of parallel roads. It was to meet this condition, and to prevent the destructive warfare in which rival railroad managers had always been prone to engage, that the transportation kings devised the "community of interest" plan. They argued quite rightly that if A, B, and C are competing roads, and the majority holders in each are substantially interested in each of the other two, rate wars and kindred evils could be easily avoided. The events leading up to the famous Northern Pacific corner of 1901 were the result of an application of this plan to the Northwest.

Toward the close of 1900 James J. Hill, the foremost railroad man of America, and J. Pierpont Morgan were working in harmony, with old hostilities thrust behind. Mr. Hill had induced his Great Northern associates—such men as John S. Kennedy and Lord Strathcona—to take a large interest in Northern Pacific, and the Morgan party had similarly participated in Great Northern ownership. In these two united grounds the control of both properties was held. The controllers were masters of the Northwestern situation. Mr. Morgan suggested to Mr. Hill that the Northern Pacific needed an easterly outlet to Chicago. Mr. Hill concurred, and to obtain it favored the purchase of the Chicago, Burlington & Quincy Railroad. Mr. Morgan thought that the Chicago, Milwaukee & St. Paul was the road to buy. This opinion was finally accepted, and the two financiers joined in an attempt to get the St. Paul. Their effort was vigorously opposed by James Henry Smith and others in the St. Paul directorate, and the negotiations, after much disagreeable notoriety, ended in failure. Mr. Morgan reverted to Mr. Hill's idea, and it was determined to buy the control of the Burlington. Early in 1901, after a certain amount of Burlington had been picked up in open market and the stock had sharply advanced, the allies learned that the control of the road could be purchased privately at $200 a share, which could be paid for in four per cent. bonds. This would necessitate an issue of $218,000,000 in bonds, and involve carrying charges of $8,720,000 a year, which exceeded the net earnings of the Burlington Road during 1900, the most profitable year of its history. Messrs. Morgan and Hill decided without hesitation that the Burlington road was worth $200 a share to them, and thus the
sale of the property to the Northern Pacific and Great Northern companies, as joint owners, was completed.¹

The success of this transaction became known in March to Kuhn, Loeb & Co. and to Edward H. Harriman, of the Union Pacific road. It was regarded as a blow at railroad harmony. It threatened the prosperity of the St. Paul road (in which Standard Oil men were interested), the Chicago & Northwestern (a Vanderbilt property), and the Missouri Pacific, controlled by Mr. Gould and the Rockefellers. But the Union Pacific had most to fear from it. In Oregon and Idaho and elsewhere the Union Pacific touched Northern Pacific lines, while at Omaha and Kansas City it touched the Burlington, with which, indeed, it competed through Kansas, Nebraska, Colorado, and Wyoming. A glance at the railroad map will show that the Hill-Morgan coup meant that the Union Pacific would lose all the east-bound freight it had got from the Northern Pacific, and all the west-bound freight the Burlington had been giving it.

The Union Pacific interests made a fruitless appeal for the right to participate in the Burlington purchase. Mr. Morgan having completed two huge transactions, sailed for Europe early in April, and a Harriman-Kuhn-Loeb-Gould-Rockefeller union was formed in opposition to Messrs. Morgan and Hill. Shortly after this Mr. Schiff, of Kuhn, Loeb & Co., informed Mr. Hill that he and his associates had bought control of the Northern Pacific road. They had in fact resolved on this course as their only protection, and had captured the property, chiefly by private purchase of stock. The news of Mr. Schiff's declaration was forwarded abroad to Mr. Morgan, who was then flushed with the fresh triumph of having purchased the Leyland line, the third largest steamship company of Great Britain. He sent an order from Aix to clinch the control of Northern Pacific by the purchase of 150,000 shares of the common stock in open market. This order more than absorbed the floating supply, and many from whom the Morgan brokers bought were selling “short.” When they attempted to cover there was virtually no stock to be had. It was in this way that the famous Northern Pacific corner and succeeding panics were brought about.

ANNOUNCEMENT of the steel merger and of great railroad deals had inflamed the public imagination by the latter part of March, and all classes and conditions of men came tumbling into the market intent upon doubling their money in a day. Prices leaped up.¹

¹The deal was not formally announced until April 30th, although it was approved by the Great Northern and Northern Pacific directorates a number of days before. These two roads organized the Chicago, Burlington & Quincy Railway Company, of which each of them owned half, and it purchased the Chicago, Burlington & Quincy Railroad, paying therefor in four per cent. bonds which were the joint obligations of the Great Northern and Northern Pacific.
Missouri Pacific, not yet a dividend payer, touched par for the first time in thirteen years. All of the leaders responded to the spur of public buying, and as April followed March, the newcomers felt their appetites grow with what they fed on. London sold largely and gold went out to pay her, but no one cared a whit. Market and intrinsic values parted company. The business of commission houses swelled beyond all precedent, and weary clerks toiled to midnight adjusting the accounts of lawyers, grocers, physicians, waiters, chorus singers and clergymen who were learning to acquire wealth without labor. Elevated cars in early morning, and hotel cafes at night, hummed with stock tips and market gossip. Time and again new records of activity were established on 'Change. The dealing of the "western contingent" was particularly heavy and bull manipulation was indeed easy of success. From every lip dropped stories of fortunes gained in a week by this or that lucky stroke. Florists, jewellers, perfumers, restaurateurs, modistes and vendors of automobiles rejoiced in the collateral prosperity secured to them by the boom in stocks. The steel shares, the grangers, and Amalgamated Copper—which ran to 130 on this bull movement—were the chief fancies. Throughout April stocks soared far up beyond the levels of reason and true worth, with frequent two-million share days, and violent reactions in various issues tempering the advance. On April 22d, for instance, when 2,340,000 shares changed hands, Amalgamated Copper opened 4½ points off and fell to 117, while St. Paul ran from 170 to 175 and fell to 168. On the 24th there were tremendous buying orders in Union Pacific, which ran from below par to 107½, with sales of 650,000 shares—a new record for activity in one issue.

On Friday, April 26th, the Stock Exchange bade farewell to the old building in Broad Street, which it had occupied since the days of the Civil War. Upon its site was to rise a splendid structure of marble, a public testimonial of the Board's prosperity and strength. Many of the older brokers to whom life at the trading post was only a memory, gathered on this occasion for a parting look at the familiar walls which had re-echoed their clamor a generation ago. Rudolph Keppler, President of the Exchange, delivered a speech after the market's close, and this was the farewell ceremony. The brokers took Saturday as a holiday, and on Monday, April 29th, opened business in their leased and narrow quarters in the Produce Exchange Building. Here they remained till the Spring of 1903, when they returned to Broad Street and entered their completed
home, the acquirement of which—in its beauty, durability and commodiousness—is the subject of a special chapter in the present volume.

The first day's trading on the leased floor was enormous—running to 2,616,000 shares, with Union Pacific selling up to 130, and Northern Pacific advancing from 109½ to 119½, while the whole market responded to their lead.

On the next day came formal news of the Burlington deal and a burst of the wildest trading. Burlington stock sold at 199%. Erie ran above 43. Steel common climbed to 55 and the preferred touched 101%. The total sales printed on the tape were 3,270,000 shares, a new record of activity and one never equalled since.

The first two days of May witnessed excitement scarcely less fervid, with a leap in Atchison, promoted by a fiction, but on the

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1 There is reason to believe that the unstinted buying of Union Pacific at this time was due to an effort of the Hill-Morgan party to obtain control of it, and that it was not until they failed in doing so that they decided to protect themselves by purchases of Northern Pacific stock.

2 It will be noticed that the Burlington deal created a Hill-Morgan trans-continenal system, consisting of the Erie, Burlington and Northern Pacific roads.
third day a heavy reaction set in, from which the market list finally recovered.

On Monday morning, May 6th, Northern Pacific common, in which London buying had been heavy, opened at 116⅔, six and a half points higher than the night before, and the price shot up to 133—one brokerage firm which acted for J. P. Morgan & Co. absorbing 150,000 shares, or one-fifth of the outstanding issue. On Tuesday, the delivery of this stock, which had been loaned out in the usual way, was demanded. The frightened shorts had forced the price almost to 150 this day, and after the market's close, a panic in the loan crowd, and the fixing of a ten per cent. premium to carry "little Nipper" over night, showed how heavily the market was oversold. The Morgan house had bought more stock than could be delivered. Not only were the bear traders caught between the upper and nether millstones, but the arbitrage houses, which had sold stock that must await arrival from Europe, were suddenly abreast of ruin. With "Nipper's" wild up-rush to 180 on Wednesday the Street recognized the gravity of the peril, and in the afternoon began the descent in other securities which was to eventuate in panic. St. Paul dropped well-nigh twenty points to 161½, Union Pacific fell from 130 to 112½, and other such recessions proclaimed that an hour of reckoning had come, and that the unreasoning, outrageous speculation of preceding weeks must now produce its natural fruits. The break was ominous enough to perturb the country, and the general disquietude was not lessened by the succeeding struggle in the loan crowd, where the right to borrow Northern Pacific over night commanded a premium of 45 per cent.

On the morrow, the storm broke in all its fury. The market steadied itself a bit on Thursday morning, for a moment deceiving the eye. But Northern Pacific, which had opened ten points up, at 170, began at once to climb. It fell off but for a moment and then rose between two sales from 159 to 205, a leap which foretold ruin to the unhappy shorts, the passing of countless paper fortunes, the destruction of a city of shimmering castles in the air. Great quantities of securities, thrown overboard by Northern Pacific shorts in their desperate need of money, fell upon the market, and as prices receded, one speculative account after another, closed out by frightened brokers, added to the growing panic. Northern Pacific sold at 230,

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1 Neither the Hill-Morgan nor the Union Pacific party was willing to keep Northern Pacific stock loaned out; each feared that by lending its shares it might unwittingly be throwing them into the enemy's camp. However, it was realized that an absolute refusal to lend would bankrupt not only the houses acting for the bear traders, but also the arbitrage houses, which could not deliver stock until the arrival of steamers, and which certainly deserved consideration. A proposal to pool stock and lend to the shorts in proportion to holdings was made by Kuhn, Loeb & Co. to the house of Morgan, but not accepted. It was finally agreed on the 9th that each house should permit those brokers who had sold it short stock to settle at $150 a share. The price fixed for London shorts by Mr. Morgan was $140. The corner developed a "backwardation" of 15 to 20 points in Capel Court.
"regular;" then came "cash" sales at 300 and 400, a "regular" sale at 320, and a sale of 100 shares, "cash," at 650. After eleven o'clock the price of regular stock touched 700, and three hundred shares sold "cash" at $1,000 a share, R. H. Thomas paying the price to Street & Norton.

Money had now reached seventy per cent. and the panic was at full height. Union Pacific dropped from 105 to 89 in eight sales, and then declined to 76. Delaware & Hudson fell from 163 to 105 on moderate trading but recovered before orders at limits anywhere near this price could reach the Board for execution. St. Paul sold at 134, Steel common at 24, and the whole speculative fabric came crashing down upon its builders, annihilating in an hour the profits and hopes of a long campaign.

The announcement by brokers for the warring financiers that no Northern Pacific stock would be called that day, and the sudden formation of a money pool for $19,500,0001 (consisting of fourteen banks and one banking house), checked the panic about mid-day, at a time when if current prices were to be the test the great majority of Stock Exchange houses might have been termed insolvent. Then began a rally well-nigh as violent as the decline. The day ended without a failure on 'Change, and Friday, the 10th, witnessed one of the most rapid stock advances remembered by the Street. Northern Pacific, which closed on Thursday at 325, dropped on Friday to 150, at which price the rival captains of finance had mutually agreed to permit the shorts to cover. The automatic corner had ended and with it the greatest public movement in the annals of stock speculation.

Northern Pacific stagnated and the market naturally was nervous and far from broad in the weeks just succeeding the panic. A spurt in "Nipper" from 160 to 205 on the 23d—probably due to the effort of some belated London bear to cover sales made in Capel Court—and a drop in Union

1 This pool was organized by Frederick G. Tappen, of the Gallatin National Bank, at the timely suggestion of Frederick Edey, of H. B. Hollins & Co., and the money was loaned at forty to sixty per cent., the rate afterward falling. Following is a table indicating the spring rise, the effect of the panic on stock prices, and the subsequent recovery:

<table>
<thead>
<tr>
<th>STOCK</th>
<th>LOW.</th>
<th>HIGH.</th>
<th>LOW.</th>
<th>HIGH.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amal. Copper</td>
<td>93%</td>
<td>123%</td>
<td>90</td>
<td>117%</td>
</tr>
<tr>
<td>Amer. Sugar</td>
<td>140</td>
<td>151%</td>
<td>135</td>
<td>145</td>
</tr>
<tr>
<td>Atchison</td>
<td>47%</td>
<td>87%</td>
<td>43</td>
<td>74%</td>
</tr>
<tr>
<td>Brook. R. T.</td>
<td>84%</td>
<td>84%</td>
<td>69%</td>
<td>77%</td>
</tr>
<tr>
<td>Chi., M. &amp; St. P.</td>
<td>147%</td>
<td>187</td>
<td>134</td>
<td>158%</td>
</tr>
<tr>
<td>Del. &amp; Hud.</td>
<td>129</td>
<td>179</td>
<td>105</td>
<td>160</td>
</tr>
<tr>
<td>Erie</td>
<td>26%</td>
<td>42%</td>
<td>24%</td>
<td>36%</td>
</tr>
<tr>
<td>Manhattan</td>
<td>115%</td>
<td>127%</td>
<td>83</td>
<td>115%</td>
</tr>
<tr>
<td>Mo. Pacific</td>
<td>71%</td>
<td>116%</td>
<td>72</td>
<td>108</td>
</tr>
<tr>
<td>Northern Pacific</td>
<td>84%</td>
<td>149%</td>
<td>159%</td>
<td>200</td>
</tr>
<tr>
<td>N. Y. Central</td>
<td>144%</td>
<td>165</td>
<td>140</td>
<td>154%</td>
</tr>
<tr>
<td>So. Pac.</td>
<td>43%</td>
<td>56%</td>
<td>29</td>
<td>40</td>
</tr>
<tr>
<td>Tex. Pac.</td>
<td>25%</td>
<td>51%</td>
<td>27</td>
<td>46</td>
</tr>
<tr>
<td>Un. Pac.</td>
<td>81%</td>
<td>138%</td>
<td>76</td>
<td>112</td>
</tr>
<tr>
<td>U. S. Steel, com.</td>
<td>......</td>
<td>53</td>
<td>24</td>
<td>45</td>
</tr>
<tr>
<td>U. S. Steel, pref.</td>
<td>......</td>
<td>100%</td>
<td>69</td>
<td>94</td>
</tr>
</tbody>
</table>

*From this price No. Pac. rose to "1000 cash" on the same day.
CULMINATION OF AN ERA

401

-Pacific because of an application to list $100,000,000 of bonds, were the market features in the latter part of May.

At the end of May the market was gratified with the news that the railroad kings had settled their quarrel and decided to leave the composition of the Northern Pacific directorate to J. Pierpont Morgan on his return. The organization of the United States Shipbuilding Company, comprising the most important plants in its line; Charles M. Schwab's acquisition of the Bethlehem Steel Company control, which went to the Shipbuilding Trust later; an increase in Amalgamated Copper capitalization from $75,000,000 to $155,000,000 to acquire two rival companies, and good crop reports, stimulated bullish activity in June. The failure of the Seventh National Bank, under unpleasant circumstances, caused a recession toward the month's end. On July 2d, the first dividend on Steel common—1 per cent.—was declared, and on the following day, Wednesday, the Exchange took a holiday until the next Monday. The brokers returned on the 8th to find that a frightful drought had greatly impaired the corn crop and injured the growing oats and hay in Kansas, Missouri and the Northwest. The result was an immediate and violent decline, the weakness extending through three days, and still recalled as "the corn scare of 1901." After a sharp recovery in mid-July, based on Mr. Morgan's announcement of his choice of Northern Pacific directors, prices melted away once more. This weakness was due to an extensive strike of the American Sheet Steel and Steel Hoop Companies' employees, which lasted throughout the summer and ended in the men's defeat. Toward the latter part of August signs of the strike's collapse initiated a fresh advance, and general sentiment was quite cheerful when Wall Street was once more plunged into gloom by the assassination of President McKinley.

Mr. McKinley was shot by the anarchist, Czolgosz, about four o'clock on Friday afternoon, September 6th, while engaged in kindly greeting his fellow-countrymen at the Pan-American Exposition in Buffalo. A wave of horror, not only at the crime, but at the thought that anarchists would select the ruler of this free land for assassination, swept over the Union, while fear that McKinley's removal might endanger the fabric of prosperity he had erected crept into the hearts of millions. Early on Saturday morning the

1 It was not known until several days later that this dividend was intended as a quarterly one.
2 The corn crop of 1901 amounted to 1,522,519,000 bushels, against 2,105,102,000 in 1900.
3 Leon F. Czolgosz made one of a line of people who entered the Temple of Music to shake the President's hand. Upon reaching Mr. McKinley he drew a revolver rapidly and fired two shots into the body of his victim. One of them was extracted a few hours later, but the other, which perforated the walls of the stomach and caused gangrene, could not be reached by the surgeons. Czolgosz was nearly killed by infuriated witnesses, but the police saved him for the fate of a speedy trial, and for death, on October 29th, in the electric chair.
4 Mr. McKinley was taken to the Emergency Hospital at first and there submitted to an operation. He was carried thence to the home of John G. Milburn, in Buffalo, where he remained till his death. He bore his sufferings with unflinching courage throughout.
Clearing House Committee and Messrs. Morgan, Baker, Stillman, and Woodward met at the Clearing House to take such measures as might prevent a stampede. This would have been inevitable had the public been deeply engaged in speculation. As it was, the market opened two or three points off and fell away sharply. It recovered upon the news that powerful bankers stood ready to aid it, if necessary, yet the day's trading resulted in severe losses. By Monday the sending of favorable bulletins from Buffalo had encouraged the public mind, and security prices advanced, only to recede on the morrow with news that the nation's sufferer had weakened. On Friday it was plain that Mr. McKinley was fated, and stocks gave way to the demoralization which marks the shattering of ardently cherished hopes. But the force of the depression soon spent itself. Very early in the morning of Saturday, the 14th, the President's ordeal was ended by death. The Stock Exchanges of New York and London were closed this day and on the 19th, when his body was entombed at his Ohio home. The calamity had ceased to be a market factor. Theodore Roosevelt, in succeeding to the Presidency, had solemnly avowed his will to carry on the policy of his predecessor, and the world soon recognized that the loss of no one man can bid "Halt!" to the American people.

MALGAMATED Copper, the most salient instance in modern times of the ease with which unknown securities, backed by great names, can be foisted upon the public at fictitious prices, was an exception to the rule that stock values scored net gains in the prosperous year of 1901, when a great wheat crop offset the failure in corn, and general business flourished. This security had caught the public eye when the magic of Standard Oil first touched the enterprise, and foolish buying had carried it far above the danger level. In September it fell from an eight to a six per cent. basis, and quickly thereafter the Street learned that the Amalgamated Company was carrying 130,000,000 pounds of accumulated electrolytic copper, held at 16% cents a pound, and marketable at some much lower figure. The subsequent decline in staple copper prices, both here and abroad, caused heavy liquidation in all copper stocks during the fall of 1901. The general market endured it well, aided by an increase in the Atchison dividend, the formation of the Northern Securities Company in November, and a favorable message in December from the President. But week by week Amalgamated, once eagerly sought at 130, fell away in value, till, on December 17th, just preceding its reduction to a four per cent. dividend basis, it sold at 60%. The year ended with some uncertainty.
Strength marked the first days of 1902, but the bankruptcy of the asphalt and crude rubber trusts, and a fresh cut in copper staples, chilled all enthusiasm for the advance. Amalgamated never again approached the levels of its former glory, and its collapse was doubtless largely responsible for the fact that, though stock prices made new high levels in 1902, the public did not return to the market in force.

Speculative interest throughout the year was keenest in the formation of the Northern Securities Company, which the warring railroad magnates had devised to settle their quarrel. Mr. Morgan had selected distinguished representatives of the Great Northern, St. Paul, Vanderbilt, Union Pacific, and Pennsylvania interests as Northern Pacific directors, and named William K. Vanderbilt future referee of all disputed questions affecting the railroads whose owners united in this love feast. It was with a view to promoting further harmony and perpetuating the community of interest plan in the Northwest that he organized the Northern Securities Company, which was formed in New Jersey to hold control of the Great Northern and Northern Pacific Companies and protect the Northwest situation.¹ Hostility to it promptly appeared in Minnesota, whose Attorney General began proceedings in the United States Court to stop the merger, and similar action was taken by the State of Washington. It remained, however, for the Federal Government to bring the suit that proved actually successful in frustrating these financial plans.²

Naturally enough, the Street at first regarded the Northern Securities Company as the great guarantor of railroad peace, well knowing that if it stood the test of law, similar corporations would eventually be formed to solidify railroad ownership in America. The prospects of success or failure of this enterprise dominated Wall Street for a considerable portion of 1902. News that the President had instructed Attorney-General Knox to bring suit to estop the merger fell upon the market February 20th, causing a quick recession in prices, and Mr. Knox filed his bill in the United States Court for Minnesota early in March. Sentiment created by this action was a controlling force in repressing speculation for the advance until July. It was well supplemented, however, by other adverse influences.

¹The Northern Securities Company was capitalized at $400,000,000, and exchanged its shares for Great Northern stock (of which $125,000,000 was outstanding), at 180, and for Northern Pacific (which had $75,000,000 of common and $80,000,000 of preferred stock issued), at 115. The Northern Pacific preferred stock was retired, being paid for in four per cent, Northern Pacific bonds, which were convertible into common stock, and could thus be exchanged for Northern Securities stock at 115. The Union Pacific party, by virtue of ownership in Northern Pacific, acquired an interest of something more than twenty per cent. in the Northern Securities Company.

²The Government's activity in this matter was the most notable illustration of Mr. Roosevelt's policy of enforcing the law against promoters of great combinations whose methods he believed to be illegal. This policy is believed to have engendered much hostility, on the part of financial leaders, against the President. However, it certainly increased his public popularity.
Early in February Metropolitan stock weakened materially, on the announcement of the Metropolitan Securities Company, and the accompanying news that the road had not been earning its dividends was ill taken by the trade. Through March the market lacked interest, but early in the following month the Louisville & Nashville corner startled it into life. The corner resulted from the temerity of John W. Gates, who purchased in open market the control of the road, and involved August Belmont and his associates in an unfortunate predicament.

The Louisville property had $50,000,000 of stock outstanding and had authorized the directors, several years before, to issue at will 50,000 shares of new stock. These shares were issued in the Spring of 1902, but were not yet listed, when Mr. Belmont (who believed that he controlled the road) sold 50,000 shares on 'Change, borrowing them for delivery until the listing of the new stock, a formality requiring thirty days' previous notice, could be affected. The heavy purchases of Gates and friends caught Belmont short of the shares, and between April 8th and 14th the price of the stock ran from 107% to 133, while the general market weakened in fear of the outcome. A settlement with Belmont and other shorts was affected on some basis, however, and on the 15th Mr. Gates's firm announced that they had captured the road, and J. P. Morgan & Co., for whom—as some skeptics profess—Mr. Gates may really have been acting, told the public that the control of Louisville & Nashville had been deposited with them to use as they saw fit. Trading in Southern Railway common, which ran from 34% to 40%, aggregated nearly 900,000 shares this day, the Street believing that a merger between the two roads was planned. But the Louisville passed into the hands of the Atlantic Coast line before the year was ended.

Close upon the Louisville corner came the collapse of the Hoadley stocks and of the Webb-Meyer syndicate, and the failure, on May 2d, of three brokerage houses which acted for the syndicate. The securities associated with the names of Dr. W. Seward Webb and A. L. Meyer were chiefly of the class which Street jargon describes as "cats and dogs," but their slaughter created an impression and weakened the market because of Dr. Webb's connection with the Vanderbilt family. Prices in general had barely recovered from this blow when an anthracite coal strike,

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1 This transaction, which was bitterly but unsuccessfully opposed in the courts by leading shareholders, was planned to provide the Metropolitan Company with cash for needed improvements. The Metropolitan Securities Company, with a capital of $30,000,000, all underwritten, was to acquire a concern called the Interurban Street Railway Company, which would lease the Metropolitan Street Railway Company at seven per cent. on the stock. The Interurban was to get $23,000,000 in cash, provided by the Metropolitan Securities Company for effecting the aforesaid improvements, and the latter concern (in which Metropolitan Street Railway shareholders were entitled to invest to the extent of forty-five per cent. of their holdings) was to receive assets of the Metropolitan Street Railway Company to the amount of $24,500,000.
piloted by John Mitchell, came into sight. A liquidating movement set in, culminating on May 19th, and then began a gradual four months' rise, which carried stocks to the highest levels yet established.¹

John W. Gates effected a profitable upward turn in corn and attempted in vain to seize control of the Colorado Fuel and Iron Company this summer. The bringing out by the western contingent of a reorganization plan for the Rock Island road, involving a large constituent of water; the recurrence of negotiations to end the coal strike, and the entrance of the St. Paul road upon a seven per cent. basis, were other features of the season. The market steadily gained ground until September, when knowledge of the bounteous crops assured for the year, evidence of the country's continued prosperity, and conviction that the coal strike must soon collapse, led to a foolish upbidding of prices. Suddenly the exigencies of the annual crop drain descended upon the Street and found the traders unprepared. The crest of the forward movement was reached on September 20th, St. Paul leading the market and selling at 198%; but the publication of the bank statement, showing, not a surplus reserve but a reserve deficit of $1,642,000, brought on liquidations, and stocks began that long year's downward journey which has since furnished economists and moralists so fine a theme and has been succeeded by so signal a recovery.

The latter part of September gave evidence of an approaching tight money crisis, which Leslie M. Shaw, the new Secretary of the Treasury, checked by permitting the banks to hold no reserve against the $130,000,000 of Government money deposited with them. The news was rather favorable during the closing months of 1902. President Roosevelt effected a settlement of the coal strike in October, his party was victorious at the Congressional elections, and in December the consolidation of the Manhattan Railway system with the Interborough Rapid Transit Company—a consolidation effected on sound lines—improved the general feeling. But the hardness of call money offset these favorable features. Recession after recession, with recoveries that never were complete, came in November and December. In the middle of the latter month leading financiers made up a pool for $50,000,000, in order to assist the brokers in time of monetary stringency. This was the so-called "faith cure" fund, which invited the shafts of wits, while it actually accomplished good in reassuring and holding the market through the last fortnight of the year.

¹ Following is a table indicating the rise of the summer of 1902:

<table>
<thead>
<tr>
<th>Stock</th>
<th>Low, May 19</th>
<th>High, Sept. 20</th>
<th>Stock</th>
<th>Low, May 19</th>
<th>High, Sept. 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amal. Copper</td>
<td>66½%</td>
<td>68%</td>
<td>N. Y. Cent.</td>
<td>155½%</td>
<td>165%</td>
</tr>
<tr>
<td>Amer. Sugar</td>
<td>125%</td>
<td>131½%</td>
<td>Penn.</td>
<td>147%</td>
<td>160%</td>
</tr>
<tr>
<td>Atchison</td>
<td>77%</td>
<td>90%</td>
<td>Reading</td>
<td>59%</td>
<td>73%</td>
</tr>
<tr>
<td>Chic., M. &amp; St. P.</td>
<td>165%</td>
<td>198%</td>
<td>So. Pac.</td>
<td>63%</td>
<td>80%</td>
</tr>
<tr>
<td>Erie</td>
<td>95%</td>
<td>41%</td>
<td>Union Pac.</td>
<td>102%</td>
<td>115%</td>
</tr>
<tr>
<td>Manhattan</td>
<td>130½%</td>
<td>138%</td>
<td>U. S. Steel, com.</td>
<td>28%</td>
<td>42%</td>
</tr>
<tr>
<td>Mo. Pac.</td>
<td>97½%</td>
<td>123%</td>
<td>U. S. Steel, pfd.</td>
<td>88%</td>
<td>92%</td>
</tr>
</tbody>
</table>
ALL Street's story, grim, portentous, dull, tragic, fairy-like and foolish by turns, has been carried in this work to the point where all the noteworthy features of "high finance" are bare to the eye of the observer. The weaknesses of modern methods have been made plain in the simple telling of fact. In a measure they will always be seen in the Street, so long as wealth gives power and breeds greed and men fall short of perfection, though the passage of years may bring such follies into ever greater discredit. Enterprises like the flotation of the ill-starred Shipping and Shipbuilding Trusts of 1902 (whose securities have caused enormous losses though never admitted to the activity of the Exchange) are not the real types, as some men assert, of modern finance. They are the bastards of prosperity, too likely to pass at first in the public eye as true children of the house. In all periods of Stock Exchange history, chicanery, over-capitalization and the spirit of gambling have existed, to the public injury. The real and salient product of Twentieth Century finance is the application to business matters of principles centuries ago accounted sound. The consolidation of investments, that harmony of purpose may estop ruinous competition, and the union of industrial companies beneath conditions which give each its meet work to do, carry the products of each to the nearest market and avoid senseless duplication of effort—these are but the outcroppings of the vein of co-operation in the economic field. The realization that good service to the public and free expenditure for betterments repay capital, in the long run, has grown widely prevalent among the great latter-day financiers. But these principles are old and of proven worth. The ideas have dominated sound and honest minds since our cave-dwelling ancestors set prices on their flint knives and strove to lay up wealth.

Some acute observers—notably Mr. James J. Hill—hold that industrial prosperity reached a climax and began a recession in 1902. Doubtless the stock market declines which were in progress when the Stock Exchange entered its new home, in the spring of 1903, were accompanied by a natural
lessening of good times. The country has since recovered and is highly prosperous now, despite the enormous flotation of new securities which inspires occasional alarm. Thus far it has prospered only the more from a two-fold demand for its products and manufactures—and the consequent inflow of foreign money,—engendered by the world-transforming Russo-Japanese war, while hopes of still further good fortune, to follow the renewal of peace, are prevalent as we bring this history to a close. Beneath the great industrial progress of the last decade, one great, all-comprising fact exists to justify much that seems extravagant and palliate much that we regret. This is a growing country. Its farmers raised crops worth two billions and a half in 1902. We exult and boast that America grows. Let us on the same ground forgive the two billions and a half of new securities listed in the succeeding year. South and West the nation is expanding at a rate which dazzles the world when expressed in figures and astounds the eyes of our European brothers. So long as we continue to draw recruits from old world lands, and to foster the moral and mental training of new generations, so long will American property increase in worth, and each succeeding era of speculative enthusiasm will leave after its recession the values of honest securities higher than they lay when the preceding wave had flowed and ebbed.
III

THE NEW STOCK EXCHANGE

By

JOHN RODEMEYER
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The new Stock Exchange was the outgrowth of a necessity for better and ampler facilities and enlarged board-room capacity. With the large active membership, and the rapidly increasing volume of transactions during recent years, the conviction had been growing for a long time that the New York Stock Exchange should and must have a home which, in the convenience of its equipment, the amplitude of its dimensions and the comfort and elegance of its appointments, would be in keeping with its importance and power as one of the chief financial centres of the world.

The agitation, which had been intermittent but ever alive for a decade or more of years, finally took definite shape in 1898, when the first active steps were taken toward the consummation of the idea of a new Stock Exchange. In that year, shortly after the election of Mr. Rudolph Kepller as president of the Board, a committee was appointed, known as the Committee on Plan and Scope, consisting of Messrs. Rudolph Kepller, J. W. Davis, R. H. Thomas, W. B. Dickeren and Wm. H. Granbery, and to this committee was entrusted the responsibility of all the necessary preliminaries in the matter of formulating a general scheme of operation. On the suggestion of Mr. J. W. Davis, negotiations were successfully carried through for the purchase of the Western Union Telegraph Company’s property, 16 and 18 Broad Street, adjoining the old Stock Exchange on the south, giving an additional frontage of fifty feet; and this was followed by the purchase, in February, 1899, of the narrow strip on the north side, known as the Swan property.
When the building project had been decided upon in a general way, it was agreed to invite competitive plans from the leading architects of the city, each competitor to submit two alternate designs. Eight prominent architects participated in this competition. It was decided that the competitor submitting the plan that should be adopted was to be engaged as the architect of the building. After studious consideration of all the plans submitted, Mr. George B. Post, the designer of many of the most conspicuous office buildings in the city, was named as the successful competitor, and commissioned with the important work of supervising the construction of the new Exchange.

At this stage of progress the Committee on Plan and Scope was discharged and a new committee, known as the Building Committee, was appointed, as follows: Ransom H. Thomas, chairman; Rudolph Keppler, J. T. Atterbury, R. P. Doremus, Ernest Groesbeck and H. G. S. Noble. And to the constant and devoted personal labors of Chairman Thomas and his fellow members of the committee the main credit is due for the successful and thorough manner in which the great undertaking was pushed to completion.

The contract for the construction of the building was awarded to Mr. Charles T. Wills, and on April 29, 1901, the last board-room session was held in the old building, the business of the Exchange being transferred to the Produce Exchange on Beaver Street as temporary headquarters. The actual work for the construction of the new Exchange was begun on May 1, by tearing down the old building.

It had been expected that the new building would be completed in one year, but owing to unforeseen circumstances it was within a few days of two years before the edifice was ready for occupancy and business was resumed in the new quarters. Among the causes to which the delay was attributed were the labor situation, the rush of work in every quarry, mill and shop in the country, the changes and additions made as the work progressed and as they suggested themselves to the Building Committee, and the problem of removing the old building and vaults. That portion of the old building beneath the surface of the ground had been laid in cement, and the work of demolition was much more difficult than had been anticipated, and was the cause of a considerable loss of time in making ready for the actual labor of preparing the foundations for the new structure. Blasting was resorted to, which, in view of the close proximity of other buildings, was a hazardous and delicate undertaking. The old safe deposit vault was kept intact during all these operations, and was in daily use until the new vault, constructed beneath it, was ready for use, when the valuable securities, owned by a thousand different depositors, were transferred
THE NEW STOCK EXCHANGE

without a single mishap. The old vault was then blasted away and the work of construction and equipment, above and below ground, was vigorously prosecuted to completion, and on Wednesday, April 22, 1903, the brokers moved into their new home on the old site, and took possession with an imposing dedicatory celebration and under the most favorable auspices.

That was a red-letter day in the financial district. Flags and bunting were lavishly displayed from brokerage houses, banks and other office buildings, and the streets were thronged with sightseers. The formal ceremonies were held in the Exchange’s great board-room, which had been elaborately decorated with flags and evergreens and filled with hundreds of chairs for the accommodation of invited guests. The officers of the Exchange and distinguished guests occupied a large platform along the Wall Street side of the room, and the Seventh Regiment Band was stationed on a similar platform on the opposite side and discoursed appropriate music during the exercises.

Among the guests were financiers of national and international reputation.

The exercises opened with a brief address of welcome by Mr. Rudolph Keppler, president of the Exchange, after which the Rev. Dr. Morgan Dix, of Trinity Church, offered prayer, the audience standing. The invocation concluded with these words: “The silver is Thine and the Gold is Thine, O Lord of Hosts. May they who occupy this house and do business within it be true and just, providing things honest in the sight of men and in Thy sight. Defend Thy people. Make secure to us our place among the powers of the world, and maintain the rights and liberties of the land. Amen.”

The Chairman of the Building Committee, Mr. Ransom H. Thomas, was then introduced, and in a brief address, on behalf of the Building Committee, handed the completed structure over to the New York Stock Exchange Building Company.

President Donald Mackay, of the Building Company, formally accepted the building from the chairman of the Building Committee, on behalf of the Building Company, and in turn passed it over to President Keppler, of the Stock Exchange, and through him to the members of the Exchange.

An address by President Keppler followed, in which the speaker contrasted the Stock Exchange organization of the days of the button-wood tree, in 1792, with the present institution in its palatial new home, which, as he characterized it, “is but one of the many astounding changes that typify our onward march toward supremacy and give lasting and monumental expression to the unexampled progress and prosperity with which our beloved country has been blessed.” He
reviewed the work of creating the edifice, from its inception to its comple¬
tion, paying eloquent tribute to the committees and responsible masters
in the planning, construction, equipment, and decoration, including George
B. Post, the architect; J. Q. A. Ward, the sculptor; Charles T. Wills, the
builder; Elmer E. Garnsey, the decorative artist; John F. O'Rourke, the
constructing engineer, and Albert R. Wolff, the ventilating engineer. His
concluding words were: "Let us always remember the objects of our
association as laid down in the very first article of our constitution,
namely, 'to maintain high standards of commercial honor among our
members, and to promote and inculcate just and equitable principles of
trade and business.' Living and acting by this standard, we shall have
performed our duty to ourselves and to the public, whose respect and
confidence we cherish and enjoy. Honor and integrity are the watchwords
inscribed on our escutcheon which has passed down from generation to
generation and which shall ever remain unstained so long as we proudly
lay claim to the name and title of the New York Stock Exchange."

Seth Low, Mayor of New York, made a brief speech, congratulating
the members on behalf of the city, upon the completion of the building
and their entrance into it, and gave expression to a prophecy and a
hope: "Out of your great past will come a greater future. It is my hope
that you will contribute to the development of the city in a manner
worthy of your home and of the great city in which you are."

A paper read by President Keppler, and written by William Alexander
Smith, the oldest living member of the Stock Exchange, who joined in
1844, was of a reminiscential and congratulatory character, and the
venerable writer, who was present on the platform, was given three
enthusiastic cheers by the entire assemblage.

At the conclusion of the formal ceremonies a general invitation was
extended by President Keppler to all present, to inspect the building through¬
out, and an informal reception was held in every room in the edifice,
which was decorated profusely with flowers and potted plants in every
department. During the day nearly 20,000 persons visited the building.

From an architectural standpoint the new Stock Exchange is one of
the most impressive and beautiful structures in the city, and a conspicuous
feature even in that section of the city which is distinguished for its
majestic and imposing buildings. When the difficulty that presented itself
at the outset, in the irregular shape of the plot of ground to be occupied,
is taken into consideration, the perfect manner in which the completed
structure, in conception and design, was made to solve the problem,
filling every inch of the space and presenting a symmetrical and classical
appearance, marks the achievement as a triumph of architectural skill.

The building fronts on Broad, Wall and New Streets; the Broad
Street frontage being 137 feet 8½ inches; Wall street frontage, 14 feet 8 inches, and New Street, 152 feet 10 inches. The plot was so shaped that the largest rectangular quadrangle that could be laid out thereon was 109 x 144 feet, which is the size of the main floor or board-room.

The building is constructed of white marble of superior quality, durability and appearance, brought from Georgia; and its real front, on Broad Street, is its most striking exterior feature. The architecture is of the Roman renaissance type, and the main feature of the exquisitely sculptured facade is the colonnade, of six fluted Corinthian columns of stupendous size, between two enormous pilasters supporting the pediment, which contains an already celebrated group of white marble statuary by the eminent American sculptor, J. Q. A. Ward. The group numbers eleven figures, of heroic size, typifying American commerce and industry, the official description of which is as follows:

"The central figure symbolizes 'Integrity'—the just government of financial transactions."

"On the sides are the 'Wealth Producing Sources'—the products of the earth and the means of invention."

"The first group on the left represents 'Primitive Agriculture and the Products of the Soil'; the second group, 'Mining.'

"On the right, etc., 'Scientific and Mechanical Appliances, Motive Power,' etc., and the extreme group, 'The Designer and the Mechanic.'

"The wave-work indicated on the extreme ends of the pediment is intended to show the influence from ocean to ocean of the Stock Exchange."

"At the feet of the central figure, 'Integrity,' are two small figures, receiving and noting the various products brought by the other groups."

The facade is topped by a balustrade 156 feet above the sidewalk. From the base of the columns, which begin at a height corresponding to the second story, to the top, which is on a level with the ceiling of the board-room, the entire front of the building is of glass, making practically one stupendous window, 96 feet long and 50 feet high. Another window of the same dimensions forms the New Street front, thus giving the room virtually front and rear walls entirely of glass, which, with a skylight 30 feet square in the centre of the ceiling, 72 feet above the floor, insure an abundance of light in every part of the imposing room, regardless of the weather conditions. These great windows weigh thirteen tons each, and are capable of withstanding a wind pressure of 75 tons. Each window is supported by vertical 18-inch steel beams enclosed in ornamental bronze casings.

A notable feature of the classical Broad Street front is the manner in which the architect has made the facade to stand out, as a detached and individual construction, from the adjoining skyscrapers on either side, by apparently contracting the width and leaving an "appendage" on the outer side of each pilaster, to serve as a background, or relief for the facade
itself. The appendage to the left of the facade contains the entrance to the visitors' gallery, committee rooms, offices, etc.

Beneath the base of the colonnade seven large windows open out upon seven small ornamental balconies which project over the main entrances to the building. These balconies are on a level with the board-room floor, below which are the main lobby, telegraph offices, etc., on the ground floor, and underneath the street level are the vaults and machinery plants.

The board room is decorated in white and gold. Its massive ceiling is supported by four steel trusses 115 feet long and 15 feet deep, which are heavily moulded with gilt ornamentation, and upon which rests the entire weight of the upper portion of the building, a total of about 5,000 tons. The walls, of pure white marble, are paneled with heavy moulding; the interior panels being of bluish brownstone, and the metopes in the entablature of pink marble. The president's rostrum is on the north side and entered from the second floor level over the Wall Street entrance. Above it, and in duplicate on the south side, are the annunciator boards, covering a total surface of 800 square feet, and containing the respective numbers of the brokers, which are flashed into sight automatically, when the brokers are wanted at their telephones, by means of electric push buttons in the corresponding telephone booths on the New Street side. In the operation of these annunciator signals 8,000 separate wires are employed, with a total length of over 1,300,000 feet. The visitors' gallery is on the Broad Street side, admission to which is by ticket only, issued by members of the Exchange. On the New Street side is another gallery, situated over the telephone booths, where members may smoke.

Above the board room, on the Wall Street side, on the sixth floor, is the governors' and bond room; on the New Street side, the president's room, the secretary's room and a number of committee rooms and offices. On the seventh floor, New Street side, is the Luncheon Club's suite, with dining-rooms for smokers and non-smokers, lounging rooms and other apartments. Above these is the club's kitchen, with a mezzanine serving gallery. The main dining-room of the club is 76 feet long, 40 feet wide and 18 feet high, and is finished in mahogany. All these upper apartments are richly decorated and luxuriously furnished, and equipped with all the modern and scientific appliances for the comfort and convenience of the occupants. A notable feature on the fourth floor is the emergency hospital, where a physician is constantly in attendance. On the third floor are the bath rooms, where the various kinds of baths are at the disposal of members. On all the floors the halls are paved and wainscoted with marble, and the entire building is as near fireproof as human ingenuity can make it.

Beneath the ground level the structure is hardly less interesting than
the superstructure as an achievement in scientific construction. The lowest floor is 42 feet below the surface of Broad Street, and in the descent the visitor passes the employes' cloakrooms and lockers, engine, dynamo, boiler, switchboard and pump rooms. At the lowest level the sewage collects, and is pumped up about eighteen feet into the city sewer pipes.

A concrete caisson dam surrounds the floor of the cellar, which is so bonded together as to form a continuous wall, the bottom of which is nearly seven feet below the cellar floor and resting on solid rock. The floor of the cellar protected by this dam is 36 feet below the ground water in the soil. After this dam was completed twenty-seven interior caissons were sunk in the soil, down to bed-rock; in them the iron columns were erected and the floors constructed from the sidewalk downward, the earth being excavated as the floors were put in. The steel safe deposit vault in the basement is 118 feet 7 inches long, 21 feet wide, 9 feet 10 inches high, and the body 10 inches thick. The total weight is 776 tons. It is carried on steel beams and columns at a height of 33 feet 4 inches above the cellar floor, and is enclosed by a cold rolled steel bar partition 1%-inches in diameter and 276 feet in length, weighing 40 tons.

An official statement of information concerning the building gives the number of cubic feet contained in the board-room as 1,169,352. The number of rivets used to put together the trusses supporting the ceiling is about 48,000. There were 6,662,298 bricks used for the masonry work, 13,378 cubic yards of sand and 17,873 barrels of cement. There were also 114,645 enamelled bricks used, and 55,500 face brick. In the concrete there were 6,853 cubic yards of broken stone used. The fireproof materials for partitions, floor arches, floors, etc., amounted to 344,784 square feet.

In the construction of the woodwork of the building, there were 399,600 feet, board measure, of oak, mahogany, cherry, maple, pine, and other woods used. To put this together it required 150 kegs of nails, and would take one man fifty-nine years, working eight hours a day.

The glass in the windows will cover an area of 24,225 square feet, or about one-half acre, requiring five tons of sash weights to balance the glass in the window sashes.

The weight of the structural steel in the columns, beams, girders, etc., used for the support of the building is 6,025,636 pounds, or about 3,013 tons. The weight of the ornamental or light iron work for stairs, elevator fronts, railings, gates, skylight work, etc., is about 1,700,000 pounds, or 850 tons.

There are four water-tube boilers provided for generating steam for all purposes, aggregating about 800 horsepower. The building is warmed by direct radiation, the radiators being located underneath the windows, so as to prevent down draught; 265 radiators and coils are used for this
purpose. The total amount of steam piping in the building aggregates 76,385 lineal feet, or about 14\(\frac{1}{2}\) miles.

The fresh air supplied to the building amounts to about 12,000,000 cubic feet an hour. In the winter this air is warmed by passing over steam coils to a temperature slightly above that of the room. In the summer, the air for the board-room, and rooms below, is cooled by the air passing over 25,000 lineal feet of cold pipe from three absorption machines of 150 tons capacity each. Moisture is extracted from the air supply for the board-room, amounting to about 1,000 pounds of water per hour when the external air is 85 degrees F., and the humidity 85 per cent. Besides the fresh-air supply there is a powerful exhaust provided, which exhausts foul air at the rate of about 12,000,000 cubic feet per hour.

The fresh air and foul air is circulated by ten large centrifugal fans eight feet to eleven feet in diameter, driven by electric motors, requiring 179 horsepower. The total weight of the ducts conveying this air is about 394,570 pounds, or 197 tons. There is 165,250 square feet of non-conducting material used for covering steam pipes and ducts to prevent radiation of heat.

The elevator installation consists of six passenger elevators, three direct lifts and five electric dumbwaiters. The passenger elevators are arranged to lift 2,500 pounds at 250 feet a minute, or 1,500 pounds at 500 feet a minute, the safe lifting elevators lifting 6,000 pounds at 25 feet a minute, the highest lift being 175 feet.

The lifting cables are of five-eighth inches and three-quarter inches diameter, and capable of lifting a safe load of 26,000 and 38,000 pounds, respectively, the longest cable being 500 feet long. One of the plungers for the direct lift extends 36 feet below the cellar floor in the solid rock. There are three main pumps and one safe-lift pump in the cellar, connected with four pressure tanks distributed throughout the building.

The total weight of the elevator installation is about 675,000 pounds, or 337\(\frac{1}{2}\) tons. The length of cables used is about 21,000 feet, or four miles. The length of piping is 5,400 feet, or over one mile.

The windows on each front, fifty feet high and ninety-six feet long, and with the double thickness, will cover an area of about 16,100 square feet, weighing 160 tons. They are cleaned from swing scaffolds hung from the ceiling. The amount of cleaning to be done can best be realized when it is known that the glass, if it were placed in ordinary shop fronts, would occupy a block 700 feet long.

From the board room tubes run to all portions of the building, offices, cable, and telegraph companies, and are so arranged that messages sent on the longest tubes arrive at their destination to the fraction of a second that a message on the shortest line requires. There are about six miles of
brass and iron tubing and 175 automatic terminals. The cooling plant is used for cooling the air of the board room, for the refrigerating work of the Luncheon Club, and for the ice-water fountains throughout the building, the cooling effect being equal to the melting of 450 tons of ice a day. Some idea of the size of the plant may be had when it is stated that it required fifty railroad cars to transport the machinery, and that the plant will produce the same cooling effect daily as 17,600 cubic feet of ice, or a block forty feet square and eleven feet thick.

The electric lighting and power plants comprise three units, the engines of which require 1,040 horsepower; the dynamos in connection with the same generate 650 kilowatts. The number of incandescent lights throughout the building is 6,000, and of arc lights 68, equal to about 256,000 candles. The number of motors for running various machines is 38.

The total weight of the steel conduit for running the electric light, telephone, call bells, and other wires, is 1,144 tons. The total weight of copper wire used is 12 tons. The total length of wire used is 208 miles.

The storage battery consists of 135 cells, with a capacity of 400 lights for eight hours, and weighs 71,010 pounds. The lead air ducts in connection with the storage battery weigh 30,524 pounds.

There are 34 watchman's clock stations throughout the building, connected to a central station in the vault office. There are two fire-alarm boxes connected direct to the Fire Department.

There are two annunciators, as has been shown, one on each side of the board room, each having 1,200 numbers, each number occupying a space of nine inches square. For this work there are 8,000 separate wires, which have a total length of 1,300,000 feet, or 247 miles.

There are four fire lines in the building, with 46 outlets at different parts, having a total length of 3,450 feet of hose.

The cost of the building, according to the original estimate, was to have been about $1,000,000, but the same series of formidable and unforeseen difficulties which retarded the work of construction, as well as many important, extensive and expensive alterations in the original plans and the addition of many features not at first contemplated, combined to make the cost of the structure greatly exceed that figure; and, although the exact expenditure is not made public, it is supposed to have been in the neighborhood of $4,000,000; the policy of the Building Committee having been, as expressed by Chairman Thomas, to build "on the broad principle that where so many of our members spend the active years of their lives, they are entitled to the best that architectural ingenuity and engineering skill can produce." The result of that broad policy is shown in the completeness and elegance of this, perhaps the most substantial and perfect financial temple in the world.
IV

THE STOCK EXCHANGE CLEARING HOUSE

By

JOHN GROSVENOR WILSON
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The Stock Exchange Clearing House, which has been in operation since 1892, has proved to be an invaluable adjunct in the transaction of business; indeed, expert opinion is that, without this institution, the great volume of trading developed in the last three or four years would have been physically impossible—the old machinery would have broken down of its own weight. To appreciate this fact a glance at the old methods is necessary. Prior to the Clearing House all securities sold in the regular way were compelled to be actually (physically) delivered at sometime the succeeding day before 2:15 p.m. Immense values in stocks, bonds and checks were thus entrusted to an army of messenger boys scurrying through the streets from office to office. It is little less than miraculous that so few losses occurred, but the liability to great loss was the ever present cause of anxiety. The absurdity of the old system was visibly apparent in respect to deliveries of gold, especially before gold certificates were issued. Men and youths with bags containing $5,000 and $10,000 of gold upon their shoulders collided with pedestrians throughout the Wall Street district. That there were relatively few losses, through carelessness or robbery, was due not only to the police, but naturally attributed also to the fact that criminals of the higher class were themselves speculating and were temporarily above plunder by violence. Finally the New York City Gold Exchange Bank was established as a clearing house for gold, but upon a very defective basis in the light of modern methods. Brokers were required to actually deliver gold or currency at the Clearing House, in whose possession their property remained until the Clearing House accounts had been tallied, and the
actual amounts, payable or receivable, by the various brokers had been ascertained. It will be readily seen that through pressure of business or errors in book-keeping dangerous delays might ensue; and this, indeed, was the case on historic Black Friday, September 24, 1869. The congested condition of the Clearing Bank was a contributing cause to the panic of that day. This institution, however, ceased to exist upon the resumption of specie payment, when speculation in gold terminated, and from that time until 1892 the Stock Exchange held exclusively to actual daily deliveries.

The old system was responsible for much wasteful expense and unnecessary labor. Many more clerks and book-keepers were required. There was constant difficulty as to delivery on time; that is, before 2:15 p.m. Sometimes fifty or more boys would be collected by a single large house before 10 a.m., on occasions when big deliveries had to be made of the previous day’s sales. As 2 o’clock approached, the streets of the financial district presented a curious spectacle. By common consent the delivery boys were given the right of way. Running at top speed, their hands full of securities and checks, the boys were everywhere in evidence. Between 2 and 2:15 p.m. the large offices became blocked with long queues standing at cashiers’ windows with sales tickets and deliveries. Every day in busy times, “Past delivery hours—too late!” was heard in almost every office, and many brokers were forced to carry undelivered stocks overnight and borrow money upon them. But the most serious matter of all was the compulsory over-certification by the banks of brokers’ and bankers’ checks—a practice technically illegal; the abuse of which, in fact, was very recently punished in criminal proceedings against the president of the Seventh National Bank. The actual loss to banks through over-certification has, however, been remarkably small. While there have been cases of dishonorable brokers intentionally “going back” on their banks, the innumerable and continuous examples of brokers, although perfectly solvent, being unable to make their accounts good overnight, and of the banks being subjected to “forced loans” in consequence, and of the prompt settlement by the brokers the next day, speak highly for the average good faith and probity of Wall Street. Speaking of this practice of over-certification, Mr. John R. Dos Passos, author of “A Treatise on the Law of Stock Brokers and Stock Exchanges,” said in an interview published in the Evening Post, February 21, 1903:

“When a law comes in conflict with a commercial necessity, the former must go to the ground. Law, to be effective, must be in sympathy with the present thoughts and customs of the people, and when, instead of following, it defies them, it cannot be successfully administered. It becomes a dead letter or it is evaded.”

These statements of Mr. Dos Passos are simply unanswerable. The Clearing House, as will be seen later on, vastly reduces the required certifi-
cation, which in great markets would otherwise rise to incomprehensible figures. For example, it is estimated that had there been no Clearing House, the transactions of 1898-99 would have required the certification of checks calling for $9,537,000,000—figures which the human mind cannot grasp.

One would suppose that the common sense and progressive instinct of the then second largest money centre of the world would have resulted in the adoption of some system of squaring obligations that, years before the formation of the Clearing House, would have alleviated the dangers and burdens described. The delay must be charged to the conservatism of the Street, the characteristic lack of leisure to consider methods, and the difficulty of changing traditional ways to which the whole banking community was accustomed. Brokers who were familiar with the old Gold Exchange Bank, heretofore described, shuddered at the very idea. Others dreaded the publicity that they thought would be given to their transactions by submitting their reports to Clearing House clerks. This fear has proved to be groundless; the broker does not reveal the name of his customer to the Clearing House, which is only cognizant of the totality of his transactions. Objections were also raised on legal grounds, the theory being that, as the State law demands "an intent to deliver," transactions merely cancelled on a balance sheet might be illegal. The courts, however, have steadily held that contracts where actual delivery is enforceable, comply with the statute. The Stock Exchange has the right to regulate its methods of delivery.

Several attempts were made to institute a Clearing House, without success, until a report from a committee, of which Francis L. Eames was chairman, was submitted in March, 1892, proposing the present system. Out of the eleven hundred members entitled to vote, two hundred and forty-four cast their ballots against it, showing how strong was still the feeling of opposition. The voting ended April 20, 1892, and the plan was adopted by a good majority, and put into formal operation May 16, 1892.

The theory of a clearing house is solely the simplification of exchanges. Bank clearing houses are common all the world over and need no description. Stock clearing houses work upon identical principles. For example, if A buys one thousand shares of a given stock of B, and if A the same day sells the thousand shares to C, it is plain that the delivery from B to C of a thousand shares would "even" the three transactions, A's transactions being balanced as to quantity of stock, though not as to values—he may owe a balance or may be entitled to receive a balance. This is exactly what the Clearing House does for A, B, and C. All active stocks are listed in the Clearing House, and before 4:15 p.m. on full business days, and before 1:15 p.m. on the Saturday half-holiday, every seller sends to the office of the buyer a "deliver ticket," and receives by his messenger a "receive ticket" in return. This exchange of tickets is for purposes of
comparison, and they, in turn, are sent to the Clearing House with the brokers’ sheets. These sheets must be delivered at the Clearing House before 7 p.m. on Mondays, Tuesdays, Wednesdays, and Thursdays, and before 4 p.m. on Saturdays. As there is no formal clearing on Saturday, the brokers merely exchange tickets on Friday afternoon, and Friday’s transactions, with Saturday’s, are cleared on Monday. A broker’s "Clearing House sheet" is the record of all his trades in Clearing House stocks for the day (and matured contracts), entered in “receive” and “deliver” columns. Transactions in each particular security are grouped together. The sum total of purchases and sales having been found, the balance is struck. If the result shows a debit, the difference is denominated “balance check”; and the sheet must be accompanied by a check for the balance on a Clearing House Association bank near Wall Street, drawn to the order of the Stock Exchange Clearing House’s own bank. If the result shows a credit, the sheet must be accompanied by a draft on the Clearing House’s own bank for the sum indicated. It thus becomes a simple matter when the broker’s transactions are “even” for the day; that is, when he has bought and sold an equal amount of stock. Herewith is a copy of a sheet showing an “even” account:

<table>
<thead>
<tr>
<th>Receive from</th>
<th>Pr.</th>
<th>Amount.</th>
<th>Deliver to</th>
<th>Pr.</th>
<th>Amount.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. B. C....</td>
<td>100</td>
<td>St. Paul..</td>
<td>80%</td>
<td>$8,050</td>
<td>A. Bros....</td>
</tr>
<tr>
<td>D. &amp; Bros...</td>
<td>500</td>
<td>“</td>
<td>80%</td>
<td>40,125</td>
<td>A. &amp; Co....</td>
</tr>
<tr>
<td>A. Bros....</td>
<td>100</td>
<td>Lk. Shore..</td>
<td>135</td>
<td>13,500</td>
<td>C. &amp; Son....</td>
</tr>
<tr>
<td>B. C. &amp; Co...</td>
<td>200</td>
<td>“</td>
<td>135%</td>
<td>27,100</td>
<td></td>
</tr>
<tr>
<td>K. N. &amp; Co...</td>
<td>100</td>
<td>New Eng...</td>
<td>48</td>
<td>4,800</td>
<td>Bal. Check...</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$93,575</td>
<td></td>
</tr>
</tbody>
</table>

Under the old system of actual deliveries, the broker would have issued five checks and received three, and $185,925 would have been handled by sundry banks. Under the Clearing House system a single check for $1,225 settles all the trades.

In the case where the transactions are not “even,” the same principle applies. Herewith is the copy of a sheet showing an “odd” account:

<table>
<thead>
<tr>
<th>Receive from</th>
<th>Pr.</th>
<th>Amount.</th>
<th>Deliver to</th>
<th>Pr.</th>
<th>Amount.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. B. C....</td>
<td>900</td>
<td>St. Paul..</td>
<td>80</td>
<td>$72,000</td>
<td>B. &amp; Bro...</td>
</tr>
<tr>
<td>M. &amp; L....</td>
<td>100</td>
<td>No. West..</td>
<td>119</td>
<td>119,000</td>
<td>G. &amp; Son....</td>
</tr>
<tr>
<td>B. E. &amp; F...</td>
<td>1000</td>
<td>New Eng...</td>
<td>48</td>
<td>48,000</td>
<td>M. &amp; O....</td>
</tr>
<tr>
<td>S. Bros....</td>
<td>1000</td>
<td>“</td>
<td>58</td>
<td>11,600</td>
<td></td>
</tr>
<tr>
<td>T. &amp; W....</td>
<td>200</td>
<td>Mo. Pac..</td>
<td>57</td>
<td>11,400</td>
<td>Bal. Receive</td>
</tr>
<tr>
<td>Bul. Deliver.</td>
<td></td>
<td></td>
<td></td>
<td>775</td>
<td>Delivery Pr.</td>
</tr>
<tr>
<td>Delivery Pr.</td>
<td></td>
<td></td>
<td></td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>Bul. Draft...</td>
<td></td>
<td></td>
<td></td>
<td>200</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$270,850</td>
<td></td>
</tr>
</tbody>
</table>

1 These sample sheets are taken from "Stock Exchange Clearing Houses," by Alexander D. Noyes, Political Science Quarterly, June, 1893.
It will be seen that in this case the broker has bought 500 more shares of St. Paul than he has sold; that he has bought 1,000 shares of New England, of which he has sold none, and that he has sold 400 shares of Missouri Pacific, of which he has bought only 200. He has, therefore, to receive balances of 500 St. Paul and 1,000 New England, and to deliver a balance of 200 Missouri Pacific. A cash balance is due him of $775. He is instructed by the Clearing House to whom to deliver balances of stocks due, and from whom he will receive balances of stocks due him. In other words, the Clearing House evens up the total transactions of the day, and as it is plain that for every buyer there must be a seller, the total transactions on either side (buying and selling) must always be exactly even. Another point to notice is that the Clearing House fixes each day an arbitrary price for the settlement of each stock. This price is always named at an even figure near the closing quotation, as will be seen in the copied sheet, where the settlement price of Missouri Pacific is made 57, St. Paul 80, and New England 49—not the prices at which they were traded in. This, of course, regulates itself in the settlement, as the difference between the Clearing House price and the price traded in increases or diminishes the Clearing House draft where a balance is due from it, or the broker's check where a balance is due from him. Bearing these points in mind, and studying the two sheets submitted, a complete understanding of the Clearing House system can be arrived at. At first sight, to an outsider, it seems a complicated and technical matter, but in reality it is very simple and easy to grasp.

The magnitude of Clearing House transactions has at times reached enormous proportions. The largest single day was May 10, 1901, the day after the great panic. The figures for that day, especially prepared for this history, are herewith given:

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Shares</th>
<th>Value</th>
<th>Share Balance</th>
<th>Value of Balance</th>
<th>Cash Balance</th>
<th>Number of Sheets</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 10</td>
<td>12,131,600</td>
<td>$961,300,000</td>
<td>1,714,800</td>
<td>$129,800,000</td>
<td>$5,461,700</td>
<td>452</td>
</tr>
<tr>
<td></td>
<td>Certification</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Certification obviated.

Largest Double Day (Friday's and Saturday's Contracts)

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Shares</th>
<th>Value</th>
<th>Share Balance</th>
<th>Value of Balance</th>
<th>Cash Balance</th>
<th>Number of Sheets</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 6</td>
<td>13,313,800</td>
<td>$1,132,200,000</td>
<td>1,526,300</td>
<td>$140,000,000</td>
<td>$2,412,000</td>
<td>447</td>
</tr>
<tr>
<td></td>
<td>Certification</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Certification obviated.

Largest Single Day
THE NEW YORK STOCK EXCHANGE

LARGEST MONTH (APRIL, 1901)

<table>
<thead>
<tr>
<th>Number of Shares</th>
<th>Value</th>
<th>Share Balance</th>
<th>Value of Balance</th>
<th>Cash Balance</th>
<th>Number of Sheets</th>
</tr>
</thead>
<tbody>
<tr>
<td>151,737,600</td>
<td>$14,032,800,000</td>
<td>21,030,300</td>
<td>$1,890,900,000</td>
<td>$22,014,100</td>
<td>433 av.</td>
</tr>
<tr>
<td>Certification</td>
<td>obviated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>21,030,300</td>
<td>$1,890,900,000</td>
<td>$22,014,100</td>
<td></td>
</tr>
</tbody>
</table>

LARGEST YEAR (1901)

<table>
<thead>
<tr>
<th>Number of Shares</th>
<th>Value</th>
<th>Share Balance</th>
<th>Value of Balance</th>
<th>Cash Balance</th>
<th>Number of Sheets</th>
</tr>
</thead>
<tbody>
<tr>
<td>926,347,300</td>
<td>$77,853,500,000</td>
<td>134,390,000</td>
<td>$10,930,853,600</td>
<td>$116,849,300</td>
<td>......</td>
</tr>
<tr>
<td>Certification</td>
<td>obviated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>134,390,000</td>
<td>$10,930,853,600</td>
<td>$116,849,300</td>
<td></td>
</tr>
</tbody>
</table>

The proportion of shares delivered on Clearing House allotments (stock balances) to total deliveries is about forty per cent., and the saving of certification is consequently about sixty per cent.; but the reduction of certification is larger in proportion as the volume of business increases, and the proportionate number of checks drawn now, in payment for all Clearing House balances (including stocks and cash), is about ten per cent. of the number which would have been necessary under the old system (ex-Clearing House) in the same stocks. A sheet has been cleared with over 20,000 shares of stock on each side, with a cash valuation of over $2,000,000 on each side, which was settled by the payment to the Clearing House of a check for $62.50, there being no stock balances. There have been several sheets with about 200,000 shares on each side—some over that amount and others approximating it—and the cash value on one side of the sheet has exceeded $22,000,000.

The smoothness and accuracy with which this great institution works reflect the highest credit upon its organizers and their successors.

The Clearing House occupies commodious offices at Nos. 45 and 47 New Street, the building running through to Nos. 44 and 46 Broadway. Its clerical force consists of two managers and one hundred and seventeen clerks. The entire force is divided into four divisions, in charge of four senior clerks, or tellers, between whom all the sheets received are divided in their regular order, from No. 1 to No. 505, each number representing a firm or individual clearing. These separate divisions are organized into examiners, first and second assistant examiners, and checkers.

There is an Error Department, in charge of an assistant teller, with his staff of clerks, and two other assistant tellers take some of the important work of their seniors in the first handling of the sheets. A number of younger clerks have charge of sorting tickets and distributing them to
their proper divisions, and all the work is done without friction or confusion of any kind.

The clerks of the Clearing House, owing to their training and experience, are often in demand (when they can be spared) to unravel tangles in brokers' books, created by very exciting and busy times.

The Clearing House Committee has now been in existence for over eleven years. Its personnel, from its creation to the present day, is herewith given:

**CLEARING HOUSE COMMITTEE OF THE NEW YORK STOCK EXCHANGE**

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<thead>
<tr>
<th>1892-93 — May to May</th>
<th>1896-97</th>
<th>1900-01</th>
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<tr>
<td>Francis L. Eames, Chairman</td>
<td>Robert P. Doremus, Chairman</td>
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<td>Robert P. Doremus, Vice-Chairman</td>
<td>D. W. Berdan, Vice-Chairman</td>
<td>Charles Hazard, Vice-Chairman</td>
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<td>Rudolph Keppler</td>
<td>F. W. Gilley</td>
<td>T. L. Manson</td>
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It will be seen that with the exception of the first year, when the chairmanship was held by Mr. Francis L. Eames, that office has been filled continuously by Mr. Doremus. It is the testimony of Mr. Doremus' colleagues that a large share of the success of the Clearing House is due to his untiring devotion, patient and continued efforts to develop and improve, and to his remarkable executive ability. His physical and mental capacity for work are of the highest grade—he never seems to tire or relax. The Stock Exchange may be congratulated upon having in its service as chairman of this great committee so able and zealous a member as Robert P. Doremus.
V

THE STOCK TICKER

By

HORACE L. HOTCHKISS
THE STOCK TICKER

by

HORACE L. HOTCHKISS

Electricity for the service of man was not only first utilized in the nineteenth century but through the various discoveries and mechanisms of Morse, Wheatstone, Edison, Bell, Humstone, Farmer, Calahan, Tesla, Prescott, and other famous inventors was made practical and profitable in both commercial and domestic life. In 1867 Mr. E. A. Calahan, who had been associated with the American Telegraph Company for many years, as a telegraph operator and manager of their electric batteries, conceived the idea of the stock telegraph printing instrument. Mr. Calahan had noticed the congestion of business around the halls of the Stock Exchange, which was largely caused by the brokers and their clerks struggling to secure the latest quotations made on the floor. These were recorded on suitable pads and then carried by hand to the various Wall Street offices. Active brokers and their messengers were at that time often called "pad shovers," in the humorous slang of the day. It occurred to Mr. Calahan that an instrument might be constructed which would record automatically the names of securities and the figures representing quotations or selling prices. The necessity of such an invention was questioned by many of the most experienced bankers and brokers of that period, some of them declaring that they and their customers preferred to have quotations brought to their offices by the "pad shovers," as it gave them an opportunity to send back orders to be executed on the Exchange through this medium of communication.

Mr. Calahan spent several months in perfecting the printing or recording instrument, and succeeded in arranging a transmitter, which could operate many instruments from one central office. He had these details
completed in the summer of 1867, and a corporation under the general laws of the State of New York, called the "Gold & Stock Telegraph Company," with a capital of $200,000, was organized on September 19, 1867. Messrs. Elisha W. Andrews, William Muir, George B. Field, and Horace L. Hotehkiss assisted in its organization and early development. Later on, Mr. George B. Field was elected president, and the writer of this article secretary and treasurer.

Mr. Robert H. Gallagher, who had charge of the Night Exchange uptown (which was used by operators during the exciting times of the Civil War), had a large acquaintance with Wall Street brokers and was engaged to secure patrons or subscribers who would contract to pay $6 per week for the quotations, with those of the officers in agreements with a brokers of the Street. Stock Exchange granted of the company to go on and report the market. In December, 1867, be-Year's day, the first stock was placed in the office of where the veteran opera-his headquarters. The was placed in the office of and on the third and were placed in the offices and Lockwood & Co., re-struments were delivered tion. Before they had days the company had on about one hundred of the members of the Exchange, began work in the office of David Groesbeck & Co., it naturally created a sensation as the quotations made their appearance on the tape. The crowd around it was at least six deep, and the person nearest the instrument called out the prices to the wondering assembly. At that time Mr. William Heath was an active broker; he was tall, thin, and exceedingly energetic. It was his custom to run from office to office, supplied with the latest quotations obtainable from the floor of the Exchange. He was generally known as the "American Deer," and now was surprised to find in Groesbeck's office a crowd watching the "ticker." He created much amusement when offering his quotations, and was told
he was "too late—we have them all on the tape." It was some months, however, before he thoroughly realized that the machine could outstrip the "American Deer" in the race of quotations, but eventually he had to surrender, and filed his order for one of the company's instruments.

The operation of the earliest stock quotation instruments required the closest attention of Mr. Calahan and his assistants. A source of annoyance to the brokers was the liability of the instruments to get out of "unison" and thus make a jumble of unintelligible letters or figures on the tape. To adjust the instrument back to "unison" required the visit of one of the employees of the company to the office where it was out of order, and, as calls for such service were at that time quite frequent, it often became necessary for the treasurer, superintendent, and even the office boys to respond to them. Later in the history of this enterprise, Mr. Henry Van Hoevenberg invented an automatic "unison" adjustment, which was attached to the Calahan instrument and corrected this difficulty.

As it was at that time claimed that the stock instruments of the Gold & Stock Telegraph Company would revolutionize the old system of reporting prices, they were naturally placed under the most severe tests of adverse criticisms, not only as to their capacity for responding to the mechanical requirements in producing an accurate and immediate report of the fluctuations of stocks but also questioning the desirability of such an innovation on the old style of making known the market.

Another difficulty which caused much annoyance to the management of the company, and also to the bankers and brokers in their offices at the time of the introduction of this system, was the necessity for a local battery in each office where the instrument was placed. This battery consisted of four glass jars, then known as the carbon battery, supplied with a liquid consisting of proper proportions of sulphuric acid and other chemicals in connection with zinc and carbon. This acid had to be renewed twice a week in the early morning before the commencement of business, and it was carried around in pails to the subscribers' offices. At times serious as well as amusing accidents occurred during the performance of this duty—carpets were spoiled, furniture injured, clothing damaged—and, in fact, at one time it looked as if the sulphurous influences of that "infernal battery" would discourage the use of the instruments. Fortunately, before the whole system was abandoned, Mr. Calahan proved equal to the crisis, and arranged a plan for operating the instruments by means of a large system of batteries placed in a building equipped for that purpose, and thereafter the local battery in the bankers' and brokers' offices was eliminated from the problem.

The "gold indicator," which had been inaugurated in the Gold Exchange by S. S. Laws, proved to be of great value, and had anticipated
the advent of the stock ticker by several months. Mr. Laws was the vice-
 president and presiding officer of the Gold Exchange, and displayed con-
siderable mechanical ability when he arranged a double-faced gold indicator
—one face of which was visible in New Street outside the Gold Exchange,
while the other looked inside and was visible to members on the floor.
At that period the premium on gold fluctuated rapidly, and highly excited
crowds often stood in the street watching this indicator and the varying
changes of the market. It was quite the custom to regulate the day’s
prices of many staple articles of commerce by the opening price of gold at
the Gold Exchange. Early each morning merchants assembled on the
street to watch for the first figures of the gold indicator, and then hastened
to their places of business to mark a corresponding value on their mer-
chandise. This condition of affairs on New Street and the multitude of
messengers that were kept running to and from the Gold Exchange suggested
to Mr. Laws the plan for establishing a system of gold indicators, to be
operated by an electric current from the Exchange, and set up in the various
offices connected therewith, so that every fluctuation of the market could
be reported to all subscribers simultaneously.

In August, 1869, the Gold & Stock Telegraph Company purchased
from S. S. Laws his patents, inventions, good will, and all his interests in
the gold indicator for $25,000 in cash and $75,000 of the capital stock of
the Gold and Stock Telegraph Company. They also agreed to pay to Mr.
Laws $10,000 per annum during the continuance of the premium on gold,
and this royalty, in fact, was paid until January 1, 1879.

At the time of the organization of the Gold & Stock Telegraph Com-
pany there were not less than six additional general telegraph companies
competing for the business of the bankers and brokers. Nearly every
housetop in and about Wall Street was cobwebbed with bare and uninsu-
lated wires. Mr. Calahan felt that it would be impossible to expose his
ticker system to the danger of contact with any of these wires, and therefore
decided that thoroughly insulated wires should be used on the lines of the
company. The difference in the cost of construction between perfectly insu-
lated wires and the uninsulated was in the ratio of 40 to 1. The wisdom of
his decision was soon proved, as the wires of the company were not disturbed.
At that time the only insulated wire that could be secured for the construc-
tion of the company’s lines was A. G. Day’s “Kerite wire.” As it was then
a new invention, and the facilities for producing it were very limited, the cost
to the company in those early days was equal to eight cents per foot. This
same wire at the present time is produced in vast quantities at a small
fraction of a cent per foot and of the same standard of reliability.

Before the end of the first year’s operations of the company there was
a general demand for the stock ticker by members of the Stock Exchange
and others interested in the stock market. Requiring additional funds for constructing the lines of the company and placing instruments in service, they found it necessary to increase their capital from $200,000 to $500,000. This was accomplished on May 7, 1868. On September 4, 1869, the capital of the company was increased to $1,000,000, a portion of the increase being needed to purchase the gold indicator system and patents of S. S. Laws.

At the annual meeting of the company on September 7, 1869, the following gentlemen were elected directors: George B. Field, Joseph M. Cook, Tracy R. Edson, D. J. Garth, S. S. Laws, A. F. Roberts, and W. B. Clerke.

The growth of the business continued with giant strides, and the company soon found other fields of operation. Both the Produce Exchange and the Cotton Exchange adopted the new system for reporting their markets, and the financial interests in and about Wall Street became patrons of the "General News Bureau," which was established by the company for reporting over its wires the news of the day and the gossip of the Street appertaining to financial affairs.

In March, 1870, General Marshall Lefferts was elected a director and president of the company, and on October 11, 1870, the capital stock of the company was further increased to $1,250,000. With this additional capital it secured the Page patents and other valuable inventions. As the business of the company in 1871 grew to be very profitable, and as opportunity was constantly presented for the extension of its service to other cities, negotiations were entered into with the Western Union Telegraph Company, and a contract followed by which it was agreed that the capital stock of the Gold & Stock Telegraph Company should be augmented to $2,500,000, the increase, viz., $1,250,000, to be issued to the Western Union Telegraph Company for its Commercial News Department. This was duly accomplished, and at the annual meeting of the company held in September, 1871, the Western Union Telegraph Company came into practical control of the Gold & Stock Telegraph Company, through the election of the following Board of Directors: James H. Banker, Horace F. Clark, William Astor, Tracy R. Edson, Marshall Lefferts, Alonzo B. Cornell, and Joseph M. Cook.

At this election the General Superintendent, Mr. Calahan, resigned for the purpose of inaugurating the system in London. The writer of this article also resigned his office of treasurer, and Western Union officials were elected to fill the vacancies.

The origin and subsequent history of the Commercial News Department of the Western Union Telegraph Company and the Gold & Stock Telegraph Company illustrate how a small beginning is often followed by a phenomenal growth.
Before the days of the Atlantic cable, Mr. D. H. Craig, of Boston, conceived the idea of training pigeons to act as messengers for the European news brought by foreign steamers arriving at Halifax. He would take with him a half dozen of his pigeons, board the incoming steamer, and take passage thereon for Boston. Once on board the steamer, he would secure copies of the latest dates of the European papers, and from their pages prepare a careful digest of the significant political and commercial news, written upon fine manifolded tissue paper. At the proper moment the pigeons were despatched from the steamer on their homeward journey, and with fleet wings soon reached their destination, with the valuable reports, which were quickly transcribed and distributed to Mr. Craig's subscribers in Boston, and by telegraph to other cities. While this system seems crude and unsatisfactory, in comparison with modern methods now in use, yet, at that time, the fortunate subscribers to Craig's "bird mail" were often rewarded in their market operations by the possession of early information.

The alliance with the Western Union Telegraph Company proved satisfactory, and the dividends on the enlarged capital were continued, and were justified by the increased earnings of the new business established in this and other cities throughout the country. The Stock Exchange during the six years referred to had granted to the Gold & Stock Telegraph Company, without cost, every facility for inaugurating and developing a business which then had grown to be so profitable.

Early in 1873 a formidable competitor, the Manhattan Quotation Telegraph Company, appeared in the field and offered to pay not only fixed annual rent to the Stock Exchange for the privileges enjoyed by the Gold & Stock Telegraph Company but in addition a weekly royalty on each ticker in use. The rivalry resulted in the immediate reduction of the charge by the Gold & Stock Telegraph Company for the use of tickers from $6 per week to $10 per month. In this way a serious warfare commenced between the rival concerns which proved very interesting to the Stock Exchange by establishing the commercial value of the ownership and control of the quotations made on the floor of the Exchange.

The Manhattan Quotation Company's instrument was the invention of Mr. J. E. Smith. Its principal features were that the name of the stock and the quotation following were printed on the tape in a single line from a single type wheel, and that it was provided with a unison device. While this instrument was accurate and rapid in its work, its method of printing in a straight line did not give entire satisfaction to subscribers; nevertheless, it was thought to be a part of wisdom to absorb this company, and within a few months thereafter an arrangement for an exchange of stock was completed and a majority interest in the Manhattan Quotation Company's capital stock
was turned over to the treasury of the Gold & Stock Telegraph Company, and the competition was over. During this period of growth the Gold & Stock Telegraph Company secured many other valuable inventions, not only for protection in the future but also for the purpose of improving the system then operated. At this time the charge for use of tickers was restored to $25 per month. Such inventors as Van Hoevenberg, Gray, Phelps, Scott, Kenny, Chester, Pearson, Wessmann, Knudson, besides those formerly mentioned in this article, contributed valuable devices and improvements in perfecting the lines, batteries, instruments, and systems operated by the Gold & Stock Telegraph Company.

In developing the systems of the company, one of which was known as the "Financial News Bureau," the Gold & Stock Telegraph Company secured the cooperation of Mr. John J. Kiernan, who had been furnishing the Street with reports of the foreign markets and other news by means of "tissues," which were distributed by hand from his offices to the bankers and brokers who were subscribers to this news. After securing Mr. Kiernan's services the company inaugurated a system of wires and instruments for this purpose. He proved to be an interesting personality, and was quite popular in the Street, but his friends insisted upon his entering politics. After serving as an Alderman in Brooklyn, he was elected State Senator and sent to Albany. But he soon found that politics would require most of his time, and gradually withdrew from the active management of the news department.

The next competitor to appear in the field as a rival to the Gold & Stock Telegraph Company was the Commercial Telegram Company, which controlled a printing instrument, the invention of Mr. Stephen D. Field. This company ignored all patents and other rights, and claimed all privileges on the ground that its instrument was superior to all others. The Stock Exchange granted to the Commercial Telegram Company equal facilities, and the competition for business resulted in again lowering the monthly charge for tickers from $25 to $10. As the competition between the Gold & Stock Telegraph Company and the Commercial Telegram Company became more active, the Stock Exchange assumed a greater authority over the quotations made on the floor of the Exchange. In assuming this control, on October 1, 1885, it employed reporters, who gathered the prices and turned these quotations over to the two companies. As a result the question of how these prices were to be sent out, and to whom as subscribers they were to be sent, reverted back to the Stock Exchange, and in any applications for instruments either company was required to obtain the approval of the proper officer of the Board. This prevented the bucket shops from obtaining the quotations directly from the instruments. The business continued to grow, and the rivalry between the two companies
increased until the year 1890, when the Exchange secured a majority interest in the Commercial Telegram Company, which was reorganized as the New York Quotation Company, and at the same time an arrangement was made with the Gold & Stock Telegraph Company by which the latter company should practically discontinue its services to members of the Stock Exchange below Canal Street, and the rate of service should be restored to $25 per month.

In 1873 the Gold & Stock Telegraph Company paid into the treasury of the New York Stock Exchange, as its portion of rent and royalty, $4,705. In 1874 the company paid to the Stock Exchange $15,731 as rent and royalty on instruments in service. Between July, 1875, and August, 1877, it paid to the Stock Exchange $50,857.16; between August, 1877, and September, 1885, for like privileges, the company paid $144,000; between September, 1885, and July, 1889, it paid $94,162.93. Between July, 1889, and January, 1892, owing to protracted negotiations with the Stock Exchange for a new contract, the Gold & Stock Telegraph Company made no payments to the Stock Exchange, but from January, 1892, until January 1, 1893, the rate was $100 per day, and was paid to the Exchange. From January 1, 1893, to May 1, 1902, the Gold & Stock Telegraph Company paid an annual rental of $27,000, amounting to $252,000. On May 1, 1902, the Stock Exchange increased the rental to $100,000 per annum, which sum is now paid by the Gold & Stock Telegraph Company.

The original introduction of Mr. Calahan's invention seemed most appropriately timed to meet the requirements of the Stock Exchange and other exchanges in the distribution of the quotations of the various markets by telegraphic printing instruments. Even the London Stock Exchange adopted the Calahan instrument in 1872; the Exchange Telegraph Company of London was organized, and Mr. Calahan was sent to London for the purpose of introducing the stock quotation system there. The writer of this article is a director of that company and for over twenty-five years has forwarded by cable, to the Exchange Telegraph Company of London, the opening prices made on the floor of the New York Stock Exchange, and other news of financial interest.

The development of the Gold & Stock Telegraph Company has greatly depended upon the ability and character of its working force. One of its most valued employees was Timothy J. Sullivan, who operated by hand the transmitter during several years preceding the introduction of the present automatic mechanism. Another faithful adherent, Mr. Samuel M. Taylor, became the financial officer of the company in 1876, and now occupies the position of its auditor.

In referring to the financial growth of the Gold & Stock Telegraph Company it should be mentioned that its capital was increased in March,
1881, to $5,000,000, and soon after this was accomplished the Western Union Telegraph Company assumed a lease of the system of lines, instruments and property of the Gold & Stock Telegraph Company, guaranteeing six per cent. per annum on the capital stock. The control of the New York Quotation Company by the New York Stock Exchange, through an ownership of a majority of the capital stock of that company, has proved profitable and satisfactory to the members of the Exchange, who are the patrons of the company. The wisdom displayed when the Stock Exchange, in 1890, secured a majority of the Commercial Telegram for some years not fully apparent last been demonstrated; such ownership was it possible present New York Quotation corporation has placed the position impregnable for control of the methods of collecting and distributing made on the floor To the committee matter much credit all it is to the de-Mr. R. H. Thomas, of the New York company, that the Stock debt of gratitude solution which fruitful out of a When one considers telegraph wires every city, town, throughout the continent, it would seem almost impossible to estimate how far the capacity for the distribution of the quotations can be extended. The Western Union Telegraph Company, with its trunk lines pulsating each day, between 10 A. M. and 3 P. M., with a constant stream of market quotations—and by means of “relay and sounder” in every office where these trunk lines pass, and of the branch lines running in every direction to all places and to all people, even to those outside of their 23,000 offices—can drop off duplicate copies of these prices or quotations from all the important exchanges.

The growth of this business is of great moment to the Stock Exchange, for it is through the instant dissemination of the quotations made on its floor that the active and continuous interest in the markets is sustained.
VI

THE LOAN MARKET

By

EMERSON CHAMBERLIN
VI

THE LOAN MARKET

BY

EMERSON CHAMBERLIN

THE Wall Street Loan Market, before its formation as a department, was without form and void, and darkness regarding its history has prevailed until the present time.

One of the difficulties in treating this subject is the fact that the Loan Market has no printed record of its transactions; their amounts, rates, and "collateral" are private matters, of which the memoranda are soon destroyed or lost. Our facts must be searched for in files of newspapers and among the dusty books and worn stock-notes of firms old in the Street. The quest would be hopeless were there not still living some of the men whose experience covers more than half a century. The best part of this record has been gathered from survivors prominent in some of the greatest financial battles of the past and still in active service, a thin, gray line of veterans, whose ranks the old enemy, Time, is steadily depleting.

Yet the Loan Market is of somewhat recent date, and, like the Bank and Stock Exchange Clearing Houses, had to wait until all the surrounding conditions were prepared for its systematization. During the early history of the Street, and down to 1857, stock transactions were effected largely upon time options running from ten to ninety days. In an old sales list of 1837, out of a total of 6,700 shares, 4,400, or nearly two-thirds, were bought and sold upon option. This relieved the broker from the necessity of borrowing from day to day. In fact, the banker and the broker represented different professions; the banker carrying the securities, and the broker's duties ending with the purchase or sale of the stock.

The business methods of the time were modelled more after the mercantile than the banking world. The Stock Exchange consisted of a small and
select body of men well known to each other, most of whom had spent their lives in the Street. Money for bank balances was frequently loaned without any other security than the broker's word. "Anything over to-day?" was heard at that time in brokers' offices as in mercantile stores. If Colonel Y. wanted a bank balance, he stepped into Mr. W.'s office, and was handed a check for the amount, and Mr. W. was accommodated in turn some other day.

The panic of 1857 effected the first and most important change in the methods of Wall Street. Firms that had been in business for half a century were carried down, never to recover, while a different class of men arose, and the happy days of borrowing without collateral security passed away forever. The impetus given to business during the war period called for an equivalent supply of capital. While the banks were still relied upon to supply the bulk of the loans, the increase in the number of institutions and private lenders that came into the Street to use their surplus funds is noticeable; the fire insurance companies were at times large lenders, and so were shipping houses, such as Wetmore, Cryder & Co.; Sawyer Wallace & Co., and Harbuck & Co. These were supplemented by banking houses and commission brokers, among them the firms of Evans & Thompson, Weeks & Warren, Oswald Cammann, and Treadwell, Ketcham & Co. Wealthy men, such as Cornelius Vanderbilt, William B. Astor, Erastus Corning, and Watts Sherman, putting aside their prejudices against stock speculations, found it pleasant and profitable to lend, occasionally, to the brokers.

The number and variety of lenders made it easier for stock houses to carry their customers' accounts without paying the "shaves" on time options. The brokers had no prejudice as to the sources of supply, and borrowed as cheerfully from the Greenwood Cemetery Association as from a life insurance company or some private capitalist.

Between 1863 and 1864 the old and cumbersome method of the delivery of stocks by transfer was replaced by the present system of certificates "with power." While this change was of immense advantage in receiving and delivering stocks, it also made the handling of collateral securities in loans much simpler and easier, thus benefiting both borrower and lender. The actual certificates with blank "power" were pledged, accompanied by a stock note, of which the following blank form indicated one of the styles most in use:

Stock Loan Note. New York, 18

have

have

against which have

deposited with

dollars as Collateral Security, either party having the right to call for an increase or a reduction of deposit during the pendency of this contract, to meet the fluctuations of the market.

per cent. interest

18
The institutions lending money in the Street were reinforced by the organization of the Union Trust Company, in 1864. The Bank of Montreal and the Bank of British North America also came into the market as lenders. Among the banking capitalists were August Belmont & Co., Winslow, Lanier & Co.; L. von Hoffmann & Co.; Schuchardt & Gebhard, Ballin & Sanders, Hallgarten & Co., Ketcham, Son & Co.; A. G. Hemingway, Harrison Durkee, Dykers & Alstyne, and William and John O’Brien. The last two are dear to the memory of every old boy in the Street, for a lunch of cheese crackers and gingerbread was spread in their offices, and the good, hungry boy was always invited to partake.

THE LOAN CROWD

Before 1869 the borrowing and lending of stocks was done from office to office. The cashier or book-keeper made out his list of stocks to be borrowed or lent in the morning. This he showed to the Board member before the opening of business, and, after consultation, would himself make arrangement to borrow, lend, or renew with the firms where he thought he could be accommodated. The time, trouble, and worry of this arrangement can be appreciated only by those who were in business during those happy-go-lucky days—when boys dropped certificates of stock in the Street, when mislaid checks, a week or two old, were found in desk drawers, and a search for lost certificates sometimes revealed them carefully tucked inside the Board member’s hat. The money market was all over the Street. The banks generally demanded the top rate and were the last to be applied to for loans. Reports from the Exchange were slow in delivery, and purchases or sales for cash coming in late would upset the whole arrangement of the office. It was then that the office members of the firm became busy, while the Board member remained serene. His judgment was seldom appealed from. A seat in the Exchange was supposed to convey a wisdom and knowledge of finance to which no mere outsider could attain.

The condition described continued until 1869, when a member of the Board—having many loans to attend to—conceived the idea of having all such transactions made in the Exchange, and with this purpose started the “Loan Crowd.” The story of the incidents leading up to its establishment is told in another part of this work. Coming at a time which seemed ripe for such an experiment, although its growth was gradual, its success was assured. The Board sessions were held at that time on the upper floor of the present building, and between the first and second calls the members would meet in that part of the room which came to be recognized as the Loan Market, and there make their exchanges of stocks. It is hardly necessary to say that the originating member was always on hand. The
time occupied was from one to two hours, and it always ended at the beginning of the "second call." As transactions increased, the time was extended, and upon the abandonment of the call system there was a continuous loan market. The first effect of the new system was seen in the rapidity of the transactions, business which formerly had dragged through an entire morning now being done in an hour, or less, and with much more satisfaction. Another effect, which was not so noticeable at first, was the decrease in number and rates of time options. At an early period, as has been explained, the bulk of the business upon the Exchange was done upon time, cash or regular transactions being the exceptions. The object of this was, of course, the protection of the bull customer from a tight money market and the bear speculator from a corner. As money grew more plentiful, and issues of stocks larger, these dangers became lessened, and sales on options at the Exchange had decreased. A very large business, however, was still done which was not reported on the Board lists. Certain houses with large capital and facilities made the borrowing and lending of stocks a special and very profitable feature of their trade; and it would sometimes happen, in a rapidly fluctuating market, that a stock bought for cash and sold, buyer 30, one day, would be sold for cash and bought, seller 30, the next day, a commission being made on both transactions. There were other houses that did their own "turning," and the habit of charging a too inactive account one-quarter per cent. at the end of thirty days was not at all uncommon. This was called stimulating the account. The Loan Crowd, affording a market and introducing competition, reduced the necessity for these extra taxes upon stock transactions, and helped to increase the business of the Street by giving protection at a less cost. As an evidence of this fact, a house doing the largest option business at the time reported that their profits had been cut almost in half after the first year of the Loan Market's establishment.

The same relative locality, toward Broad Street, occupied by the crowd upon its first day's business (amidst all the changes and extensions of the Board Room), has been always retained. In 1878 the Loan Market was given a post to mark its place upon the floor; this was of wood, afterward replaced, in 1881, by the present one of iron, which has always borne the number 10.

The borrowing and lending of money in the crowd proceeded but slowly; small amounts were loaned, but the banks and banking houses were very conservative; money then was an aristocrat and hated anything new. The result was that in dull times large balances were carried in the banks, at a loss of interest, which might have been lent in the market. Their attitude is shown by the following conversation between Mr. C. O. Baker and President Kitchen, of the Park Bank: "Mr. Kitchen, there is a good demand
for money in the Exchange; why don't you let me lend some for you?" "Why, Mr. Baker, I should not like to do that, but if you hear of any one who wishes to borrow, send him up to us." The private lenders were the first to take advantage of the opportunity of lending money in the Exchange. Among these were Winslow, Lanier & Co.; L. T. Hoyt, James M. Hartshorne & Bro., and Alexander Taylor & Co. The last three were also large lenders of time money. The Third National Bank, Mr. Conrad N. Jordan then being cashier, was the first to break the custom and lend money through a broker; Russell Sage and the Union Trust Company were also added to the list; and the Loan Crowd became the recognized money market and made the rates for the Street. During part of this time the Exchange occupied the rooms in Lord’s Court. There had been a desultory Street money market at the corner of William Street and Exchange Place, and when the Board removed to Broad Street this market followed to the southeast corner of Broad Street and Exchange Place, now occupied by the Broad Exchange Building. It was, however, an irregular institution, used principally in times of distress and by needy or belated borrowers.

The Loan Crowd during the morning hours of an ordinary day is rather quiet, the specialist being at times almost alone, which is very depressing for him, his commission depending on his making new loans, the rate being 50 cents a hundred, with no payment for renewals. Between noon and 3 p.m. the money brokers appear to make or renew loans. There are some early borrowers, but the greater number do not come in till after delivery hour, 2:15 p.m., has passed and they know how they stand. The brokers who lend are sometimes limited as to interest rates and, occasionally, as to the minimum amount in a loan. There is one house which will not lend less than $100,000 in any one loan, but which will rely on the broker as to rates. The broker has to know something about the standing of the borrower, the kind of collateral he sends in, and the time for which the loan is likely to stand; otherwise he is apt to have to do his work over. The borrower, on the other hand, wants a lender who is good, who is not prejudiced about collaterals, and who will let his loan remain and renew at fair rates. Prejudices and preferences play a more important part here than in the Stock Market; certain houses and institutions are carefully avoided by some borrowers which are perfectly acceptable to others; on the other hand, the lender will discriminate in his selection of borrowers. Occasionally word will be sent to the broker to stop lending to certain firms, for reasons which seem good and sufficient in the bank parlor or offices. The majority of the men who lend money for others have done so for years, and it is well known whose capital they represent. There is one man who has attended to the loans of a large banking house for thirty-five years, and whose judgment has seldom been questioned during that term.
While in the beginning the custom was for one man to lend only for one firm or institution, the tendency now is toward a concentration of capital in one man's hands—a broker representing a dozen or more banks, corporations, and private lenders. With a corresponding increase in amount of capital, this tends to an equalization of rates and is an important force in allaying a panic, money to be lent in the market being much easier managed by one man than by a dozen. This part of the subject will be spoken of later in connection with the pooling of money by banks. No record is kept of the amount of loans, of either stocks or money made in a day, though in active times they must foot up in very large figures. An idea of the amount of money lent may be had from the report of one broker who lent $12,000,000 in one day.

Thus, from the very modest beginning, in 1869, the Loan Crowd in the Board Room has grown to be the recognized market for loans of stocks and money, and one of the most important departments of the Stock Exchange. Started impulsively, without preparation or any carefully wrought-out plan, it grew up, evolving its own laws and customs, unnoticed and unhampered by decisions or legislation, and from these very conditions, which seemed to accord with the spirit and genius of the times, achieved all the more success. The present writer, whose connection with it dates from its first day, can look at it now with a feeling of pride in its growth and usefulness, the scene of many exciting episodes and of many pleasant memories.

A short description of the workings of the Loan Crowd after 3 p.m. may be of interest to those not familiar with its daily methods.

THREE O'CLOCK IN THE LOAN CROWD

It is 3 o'clock on the Stock Exchange. The gongs have ceased sounding and the chairman's hammer has notified the members on the floor that business for the day has ended. A fine of $50 is the penalty for every transaction made on the floor after this announcement, if reported to the Governing Committee.

The excited groups around the active stocks grow smaller and quieter. The trader takes his final look for the day, and the worn-out specialist sends out his last reports. The majority of members move toward the different exits, grateful to breathe a little of the outside air and seek the comparative quiet of their offices. But a small contingent remain and work their way toward the part of the room where Post No. 10 stands out with the sign and inscription upon it—"Last Loan, 2½ per cent."

The majority of these brokers carry books or memoranda in which are the names of stocks and bonds to be borrowed or lent. The crowd is not
very large or vociferous—it makes a fair degree of noise, however, each man shouting what he will borrow or lend, and also crying out the names of the firms with which he wishes to renew the loans of yesterday. The brokers dart in and out. They wiggle from one side of the crowd to the other. They rapidly check off the results in their loan books, and as soon as this is completed disappear to the washroom, the office, or home.

These brokers are the unfortunates who are obliged to take care of the loan books. Some are the heads of firms—important men who make a specialty of borrowing and lending stocks and money; more are the ordinary commission-house brokers, generally the junior partners, and others are the "$2 brokers," who take charge of the loans for the houses that give them business. There is also a specialist loan broker, but he has little to do at this time of day, his activity showing itself during the earlier hours.

The crowd gradually thins out, and after a few more reports are made all is silent and the floor is given over to the sawdust men and the sweepers.

The market for borrowing and lending has closed for the day, and Post No. 10 stands alone, bearing aloft, amidst a wilderness of scattered paper, the sign and inscription—"Last Loan, 3 per cent."—the final quotation in the day's work.

The Loan Crowd has but once had to suspend its operations in the Board Room. In the panic of 1873 it shifted its quarters, during the closure of the Exchange, to the corner of Broad Street and Exchange Place, taking a position in front of what is now the Broad Exchange Building. Throughout its temporary existence of ten days this market was thronged by excited borrowers and attended by a small number of enterprising capitalists. What few loans were made were at the rate of seven per cent. interest and from two to four per cent. premium overnight. One large house had to borrow $800,000, for which it paid $10,000 a day and seven per cent. interest. The same rate was paid for $1,000,000 by Jay Cooke & Co. a few days before their failure. Certified checks sold at a discount for bills, and greenbacks brought five per cent. premium. It was during this great disturbance that a new factor affecting the Loan Market made its appearance. This needs some mention, as its results were very important at that time, and its use in succeeding critical periods most beneficial. The Clearing House for the associated New York banks was started in October, 1853, with fifty banks as members of the Association. The average daily clearings for the first twelve months were $19,104,504, and the total for the year $5,750,455,987. The Clearing House banks had vainly tried to stem the panic of 1857, and had to suspend. Three years later, through the efforts of James Gallatin, aided by some of the presidents of the other banks, the panic of 1860 was allayed by making their specie a common
fund. The panics of 1869, 1870, 1871, and 1872 found them prepared and with no necessity for any combination; but in 1873 they adopted a new method by issuing Clearing House certificates. The idea was originated by Mr. Coe, who recalled to the hesitating members the famous saying, "If we don’t all hang together now we shall hang separately later." A meeting of the Clearing House Association was held on September 20th and authorized the issue of $10,000,000 of certificates. These not being found sufficient, it convened again on the 31st and issued $10,000,000 more, which amount was afterward increased so as to make the entire issue amount to $26,565,000. This example was followed in all the leading cities of the country, and was, preeminently, the means of allaying the panic and preventing a more widespread disaster.

During the panic of 1884, marked by the failure of Grant & Ward, the Marine Bank, and the Metropolitan Bank, the Clearing House issued certificates for $24,915,000. In 1890, the time of the Baring failure, certificates to the amount of $16,645,000 were issued. The panic of 1893 required a much larger issue, certificates for $41,490,000 being put out. This was the most recent issue of Clearing House certificates, the money troubles of 1895 and 1896 ending without recourse to their aid.

A new policy was adopted by the banks in 1899 and 1901, that of making up a pool of money to be lent under direction of the bank officials by one broker in the Loan Crowd of the Stock Exchange. The details of these poolings are here given through the kindness of Mr. Samuel Wolverton, president of the Gallatin National Bank.

THE MONEY POOLS OF 1889 AND 1901

A period of stringency extended throughout the fall of 1899. On Monday, December 18th, about noon, money reached fifty per cent., and about 2 o’clock it reached 100 per cent., none being in sight.

A meeting of the bank officials was called at the Clearing House, and a cash pool of $6,000,000 or $7,000,000 was formed. This was placed in Mr. Frothingham, the loan specialist’s, hands to lend at the market, under the direction of Mr. F. D. Tappen. Before this money reached the Exchange, rates had advanced to 186 per cent., but prompt action in throwing it on the market in large amounts forced the quotation down to six per cent.

The next morning another meeting of the bank officials was held, and a pool of $11,000,000 was formed. This was given out in amounts of from $500,000 to $1,000,000, to lend at the market. First loans were made at thirty per cent., and were followed by others at twenty-five and twenty, and so on down, until, before noon, the rate dropped to six per cent., and one-half of the pool money was still in the hands of the banks.
On May 9, 1901, the Northern Pacific corner brought about an acute condition in the money market. A number of the larger banks, and the banking house of J. P. Morgan & Co., collected a pool of $19,500,000. This was given out to the loan specialist, who lent it at the Exchange at forty, fifty, and lastly at sixty per cent. On previous occasions the policy of concentration had broken the rate to six per cent. Why it did not succeed was not explained until the following day, when the large credit balance of the Stock Exchange houses at the banks showed that they had borrowed all the money available, without regard to their needs. Money was freely loaned on the succeeding days, but no concerted action was necessary. In December, 1902, a vague feeling of unrest pervaded the money market; the usual fear which possesses borrowers at the end of the year seemed to be intensified and ready to make itself felt in the shape of high rates. On the 15th the market opened with ten per cent. bid, and very little offered, and borrowers were becoming more and more apprehensive, when at noon it was announced that J. P. Morgan & Co., James Stillman, and George F. Baker had formed a pool of $50,000,000, to be loaned at the market rate, if such action should become necessary, the subscribers to the fund being Messrs. J. P. Morgan & Co. and the principal associated New York banks. The extreme tension thereupon relaxed almost immediately, and call loans fell to six per cent., closing at four. No money was loaned by the pool that day, and in fact none was ever lent by it; not a dollar was added to the amount already in the Street, and no funds were brought in from the outside. It was merely a notice that adequate preparation had been made to prevent any disturbance in the money market by the collection of a large fund which could be used, rapidly and effectively, if the emergency arose—another proof of the value of concentration and of the large part which sentiment plays in the affairs of Wall Street. The policy advocated by James Gallatin in 1857, which was continued by his successor, Frederick D. Tappen, through the Clearing House certificates, and after by the associated bank pools, has come down to the present time; wide-reaching through the growth of business, and fortified by experience, it still fulfills its mission of a very present help in time of trouble.

A subject which begins at the foundation of all speculative enterprise, which touches so many points of business interest, and is acted upon by such a variety of forces, produces an embarrassing number of items for consideration. It can only be said that a choice among them had to be made, and like a discretionary board order the commission to treat of the nature and history of the Loan Market has been executed to the best of the writer's ability.

In 1903 the New York City banks have increased from twenty-two in 1837, to fifty-seven, from a capital of $18,000,000 to over $108,000,000,
and a surplus of $124,000,000; the specie has increased from $1,700,000 to $159,000,000; the circulation from $5,000,000 to $43,000,000; the deposits of $15,000,000 have risen to $884,000,000, and the loans and discounts from $38,000,000 to $902,000,000. The trust companies show resources of over $1,000,000,000; capital, $53,000,000; surplus, $70,000,000; deposits, $880,000,000; loans on call, $600,000,000. Transactions on the Stock Exchange have enlarged from 5,000 to 10,000 shares a day, and now range from 500,000 to over 1,000,000, while the number of stocks traded in has increased from 35 to more than 200. The Stock Exchange now does in one big day the year's work of 1837, and business has multiplied a hundredfold. In looking at these figures the question naturally arises, whether capital has increased in the same proportion as business; in other words, is there money enough to do the work comfortably without fear of sudden and violent changes in lending rates, or shall we have the same troubles in the future as in the past? Among favorable factors which make for ease and steadiness are the Loan Market in the Stock Exchange, the concentration of capital in fewer hands by the merging of banks and also of trust companies, and the policy of cooperation by uniting the loanable funds, either through the Clearing House, or by a bank pool under the charge of one man, and lent by the specialist in the Exchange. The improved facilities for borrowing abroad must also not be forgotten. On the other side is a monetary system which is antiquated and inelastic, based upon debts instead of assets, and which makes no provision for expanding, but limits contraction by statute, affording every facility for getting into trouble and no means of getting out. In addition are the stupid Sub-Treasury laws and the doubtful hope of relief from what is called the wisdom of Congress—a wisdom in financial affairs so attenuated that no figure of speech will express it.

A comparison of the rates for money in the New York market with those of London, Paris, or Berlin would seem sufficient evidence of the necessity of some change in our system of finance to place it more in accord with modern and enlightened methods. This can come about only by action of Congress, and when currency reform and political success shall go hand-in-hand we may expect some remedial legislation. In the meantime the campaign of financial education will have to be fought out. For this important work no more efficient and influential leaders can be found than those men whose broad views and courageous actions have often been reflected in the movements of the Loan Market.
VII

THE UNLISTED SECURITY MARKET

By

HENRY I. JUDSON
THE UNLISTED SECURITY MARKET

BY

HENRY I. JUDSON

The market for what are called "unlisted" securities—that is, securities for which application to list on the Stock Exchange has not been made—first assumed considerable proportions about the latter part of 1881, during the boom in prices after the resumption of specie payments in 1879. Securities that had long been deemed worthless, and had been hidden away, suddenly became of value, and a market for them was made in New Street, adjacent to the Stock Exchange. Another feature of the "outside" market was that of dealing in the securities of new enterprises before they were ready to be regularly listed on the Exchange, the dealings being made either in what were called "subscriptions," or in the bonds and stocks to be delivered "when issued." All this developed into a market of considerable volume.

The brokers who made a specialty of dealing on the "outside," first carried on the business in New or Broad street, adjacent to the Exchange; but the inconvenience of being without shelter from the cold and inclemency of the storms in winter, and from the heat of summer, led them to rent a building on New Street, and with a very limited organization as to rules, and new members to carry on the business there, having a "call," and a printed list showing prices and sales. Later, this organization of the "outside" brokers was absorbed by the Mining Exchange, the principal business of this Exchange being in petroleum and mining stocks. At the time of this consolidation of the "outside" brokers with the Mining Board, stocks listed on the New York Stock Exchange were not there dealt in, and a large number of the members of the New York Stock Exchange were members of the smaller Exchange, the relationship of the two boards being
friendly; but when the Mining Exchange determined to permit dealings in stocks regularly listed on the older Exchange, the friendly relationship ceased, and the members of the New York Stock Exchange who held seats on the Mining Board were compelled to dispose of them. A department for dealing in unlisted securities was then at once opened by the New York Stock Exchange, in what was known as the Long Room, and, as most of the orders executed hitherto in the Mining Exchange had come from the Stock Exchange houses, it was not difficult to transfer the work. The writer of this article, who had made a specialty of dealing in "outside" securities, and was most familiar with the work, purchased a membership of the older Board at this time, and continued to make the dealing in unlisted securities his specialty. Mr. W. H. Burger was his partner at the time, though he did not buy a seat until later. At first the volume of orders in the department was not large, but the placing of the stocks of the American Sugar Company, the National Lead Company, and, later on, the stocks of the United States Leather Company, in the unlisted department, gave to the department, which has since grown to large proportions, the impetus it needed. The house of C. I. Hudson & Co. also made the dealing in unlisted securities a prominent feature of their business. Following these pioneers, many important houses have since become identified with this class of brokerage. The flood of new securities which has come upon the market within the past few years, by the consolidation of mercantile and manufacturing establishments, has caused the Stock Exchange to be more careful as to what is admitted to its list, with the result that the market for the overflow has gone back to the Street, and makes what is now known as the market on the "Curb."
VIII

MUNICIPAL BONDS

By

WILLIAM F. G. SHANKS
MUNICIPAL BONDS

by

WILLIAM F. G. SHANKS

It has been said by some one that "Next to Government are Municipal bonds." He doubtless meant it in the sense of security as an investment and not with any reference to the volume of Municipals in the hands of permanent investors, for unfortunately statistics are not very full or clear on this latter point. The Government reports as to national bank resources do not separate Municipal bonds from other classes; and with regard to the holdings of savings banks, the Comptroller of the Currency includes State, County, City, Town, Village, and School District bonds, which are usually regarded and understood to be meant by Municipal bonds, under the enumeration of "State and other stocks and bonds." And this, of course, means only bonds, though some cities, like New York, for instance, issue long term bonds under the title of "Corporate Stock." "Municipal bonds" are generally considered among dealers to include State, County, City, Town, Township, Village, and School District bonds for whatever purpose (road, bridge, water, etc.), and are so treated in this article.

Their security and not their volume was doubtless alluded to in the above comparative statement, in view of the fact that not only the State but the National courts protect the investor in them. This may be said of other issues of bonds, but the decisions of the United States Circuit Courts regarding Municipals, overruling local and State court decisions, have been so numerous and so uniformly sustained, when appealed, by the United States Supreme Court, that the law with regard to them is generally regarded by investors as firmly settled. The litigation thus happily resulting grew largely out of disputes over the liability for bonds of States which had seceded and formed the Southern Confederacy, and of the liability of
numerous minor divisions of States of other sections of the Union, for bonds issued in aid of railroads which were never built, although the bonds to pay for them were sold to confiding and innocent purchasers. So uniformly favorable to bondholders have been these decisions that such litigation has almost entirely ceased, and the bonds in dispute have either been paid or compromised and settled. In brief, the law is so generally regarded as settled that litigation has practically terminated. A remarkable instance of ready acquiescence in this construction of liability was witnessed in the State of Ohio in 1902. A large amount (in the aggregate) of Municipal bonds had been issued and sold by cities and counties under special acts of the several Legislatures for about ten years prior to the raising of the point of liability. The Supreme Court of the State decided in a case against the City of Cleveland, that its bonds in question should have been issued under the general law of the State, instead of a special enactment. Whereupon an extra session of the Legislature was called; remedial legislation was enacted; payment of interest went on regularly; no investor felt for a moment in doubt as to the validity of his holdings or the good faith of the debtor municipality, and the matter naturally adjusted itself. A still more curious illustration was seen, almost simultaneously, in one of the territories, in which one of the counties contested its liability for bonds it had authorized in aid of a railroad which never progressed farther than to assume a corporate name and sell the county bonds it had received as aid. But in this case the Territory (Arizona) was authorized by Congress to issue its own bonds in lieu of the obligations of the County (Pima), and the whole difficulty was adjusted. No holder of the original County bonds doubts that the substituted Territorial bonds will be paid as they mature, or fears that they will not be assumed by the State which may succeed, since the power which admits States and the Supreme Court which construes constitutional law for all alike will regulate that. It is these and like decisions of the courts which make Municipal bonds second to Government in the estimation of permanent investors; and, of course, the fact that they are not subject to sudden and violent fluctuations.

As I have before explained, trustworthy statistics as to the volume of Municipal bonds outstanding are difficult of compilation. The national banks hold many, but they are not separately enumerated from other securities. The savings banks hold a greater amount, but even these can be only approximately estimated. The latest report of the Comptroller of the Currency, to be found in the Statistical Abstract from the Treasury Department for the fiscal year 1901-1902 (June 30th), gives the total resources of the 1,036 savings banks at $2,893,172,986. Of this total about 80 per cent. is held in the Atlantic coast States north of the District of Columbia, where reside 5,782,049 depositors. Naturally the principal investment of
these trust funds in all sections is in real estate bonds and mortgages, which pay a better return than any other class of investments. Investments in Governments are limited, owing to the small return their higher value yields. The next largest investment is in municipal bonds, the great majority of which (though not all) return a larger per cent. than the savings banks pay to their depositors. The total investment in Municipals, according to the authority above quoted, was $481,568,530. The investments of the same banks in railroad bonds were $375,623,513; but it should be remembered that the restrictions of the States holding the largest amount of trust funds are very severe in this respect.

These figures can be regarded only in a comparative sense; there is no way of arriving at the amount of municipal bonds held by individual investors, for few issues are registered and the coupons are paid either by check or through fiscal agents; but the aggregate held by individuals must largely exceed the total found in institutions subject to National or State examinations.

One reason for this conclusion is found in the great growth of the output of municipal bonds. Prior to 1896 no trustworthy reports of sales were kept; and since then only newspapers making a specialty of reporting municipal bond sales have made a business of such compilation. The two principal journals on which dealers rely, the Commercial Chronicle (weekly), and The Bond Buyer (daily and weekly), differ somewhat in their methods, but both arrive at practically the same result. One treats temporary loans or notes and revenue bonds (in anticipation of taxes) as bonds, in calculating the amount invested; the other keeps long and short term bonds separately; but the two practically agree as to the annual output of this class of securities. Accepting the figures of The Bond Buyer, as less complicated, we find that since it began systematically to compile its table the output has been as follows:

<table>
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<th>Year</th>
<th>Issue</th>
<th>Amount</th>
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<tbody>
<tr>
<td>1896</td>
<td>1283</td>
<td>$129,538,415</td>
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<tr>
<td>1897</td>
<td>2024</td>
<td>163,352,254</td>
</tr>
<tr>
<td>1898</td>
<td>2199</td>
<td>128,015,728</td>
</tr>
<tr>
<td>1899</td>
<td>2684</td>
<td>144,403,454</td>
</tr>
<tr>
<td>1900</td>
<td>2312</td>
<td>174,578,040</td>
</tr>
<tr>
<td>1901</td>
<td>2584</td>
<td>168,172,783</td>
</tr>
<tr>
<td>1902</td>
<td>2804</td>
<td>206,473,052</td>
</tr>
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</table>

The fact that here are records of issues of nearly three times the total amount now held by banks is another evidence that a vast majority in amount goes almost directly into the hands of individual investors and executors of estates. Another proof lies in the large increase in the number
of firms making a specialty of dealing in this class of bonds. Ten years ago the number was hardly over twenty; it now exceeds two hundred; and numerous national banks, trust companies, and general bankers and brokers have added municipal bond departments to their regular business. At the same time those firms previously confining their efforts to buying and selling Municipals have begun to deal in railroad, street railway, and miscellaneous or industrial securities, incited thereto by the fact that railroad and street railway bonds have been made by law legal investments for their old customers, the savings banks. Many of these Municipal houses have also bought seats on the various Stock Exchanges of the principal money centres. In fact there is going on a curious evolution in this business, which it is only possible just now to suggest—hardly to indicate by data other than the above.
IX

ANNALS AND STATISTICS

By

MILTON J. PLATT
IX

ANNALS AND STATISTICS

BY

MILTON J. PLATT

SECTION ONE

PERSONAL AND BUSINESS ANNALS

It seems eminently fitting that to a History of the New York Stock Exchange should be affixed, as a matter of permanent interest, a selection from the more important annals of the Exchange, relating to its executive control, its membership, and the volume of its transactions. Fortunately, the records make it possible to exhibit an unbroken succession of the officers, under whose management—distinguished on the whole for efficiency, fidelity, and wise foresight—the Exchange has grown from the nucleus formed when the constitution was adopted in 1817 to its power, at the opening of the twentieth century, in wealth and members, and to its influence upon the condition of the nation and the finances of the civilized world.

I

OFFICERS OF THE NEW YORK STOCK EXCHANGE, 1817-1904

<table>
<thead>
<tr>
<th>Year</th>
<th>Presidents</th>
<th>Vice-Presidents</th>
<th>Secretaries</th>
<th>Treasurers</th>
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<tr>
<td>1817</td>
<td>A. Stockholm,</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1818</td>
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### LeGrand Lockwood, Wm. Alex. Smith, D. C. Hays,
II

EARLY MEMBERS OF THE EXCHANGE STILL ON THE ROLLS IN APRIL, 1903

WHEN the Stock Exchange was about to take possession of its new edifice, an interesting list was compiled of members still surviving, and holding their seats, whose membership dated at least from May, 1869, the month when a consolidation was effected by admitting the members of the Government Bond Board and those of the Open Board of Brokers to membership in the New York Stock Exchange. The facts connected with that consolidation are given in the main History preceding.

In May, 1869, the roll of members of the old or "Regular" Board was found to contain 533 names. Of this number the fifty-seven names following were of those who still retained membership in April, 1903. The respective dates of their admission are appended:

- Wm. Alex Smith, Dec. 17, 1844
- Jas. B. Colgate, Sept. 27, 1853
- L. J. Van Boskerck, Dec. 14, 1854
- J. H. Whitehouse, Nov. 20, 1857
- L. D. Huntington, March 6, 1858
- Thomas Denny, Aug. 10, 1860
- C. L. Cammann, Aug. 16, 1860
- A. S. Clark, Sept. 5, 1860
- E. Corning, Oct. 6, 1860
- A. M. Cahoon, May 10, 1862
- E. F. Patchen, Jan. 3, 1863
- E. C. Benedict, June 6, 1863
- J. H. Jacquelin, Aug. 10, 1863
- Howard Lapsley, Aug. 17, 1863
- H. S. Camblos, Sept. 4, 1863
- H. H. Nathan, May 18, 1864
- Henry Clews, June 27, 1864
- E. S. Connor, July 6, 1864
- E. H. Bonner, July 8, 1864
- H. I. Clark, Nov. 16, 1864
- H. S. Wilson, Dec. 12, 1864

- Donald Mackay, Feb. 17, 1866
- Clarence S. Day, Mar. 5, 1866
- A. I. Ormsbee, Mar. 24, 1866
- G. F. L. Eames, May 2, 1866
- Wm. Carpender, May 3, 1866
- Jacob Hays, May 8, 1866
- Wm. Weiber, Aug. 8, 1866
- D. Henry Smith, Sept. 7, 1866
- W. T. Colbron, Dec. 8, 1866
- J. D. Slayback, Dec. 10, 1866
- S. J. Drake, Feb. 7, 1867
- G. J. Losea, June 16, 1867
- Henry Graves, Aug. 12, 1867
- Wm. McClure, Feb. 29, 1868
- T. W. Thorne, Mar. 27, 1868
- J. C. Westervelt, Apr. 22, 1868
- H. S. Germond, May 26, 1868
- Charles Gregory, June 8, 1868
- W. E. Strong, June 24, 1868
- James D. Smith, July 24, 1868
- Charles H. Leland, Dec. 28, 1868
The Government Bond Board and the Open Board together supplied 527 members, in the consolidation, so that the New York Stock Exchange thus increased its membership to 1060, afterward, in December, 1879, enlarged by the sale of forty additional seats to its present full quota of 1100. The following list of sixty names embraces those of all surviving brokers, admitted in May, 1869, from the two prior organizations, who retained their membership in April, 1903. As before, the respective dates of admission are appended:

<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
<th>Name</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. J. Lawrence</td>
<td>May 3, 1869</td>
<td>M. Burr, Jr.</td>
<td>May 8, 1869</td>
</tr>
<tr>
<td>S. T. Russell</td>
<td>May 3,</td>
<td>W. B. Lawrence</td>
<td>May 8</td>
</tr>
<tr>
<td>Alfred Neilson</td>
<td>May 3,</td>
<td>J. E. Mastin</td>
<td>May 8</td>
</tr>
<tr>
<td>L. P. Henop</td>
<td>May 3,</td>
<td>L. D. Alexander</td>
<td>May 8</td>
</tr>
<tr>
<td>Charles S. Day</td>
<td>May 3,</td>
<td>Robert Colby</td>
<td>May 8</td>
</tr>
<tr>
<td>B. F. Munroe</td>
<td>May 3,</td>
<td>W. G. Wiley</td>
<td>May 8</td>
</tr>
<tr>
<td>C. A. Buttrick</td>
<td>May 3,</td>
<td>P. H. Minis</td>
<td>May 8</td>
</tr>
<tr>
<td>L. Cahn</td>
<td>May 3,</td>
<td>H. L. Johnson</td>
<td>May 8</td>
</tr>
<tr>
<td>R. F. Lounsbury</td>
<td>May 3,</td>
<td>W. F. Bishop</td>
<td>May 8</td>
</tr>
<tr>
<td>W. B. Wadsworth</td>
<td>May 3,</td>
<td>A. Wolff, Jr.</td>
<td>May 8</td>
</tr>
<tr>
<td>R. K. White</td>
<td>May 3,</td>
<td>A. Josephson</td>
<td>May 8</td>
</tr>
<tr>
<td>Wm. Rasmus</td>
<td>May 3</td>
<td>S. L. Blood</td>
<td>May 8</td>
</tr>
<tr>
<td>E. A. De Mauriac</td>
<td>May 3</td>
<td>J. M. Amory</td>
<td>May 8</td>
</tr>
<tr>
<td>W. L. Bull</td>
<td>May 3</td>
<td>J. S. Bussing</td>
<td>May 8</td>
</tr>
<tr>
<td>Arnold Leo</td>
<td>May 3</td>
<td>R. J. Kimball</td>
<td>May 8</td>
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<tr>
<td>C. M. Shott, Jr.</td>
<td>May 3</td>
<td>S. M. Schafer</td>
<td>May 8</td>
</tr>
<tr>
<td>Jas. Seligman</td>
<td>May 3</td>
<td>E. T. Bogert</td>
<td>May 8</td>
</tr>
<tr>
<td>J. R. Maxwell</td>
<td>May 3</td>
<td>Brayton Ives</td>
<td>May 8</td>
</tr>
<tr>
<td>G. M. Whitehouse</td>
<td>May 3</td>
<td>W. B. Lockwood</td>
<td>May 8</td>
</tr>
<tr>
<td>W. H. Duff</td>
<td>May 3</td>
<td>A. H. Vernam</td>
<td>May 8</td>
</tr>
<tr>
<td>H. H. Truman</td>
<td>May 3</td>
<td>R. P. Herrick</td>
<td>May 8</td>
</tr>
<tr>
<td>A. J. Hatch</td>
<td>May 8</td>
<td>Oswin O’Brien</td>
<td>May 8</td>
</tr>
<tr>
<td>I. B. Newcombe</td>
<td>May 8</td>
<td>W. B. Sancton</td>
<td>May 8</td>
</tr>
<tr>
<td>H. J. Morse</td>
<td>May 8</td>
<td>W. H. Johnson</td>
<td>May 8</td>
</tr>
<tr>
<td>H. H. Hollister</td>
<td>May 8</td>
<td>Davis Johnson</td>
<td>May 8</td>
</tr>
<tr>
<td>D. T. Worden</td>
<td>May 8</td>
<td>Chas. Minzesheimer</td>
<td>May 8</td>
</tr>
<tr>
<td>Geo. F. Cummings</td>
<td>May 8</td>
<td>E. L. Oppenheim</td>
<td>May 8</td>
</tr>
<tr>
<td>Q. C. De Grove</td>
<td>May 8</td>
<td>J. V. Bouvier</td>
<td>May 8</td>
</tr>
<tr>
<td>W. B. Dickerman</td>
<td>May 8</td>
<td>L. G. Fisher</td>
<td>May 8</td>
</tr>
<tr>
<td>A. Libaire</td>
<td>May 8</td>
<td>James Boyd</td>
<td>May 8</td>
</tr>
</tbody>
</table>

**SUMMARY**

Members of the original Board still holding membership, April, 1903 ... 54

Members of the Junior Board .............................................. 60

Total number of consolidation members .................................. 114

In 1905, two years later than the completion and first occupancy of the Stock Exchange’s new edifice, the management of the Board is entrusted to the following Government Committee, executive officers, and Gratuity Fund trustees:
OFFICERS
OF THE
NEW YORK STOCK EXCHANGE
To May, 1906.

PRESIDENT
H. K. POMROY
VICE-PRESIDENT
C. W. MAURY
SECRETARY
GEORGE W. ELY

ASSISTANT SECRETARY
CHAS. L. BURNHAM
TREASURER
F. W. GILLEY
CHAIRMAN
B. G. TALBERT

GOVERNING COMMITTEE
PRESIDENT AND TREASURER

Class 1.—To Serve One Year.
BROWN, STEPHEN H.
GEDDES, DONALD G.
GRANBERY, W. H.
HALSEY, R. T. H.
HAZARD, CHARLES
NOBLE, H. G. S.
POST, GEO. B., JR.
ROGERS, EDWARD L.
STUBGIS, F. K.
THOMPSON, W. LEDYARD

Class 2.—To Serve Two Years.
BARUCH, BERNARD M.
DONALD, W. M.
GROESBECK, ERNEST
HENRY, HOWARD H.
JACOB, LAWRENCE
KEPPLER, RUDOLPH
LAWRENCE, HENRY C.
LAWRENCE, W. B.
NEWCOMBE, CHAS. M.
WALKER, NORMAN S., JR.

Class 3.—To Serve Three Years.
Burr, Winthrop
Cahoon, A. M.
Chauncey, Daniel
De VeaU, F. C.
Doremus, R. P.
Eames, Francis L.
Goodhart, A. E.
Maury, C. W.
Robison, William
Swords, H. C.
Williams, Blair S.

Class 4.—To Serve Four Years.
Atterbury, J. T.
Cox, E. V. D.
Heaton, W. W.
Hollister, WM. H.
Jones, W. STROther
Kelley, Austin P.
Mabon, J. B.
Robison, WM.
Rodewald, F. L.
Sturgis, F. K.
Swords, H. C.

STANDING COMMITTEES

Committee of Arrangements
C. W. MAURY, Chairman
R. P. DOREMUS, Vice-Chairman

BROWN, STEPHEN H.
Burr, Winthrop
Chauncey, Dan'l
De VeaU, F. C.

Committee on Admissions
A. M. Cahoon, Chairman
Atterbury, J. T.
Donald, W. M.
Eames, Francis L.
GILLEY, F. W.
GOODHART, A. E.
Groesbeck, Ernest
Hazard, Charles
Hollister, WM. H.
Keppler, Rudolph
Lawrence, W. B.
THE NEW YORK STOCK EXCHANGE

Arbitration Committee
DANIEL CHAUNCEY, Chairman
JACOB, LAWRENCE
JONES, W. STROTHER
LAWRENCE, H. C.

Clearing-House Committee
R. P. DOREMUS, Chairman
CHARLES HAZARD, Vice-Chairman
GRANBERY, W. H.

Committee on Commissions
A. E. GODFREY, Chairman
LAWRENCE, H. C.
MAURY, C. W.

Committee on Constitution
F. C. DE VEAU, Chairman
JONES, W. STROTHER
KELLEY, AUSTIN P.

Finance Committee
W. M. DONALD, Chairman
AUSTIN P. KELLEY, Vice-Chairman
HALSEY, R. T. H.

Committee on Insolvencies
A. M. CAHOONE, Chairman
EAMES, FRANCIS L.

Law Committee
F. K. STURGIS, Chairman
EAMES, FRANCIS L.
KEPPLER, RUDOLPH

Committee on Securities
W. W. HEATON, Chairman
GROESBECK, ERNEST
BARUCH, BERNARD M.

Committee on Stock List
W. H. GRANBERY, Chairman
HEATON, W. W.
MABON, JAS. B.

Committee on Unlisted Securities
JAMES B. MABON, Chairman
BARUCH, BERNARD M.

Nominating Committee for 1906
JAQUELIN, H. T. B.
KIP, IRA A., JR.

Trustees of Gratuity Fund
WILLIAM ALEXANDER SMITH, Chairman
W. L. BULL, Secretary and Treasurer
WM. ALEX. SMITH,
W. B. DICKERMAN,
III

TRANSFER VALUATION OF A STOCK EXCHANGE MEMBERSHIP, 1860-1904.

From A. D. 1860 to A. D. 1867, inclusive, seats upon the New York Stock Exchange were not transferred by purchase and sale. An initiation fee of $3,000, however, was required from members duly elected by the Board, and in business on their own account. Clerks admitted to membership within these years paid a fee of $1,500 only.

In A. D. 1868, the transfer of seats began to have a market valuation, though the seats were not property in themselves. The following table gives the highest and lowest prices at which memberships passed into new hands, during the respective years from A. D. 1868 to A. D. 1904, also subject to the collection of an initiation fee by the Exchange in the case of each transfer:

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Low</th>
<th>Year</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>1868</td>
<td>$8,000</td>
<td>$7,000</td>
<td>1887</td>
<td>$30,000</td>
<td>$19,000</td>
</tr>
<tr>
<td>1869</td>
<td>7,500</td>
<td>3,000</td>
<td>1888</td>
<td>24,000</td>
<td>17,000</td>
</tr>
<tr>
<td>1870</td>
<td>4,500</td>
<td>4,000</td>
<td>1889</td>
<td>28,000</td>
<td>19,000</td>
</tr>
<tr>
<td>1871</td>
<td>4,500</td>
<td>2,750</td>
<td>1890</td>
<td>22,500</td>
<td>17,000</td>
</tr>
<tr>
<td>1872</td>
<td>6,000</td>
<td>4,300</td>
<td>1891</td>
<td>24,000</td>
<td>16,000</td>
</tr>
<tr>
<td>1873</td>
<td>7,000</td>
<td>5,000</td>
<td>1892</td>
<td>22,000</td>
<td>17,000</td>
</tr>
<tr>
<td>1874</td>
<td>5,000</td>
<td>4,250</td>
<td>1893</td>
<td>20,000</td>
<td>15,250</td>
</tr>
<tr>
<td>1875</td>
<td>6,750</td>
<td>4,250</td>
<td>1894</td>
<td>21,250</td>
<td>18,000</td>
</tr>
<tr>
<td>1876</td>
<td>5,600</td>
<td>4,000</td>
<td>1895</td>
<td>20,000</td>
<td>17,000</td>
</tr>
<tr>
<td>1877</td>
<td>5,750</td>
<td>4,500</td>
<td>1896</td>
<td>20,000</td>
<td>14,000</td>
</tr>
<tr>
<td>1878</td>
<td>9,500</td>
<td>4,000</td>
<td>1897</td>
<td>22,000</td>
<td>15,000</td>
</tr>
<tr>
<td>1879</td>
<td>16,000</td>
<td>5,100</td>
<td>1898</td>
<td>26,750</td>
<td>19,000</td>
</tr>
<tr>
<td>1880</td>
<td>26,000</td>
<td>14,000</td>
<td>1899</td>
<td>40,000</td>
<td>29,500</td>
</tr>
<tr>
<td>1881</td>
<td>30,000</td>
<td>22,000</td>
<td>1900</td>
<td>47,500</td>
<td>37,500</td>
</tr>
<tr>
<td>1882</td>
<td>32,500</td>
<td>20,000</td>
<td>1901</td>
<td>50,000</td>
<td>45,500</td>
</tr>
<tr>
<td>1883</td>
<td>30,000</td>
<td>23,000</td>
<td>1902</td>
<td>81,000</td>
<td>55,000</td>
</tr>
<tr>
<td>1884</td>
<td>27,000</td>
<td>20,000</td>
<td>1903</td>
<td>82,000</td>
<td>51,000</td>
</tr>
<tr>
<td>1885</td>
<td>34,000</td>
<td>20,000</td>
<td>1904</td>
<td>81,000</td>
<td>57,000</td>
</tr>
<tr>
<td>1886</td>
<td>33,000</td>
<td>23,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IV

TRANSACTIONS ON THE NEW YORK STOCK EXCHANGE, 1879-1903

The following table exhibits the remarkable increase of the volume of business in the Stock Exchange during the given period of twenty-five years. The financial depression of the decade 1888-97, at its lowest in 1896, interrupts an otherwise progressive expansion:

<table>
<thead>
<tr>
<th>Year</th>
<th>Shares of Stock</th>
<th>Unlisted</th>
<th>Government</th>
<th>State and Railroad</th>
<th>State and Railroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>1879</td>
<td>72,765,762</td>
<td></td>
<td>$114,060,000</td>
<td>$457,246,534</td>
<td></td>
</tr>
<tr>
<td>1880</td>
<td>95,736,626</td>
<td></td>
<td>58,922,350</td>
<td>584,734,775</td>
<td></td>
</tr>
<tr>
<td>1881</td>
<td>117,078,167</td>
<td></td>
<td>39,245,050</td>
<td>447,055,150</td>
<td></td>
</tr>
<tr>
<td>1882</td>
<td>116,738,863</td>
<td></td>
<td>18,178,850</td>
<td>275,278,710</td>
<td></td>
</tr>
<tr>
<td>1883</td>
<td>97,937,599</td>
<td></td>
<td>17,644,400</td>
<td>296,245,556</td>
<td></td>
</tr>
<tr>
<td>1884</td>
<td>95,944,841</td>
<td></td>
<td>15,295,700</td>
<td>511,630,950</td>
<td></td>
</tr>
<tr>
<td>1885</td>
<td>92,987,303</td>
<td></td>
<td>15,571,200</td>
<td>666,270,542</td>
<td></td>
</tr>
<tr>
<td>1886</td>
<td>103,952,804</td>
<td></td>
<td>13,367,100</td>
<td>635,937,335</td>
<td></td>
</tr>
<tr>
<td>1887</td>
<td>85,821,027</td>
<td></td>
<td>6,637,100</td>
<td>396,966,250</td>
<td></td>
</tr>
<tr>
<td>1888</td>
<td>62,845,772</td>
<td>2,822,844</td>
<td>6,779,400</td>
<td>346,501,402</td>
<td></td>
</tr>
<tr>
<td>1889</td>
<td>61,183,161</td>
<td>10,889,435</td>
<td>4,287,050</td>
<td>394,151,466</td>
<td></td>
</tr>
<tr>
<td>1890</td>
<td>59,441,302</td>
<td>11,969,498</td>
<td>2,891,000</td>
<td>376,052,120</td>
<td></td>
</tr>
<tr>
<td>1891</td>
<td>72,725,964</td>
<td></td>
<td>1,539,900</td>
<td>389,906,700</td>
<td></td>
</tr>
</tbody>
</table>
### Section Two

#### General Statistics

A somewhat comprehensive view of the national wealth and commercial greatness, and of the main resources, to which the Stock Exchange owes its rise and existence, is afforded by the ensuing tables:

**I. New York Clearing House Comparisons, 1860-1906**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Banks</th>
<th>Capital</th>
<th>Clearings</th>
<th>Balances Paid in Money</th>
<th>Daily Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>1860</td>
<td>50</td>
<td>$69,907,435</td>
<td>$7,231,143,057</td>
<td>$380,693,438</td>
<td>$1,232,018</td>
</tr>
<tr>
<td>1861</td>
<td>50</td>
<td>68,900,005</td>
<td>5,915,742,758</td>
<td>353,383,944</td>
<td>1,151,088</td>
</tr>
<tr>
<td>1862</td>
<td>50</td>
<td>68,375,820</td>
<td>6,871,443,591</td>
<td>415,530,351</td>
<td>1,344,758</td>
</tr>
<tr>
<td>1863</td>
<td>50</td>
<td>68,972,508</td>
<td>14,867,597,849</td>
<td>677,626,483</td>
<td>2,207,252</td>
</tr>
<tr>
<td>1864</td>
<td>49</td>
<td>68,586,763</td>
<td>24,097,196,656</td>
<td>885,719,205</td>
<td>2,866,405</td>
</tr>
<tr>
<td>1865</td>
<td>55</td>
<td>80,363,013</td>
<td>26,032,384,342</td>
<td>1,035,765,108</td>
<td>3,373,825</td>
</tr>
<tr>
<td>1866</td>
<td>58</td>
<td>82,370,200</td>
<td>28,717,146,914</td>
<td>1,066,135,106</td>
<td>3,472,753</td>
</tr>
<tr>
<td>1867</td>
<td>58</td>
<td>81,770,200</td>
<td>28,671,159,472</td>
<td>1,144,963,451</td>
<td>3,717,414</td>
</tr>
<tr>
<td>1868</td>
<td>59</td>
<td>82,270,200</td>
<td>28,482,288,837</td>
<td>1,125,455,237</td>
<td>3,642,250</td>
</tr>
<tr>
<td>1869</td>
<td>59</td>
<td>82,720,200</td>
<td>37,407,228,937</td>
<td>1,120,318,308</td>
<td>3,637,397</td>
</tr>
<tr>
<td>1870</td>
<td>61</td>
<td>83,620,200</td>
<td>27,804,539,406</td>
<td>1,036,484,822</td>
<td>3,365,210</td>
</tr>
<tr>
<td>1871</td>
<td>62</td>
<td>84,420,200</td>
<td>29,300,986,682</td>
<td>1,209,721,029</td>
<td>3,927,666</td>
</tr>
<tr>
<td>1872</td>
<td>61</td>
<td>84,420,200</td>
<td>33,814,369,568</td>
<td>1,428,582,707</td>
<td>4,636,256</td>
</tr>
<tr>
<td>1873</td>
<td>59</td>
<td>83,370,200</td>
<td>35,461,052,826</td>
<td>1,474,508,025</td>
<td>4,818,654</td>
</tr>
<tr>
<td>1874</td>
<td>59</td>
<td>81,635,200</td>
<td>22,855,927,636</td>
<td>1,286,753,176</td>
<td>4,205,076</td>
</tr>
<tr>
<td>1875</td>
<td>59</td>
<td>80,435,200</td>
<td>25,061,237,902</td>
<td>1,408,608,777</td>
<td>4,603,297</td>
</tr>
<tr>
<td>1876</td>
<td>59</td>
<td>81,731,200</td>
<td>21,597,243,701</td>
<td>1,295,042,029</td>
<td>4,184,378</td>
</tr>
<tr>
<td>1877</td>
<td>58</td>
<td>71,085,200</td>
<td>23,289,274,247</td>
<td>1,373,996,302</td>
<td>4,504,906</td>
</tr>
<tr>
<td>1878</td>
<td>57</td>
<td>63,611,500</td>
<td>22,508,438,442</td>
<td>1,307,843,857</td>
<td>4,274,000</td>
</tr>
<tr>
<td>1879</td>
<td>59</td>
<td>60,800,200</td>
<td>25,178,770,691</td>
<td>1,400,111,063</td>
<td>4,560,622</td>
</tr>
<tr>
<td>1880</td>
<td>59</td>
<td>60,475,200</td>
<td>37,182,128,682</td>
<td>1,516,538,631</td>
<td>4,956,009</td>
</tr>
<tr>
<td>1881</td>
<td>61</td>
<td>61,162,700</td>
<td>48,568,818,212</td>
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<td>4,965,900</td>
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**ANNALS AND STATISTICS**

<table>
<thead>
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<th>YEAR</th>
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<th><em>Capital</em></th>
<th>Clearings</th>
<th>Balances Paid in Money</th>
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</table>

*The items of Capital are given for various dates, amounts at a uniform date in each year not being obtainable.*

**II**

**THE NATIONAL BANK* SYSTEM**

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<thead>
<tr>
<th>Year</th>
<th>Number of National Banks</th>
<th>Capital Paid in</th>
<th>Loans and Discounts</th>
<th>Individual Deposits</th>
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</thead>
<tbody>
<tr>
<td>1863</td>
<td>66</td>
<td>$7,188,393</td>
<td>$5,466,088</td>
<td>$6,316,602</td>
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<tr>
<td>1864</td>
<td>467</td>
<td>75,213,945</td>
<td>70,746,513</td>
<td>112,166,536</td>
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<tr>
<td>1865</td>
<td>1,294</td>
<td>325,534,558</td>
<td>362,442,743</td>
<td>590,910,873</td>
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<tr>
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<td>1,634</td>
<td>414,270,493</td>
<td>560,353,094</td>
<td>564,616,778</td>
</tr>
<tr>
<td>1867</td>
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<td>418,558,148</td>
<td>588,450,596</td>
<td>540,797,836</td>
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<tr>
<td>1868</td>
<td>1,640</td>
<td>420,105,011</td>
<td>655,725,546</td>
<td>660,940,821</td>
</tr>
<tr>
<td>1869</td>
<td>1,619</td>
<td>422,650,250</td>
<td>686,347,756</td>
<td>611,400,197</td>
</tr>
<tr>
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<td>719,341,186</td>
<td>507,368,619</td>
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<tr>
<td>1871</td>
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<td>450,330,841</td>
<td>789,416,568</td>
<td>596,586,488</td>
</tr>
<tr>
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<td>871,531,449</td>
<td>598,114,679</td>
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<tr>
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<td>490,109,801</td>
<td>925,557,682</td>
<td>540,510,603</td>
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<td>682,846,607</td>
</tr>
<tr>
<td>1875</td>
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<td>501,568,564</td>
<td>972,926,532</td>
<td>618,517,246</td>
</tr>
<tr>
<td>1876</td>
<td>2,091</td>
<td>500,933,796</td>
<td>933,686,530</td>
<td>610,350,233</td>
</tr>
<tr>
<td>1877</td>
<td>2,078</td>
<td>481,044,771</td>
<td>901,731,416</td>
<td>604,512,515</td>
</tr>
<tr>
<td>1878</td>
<td>2,056</td>
<td>470,393,366</td>
<td>835,078,133</td>
<td>598,805,776</td>
</tr>
<tr>
<td>1879</td>
<td>2,048</td>
<td>455,244,415</td>
<td>835,875,012</td>
<td>755,499,966</td>
</tr>
<tr>
<td>1880</td>
<td>2,070</td>
<td>454,509,555</td>
<td>994,712,646</td>
<td>1,006,452,853</td>
</tr>
<tr>
<td>1881</td>
<td>2,115</td>
<td>460,227,835</td>
<td>1,144,859,540</td>
<td>1,102,763,164</td>
</tr>
<tr>
<td>1882</td>
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<td>477,184,390</td>
<td>1,208,932,656</td>
<td>1,106,601,720</td>
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<tr>
<td>1883</td>
<td>2,417</td>
<td>500,298,312</td>
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<td>1,106,453,008</td>
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<td>2,625</td>
<td>522,515,996</td>
<td>1,269,862,936</td>
<td>997,649,056</td>
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<tr>
<td>1885</td>
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<td>1,257,655,548</td>
<td>1,111,429,915</td>
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<td>539,109,292</td>
<td>1,421,547,199</td>
<td>1,163,716,416</td>
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<td>3,014</td>
<td>571,648,811</td>
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<td>627,036,767</td>
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<td>672,903,357</td>
<td>2,163,704,348</td>
<td>1,602,061,766</td>
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<tr>
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<td>671,091,165</td>
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<td>1,695,489,346</td>
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<td>Year</td>
<td>Number of National Banks</td>
<td>Capital Paid in</td>
<td>Loans and Discounts</td>
<td>Individual Deposits</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------</td>
<td>-----------------</td>
<td>---------------------</td>
<td>--------------------</td>
</tr>
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* Figures are from reports nearest to June 30.

† Individual and other deposits.

### III

DEPOSITS IN LOAN AND TRUST COMPANIES AND BANKS OTHER THAN NATIONAL BANKS

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan and Trust Companies</th>
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<th>State Banks</th>
<th>*Private Banks</th>
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<td>$85,025,371</td>
<td>$149,277,504</td>
<td>$257,229,562</td>
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</tr>
<tr>
<td>1861</td>
<td>92,037,304</td>
<td>$167,871,739</td>
<td>296,322,408</td>
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<tr>
<td>1862</td>
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<td>1863</td>
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<tr>
<td>1864</td>
<td>95,050,441</td>
<td>236,280,401</td>
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</tr>
<tr>
<td>1865</td>
<td>92,254,537</td>
<td>242,619,882</td>
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<td></td>
</tr>
<tr>
<td>1866</td>
<td>83,245,734</td>
<td>282,455,342</td>
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</tr>
<tr>
<td>1867</td>
<td>77,099,462</td>
<td>337,009,452</td>
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<td>1868</td>
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<tr>
<td>1869</td>
<td>111,670,329</td>
<td>457,675,050</td>
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<tr>
<td>1870</td>
<td>184,847,358</td>
<td>549,847,550</td>
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<tr>
<td>1871</td>
<td>180,745,442</td>
<td>650,745,442</td>
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<tr>
<td>1872</td>
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<td>735,046,805</td>
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<tr>
<td>1873</td>
<td>802,363,609</td>
<td>110,754,034</td>
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<td></td>
</tr>
<tr>
<td>1874</td>
<td>864,556,902</td>
<td>143,696,383</td>
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</tr>
<tr>
<td>1875</td>
<td>$85,025,371</td>
<td>$149,277,504</td>
<td>$257,229,562</td>
<td>$321,100,000</td>
</tr>
<tr>
<td>1876</td>
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</tr>
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<tr>
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<td>183,880,000</td>
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<td>1880</td>
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<td>241,845,544</td>
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<tr>
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<td>295,622,160</td>
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<tr>
<td>1883</td>
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<td>549,847,550</td>
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<tr>
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<td>180,745,442</td>
<td>650,745,442</td>
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<tr>
<td>1885</td>
<td>105,468,605</td>
<td>735,046,805</td>
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<td>1886</td>
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<tr>
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<td>$85,025,371</td>
<td>$149,277,504</td>
<td>$257,229,562</td>
<td>$321,100,000</td>
</tr>
<tr>
<td>1889</td>
<td>92,037,304</td>
<td>167,871,739</td>
<td>296,322,408</td>
<td>322,100,000</td>
</tr>
<tr>
<td>1890</td>
<td>111,284,048</td>
<td>206,235,202</td>
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<td>243,840,000</td>
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<tr>
<td>1891</td>
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<td>236,280,401</td>
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<td>183,880,000</td>
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<td>92,254,537</td>
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<td>1893</td>
<td>83,245,734</td>
<td>282,455,342</td>
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<td>1896</td>
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<td>549,847,550</td>
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<td>1897</td>
<td>180,745,442</td>
<td>650,745,442</td>
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<td>1898</td>
<td>802,363,609</td>
<td>110,754,034</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1899</td>
<td>105,468,605</td>
<td>735,046,805</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Includes all private banks from 1875 to 1882; from 1887 to 1902 includes only those voluntarily reporting, estimated at one-fourth of total private banks.
ANNALS AND STATISTICS

IV

LIFE INSURANCE STATISTICS*

1860 1900

Number of companies 17 40
Number of policies in force 56,046 3,071,253
Amount of policies in force $163,703,455 $6,947,096,609
Gross assets 24,115,586 1,723,737,723
Gross liabilities, except capital 17,159,873 1,565,459,781
Surplus as regards policy holders 6,995,808 158,277,942
Receipts—Premiums 4,612,722 310,081,527
Receipts—All other 1,212,076 74,584,056
Claims 1,390,894 113,612,433

* All companies reporting to the Superintendent of Insurance of the State of New York.
Complete statistics not available for 1860. The above cover about 98 per cent. of aggregate.

V

NATIONAL PRODUCTION OF COMMODITIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold Value</th>
<th>Silver Commercial Value</th>
<th>Coal* Tons</th>
<th>Pig Iron Tons</th>
</tr>
</thead>
<tbody>
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<td>1860</td>
<td>$46,000,000</td>
<td>$164,832</td>
<td>8,513,123</td>
<td>821,223</td>
</tr>
<tr>
<td>1861</td>
<td>43,000,000</td>
<td>2,062,151</td>
<td>7,954,264</td>
<td>653,164</td>
</tr>
<tr>
<td>1862</td>
<td>39,200,000</td>
<td>4,683,880</td>
<td>7,869,407</td>
<td>703,270</td>
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<td>1863</td>
<td>40,000,000</td>
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<td>9,566,006</td>
<td>846,075</td>
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<tr>
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<td>11,445,950</td>
<td>10,177,475</td>
<td>1,014,282</td>
</tr>
<tr>
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<td>53,225,000</td>
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<td>9,652,391</td>
<td>831,770</td>
</tr>
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<td>1,205,179</td>
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<td>4,683,880</td>
<td>12,988,725</td>
<td>703,270</td>
</tr>
<tr>
<td>1868</td>
<td>49,500,000</td>
<td>8,842,326</td>
<td>13,866,364</td>
<td>846,075</td>
</tr>
<tr>
<td>1869</td>
<td>50,000,000</td>
<td>12,297,698</td>
<td>28,268,000</td>
<td>1,014,282</td>
</tr>
<tr>
<td>1870</td>
<td>56,046,000</td>
<td>11,445,950</td>
<td>10,177,475</td>
<td>831,770</td>
</tr>
<tr>
<td>1871</td>
<td>63,000,000</td>
<td>11,642,206</td>
<td>9,652,391</td>
<td>1,205,179</td>
</tr>
<tr>
<td>1872</td>
<td>64,000,000</td>
<td>10,356,362</td>
<td>12,703,882</td>
<td>703,270</td>
</tr>
<tr>
<td>1873</td>
<td>66,000,000</td>
<td>4,683,880</td>
<td>12,988,725</td>
<td>846,075</td>
</tr>
<tr>
<td>1874</td>
<td>67,000,000</td>
<td>8,842,326</td>
<td>13,866,364</td>
<td>1,014,282</td>
</tr>
<tr>
<td>1875</td>
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<td>28,268,000</td>
<td>831,770</td>
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<tr>
<td>1876</td>
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<td>1,205,179</td>
</tr>
<tr>
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<td>703,270</td>
</tr>
<tr>
<td>1878</td>
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<td>10,356,362</td>
<td>12,703,882</td>
<td>846,075</td>
</tr>
<tr>
<td>1879</td>
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<td>4,683,880</td>
<td>12,988,725</td>
<td>1,014,282</td>
</tr>
<tr>
<td>1880</td>
<td>77,000,000</td>
<td>8,842,326</td>
<td>13,866,364</td>
<td>831,770</td>
</tr>
<tr>
<td>1881</td>
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<td>12,297,698</td>
<td>28,268,000</td>
<td>1,205,179</td>
</tr>
<tr>
<td>1882</td>
<td>79,000,000</td>
<td>11,445,950</td>
<td>10,177,475</td>
<td>703,270</td>
</tr>
<tr>
<td>1883</td>
<td>80,000,000</td>
<td>11,642,206</td>
<td>9,652,391</td>
<td>846,075</td>
</tr>
<tr>
<td>1884</td>
<td>81,000,000</td>
<td>10,356,362</td>
<td>12,703,882</td>
<td>1,014,282</td>
</tr>
<tr>
<td>1885</td>
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<td>4,683,880</td>
<td>12,988,725</td>
<td>831,770</td>
</tr>
<tr>
<td>1886</td>
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<td>13,866,364</td>
<td>1,014,282</td>
</tr>
<tr>
<td>1887</td>
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<td>12,297,698</td>
<td>28,268,000</td>
<td>831,770</td>
</tr>
<tr>
<td>1888</td>
<td>85,000,000</td>
<td>11,445,950</td>
<td>10,177,475</td>
<td>1,205,179</td>
</tr>
<tr>
<td>1889</td>
<td>86,000,000</td>
<td>11,642,206</td>
<td>9,652,391</td>
<td>703,270</td>
</tr>
<tr>
<td>1890</td>
<td>87,000,000</td>
<td>10,356,362</td>
<td>12,703,882</td>
<td>846,075</td>
</tr>
<tr>
<td>1891</td>
<td>88,000,000</td>
<td>4,683,880</td>
<td>12,988,725</td>
<td>1,014,282</td>
</tr>
<tr>
<td>1892</td>
<td>89,000,000</td>
<td>8,842,326</td>
<td>13,866,364</td>
<td>831,770</td>
</tr>
<tr>
<td>1893</td>
<td>90,000,000</td>
<td>12,297,698</td>
<td>28,268,000</td>
<td>1,014,282</td>
</tr>
</tbody>
</table>
VI

RAILROADS IN 1903

The following statistics are compiled from the volume for 1904 of Poor's Manual of Railroads.

The compilations emphasize the increase in fixed liabilities. The year's increase in capital stock was $276,916,739, and the expansion in funded debt was $256,925,678, an increase for the two items of more than $530,000,000. In 1902 the increase in capital stock was about $100,000,000 and the expansion in funded debt about $430,000,000. The heavy temporary borrowings of railroads in the year 1903 are indicated by an increase of nearly $140,000,000 in unfunded debt, whereas in the two preceding years this item had shown a decrease. The figure given obviously does not include the very large temporary obligations incurred during the current year.

Following is a comparative statement of income account for the fiscal years 1903 and 1902:

<table>
<thead>
<tr>
<th>Year</th>
<th>Miles of railroad operated (increase 7,201.35)</th>
<th>203,885.99</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Traffic Earnings—</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Passenger</td>
<td>$429,705,287</td>
</tr>
<tr>
<td></td>
<td>Freight</td>
<td>1,344,150,719</td>
</tr>
<tr>
<td></td>
<td>Miscellaneous</td>
<td>135,001,820</td>
</tr>
<tr>
<td></td>
<td>Total gross.</td>
<td>$1,908,857,826</td>
</tr>
<tr>
<td></td>
<td>Expenses and taxes</td>
<td>1,316,343,914</td>
</tr>
<tr>
<td></td>
<td>Net earnings</td>
<td>$592,508,912</td>
</tr>
<tr>
<td></td>
<td>Other receipts</td>
<td>89,485,484</td>
</tr>
<tr>
<td></td>
<td>Total available revenue</td>
<td>$681,993,996</td>
</tr>
<tr>
<td></td>
<td>Payments—</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest on bonds</td>
<td>$239,426,707</td>
</tr>
<tr>
<td></td>
<td>Other interest</td>
<td>8,680,431</td>
</tr>
<tr>
<td></td>
<td>Dividends on stock</td>
<td>164,549,147</td>
</tr>
<tr>
<td></td>
<td>Miscellaneous</td>
<td>61,336,614</td>
</tr>
<tr>
<td></td>
<td>Rentals—Interest</td>
<td>38,675,121</td>
</tr>
<tr>
<td></td>
<td>Dividends</td>
<td>26,125,268</td>
</tr>
<tr>
<td></td>
<td>Miscellaneous</td>
<td>21,320,600</td>
</tr>
<tr>
<td></td>
<td>Total payments</td>
<td>$560,113,908</td>
</tr>
<tr>
<td></td>
<td>Surplus</td>
<td>$121,880,088</td>
</tr>
</tbody>
</table>

*Anthracite only 1860 to 1867.*
1903

Miles of railroad operated (increase 7,201.35) ........................................... 199,684.64

Traffic Earnings—

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger</td>
<td>$396,513,412</td>
</tr>
<tr>
<td>Freight</td>
<td>1,197,212,452</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>127,089,036</td>
</tr>
<tr>
<td>Total gross</td>
<td>$1,720,814,900</td>
</tr>
<tr>
<td>Expenses and taxes</td>
<td>$1,160,788,623</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$560,026,277</td>
</tr>
<tr>
<td>Other receipts</td>
<td>77,663,483</td>
</tr>
<tr>
<td>Total available revenue</td>
<td>$637,689,760</td>
</tr>
</tbody>
</table>

Payments—

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on bonds</td>
<td>$222,614,909</td>
</tr>
<tr>
<td>Other interest</td>
<td>3,793,560</td>
</tr>
<tr>
<td>Dividends on stock</td>
<td>161,019,537</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>57,408,351</td>
</tr>
<tr>
<td>Rentals—Interest</td>
<td>40,622,542</td>
</tr>
<tr>
<td>Dividends</td>
<td>27,154,215</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>19,970,212</td>
</tr>
<tr>
<td>Total payments</td>
<td>$528,523,326</td>
</tr>
<tr>
<td>Surplus</td>
<td>$109,166,434</td>
</tr>
</tbody>
</table>

The above figures bring out clearly the great increase in railroad working costs, since
of an increase of $188,000,000 in gross earnings over $150,000,000 was consumed in increased
operating expenses. The percentage of operating expenses to earnings was 68.96, against
67.45 in 1902.

The greatest increase in earnings was in the freight department, which aggregated
$1,344,150,719 in 1903, as against $1,197,212,452 in 1902, the increase of $146,938,267 being
equal to 12.29 per cent., with an increase of 2.75 per cent. in the average receipts per
ton per mile, which in 1903 were 7.81 mills,—as against 7.64 mills in 1902 and 7.56 mills in
1901.

According to the statistical exhibits the length of steam railroads in the United
States on December 31, 1903, was 207,604 miles—a net increase of 4,595 miles in the year.
The heaviest construction of the year was in the southwestern group of States, in which
no less than 1,804 miles were built, Arkansas having to its credit 189 miles, Missouri 182
miles, Texas 376 miles, Indian Territory 198 miles, and Oklahoma Territory 732 miles.

Following are comparisons of leading traffic items:

Traffic Statistics—

<table>
<thead>
<tr>
<th>Description</th>
<th>1903</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers carried</td>
<td>696,908,994</td>
</tr>
<tr>
<td>Passenger mileage</td>
<td>20,895,735,853</td>
</tr>
<tr>
<td>Average rate per passenger</td>
<td>61.32c</td>
</tr>
<tr>
<td>Average rate per passenger per mile</td>
<td>2.102c</td>
</tr>
<tr>
<td>Tons of freight moved</td>
<td>1,299,684,081</td>
</tr>
<tr>
<td>Tons moved one mile</td>
<td>171,290,310,685</td>
</tr>
<tr>
<td>Average rate per ton</td>
<td>$1.0293</td>
</tr>
<tr>
<td>Average rate per ton per mile</td>
<td>0.781c</td>
</tr>
</tbody>
</table>
Passengers carried ........................................ 655,130,236
Passenger mileage ......................................... 19,706,908,785
Average rate per passenger ................................ 60.52c.
Average rate per passenger per mile ....................... 2.016c.
Tons freight moved ......................................... 1,192,136,510
Tons moved one mile ........................................ 156,624,166,024
Average rate per ton ....................................... $1.0043
Average rate per ton per mile .............................. 0.764c.

The following table showing the average rate of interest, the average rate of dividends, the earnings, gross and net, per mile of road, and the percentage of operating expenses to gross earnings will be of interest:

<table>
<thead>
<tr>
<th>Year</th>
<th>Int. Av.</th>
<th>Dividends</th>
<th>Gross</th>
<th>Net</th>
<th>P. C. Exp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1890</td>
<td>4.44</td>
<td>1.82</td>
<td>$6,875</td>
<td>$2,166</td>
<td>68.50</td>
</tr>
<tr>
<td>1891</td>
<td>4.41</td>
<td>1.87</td>
<td>6,851</td>
<td>2,135</td>
<td>68.83</td>
</tr>
<tr>
<td>1892</td>
<td>4.25</td>
<td>1.93</td>
<td>6,852</td>
<td>2,068</td>
<td>69.82</td>
</tr>
<tr>
<td>1893</td>
<td>4.31</td>
<td>1.88</td>
<td>6,903</td>
<td>2,068</td>
<td>70.29</td>
</tr>
<tr>
<td>1894</td>
<td>4.19</td>
<td>1.66</td>
<td>6,054</td>
<td>1,803</td>
<td>70.22</td>
</tr>
<tr>
<td>1895</td>
<td>4.24</td>
<td>1.58</td>
<td>6,097</td>
<td>1,804</td>
<td>70.41</td>
</tr>
<tr>
<td>1896</td>
<td>4.45</td>
<td>1.52</td>
<td>6,223</td>
<td>1,840</td>
<td>70.43</td>
</tr>
<tr>
<td>1897</td>
<td>4.24</td>
<td>1.49</td>
<td>6,228</td>
<td>1,884</td>
<td>69.74</td>
</tr>
<tr>
<td>1898</td>
<td>4.21</td>
<td>1.68</td>
<td>6,771</td>
<td>2,111</td>
<td>68.16</td>
</tr>
<tr>
<td>1899</td>
<td>4.24</td>
<td>1.90</td>
<td>7,161</td>
<td>2,272</td>
<td>68.27</td>
</tr>
<tr>
<td>1900</td>
<td>4.24</td>
<td>2.42</td>
<td>7,826</td>
<td>2,519</td>
<td>68.93</td>
</tr>
<tr>
<td>1901</td>
<td>4.21</td>
<td>2.62</td>
<td>8,270</td>
<td>2,668</td>
<td>67.73</td>
</tr>
<tr>
<td>1902</td>
<td>4.07</td>
<td>2.93</td>
<td>8,696</td>
<td>2,830</td>
<td>67.45</td>
</tr>
<tr>
<td>1903</td>
<td>4.13</td>
<td>3.01</td>
<td>9,301</td>
<td>2,887</td>
<td>68.96</td>
</tr>
</tbody>
</table>

Following is a comparative statement of assets and liabilities:

**Assets—**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost of road and equipment</th>
<th>Real estate, stocks, bonds and other investments</th>
<th>Other assets</th>
<th>Current accounts</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1903</td>
<td>$11,233,311,285</td>
<td>2,653,851,625</td>
<td>552,036,399</td>
<td>422,912,235</td>
<td>$14,862,111,544</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost of road and equipment</th>
<th>Real estate, stocks, bonds and other investments</th>
<th>Other assets</th>
<th>Current accounts</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1902</td>
<td>$10,865,683,376</td>
<td>2,345,515,540</td>
<td>455,053,773</td>
<td>287,854,729</td>
<td>$13,954,107,818</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital stock</th>
<th>Bonded debt</th>
<th>Unfunded debt</th>
<th>Current accounts</th>
<th>Sinking and other funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1903</td>
<td>$6,355,207,335</td>
<td>6,722,216,517</td>
<td>448,199,448</td>
<td>648,434,976</td>
<td>115,201,683</td>
</tr>
</tbody>
</table>

| Total liabilities | $14,289,259,959 |
| Excess of assets over liabilities | 572,851,585 |

| Total | $14,862,111,544 |
## VII

### CAPITALIZATION OF AMERICAN RAILROADS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>MILES OPERATED</th>
<th>CAPITAL STOCK</th>
<th>FUNDED DEBT</th>
<th>TOTAL CAPITALIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1860</td>
<td>30,635</td>
<td>$1,647,844,113</td>
<td>$1,511,578,944</td>
<td>$2,664,627,645</td>
</tr>
<tr>
<td>1871</td>
<td>60,293</td>
<td>1,947,638,584</td>
<td>1,836,904,450</td>
<td>3,784,543,034</td>
</tr>
<tr>
<td>1872</td>
<td>66,171</td>
<td>2,198,601,281</td>
<td>2,227,030,349</td>
<td>4,415,631,630</td>
</tr>
<tr>
<td>1873</td>
<td>70,268</td>
<td>2,248,358,375</td>
<td>2,220,233,560</td>
<td>4,468,591,935</td>
</tr>
<tr>
<td>1874</td>
<td>76,808</td>
<td>2,313,278,598</td>
<td>2,255,318,650</td>
<td>4,568,597,248</td>
</tr>
<tr>
<td>1875</td>
<td>79,988</td>
<td>2,479,365,945</td>
<td>2,282,540,065</td>
<td>4,761,906,006</td>
</tr>
<tr>
<td>1876</td>
<td>81,717</td>
<td>2,508,673,375</td>
<td>2,350,874,944</td>
<td>4,859,548,320</td>
</tr>
<tr>
<td>1877</td>
<td>86,463</td>
<td>2,375,798,179</td>
<td>2,286,432,606</td>
<td>4,662,230,785</td>
</tr>
<tr>
<td>1878</td>
<td>92,147</td>
<td>2,478,914,224</td>
<td>2,314,084,323</td>
<td>4,793,098,547</td>
</tr>
<tr>
<td>1879</td>
<td>103,530</td>
<td>2,675,793,383</td>
<td>2,479,411,934</td>
<td>5,155,205,317</td>
</tr>
<tr>
<td>1880</td>
<td>114,428</td>
<td>2,847,109,179</td>
<td>2,687,828,606</td>
<td>5,535,238,785</td>
</tr>
<tr>
<td>1881</td>
<td>120,519</td>
<td>3,017,375,179</td>
<td>2,934,414,934</td>
<td>5,951,790,113</td>
</tr>
<tr>
<td>1882</td>
<td>125,119</td>
<td>3,276,655,041</td>
<td>3,147,411,934</td>
<td>6,424,066,975</td>
</tr>
<tr>
<td>1883</td>
<td>133,565</td>
<td>3,506,377,340</td>
<td>3,353,748,330</td>
<td>6,859,125,670</td>
</tr>
<tr>
<td>1884</td>
<td>147,953</td>
<td>3,778,609,737</td>
<td>3,540,255,066</td>
<td>7,318,864,793</td>
</tr>
<tr>
<td>1885</td>
<td>135,565</td>
<td>3,956,377,408</td>
<td>3,853,748,330</td>
<td>7,809,125,670</td>
</tr>
<tr>
<td>1886</td>
<td>147,953</td>
<td>4,146,945,814</td>
<td>4,155,628,116</td>
<td>8,301,574,030</td>
</tr>
<tr>
<td>1887</td>
<td>154,222</td>
<td>4,392,287,224</td>
<td>4,585,471,523</td>
<td>9,976,758,747</td>
</tr>
<tr>
<td>1888</td>
<td>159,934</td>
<td>4,447,103,600</td>
<td>4,784,173,271</td>
<td>9,809,276,871</td>
</tr>
<tr>
<td>1889</td>
<td>163,359</td>
<td>4,447,103,600</td>
<td>4,784,173,271</td>
<td>9,809,276,871</td>
</tr>
<tr>
<td>1890</td>
<td>167,546</td>
<td>4,751,750,498</td>
<td>5,055,229,025</td>
<td>10,809,958,523</td>
</tr>
<tr>
<td>1891</td>
<td>171,505</td>
<td>4,863,119,073</td>
<td>5,178,821,989</td>
<td>10,953,943,062</td>
</tr>
<tr>
<td>1892</td>
<td>175,442</td>
<td>5,021,576,551</td>
<td>5,405,049,269</td>
<td>10,853,624,392</td>
</tr>
<tr>
<td>1893</td>
<td>178,054</td>
<td>5,027,604,717</td>
<td>5,605,773,764</td>
<td>11,010,380,481</td>
</tr>
<tr>
<td>1894</td>
<td>179,821</td>
<td>5,181,373,599</td>
<td>5,648,656,436</td>
<td>11,248,569,056</td>
</tr>
<tr>
<td>1895</td>
<td>181,394</td>
<td>5,373,187,619</td>
<td>5,461,856,798</td>
<td>11,179,544,386</td>
</tr>
<tr>
<td>1896</td>
<td>183,547</td>
<td>5,602,694,449</td>
<td>5,534,332,492</td>
<td>11,518,066,941</td>
</tr>
<tr>
<td>1897</td>
<td>184,894</td>
<td>5,581,522,858</td>
<td>5,635,363,594</td>
<td>11,585,869,052</td>
</tr>
<tr>
<td>1898</td>
<td>187,781</td>
<td>5,742,181,181</td>
<td>5,644,858,027</td>
<td>11,692,817,066</td>
</tr>
<tr>
<td>1899</td>
<td>192,162</td>
<td>5,804,346,250</td>
<td>5,758,592,754</td>
<td>11,891,902,339</td>
</tr>
</tbody>
</table>

*Compiled from Poor's Manual.

†Beginning with 1877, total capitalization includes unfunded debt, representing approximately cost of road and equipment.
### NATIONAL POPULATION AND RESOURCES

<table>
<thead>
<tr>
<th></th>
<th>1860</th>
<th>1900</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>31,443,321</td>
<td>76,303,387</td>
</tr>
<tr>
<td>Wealth—true valuation of real and personal property</td>
<td>$16,159,616,000</td>
<td>*$94,300,000,000</td>
</tr>
<tr>
<td>Wealth per capita</td>
<td>513.93</td>
<td>1,235.86</td>
</tr>
<tr>
<td>Money in circulation</td>
<td>435,407,252</td>
<td>2,055,150,998</td>
</tr>
<tr>
<td>Circulation per capita</td>
<td>13.85</td>
<td>26.93</td>
</tr>
</tbody>
</table>

- Farms and farm property, value: $7,980,493,060 in 1860; $20,514,001,838 in 1900.
- Farm animals, total value: 1,089,329,915 in 1860; 3,201,054,115 in 1900.
- Farm products, value: $1,958,030,927 in 1860; 3,764,177,706 in 1900.
- Manufactures, value: $7,980,493,060 in 1860; $20,514,001,838 in 1900.
- Post Office receipts: $8,518,067.00 in 1860; $102,354,579.00 in 1900.
- Exports of merchandise: $333,576,057.00 in 1860; $1,394,483,082.00 in 1900.
- Imports of merchandise: 353,616,119.00 in 1860; 849,941,184.00 in 1900.
- Government receipts—net ordinary: $56,054,600.00 in 1860; $567,240,852.00 in 1900.
- Government expenditures—net ordinary: 60,056,755.00 in 1860; 447,533,458.00 in 1900.

*Estimated.
†Includes for 1900, $220,000,000, estimated value of animals in cities.
‡Includes for 1870.

### CASH RESOURCES OF THE UNITED STATES TREASURY, JULY 1, 1905

This chapter of Annals and Statistics cannot be more impressively brought to a close than by the following copy of the United States Treasurer’s receipt for the largest amount of money which had ever changed hands, up to the date named, in one transaction in the world’s history:

**Treasury of the United States,**

Washington, D.C., July 1, 1905.

Received from Ellis H. Roberts, retiring Treasurer of the United States, Government funds and securities amounting to one billion, two hundred and fifty-nine million, five hundred and ninety-eight thousand, two hundred and seventy-eight dollars, and fifty-eight and two-thirds cents, for which receipts in triplicate have been given as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States notes</td>
<td>$6,520,267.00</td>
</tr>
<tr>
<td>United States currency in process of redemption</td>
<td>657,472.00</td>
</tr>
<tr>
<td>National bank notes in process of redemption</td>
<td>14,682,532.31</td>
</tr>
<tr>
<td>Gold certificates</td>
<td>1,600,120.00</td>
</tr>
<tr>
<td>Silver certificates</td>
<td>1,912,533.00</td>
</tr>
<tr>
<td>Gold coin</td>
<td>8,420,888.00</td>
</tr>
<tr>
<td>Standard silver dollars</td>
<td>153,407,591.00</td>
</tr>
<tr>
<td>Fractional silver coin</td>
<td>921,715.33</td>
</tr>
<tr>
<td>Minor coin</td>
<td>36,387.04</td>
</tr>
<tr>
<td><strong>Total cash</strong></td>
<td><strong>$187,859,355.68</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasurer’s transfer account</td>
<td>93,922,330.28</td>
</tr>
<tr>
<td>United States paper currency in reserve</td>
<td>383,552,500.00</td>
</tr>
<tr>
<td>Incomplete gold certificates, series 1900</td>
<td>990,000.00</td>
</tr>
<tr>
<td>Bonds and other securities held in trust</td>
<td>508,474,092.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,259,508,278.82</strong></td>
</tr>
</tbody>
</table>

CHAS. H. TREAT
Treasurer of the United States.
CONSTITUTION AND RULES FOR
THE GOVERNMENT OF THE
NEW YORK STOCK
EXCHANGE

AS AMENDED AND ADOPTED IN MARCH, 1902
X

CONSTITUTION AND RULES FOR THE GOVERNMENT OF THE NEW YORK STOCK EXCHANGE

AS AMENDED AND ADOPTED IN MARCH, 1902

The text of the original Constitution of the Exchange, as adopted by twenty-seven brokers March 8, 1817, has been given in Chapter Four of the main narrative of this History. The following transcript of the Constitution now in force exhibits the broader and vastly more detailed rules for the conduct and government of the New York Stock Exchange which its growth has made needful in the opening stages of the Twentieth Century.

ARTICLE I
Title—Objects

The title of this Association shall be the "New York Stock Exchange."

Its object shall be to furnish exchange rooms and other facilities for the convenient transaction of their business by its members, as brokers; to maintain high standards of commercial honor and integrity among its members; and to promote and inculcate just and equitable principles of trade and business.

ARTICLE II
Government

The government of the Exchange shall be vested in a Governing Committee, composed of the President and the Treasurer of the Exchange, and of forty Members, elected in the manner hereinafter provided. The members of the Governing Committee, and the Secretary, shall be the officers of the Exchange.
ARTICLE III

Governing Committee

SECTION 1. The Members of the Governing Committee shall be divided into four classes, each class consisting of ten members, as follows: first class, to hold office for one year; second class, for two years; third class, for three years; fourth class, for four years.

SEC. 2. The Governing Committee shall determine the manner and form by which its proceedings shall be conducted; appoint and dissolve all Standing or other Committees; define, alter and regulate their jurisdiction as stated in this instrument; have original and supervisory jurisdiction over any and all subjects and matters referred to said Committees; it may direct and control their actions or proceedings at any stage thereof, and shall try all charges against members of the Exchange and punish such as may be found guilty. It shall have entire control of the finances of the Exchange and fix the amount of fees and compensation to be paid to members of Committees, to Officers of the Exchange and to appointees of the Governing Committee. It may require of all officers or appointees of the Exchange a good and sufficient bond to secure the faithful performance of their duties. The Governing Committee shall be vested with all other powers necessary for the government of the Exchange, the regulation of the business conduct of its members, and the promotion of its welfare, objects and purposes.

SEC. 3. A Member, who shall be absent from three consecutive regular meetings of the Governing Committee, without having been excused by the President, may be declared by a two-thirds vote of the existing members of the Committee, to be no longer a Member.

SEC. 4. All vacancies occurring in the Governing Committee shall be filled by said Committee until the ensuing annual election.

SEC. 5. No member of the Governing Committee shall be disqualified from participating in any meeting, action or proceeding of any kind whatever of said Committee, by reason of being or having been a member of a Standing Committee or Special Committee which has made prior inquiry, examination or investigation of the subject under consideration. Nor shall any member of any Standing or Special Committee be disqualified, by reason of such membership, from acting as a member of the Governing Committee upon any appeal from any decision of such Standing or Special Committee. But no member shall participate in the adjudication of any case in which he is personally interested.

SEC. 6. A majority of all the existing members of the Governing Committee shall be necessary to constitute a quorum.

SEC. 7. Any hearing or trial may be adjourned, from time to time, by the Governing Committee in its discretion; but no member thereof, who shall not have been present at every meeting of said Committee at which evidence is taken, or at which an accused member, or a member whose conduct is involved in the hearing, is heard, shall participate in the final decision.

SEC. 8. In the absence of both the President and Vice-President, any ten members of the Governing Committee may call a meeting thereof by written announcement from the rostrum.

SEC. 9. In the case of the temporary absence, or inability to act, of both the President and Vice-President, the Governing Committee may choose an Acting President of the Exchange pro tem.

SEC. 10. The Governing Committee shall at its first regular meeting in June of each year, designate counsel for the Exchange; such counsel to be employed at the pleasure of said Committee.

ARTICLE IV

President

SECTION 1. The executive power of the Exchange shall be vested in the President, who shall direct the enforcement of the rules and regulations and have the care of all its interests. He may preside over the Exchange whenever he shall so elect, and shall be the presiding officer of the Governing Committee.

SEC. 2. The President may call special meetings of the Exchange, and of the Governing Committee. He shall call special meetings of the Exchange, upon the written
request of one hundred members, and special meetings of the Governing Committee, upon
the written request of ten members of said Committee.

Sec. 3. Should special exigencies require, the President may appoint committees *ad
interim*, to act until the regular appointments are made.

**ARTICLE V**

*Vice-President*

**SECTION 1.** The Governing Committee, at its first meeting after every annual election,
shall choose from its Members a Vice-President of the Exchange.

**Sec. 2.** The Vice-President shall, in the absence of the President, assume all the
functions and powers, and discharge all the duties of the President.

**ARTICLE VI**

*Treasurer*

**SECTION 1.** It shall be the duty of the Treasurer to receive, and acting under instruc-
tions from the Finance Committee, to take charge of and disburse moneys of the Exchange.
He shall present to the Governing Committee at its first regular meeting in May of each year
a report of the finances of the Exchange for the twelve months ending April 30 preceding.
He shall be a member of the Finance Committee, and a Trustee of the Gratuity Fund.

**Sec. 2.** In the event of failure, neglect or inability of the Treasurer, for any reason,
to execute the duties of his office the Finance Committee shall appoint one of its mem-
bers, who, together with either the President or Vice-President, shall act as Treasurer
*pro tem*.

**ARTICLE VII**

*Secretary*

**SECTION 1.** It shall be the duty of the Secretary to record in a book of minutes the
proceedings of the Exchange and take charge of the books and papers of the Association.
He shall be the Secretary of the Governing Committee and of the Standing Committees.
He shall conduct the correspondence of the Exchange and shall keep a ledger containing
the names of all the members with dates of their admission and transfer of membership.
He shall be the Accountant of the Exchange, and shall perform such other duties as the
Governing Committee may direct.

**ARTICLE VIII**

*Chairman and Assistant Chairman*

**SECTION 1.** The Governing Committee may appoint a Chairman, who shall hold his
position subject to the pleasure of said Committee. It shall be his duty to preside over
the Exchange during business hours, maintain order, enforce the rules, impose fines, and
perform such other duties as the Committee of Arrangements may direct.

**Sec. 2.** The Chairman shall not be permitted personally to buy or sell securities
upon the floor of the Exchange.

**Sec. 3.** The Committee of Arrangements may appoint an Assistant Chairman, who
shall hold his position subject to the pleasure of said Committee, and perform such duties
as said Committee may direct.

**ARTICLE IX**

*Elections*

**SECTION 1.** The annual election of the Exchange shall be held on the second Monday
of May; at which time there shall be elected by ballot a President, a Treasurer, and a
Secretary, each for the term of one year; a Trustee of the Gratuity Fund for the term of
five years; and ten Members of the Governing Committee for the term of four years; also
members to fill any vacancies which may have occurred during the preceding year either
in the Trustees of the Gratuity Fund or in the Governing Committee.

In each case the member receiving the highest number of votes for any office or posi-
tion shall be declared elected thereto.
Sec. 2. At said election there shall also be chosen a Nominating Committee to consist of five members, not officers of the Exchange. It shall prepare and report to the Exchange, on or before the second Monday of April in the following year, nominations for all the offices or positions which are to be filled at the ensuing annual election. They shall hold office for one year, and any vacancy in the Committee shall be promptly filled by the remaining members.

Sec. 3. Any member of the Exchange, in good standing, shall be entitled to vote at any election or meeting of the Exchange.

Sec. 4. When the Exchange shall be assembled for the transaction of business other than dealing in securities, a majority of all the members shall constitute a quorum.

ARTICLE X

Eligibility—Vacancy in Office

Section 1. No person shall be eligible to any office in the Exchange, or to the position of Chairman or Assistant Chairman, who shall not be, at the time of his election or appointment, a member in good standing.

Sec. 2. The expulsion, suspension or transfer of membership of a member holding any office or position, to which he has been either elected or appointed, shall create a vacancy therein which shall be filled as provided in these rules.

Sec. 3. In the event of the refusal, failure, neglect, or inability, of an officer of the Exchange, to discharge the duties of his office, or for any good cause, of the sufficiency of which the Governing Committee shall be the sole judge, said Committee shall have power, by a two-thirds vote of all its existing members, to remove said officer and declare the position held by him to be vacant.

Sec. 4. In case a vacancy shall occur in the office either of President, Treasurer or Secretary, a new election by ballot shall be held forthwith to fill such vacancy for the unexpired term.

Sec. 5. In case of vacancy in the office of Vice-President, the same shall be filled by the Governing Committee at its next meeting after the vacancy occurs.

Sec. 6. Every appointee, clerk or employee of the Exchange shall hold his office, place or position only during the pleasure of the authority by which he was appointed; and he may be, at any time, removed, dismissed or discharged by a majority vote of the Committee by which he was appointed, or by a like vote of the Governing Committee.

ARTICLE XI

Standing Committees

Section 1. Promptly after each annual election, the Governing Committee shall appoint from its Members the following Standing Committees:

First.—A Committee of Arrangements, to consist of seven members. It shall have the general care and supervision of the Exchange, enforce all rules and regulations necessary to the conduct of business, to good order and the comfort of the members, and consider all complaints of violation of said rules. It shall control and regulate the quotation service and all telegraph or telephone connection with the Exchange. It shall, except as herein otherwise expressly provided, appoint, dismiss and determine the number, duty and pay of, all employees, and provide all supplies for the Exchange and make all necessary repairs to its building.

Second.—A Committee on Admissions, to consist of fifteen members. All applications for membership, and all applications of suspended members for reinstatement to their privileges, shall be referred to this Committee.

The affirmative vote of two-thirds of the entire Committee shall be necessary to elect to membership, or to reinstate a suspended member.

No application for readmission of a person who has ceased to be a member of the Exchange through violation of its Constitution, or for the reinstatement of a member who has been suspended under Sec. 2, Article XVI shall be considered by this Committee, unless said person has obtained the consent of two-thirds of the members of the Governing Committee present, when such application is considered.
Third.—An arbitration Committee to consist of nine members. It shall investigate and decide, when properly brought before it, all claims and matters of difference arising from contracts subject to the rules of the Exchange, between members of the Exchange, or, at the instance of a non-member, between members and non-members. The Committee may dismiss any case, and refer the parties to their remedies at law, and it shall so refer them upon the joint request of the contestants. The decision of this Committee shall be final in all cases, unless an appeal shall be taken by a member of the Committee, as in these rules provided, or in cases involving a sum of $2,500 or over, when either party may appeal within ten days to the Governing Committee; upon such appeal, the Governing Committee may finally adjudicate the case, relegate the parties to their remedies at law, or direct a rehearing by the Arbitration Committee.

A non-member making a claim shall execute an agreement to abide by the rules of the Exchange, and also a full release of said claim, and shall deliver them to the Chairman of the Arbitration Committee, who shall keep them in trust to abide the result of said arbitration and deliver them to the defendant in any of the following cases:

(a.) In case the plaintiff shall fail to appear before the Arbitration Committee within such time as said Committee shall designate.

(b.) In case judgment shall be rendered for said defendant by the Arbitration Committee.

(c.) In case the defendant shall pay, or offer to pay, to the claimant the amount of judgment rendered in his favor, and shall have filed with the Chairman satisfactory evidence of such payment or proffered payment.

In case judgment shall be rendered against any member of the Exchange, which he neglects to pay, or if the case be dismissed, then such release shall be canceled and returned to the plaintiff.

Fourth.—A Committee on Clearing-House to consist of five members. It shall have general charge of the Clearing-House of the Exchange and the business thereof, and shall from time to time designate the securities to be cleared. It may determine the amount of salary or compensation to be paid to officers and employees of the Clearing-House and make expenditures from its funds for the conduct of its business. It shall make monthly financial reports to the Finance Committee.

Fifth.—A Committee on Commissions to consist of five members. It shall enforce the rules relating to commissioners, partnerships and branch offices, and shall report to the Governing Committee any undesirable partnership or branch office or any violation of said rules.

Sixth.—A Committee on Constitution to consist of five members, to which shall be referred all additions, alterations, or amendments to the Constitution. It shall report them back to the Governing Committee, but only at regular meetings or at special meetings called solely for the purpose of considering them.

Seventh.—A Finance Committee to consist of seven members. It shall meet prior to the first regular meeting of the Governing Committee in each month and examine the various accounts and vouchers; and, acting as a Board of Audit, the Committee shall report its examination to the Governing Committee. It shall also make examinations of the condition of the Gratuity Fund as provided in Article XIX hereof.

Eighth.—A Committee on Insolvencies to consist of three members selected from the Committee on Admissions. It shall investigate every case of insolvency immediately after the announcement thereof to the Exchange. It shall ascertain the cause of failure and promptly report the result of its examination to the Committee on Admissions.

Ninth.—A Law Committee to consist of five members, to which shall be referred all questions of law affecting the interests of the Exchange.

Tenth.—A Committee on Securities to consist of five members. It shall make rules defining the requirements for regularity in delivery of securities dealt in at the Exchange; and decide all questions relating to the settlement of contracts subject to the rules of the Exchange, of due bills, or irregularities in securities, or in deliveries thereof, and all questions relating to reclamations therefor.

Eleventh.—A Committee on Stock List to consist of five members. It shall receive and consider all applications for placing securities upon the list of the Exchange, and make report and recommendation thereon to the Governing Committee, giving full statement
concerning organization, capitalization, resources and indebtedness. It shall have charge of the arrangement and revision of the regular list of securities.

Twelfth.—A Committee on Unlisted Securities composed of one member each from the Committees of Arrangements, Securities and Stock List. It shall have general charge of the Unlisted Department of the Exchange.

Sec. 2. The Standing Committees of the Exchange, and all Special Committees, shall determine the manner and form by which their proceedings shall be conducted; shall make such regulations for their government as they shall deem proper, and may fill any vacancies occurring in their membership, subject always to the control and supervision of the Governing Committee.

Sec. 3. A majority of the members of any Committee shall be necessary to constitute a quorum.

ARTICLE XII

Appeals

Section 1. An appeal to the Governing Committee, from any decision of a Standing Committee, may be taken by a member of the Exchange, interested therein, if made in writing to the President within two days after said decision has been rendered: but nothing herein contained shall authorize an appeal from a decision of the Committee on Admissions, except as provided in Section 4, Article XVI of these Rules, nor from a decision of the Arbitration Committee, except as provided in the third sub-division of Section 1, Article XI, of these Rules.

Sec. 2. A member of a Standing Committee, present at the hearing of a case, may, within two days after a decision has been made thereon, appeal therefrom to the Governing Committee by writing, addressed to the President.

Sec. 3. All appeals to the Governing Committee shall be submitted upon a printed transcript of the record before the Standing Committee and such printed arguments as the parties to the appeal may desire to submit.

ARTICLE XIII

Applications for Membership—Eligibility—Initiation Fee

Section 1. Every applicant for membership must be at least twenty-one years of age, and a citizen of the United States.

Sec. 2. The membership of the Exchange shall not be increased except by action of the Governing Committee, which shall prescribe the number of increase and the terms of admission. Such action shall be submitted to the Exchange on the same conditions as those prescribed for amendments to the Constitution.

Sec. 3. Members admitted by transfer shall pay to the Exchange an initiation fee of Two Thousand Dollars.

Sec. 4. If the initiation fee of an applicant for admission to membership is not paid on the day of his election and notification by the Secretary, such election shall be void.

Sec. 5. No person, elected to membership, shall be admitted to the privileges thereof until he shall have signed the Constitution of the Exchange. By such signature he pledges himself to abide by the same and by all subsequent amendments thereto.

ARTICLE XIV

Dues and Fines—Penalty for Non-Payment

Section 1. The dues of all members of the Exchange shall be payable on May 1st and November 1st of each year, and shall be fifty dollars semi-annually, exclusive of fines, and of assessments under Article XVIII of the Constitution.

Sec. 2. Any member who shall neglect to pay his fines, dues or any assessment for the Gratuity Fund for three months after they become payable, shall be reported by the Treasurer to the President, who shall, after due notice to the delinquent, suspend said delinquent until said dues are paid.

If the fines, dues or assessments of any suspended member, are not paid at the end of one year after they become payable, the membership of said suspended member may be disposed of by the Committee on Admissions.
CONSTITUTION AND RULES

ARTICLE XV

Transfer of Membership

SECTION 1. A transfer of membership may be made upon submission of the name of the candidate to the Committee on Admissions, and the approval of the transfer by two-thirds of the entire Committee. Notice of the proposed transfer shall be posted on the bulletin in the Exchange for at least ten days prior to transfer.

SEC. 2. All contracts subject to the rules of the Exchange, made by a member proposing to transfer his membership, shall mature on the tenth day of the posting of notice of the proposed transfer; and said member shall not be permitted, thereafter, to make any contracts subject to the rules of the Exchange, pending the approval of the proposed transfer by the Committee on Admissions.

This rule shall also apply in cases where a membership is disposed of by the Committee on Admissions.

SEC. 3. Upon any transfer of membership, whether made by a member voluntarily, or by the Governing Committee or the Committee on Admissions in pursuance of the provisions of the Constitution, the proceeds thereof shall be applied to the following purposes and in the following order of priority, viz.:

First.—The payment of all fines, dues, assessments and charges of the Exchange, or any department thereof, against a member whose membership is transferred.

Second.—The payment of creditors, members of the Exchange, or firms registered thereon, of all filed claims arising from contracts subject to the rules of the Exchange, if, and to the extent that, the same shall be allowed by the Committee on Admissions. If said proceeds shall be insufficient to pay said claims, as so allowed, in full, the same shall be applied to the payment thereof pro rata.

Third.—The surplus, if any, of said proceeds shall be paid to the person whose membership is transferred, or to his legal representatives, upon the execution by him or them of a release or releases satisfactory to the Committee on Admissions.

The Committee on Admissions shall have power, by rule or otherwise, to secure the observance of the provisions of this Article.

SEC. 4. All unmatured debts or other obligations of a member, arising out of contracts subject to the rules of the Exchange, shall become due and payable immediately prior to the transfer of his membership; and all claims filed with the Committee on Admissions, founded upon contracts subject to the rules of the Exchange, shall, if, and to the extent that the same are allowed by said Committee, be liquidated, and paid, pro rata, out of the proceeds of said membership upon consummation of the transfer.

SEC. 5. A member shall forfeit all right to share in the proceeds of a membership, unless he file a statement of his claim with the Committee on Admissions prior to the transfer of such membership; but such claim, as allowed by the Committee on Admissions, may be paid out of any surplus remaining after all other claims, allowed by said Committee, have been paid in full.

SEC. 6. Claims growing out of transactions between partners, who are members of the Exchange, shall not share in the proceeds of the membership of one of such partners, until after all other claims, as allowed by the Committee on Admissions, have been paid in full.

SEC. 7. When a member dies, his membership may be disposed of by the Committee on Admissions.

SEC. 8. When a member is expelled, or becomes ineligible for reinstatement, his membership may be disposed of forthwith by the Committee on Admissions.

SEC. 9. The expulsion or suspension of a member shall not affect the rights of creditors, members of the Exchange or of firms registered thereon.

ARTICLE XVI

Insolvent Members—Suspension—Reinstatement

SECTION 1. A member who fails to comply with his contracts, or is insolvent, or who is a partner in a firm, registered upon the Exchange, which fails to comply with its contracts, or is insolvent, shall immediately inform the President, in writing, that he or his firm, is unable to meet their engagements, and prompt notice thereof shall be given to the
Exchange. He shall thereby become suspended from membership until, after having settled with his creditors, or the creditors of his firm, he has been reinstated by the Committee on Admissions.

Sec. 2. Whenever the President shall ascertain that a member has failed to meet his engagements, or is insolvent, or that a firm registered upon the Exchange has failed to meet its engagements, or is insolvent, and that such member, or such firm, has neglected to comply with the requirements of the preceding section, he shall announce to the Exchange the insolvency and suspension of such member or such firm.

Sec. 3. If a member, suspended under this Article, fails to settle with his creditors and apply for reinstatement, within one year from the time of his suspension, his membership shall be disposed of by the Committee on Admissions. The Governing Committee may, by a two-thirds vote of the members present, extend the time of settlement for periods not exceeding one year each. At the expiration of the time granted, the membership of said suspended member shall be disposed of as above provided.

Sec. 4. When a suspended member applies for reinstatement he shall furnish to the Chairman of the Committee on Admissions a list of his creditors, a statement of the amounts originally owing, and the nature of the settlement in each case. Notice of the proposed consideration of the application shall be given through the Chairman of the Exchange on three consecutive days, and said notice shall also be posted upon the bulletin. Upon the applicant presenting satisfactory proof of settlement with all his creditors, the Committee shall proceed to ballot for him in accordance with its rules and regulations. Failing to receive the approving vote of two-thirds of the entire Committee, the applicant shall be entitled to be balloted for at any five subsequent regular meetings of the Committee, to be designated by himself; provided, however, that the six ballotings to which the applicant shall be entitled shall be within one year from the date of his suspension, or within such further extended time for settlement as may have been granted by the Governing Committee.

If on the sixth ballot the applicant be rejected, he may appeal within ten days thereafter to the Governing Committee, who may by an affirmative vote of not less than twenty-five of its members reinstate the applicant.

If he fails to make applications to the Committee on Admissions, to be balloted for as above provided, or if rejected by the Governing Committee, his membership shall be disposed of by the Committee on Admissions.

Sec. 5. Whenever the Governing Committee shall determine, upon the report of the Committee on Admissions, that the failure of a member or of a firm registered upon the Exchange, has been caused by reckless or unbusinesslike dealing, said member, or the partner or partners in such firm who are members of the Exchange may, by a two-thirds vote of the existing members of the Governing Committee, be declared ineligible for reinstatement.

Sec. 6. Every suspended member shall file with the Secretary of the Exchange, within thirty days after his suspension, a written statement containing a complete list of his creditors and of the amount owing to each.

ARTICLE XVII

Expulsion and Suspension from Membership

SECTION 1. Unless otherwise specially provided, the penalty of suspension from membership may be inflicted, and the period of suspension determined, by the vote of a majority of the existing members of the Governing Committee; and the penalty of expulsion from membership or of ineligibility of a suspended member for readmission may be inflicted by the vote of two-thirds of the existing members of said Committee.

Sec. 2. A member who shall be adjudged, by a two-thirds vote of all the existing members of the Governing Committee, to be guilty of fraud or of fraudulent acts, shall be expelled, and the President shall so declare; public announcement of the expulsion shall be made to the Exchange and the membership shall be forthwith disposed of by the Committee on Admissions.

Sec. 3. Whenever it shall appear to a majority of the Committee on Admissions that a misstatement upon a material point has been made to it by a member, upon his applica-
tion either for membership or reinstatement or extension of time, it shall report the case to
the Governing Committee, who by a two-thirds vote of all the existing members of the
Committee may expel the member.

Sec. 4. Any member, who shall be connected directly, or by a partner, or otherwise,
with any organization in the City of New York which permits dealings in any securities
or other property, admitted to dealing in any department of this Exchange, shall be liable
to suspension for a period not exceeding one year, or to expulsion, as the Governing Com-
mittee may determine.

Sec. 5. A member making a transaction with a non-member in the rooms of the
Exchange, either purchase, sale or loan, in any security or property admitted to dealings
in any department of the Exchange, or in money, shall be subject to suspension for such
period not exceeding one year as the Governing Committee may deem proper.

Sec. 6. A member who shall have been adjudged, by a majority vote of all the
existing members of the Governing Committee guilty of willful violation of the Constitution
of the Exchange, or of any resolution of the Governing Committee regulating the conduct
or business of members, or of any conduct or proceeding inconsistent with just and
equitable principles of trade, may be suspended or expelled as the said Committee may
determine, unless some other penalty is expressly provided for such offense.

Sec. 7. The Governing Committee may, by a two-thirds vote of its members present,
require that a member of the Exchange shall submit to the Governing Committee or any
Standing or Special Committee, for examination, such portion of his books or papers as
are material and relevant to any matter under investigation by said Committee or by any
Standing or Special Committee. Any member who shall refuse or neglect to comply with
such requirement, or shall willfully destroy any such required evidence, or who, being duly
summoned, in pursuance of a two-thirds vote of the members of the Governing Committee
present, shall refuse or neglect to appear before the Governing Committee or any Stand¬
ing or Special Committee, as a witness, or refuse to testify before any such Committee,
may be adjudged guilty of an act detrimental to the interest or welfare of the Exchange.

Sec. 8. The Governing Committee may, by a vote of a majority of all its existing
members, suspend from the Exchange for a period not exceeding one year, any member
who may be adjudged guilty of any act which may be determined by said Committee to be
detrimental to the interest or welfare of the Exchange.

Sec. 9. An accusation, charging a member before the Governing Committee with
having committed an offense, or having violated the laws or regulations of the Exchange,
shall be in writing; it shall specify the charge or charges against such member with rea¬
sonable detail, and shall be signed by the person or persons making the charge or charges.
A copy of such charge or charges shall be served upon the accused member either personally,
or by leaving the same at his office address during business hours, or by mailing it to him
at his place of residence. He shall have ten days from the date of such service to answer
the same, or such further time as the Governing Committee in its discretion may deem
proper. The answer shall be in writing, signed by the accused member, and filed with
the Secretary of the Exchange. Upon the answer being filed, or if the accused shall refuse
or neglect to make answer as hereinbefore required, the Governing Committee shall, at
a regular or special meeting thereafter, proceed to consider the charge or charges; if such
meeting be a special meeting, notice of the object thereof shall be sent to the members of
the Committee. Notice of such meeting shall be sent to the accused; he shall be entitled
to be personally present thereat, and shall be permitted in person to examine and cross-
examine all the witnesses produced before the Committee, and also to present such testi¬
mony, defense or explanation as he may deem proper. After hearing all the witnesses
and the member accused, if he desires to be heard, the Governing Committee shall determine
whether said member is guilty of the offense or offenses charged. If it determines that
the accused is guilty, the Governing Committee shall expel such member, or may suspend
him, as the case may be; the result shall be announced to the Exchange by the President,
and a written notice thereof served upon said member in the manner hereinbefore provided.
The finding of the Governing Committee shall be final and conclusive.

Sec. 10. Should a member be accused before the Governing Committee of misconduct,
or of having committed an offense the penalty for which is limited to suspension for a
period not exceeding sixty days, said Committee may proceed summarily, and the method
of procedure required by the preceding Section shall not apply. The accused shall be summoned before the Committee, informed of the nature of the accusation against him and afforded an opportunity for explanation by personal or other testimony. If the Committee shall determine by a majority vote of all its existing members that the accused is guilty, it may, by a similar vote, suspend him from membership for such period as the Constitution provides.

Sec. 11. Whenever a member is suspended by the Governing Committee, announcement thereof shall be made to the Exchange, and such member shall be deprived during the term of his suspension of all rights and privileges of membership, except those pertaining to the Gratuity Fund.

Sec. 12. No member of the Exchange shall be allowed to be represented by professional counsel in any investigation or hearing before the Governing Committee or any Standing or Special Committee.

THE GRATUITY FUND AND ITS TRUSTEES

ARTICLE XVIII

The Gratuity Fund

Every member of the Exchange shall be subject to the conditions and entitled to partake of the benefits of the plan providing for the families of deceased members as hereinafter set forth.

Section 1. Every person who shall become a member of the Exchange shall pay to the Trustees of the Gratuity Fund the sum of Ten dollars before he shall be admitted to the privilege of membership.

Sec. 2. Upon the death of a member of the Exchange there shall be levied and assessed against every other member the sum of Ten dollars, which shall thereupon become a due from him to the Exchange, and which shall be charged and collected as other dues and fines are or may be then charged and collected.

Sec. 3. Assessments under the provisions of this Article shall be made equally against all members, either living or deceased, until the date of the transfer of their memberships.

Sec. 4. The faith of the Exchange is hereby pledged to pay, within one year after proof of death of any member, out of the money collected under the provisions of this Article the sum of ten thousand dollars, or so much thereof as may have been collected, to the persons named in the next Section, as therein provided, which money shall be paid as a gratuity from the other members of the Exchange, free from all debts, charges or demands whatever.

Sec. 5. Should the member die leaving a widow and no descendant, then the whole sum shall be paid to such widow for her own use.

Should the member die leaving a widow and descendants, then one-half shall be paid to the widow for her separate use and one-half to the children for their use, share and share alike, provided that the share of minor children shall be paid to their guardian, and that the issue of any deceased child shall be entitled to receive the share which said child would have received if living, if of age, directly, or if minors, through his, her or their guardian or guardians.

Should the member die leaving descendants and no widow, then the whole sum shall be paid to the children as directed in the preceding paragraph to be done with the moiety; but no adopted child shall share in the gratuity if the member leaves a widow or descendants. Should the member die leaving neither widow nor descendant, but an adopted child or children, then the whole sum shall be paid to such adopted child or children, the issue of any deceased adopted child to take the share which the parent would have taken if living; provided that such adoption shall have been in such manner and form as to be valid under the laws of the State of New York.

Should the member die leaving neither widow, descendant, adopted child nor issue of a deceased adopted child, then the whole sum shall be paid to the same persons who would, under the laws of the State of New York, take the same by reason of relationship to the deceased member had he owned the same at the time of his death; and if there be no such person, then the assessment levied in such case shall be credited to those members
of the Exchange against whom it shall have been charged, in reduction of their payments
under this Article.

In all cases a certified copy of the proceedings before a Surrogate or Judge of Probate
shall be accepted as proof of the rights of the claimants, be deemed ample authority to
the Exchange to pay over the money, shall protect the Exchange in so doing, and shall
release the Exchange forever from all further claim or liability whatsoever.

Sec. 6. Nothing herein contained shall ever be taken or construed as a joint liability
of the Exchange or its members for the payment of any sum whatever; the liability of each
member, at law or in equity, being limited to the payment of Ten dollars only on the
death of any other member, and the liability of the Exchange being limited to the payment
of the sum of ten thousand dollars, or such part thereof as may be collected, after it shall
have been collected from the members, and not otherwise.

Sec. 7. Nothing herein contained shall ever be taken or construed as a joint liability
which can be mortgaged or pledged for the payment of any debts; but it shall be
construed as the solemn agreement of every member of the Exchange to make a voluntary
gift to the family of each deceased member, and of the Exchange, to the best of its ability,
to collect and pay over to such family the said voluntary gift.

Sec. 8. There shall be credited annually to each member of the Exchange, in reduction
of his payments under this Article, his proportion of the surplus income of the Exchange,
after setting apart such sum as the Governing Committee shall determine to be necessary
for conducting the business of the Exchange.

Whenever the number of deaths of members of the Exchange shall exceed fifteen in
any one year, the Trustees of the Gratuity Fund shall pay over to the Treasurer of the
Exchange the net income which has been received as interest on the Fund during said
year, less the necessary expenses of management and distribution, and each member of
the Exchange shall be credited with his proportion of the amount, in reduction of his
payments under this Article.

Sec. 9. The provisions of this Article shall not extend to any member whose con¬
nection with the Exchange shall have been severed by the transfer of his membership,
whether the same is made voluntarily or involuntarily, nor to any member who now is
or hereafter may be expelled by the Governing Committee, but shall extend to suspended
members.

ARTICLE XIX

The Trustees of the Gratuity Fund

Section 1. The execution of the provisions of the preceding Article, and the man¬
gagement and distribution of the Fund created thereunder shall be under the charge of a
Board of Trustees, to be known as "The Trustees of the Gratuity Fund," and to consist
of the President and the Treasurer of the Exchange, and of five other Trustees chosen for
the term of five years.

In case of a vacancy occurring among the five chosen Trustees, the Governing Commit¬
tee, at its next regular meeting thereafter, shall proceed to fill the same until the next
annual election of the Exchange.

Sec. 2. It shall be the duty of the Trustees to invest and keep securely invested, in
accordance with the laws of the State of New York regulating Trust Funds, all moneys
paid to them for the Fund, together with the interest and accretions arising therefrom.

All stock shall be registered in the name of "The Trustees of the Gratuity Fund of
the New York Stock Exchange," but without specifying the individual names of such
Trustees, and may be disposed of and assigned by any four of said Trustees.

Sec. 3. On the first Monday after the annual election of the Exchange, or as soon
thereafter as may be practicable, the Trustees of the Gratuity Fund shall organize by
electing a Chairman, and a Secretary and Treasurer of the Gratuity Fund, who shall serve
for one year or until their successors shall be chosen. The offices of Secretary and Treas¬
urer may be held by the same person.

Sec. 4. There shall be a regular meeting of the Trustees on the third Monday in
each month. The Chairman may call a special meeting at any time: he shall call a meeting
at the request of two Trustees. At a meeting four Trustees shall constitute a quorum.
Sec. 5. It shall be the duty of the Chairman to preside at meetings; he shall vote on all questions; he shall, on the Monday preceding the annual election of the Exchange, make a report to the President of the Exchange of the condition of the Fund, with a statement by the Treasurer of receipts and disbursements.

Sec. 6. It shall be the duty of the Secretary to keep regular minutes of the proceedings of the Trustees, and to give notice of meetings.

Sec. 7. It shall be the duty of the Treasurer to receive and sign vouchers for all moneys paid to the Trustees, which he shall deposit in such institutions as they may direct, to his credit as "Treasurer of the Gratuity Fund of the New York Stock Exchange."

He shall have the custody of all securities belonging to the Fund, subject to the examination and control of the Trustees.

He shall keep, or cause to be kept, proper books of account.

He shall receive and keep a record of all claims for payment under Article XVIII of the Constitution of the Exchange, and present the same to the Trustees for their action; when allowed and approved by the Trustees, he shall pay the same; but no such payment shall be made until directed by the Trustees.

He shall make such investments for the Fund as may be ordered by the Trustees.

His books shall always be open to the inspection of any Trustee, and he shall make to the Chairman an annual statement of receipts and disbursements.

He shall receive out of the Fund such compensation per annum as may be fixed by the Trustees and approved by the Governing Committee of the Exchange.

Sec. 8. In case any person entitled to any gratuity shall be under age and have no guardian entitled to receive payment at the maturity thereof, the Trustees may, in their discretion, deposit such money with the New York Life Insurance and Trust Company or the United States Trust Company, as the property of, and in trust for, such minor; and in like manner if any person apparently entitled to any payment fails to claim, or has disappeared or cannot be found after reasonable inquiry the Trustees may deposit the presumptive share of such person in either of said Trust Companies to the credit of "The Trustees of the Gratuity Fund of the New York Stock Exchange, in trust," to the end that it may be paid to such person, if afterwards found, or otherwise to the parties who may subsequently establish their right thereto; a similar discretion shall apply in the case of any dispute between claimants for a gratuity or a portion thereof.

Sec. 9. The Trustees shall have power at their discretion to consult and employ legal counsel; they shall be authorized to make disbursements out of the Fund to defray necessary expenses, but no such disbursements shall be allowed without a resolution specifying the nature and amount of the same, being entered at large upon the Book of Minutes of the Secretary. Each Trustee shall receive from the Fund five dollars for every meeting at which he shall be present.

Sec. 10. In case of a vacancy occurring in the office of Chairman, or Secretary and Treasurer, the Trustees shall forthwith proceed to fill the same for the unexpired term. In case of the temporary absence or inability to act of either the Chairman, or Secretary and Treasurer, the Trustees shall have power to appoint one of their number to act in his stead pro tem.

Sec. 11. The Governing Committee of the Exchange shall, at all times, have the right to direct the production before it of the securities belonging to the Fund, the Secretary's Book of Minutes and the Treasurer's books of account.

It shall be the duty of the Finance Committee of the Exchange to make an annual examination of the condition of the Fund; and it shall have the right at any time to make such additional examination thereof as it may deem proper.

Sec. 12. The Governing Committee of the Exchange shall have power to try charges against any Trustee for malfeasance or negligence in office, and by a vote of two-thirds of all its existing members, to suspend him from his functions or to remove him and declare the office vacant.

Sec. 13. It shall be the duty of the Treasurer of the Exchange to pay over, semi-monthly, all assessments collected under Article XVIII of the Constitution, to the Treasurer of the Gratuity Fund.
RULES AND REGULATIONS

RULES FOR THE TRANSACTION OR CONDUCT OF BUSINESS

ARTICLE XX

Hours of Business

SECTION 1. The Exchange shall be opened for the entrance of members upon every business day at thirty minutes after nine o’clock a.m.

At ten o’clock the Chairman shall announce that the Exchange is open for the transaction of business, and it shall so remain until three o’clock p.m., when he shall announce it to be closed. On half holidays the closing shall be at twelve o’clock, noon.

SEC. 2. The Exchange shall not be closed at any time between the hours named in the preceding Section, except by order of the Governing Committee.

SEC. 3. Dealings upon the Exchange shall be limited to the interval between the hours above named; and a fine of fifty dollars for each offense shall be imposed by the Chairman, upon any member who shall make any bid, offer or transaction before or after those hours. Loans of money or securities may be made after the official closing of the Exchange.

SEC. 4. Dealing upon any other Exchange in the City of New York or publicly outside of the Exchange, either directly or indirectly, in securities listed or quoted on the Exchange, is forbidden; any violation of this rule shall be deemed to be an act detrimental to the interest or welfare of the Exchange.

ARTICLE XXI

Calls

The appointment and arrangement of Calls of Stocks or Bonds shall be under the control and direction of the Committee of Arrangements.

ARTICLE XXII

Contracts Subject to the Rules of the Exchange

All contracts of a member of the Exchange, or of a firm having a member of the Exchange as a general partner, with any other member of the Exchange, or with any other firm having a member of the Exchange as a general partner, for the purchase, sale, borrowing, loaning or hypothecation of securities, or for the borrowing, loaning, or payment of money, whether occurring upon the floor of the Exchange or elsewhere, are contracts subject to the rules of the Exchange.

ARTICLE XXIII

Bids and Offers

SECTION 1. All bids and offers made and accepted in accordance with these rules shall be binding.

SEC. 2. All offers to buy or sell securities, shall be for 100 shares of stock or for $10,000 par value of bonds, unless otherwise stated.

Offers to buy or sell specific amounts, other than as above stated, may be made at the same time and may be independently accepted.

SEC. 3. Bids and offers may be made only as follows:

(a.) "Cash," i.e., for delivery upon the day of contract;
(b.) "Regular Way," i.e., for delivery upon the business day following the contract;
(c.) "At three days," i.e., for delivery upon the third day following the contract;
(d.) "Buyer’s" or "Seller’s" options for not less than four days nor more than sixty days.

Bids and offers under each of these specifications may be made simultaneously, as being essentially different propositions, and may be separately accepted without precedence of one over another.

Bids and offers made without stated conditions shall be considered to be in the "Regular Way."

On transactions for more than three days written contracts shall be exchanged on the day following the transaction, and shall carry interest at the legal rate, unless otherwise
agreed; on such contracts one day's notice shall be given, at or before 2.15 p. m., before the securities shall be deliverable prior to the maturity of the contract.

On offers to buy "Seller's Option" or to sell "Buyer's Option," the longest option shall have precedence. On offers to buy "Buyer's Option" or to sell "Seller's Option," the shortest option shall have precedence.

SEC. 4. All contracts falling due on holidays or half holidays observed by the Exchange, shall be settled on the preceding business day, except that when two or more consecutive days are holidays or half holidays, contracts falling due on other than the first of such days shall be settled on the next business day.

Loans of money or securities made on the day preceding a holiday or half-holiday observed by the Exchange, shall mature on the succeeding business day, unless otherwise specified.

SEC. 5. Bids or offers shall not be made at a less variation than one-eighth of one per cent.

SEC. 6. Bids and offers shall be made on the basis of a percentage of the par value of the securities dealt in; except that in securities of a par value of Ten Dollars or less per share the bid and offer shall be in Dollars or fractions thereof.

SEC. 7. Any member violating any of the above provisions of this Article shall be fined by the Chairman in an amount not exceeding twenty dollars; for a repetition of the offense, he shall be liable to suspension for a period not exceeding ten days.

SEC. 8. Fictitious transactions are forbidden. Any member violating this rule shall be liable to suspension for a period not exceeding twelve months.

SEC. 9. No offers to buy or sell privileges to receive or deliver securities, shall be made publicly at the Exchange, under penalty of a fine of twenty-five dollars for each offense.

ARTICLE XXIV

Comparisons—Liability on Contracts

SECTION 1. It shall be the duty of every member to report each of his transactions as promptly as possible at his office, where he shall furnish opportunity for prompt comparison.

SEC. 2. It shall be the duty of the seller to compare, or to endeavor to compare, each transaction at the office of the Buyer, not later than one hour after the closing of the Exchange. Nothing in this Article shall be construed to justify a refusal to compare before the closing of the Exchange.

SEC. 3. It shall be the duty of the buyer to investigate, before 10 o'clock a.m., of the day after the purchase, each transaction which has not been compared by the Seller.

SEC. 4. Neglect of a member to comply with the provisions of Sections 1 or 2 hereof shall render him liable to a fine not exceeding fifty dollars, to be imposed by the Committee of Arrangements.

SEC. 5. Comparison shall be made by an exchange of an original and a duplicate comparison ticket; the party to whom the comparison ticket is presented shall retain the original, if it be correct, and immediately return the duplicate duly signed.

An exchange of Clearing-House tickets shall constitute a comparison.

SEC. 6. Should a difference be discovered in an attempt to compare, the exact liability of the disputants shall be promptly established by purchase, sale or mutual agreement.

SEC. 7. If an original party to a transaction gives up his principal, the latter shall have the same duties in the matter of comparison as the original party.

SEC. 8. No comparison or failure to compare, and no notification or acceptance of notification, shall have the effect of creating or of canceling a contract, or of changing the terms thereof, or of releasing the original parties from liability.

SEC. 9. No party to a contract shall be compelled to accept a substitute principal, unless the name proposed to be substituted shall be declared in making the offer and as a part thereof.

Orders for the receipt or delivery of securities, issued by the Clearing-House, shall, however, be binding and enforceable upon members or firms using the facilities of the Clearing-House.
Sec. 10. When written contracts shall have been exchanged the signers thereof only are liable.

**ARTICLE XXV**

**Payment and Delivery**

**SECTION 1.** In all deliveries of securities, the party delivering shall have the right to require the purchase money to be paid upon delivery; if delivery is made by transfer, payment may be required at time and place of transfer.

Sec. 2. The Receiver of shares of stock shall have the option of requiring the delivery to be made either in certificates therefor or by transfer thereof; except that in cases where personal liability attaches to ownership, the Seller shall have the right to make delivery by transfer.

The right to require receipt or delivery by transfer shall not obtain while the transfer books are closed.

Sec. 3. Deliveries of securities on contracts subject to the rules of the Exchange shall in all cases conform to the requirements for regularity which may be made, from time to time, by the Committee on Securities.

Sec. 4. The Buyer must, not later than two-fifteen o'clock p. m. accept and pay for all, or any portion of a lot of stock contracted for, which may be tendered in lots of one hundred shares or multiples thereof; and he may buy in "under the rule" the undelivered portion, in accordance with the provisions of Article XXVIII.

This rule shall also apply to contracts for bonds when tender is made in lots of ten thousand dollars or multiples thereof.

**ARTICLE XXVI**

**Settlement of Contracts**

**SECTION 1.** All deliveries of Securities must be made before quarter after two o'clock p. m., and when deliveries are not made by that time the contract may be closed "under the rule" in the manner provided in Article XXVIII of these Rules. In the absence of any notice or agreement the contract shall continue without interest until the following business day; but in every case of non-delivery of securities the party in default shall be liable for any damages which may accrue thereby; and all claims for such damages must be made before three o'clock p. m., on the business day following the default.

Sec. 2. The neglect or failure of a member or firm to exchange Clearing-House tickets on a contract, in conformity with the "Rules for Clearing," shall constitute a default; and such defaulted contract may be closed as provided in Article XXVIII; except that the limit of time for delivery of notice of intention to close such contract shall be ten-thirty o'clock a. m. of the following business day, and the time for closing shall not be before eleven o'clock a. m.

Sec. 3. Parties receiving securities shall not deduct, from the purchase price, any damages claimed for non-delivery, except by the consent of the party delivering the same.

Sec. 4. Notice for the return of loans of money, or of securities not admitted to the Clearing-House, must be given before one o'clock p. m. Notice for the return of loans of securities admitted to the Clearing-House must be given before three-thirty o'clock p. m., except on half-holidays observed by the Exchange, when such notice must be given before twelve-thirty o'clock p. m. All such notices shall be considered as in full force until delivery is made.

Sec. 5. On half-holidays observed by the Exchange, securities sold specifically for "Cash" must be delivered and received at or before eleven-thirty o'clock a. m. In case of default the contract may be closed after eleven-forty o'clock a. m., under the rule, in manner provided in Article XXVIII.

**ARTICLE XXVII**

**Clearing-House**

**SECTION 1.** There shall be a Clearing-House for the purpose of acting as the common agent of the members of the Exchange in receiving and delivering such securities as may from time to time be designated by the Clearing-House Committee.
Sec. 2. Nothing in the conduct of the business of clearing shall attach any liability to the Exchange, or to any member of the Clearing-House Committee, and delays on the part of the Clearing-House shall not attach any liability to members who are clearing.

Sec. 3. The Clearing-House Committee shall designate from time to time the securities which shall be cleared, and, in all transactions in such securities, the deliveries shall be made through the Clearing-House, unless otherwise specially stipulated in the bid or offer, or otherwise agreed upon.

Sec. 4. The "Rules for Clearing" and the "Rules for Dealing" adopted by the Governing Committee, and all amendments thereto shall be binding upon the members of the Exchange equally with the laws included in the Constitution.

Amendments to "Rules for Clearing" or to "Rules for Dealing" may be adopted by a vote of two-thirds of all the existing members of the Governing Committee and need not be submitted to the members of the Exchange for approval.

ARTICLE XXVIII
Closing Contracts "Under the Rule"

SECTION 1. When the insolvency of a member or firm is announced to the Exchange, members having contracts subject to the rules of the Exchange with the member or firm, shall without unnecessary delay proceed to close the same. If the contracts involve securities admitted to quotation upon the Exchange the closing must be in the Exchange, either officially by the Chairman, or by personal purchase or sale. If the contracts involve securities not dealt in on the Exchange, the purchase or sale of such securities must be promptly made in the best available market. Should a contract not be closed, as above provided, the price of settlement shall be fixed by the price current at the time when such contract should have been closed under this rule.

Sec. 2. A contract which has not been fulfilled according to the terms thereof may be officially closed "under the rule" by the Chairman, as herein provided.

Notice of intention to make such closing of a contract must be delivered, at or before two-thirty o'clock p. m., at the registered office address of the member or firm in default. And the Chairman shall not close such contract before two-thirty-five o'clock p. m.

Sec. 3. Every notice of intention to close a contract "under the rule," because of non-delivery, shall be in writing; and shall state the name of the member or firm by whom the order is given, also for whose account—all of which shall be announced by the Chairman before closing the contract.

The closing of a contract "under the rule," made in conformity with such notice, shall be also for the account and liability of each succeeding party in interest.

Sec. 4. Notice of intention to close a contract "under the rule" may be given upon the entire amount in default or upon any portion thereof, but in this latter case for not less than one hundred shares of stock or ten thousand dollars of bonds.

Sec. 5. When notice that a contract will be closed "under the rule" is received too late for transmission to other members or firms interested in such contract, within the times stated therefor, the notified member or firm who is unable to so transmit said notice may, immediately after the official closing "under the rule," re-establish such contract by a new purchase or sale in the "regular way"; and any loss arising therefrom shall be a valid claim against the successive party or parties in interest.

Sec. 6. When a member has issued a notice of intention to close a contract "under the rule," for default in delivery, he must receive and pay for securities due upon such contract if tendered at his office within five minutes of the official time for closing; or thereafter, if tendered at the rostrum of the Exchange, before the Chairman has closed the contract.

Sec. 7. When a contract has been closed "under the rule," the member or firm who gave the order must give prompt notice of such closing to the member or firm in default.

Notification to successive parties in interest must be transmitted without delay, and claims for damages, arising therefrom, must be made prior to three o'clock p. m. of the business day following the closing of the contract.

Sec. 8. When a contract has been closed "under the rule" the Chairman shall endorse upon the order thereof the name of the purchaser or seller, the price and the hour at
which such contract is closed, and deliver the order to the Secretary of the Exchange, who
shall ascertain whether the money difference, if any, has been paid. If such difference
shall not be paid within twenty-four hours after the closing of the contract, the Secretary
shall report such default to the President.

SEC. 9. When a contract is closed "under the rule," any member or firm accepting
the bid or offer, as made by the Chairman, and not complying promptly therewith, shall
be liable for any damages resulting therefrom.

The member or firm, for whose account a contract is being closed "under the rule,"
shall not be permitted to accept the bid or offer made by the Chairman.

SEC. 10. When a loan of money is not paid at or before two-fifteen o'clock p. m. of
the day upon which it becomes due, the borrower shall be considered as in default, and the
lender may sell "under the rule" the securities pledged therefor, or so much thereof as
may be necessary to liquidate the loan, in the manner prescribed in the foregoing Sections
of this Article.

ARTICLE XXIX

Irregularity in Securities

Reclamation for irregularity in securities must be made within ten days from the date
of delivery.

ARTICLE XXX

Disagreement on Terms of Contract

When a disagreement arising from a transaction in securities shall be discovered, the
money difference shall forthwith be established by purchase or sale by the Chairman,
or by mutual agreement.

ARTICLE XXXI

Deposits on Contract

SECTION 1. Mutual cash deposits of not exceeding ten per cent. may be required at
any time by either party to a contract. Whenever the margin of either party becomes
reduced to five per cent. by reason of changes in the market value of the securities, further
deposits may be called, from time to time, sufficient to restore the impaired margin.

SEC. 2. The holder of a due-bill issued for the dividend on stock contracted for, may
require the maker of the due-bill to deposit the full amount due thereon, in a Trust Com-
pany, payable to the joint order of both parties.

SEC. 3. When deposits are called before two o'clock p. m., they must be made at or
before two-thirty o'clock of the same day; if called after two o'clock p. m. they must be
made at or before ten-thirty o'clock a. m. of the following business day.

On half-holidays observed by the Exchange, deposits called before eleven o'clock a.m.
must be made at or before eleven-thirty o'clock a.m.; if called after eleven o'clock a.m.
they must be made at or before ten-thirty o'clock a.m. of the next business day.

SEC. 4. Failure of either party to a contract to comply with a demand for a deposit
shall constitute a default; and the other party to the contract may report such default to
the Chairman, and instruct him to re-establish the contract forthwith, by a new purchase
or sale "under the rule," and any difference arising therefrom shall be paid to the party
entitled thereto.

Written notice of intention to re-establish the contract shall be sent to the office of the
party in default.

SEC. 5. Unless otherwise mutually agreed, deposits on contracts shall be made in the
New York Life Insurance and Trust Company.

ARTICLE XXXII

Dividends—Interest—Premium

SECTION 1. On the day of closing of the transfer books of a corporation for a dividend
upon its shares all transactions therein for "Cash" shall be "dividend on" up to the time
officially designated for the closing of transfers; all transactions on that day other than
for "Cash" shall be "ex-dividend."
Should the closing of transfers occur upon a holiday or half-holiday, observed by the Exchange, transactions on the preceding business day, other than for "Cash," shall be "ex-dividend."

SEC. 2. The Buyer shall be entitled to receive all interest, dividends, rights and privileges, except voting power, which may pertain to the securities contracted for, and for which the transfer books shall close during the pendency of the contract.

When such contract shall mature before the official date for payment of such interest, dividend, right or privilege the Seller shall deliver a due-bill therefor signed or endorsed by him.

SEC. 3. A charge of one per cent. may be made for collecting dividends. For scrip or stock dividends the charge shall be computed upon the market value of such scrip or stock.

No charge shall be made for collecting dividends accruing on securities deliverable on a contract.

SEC. 4. Offers to buy or sell dividends shall not be made publicly on the Exchange. The Chairman shall impose a fine of twenty-five dollars for each violation of this rule.

SEC. 5. When securities are borrowed or loaned the sum agreed upon, either as interest for carrying or as premium for use, shall be paid whether such securities are delivered or not.

SEC. 6. When money or securities are loaned at a premium said premium shall apply only to the day for which the loan is made.

ARTICLE XXXIII
Transfer and Registry

SECTION 1. Corporations whose shares are admitted to dealings upon the Exchange will be required to maintain a Transfer Agency and a Registry office in the City of New York, Borough of Manhattan. Both the Transfer Agency and the Registrar must be acceptable to the Committee on Stock List, and the Registrar must file with the Secretary of the Exchange an agreement to comply with the requirements of the Exchange in regard to registration.

SEC. 2. When a corporation purposes to increase its authorized capital stock, thirty days' notice of such proposed increase must be officially given to the Exchange, before such increase may be admitted to dealings.

SEC. 3. When the capital stock of a corporation is increased through conversion of convertible bonds, already listed, the issuing corporation shall give immediate notice to the Exchange and the Committee on Stock List may, thereupon, authorize the registration of such shares and add them to the list.

SEC. 4. The Governing Committee may suspend dealings in the securities of any corporation previously admitted to quotation upon the Exchange, or it may summarily remove any securities from the list.

SEC. 5. After the admission of a security to dealings upon the Exchange no change in the form of certificate, or of the Transfer Agency or the Registrar of Shares, or of the Trustee of Bonds shall be made without the approval of the Committee on Stock List.

ARTICLE XXXIV
Commissions

SECTION 1. Commissions shall be charged and paid, under all circumstances, upon all purchases or sales of securities dealt in upon the Exchange; and shall be absolutely net, and free from all or any rebate, return, discount or allowance in any shape or manner whatsoever, or by any method or arrangement, direct or indirect; and no bonus, nor any percentage or portion of the commission, shall be given, paid or allowed, directly or indirectly, or as a salary, or portion of a salary, to any clerk or person, for business sought or procured for any member of the Exchange.

SEC. 2. All commissions shall be calculated upon the par value of securities and the rates shall be as follows:

(a) On business for parties not members of the Exchange, including joint account transactions in which a non-member is interested, transactions for partners not members
of the Exchange, and for firms of which the Exchange member or members are special partners only, the commission shall be not less than one-eighth of one per cent.

(b.) On business for members of the Exchange, the commission shall be not less than one-thirty-second of one per cent., except when a principal is given up, in which case the commission shall be not less than one-fiftieth of one per cent.

(c.) On Mining Shares and Subscription Rights, such rates, to members and non-members as may be determined, from time to time, by the Committee on Commissions, with the approval of the Governing Committee.

(d.) Government and Municipal Securities are exempted from the provisions of this Article.

Sec. 3. A firm having as a general partner a member of the Exchange, shall be entitled to have its business transacted at the rates of commission hereinbefore prescribed for members. A member of the Exchange cannot confer this privilege upon more than one firm at any one time.

Sec. 4. A proposition for the transaction of business, at less than the minimum rates of commission herein provided, shall constitute a violation of this Article.

Sec. 5. A member suspended by the Governing Committee shall not, during the time of his suspension, be entitled to have his business transacted at member's rates of commission.

A member who is in suspension by reason of insolvency may have his business transacted at member's rates.

Sec. 6. If the Governing Committee shall, by a majority vote of all its existing members, determine that a member of the Exchange has violated the provisions of this Article, it shall suspend such member, for the first offense, for such period not less than one year nor more than five years, as a majority of the members of said Committee present may determine. A member adjudged guilty of a second offense, by a majority vote of all the existing members of the Governing Committee, shall be expelled by a like vote.

ARTICLE XXXV

Office Address—Partnerships—Branch Offices

Section 1. Every member shall register with the Secretary an address, and subsequent changes thereof, where notices may be served. The registered address of every member, transacting business upon the Exchange, must be in its vicinity.

Sec. 2. When a member shall form a partnership he shall immediately register the same with the Secretary; official announcement thereof shall be made to the Exchange and notice posted upon the bulletin for ten days. Notice of dissolution of partnership must be given in like manner.

Sec. 3. No person shall be eligible to either general or special partnership in more than one registered firm at the same time.

Sec. 4. A member shall not form a partnership with a suspended member of the Exchange, nor with any person who has been expelled therefrom; nor with any insolvent person, or with any person who may have previously been a member of the Exchange, and against whom any member holds a claim, arising out of transactions made during the time of such membership, and which has not been released, or settled in accordance with the laws of the Exchange.

A member, who is a special partner in a firm, does not thereby confer any of the privileges of the Exchange on such firm.

Sec. 5. A member of the Exchange who is a general partner in a firm represented thereon is liable to the same discipline and penalties for any act or omission of said firm, as if the same were committed by him personally; but the Governing Committee may in its discretion by a vote of not less than thirty members relieve him from the penalty therefor.

Sec. 6. Members may, by the consent and approval of the Committee on Commissions, establish Branch Offices. Such offices must be in charge of either a partner, or of a manager or clerk acceptable to said Committee.

The member or firm establishing a Branch Office shall register it with the Secretary of the Exchange, and shall be directly responsible for the conduct of its business.
The managing clerk and all other employes must be paid fixed salaries, not varying with the business.

No agents, for the solicitation of business, shall be employed on any other than the foregoing basis.

Sec. 7. Whenever it shall appear to the Governing Committee that a member has formed a partnership, or established a branch office, whereby the interest or good repute of the Exchange may suffer, the Committee may require the dissolution of such partnership, or the discontinuance of such branch office, as the case may be.

Sec. 8. Any member failing to comply with any requirement of this Article, or with any requirement of the Governing Committee in regard thereto, shall be liable to suspension for a period not exceeding one year.

ARTICLE XXXVI
Disorderly Conduct

Section 1. Indecorous language, or an act subversive of good order and decorum, or serious interference with the personal comfort or safety of another person is forbidden. Any member who shall violate this rule, within the limits of any department of the Exchange, may be fined by the Chairman, or by the Committee of Arrangements, in a sum not exceeding fifty dollars; or upon complaint made may be summoned before the Governing Committee and suspended for a period not exceeding sixty days.

Sec. 2. The Committee of Arrangements may make rules to govern the conduct of members upon the Exchange; it may impose a fine, not exceeding fifty dollars, for each violation thereof, or may report the delinquent to the Governing Committee, who may suspend him for a period not exceeding sixty days.

Sec. 3. Betting or offering to bet, upon the floor of the Exchange, is forbidden. A member violating this rule shall be subject to the penalties prescribed in the preceding Section of this Article.

ARTICLE XXXVII
Minutes—Visitors—Communications

Section 1. Members shall have access to the minutes of the Exchange.

Sec. 2. Visitors shall not be admitted to the floor of the Exchange except by permission of the President or the Committee of Arrangements.

Sec. 3. Communications shall not be read to the Exchange without the consent of the President or the Committee of Arrangements.

ARTICLE XXXVIII
Alterations of the Constitution

The Governing Committee may make additions, alterations or amendments to the Constitution by a majority vote of all its existing members. Every proposed addition, alteration or amendment must be presented, in writing, at a regular meeting of the Governing Committee and referred to the Committee on Constitution, which shall report thereon at the next regular meeting of the Governing Committee, or at a special meeting called for the sole purpose of considering it. Action thereon may be postponed to a fixed date by a vote of two-thirds of the members of the Governing Committee present. Such alterations when adopted by the Governing Committee shall be submitted to the Exchange and shall stand as the law of the Exchange, if not disapproved within one week by a majority vote of the entire membership.

No alteration of Article XVIII shall ever be made which will impair, in any essential particular, the obligation of each member to contribute, as therein provided, to the provision for the families of deceased members.
RESOLUTIONS ADOPTED BY THE GOVERNING COMMITTEE

Advertising

February 9, 1898.

"Resolved, that in future the publication of an advertisement of other than a strictly legitimate business character, by a member of the Exchange, shall be deemed an act detrimental to the interest and welfare of the Exchange."

Arbitrage Dealings

January 26, 1898.

"Whereas, the so-called Arbitrage business or trading between this Exchange and that of any other city in the United States, based upon quotations from the floor of this Exchange, has resulted in practically ignoring the commission law; therefore

"Resolved, that in the judgment of this Committee the sending of continuous quotations or quotations at frequent intervals by members of this Exchange, from the floor of the Exchange, is detrimental to the interest and welfare of the Exchange, and that any member engaging in such business or trading, shall be proceeded against under Section 8 of Article XVII of the Constitution.

"Resolved, that the Committee of Arrangements be and they hereby are authorized and instructed to prevent the transaction of any such business or trading by any member of this Exchange, and to prefer charges against any member engaging therein."

Bids and Offers

December 14, 1898.

"That where parties have orders to buy and orders to sell the same security, said parties must offer said security, whether it be stock or bonds at one-eighth per cent. higher than their bid before making transactions with themselves."

Branch Offices

February 13, 1901.

"That the Governing Committee rules, that the privileges provided for under Section 3, of Article XXXIV, of the Constitution, can only be conferred upon a Branch House when established under the same name as the parent firm and in which the partners and their respective interests are identical with those of parent firm."

Bucket Shops

March 11, 1896.

"Any member of this Exchange who is interested in, or associated in business with, or whose office is connected directly or indirectly by wire or other method of contrivance with, any organization, firm or individual engaged in the business of dealing in differences or quotations on the fluctuations in the market price of any commodity or security without a bona-fide purchase or sale of said commodity or security in a regular market or Exchange, shall on conviction thereof be deemed to have committed an act or acts detrimental to the interest and welfare of this Exchange."

Commissions

Resolution of the Governing Committee, November 23, 1881:

"That in transactions where orders are received from a non-member, wherein the broker filling the order is directed to give up another broker or Clearing-House, the responsibility of collecting the full commission of 3/8 per cent. shall rest with the Broker or Clearing-House settling the transaction."

Resolution of the Governing Committee, October 24, 1894:

"Resolved, that in transactions where orders are received from a member, on which a clearing firm is given up by said member or by his order, the responsibility of collecting the full commission of 1/32 of 1 per cent. shall rest with said clearing firm; and it shall
be the duty of the broker who executes such orders to report the transactions to the clearing firm and render to them and collect his bill therefor at the rate of 1/50 of 1 per cent., and also that where a broker executes an order for a member and clears the security himself, he must charge 1/32 of 1 per cent.”

April 14, 1897.

"Resolved, that transacting or offering to transact business in grain, produce, cotton or other commodities, without commission or for a nominal commission, by any member of this Exchange or firm represented therein, for a customer dealing in securities dealt in at the Exchange, is a method or arrangement for rebatement of commissions, and is a violation of the commission law.

"Resolved, that giving or offering to give reciprocal business in grain, produce, cotton or other commodities dependent upon the amount of Stock Exchange business received is a method or arrangement for rebatement of commissions and is a violation of the commission law.”

June 22, 1898.

"That in the judgment of the Governing Committee, any member of the Exchange, who by agreement or otherwise, directly or indirectly, assumes or bears for his own account, or relieves his principal from any part of the stamp taxes imposed by the Act of Congress passed June 13, 1898, upon any sales or agreements for the sale of any stocks, sold or agreed to be sold for account of such principal, is guilty of a violation of Article XXXIV of the Constitution of the Exchange relating to commissions.”

January 23, 1901.

"That the employment of a clerk or clerks in a nominal position because of the business obtained by such clerk or clerks for their employer, is a violation of the rules”; Articles XXXIV and XXXV of the Constitution.

March 26, 1902.

"Resolved, that any agreement or arrangement entered into between a member or his firm, and his or their customer, whereby special and unusual rates of interest are stipulated for, or money-advances upon unusual terms are made a condition, in connection with the conducting of an account, with intent thereby to give special or unusual advantages to such customer, for the purpose of securing his business, shall be deemed to be a violation of Article XXXIV of the Constitution, commonly known as the Commission Law.”

 Consolidated Exchange

January 11, 1888.

"Resolved, that in the judgment of this Committee, any connection direct or indirect, by means of telephone, ticker, telegraph wire, or any electrical or other contrivance or device, or pneumatic tube, or other apparatus or device whatsoever, between the New York Stock Exchange Building or any part thereof, and the new building of the Consolidated Stock and Petroleum Exchange, or any part thereof, or any room, place, hallway or space thereof or therein, or any transmission direct or indirect, of information from said Stock Exchange Building to said new Consolidated Stock and Petroleum Exchange, through any such means, apparatus, device or contrivance as above mentioned, is detrimental to the interest and welfare of this Exchange, and is hereby prohibited.”

February 25, 1891.

"Resolved, that all communication between this Exchange and the Consolidated Stock and Petroleum Exchange, or any part of the building thereof, by means of messengers or clerks, or in any other manner directly or indirectly is detrimental to the interest and welfare of this Exchange and is hereby prohibited.

"Resolved, that the Committee of Arrangements be authorized and instructed to enforce this rule.”

 Dealing for Employees

June 23, 1897.

“That the taking or carrying of an account of an employe of a member of the Exchange, by a member, or firm, members of the Exchange, without the written consent of his employer, is an act detrimental to the interest and welfare of the Exchange.”
"Resolved, When a member has contracted to borrow money on collateral, the simple payment of the interest by the borrower to the lender, after three o'clock p. m., without actually effecting or properly endeavoring to effect a loan, shall be held to be an evasion of the contract and an act detrimental to the interest and welfare of the Exchange, and the offending member may be proceeded against under Section 8, Article XVII, of the Constitution."

Stock List

"Whenever it shall appear to the Committee on Stock List that the outstanding amount of any security listed upon the Stock Exchange has become so reduced as to make inadvisable further dealings therein upon the Exchange, the said Committee may direct that such security shall be taken from the list and further dealings therein prohibited."

Wire Connections

(To take effect on June 1, 1900:)

"First.—That hereafter no member of the Stock Exchange and no firm of which such member is a partner, shall establish telephonic or telegraphic wire connection between the office of such member or firm and the office of any firm or individual not a member of the Stock Exchange transacting a banking or brokerage business, unless application therefor shall first be made to the Committee of Arrangements, and shall have been approved by them.

"Second.—Every such telephonic or telegraphic wire connection which shall be so authorized by the Committee of Arrangements as well as all existing telephonic or telegraphic wire connections of the same character, shall be registered with the Committee of Arrangements, who shall make such regulations governing the matter as they shall deem necessary.

"Third.—That the Committee of Arrangements shall have power, at any time, in their discretion, to order any connection of the character described in these resolutions to be discontinued.

"Fourth.—While members of the Stock Exchange may connect their offices by wire with the offices of non-members, in accordance with the provisions of these resolutions, and to pay for such wire connection, nevertheless no such member shall directly or indirectly, by himself, or through his firm, pay the cost of telegraph operators or any other expense pertaining to non-members’ offices.

"Fifth.—No office in the city of New York of any member of the Stock Exchange, or of any firm of which such member is a partner, shall be connected by telegraphic or telephonic wire with any point outside of the city of New York unless such wire shall be furnished by a telegraph or telephone company approved by the Committee of Arrangements. Said Committee shall from time to time formulate a list of such approved companies.

"Sixth.—Any member violating any provision of these resolutions, or any regulation made by the Committee of Arrangements in pursuance thereof, shall be deemed to be guilty of an act detrimental to the interest and welfare of the Exchange."
XI

LEGAL STATUS OF THE NEW YORK STOCK EXCHANGE

By

JOHN R. DOS PASSOS

Author of "A Treatise on the Law of Stock Brokers and Stock Exchanges."
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I AM asked to give an analysis of the legal nature of the New York Stock Exchange, so that the reader may clearly comprehend the relation that this great institution, which plays such an important part in the present history of the financial and commercial world, bears to the law, its members, and the public.

The Stock Exchange has been in existence since 1817. If its members desire it, and the law, statutory and adjudicated, remains unchanged, it may exist perpetually.

What, in law, is the nature of the Stock Exchange? An elucidation of this subject can be better attained by first determining what it is not.

The New York Stock Exchange is not a corporation. A corporation is a creature of the government by virtue of which it has its corporate life. Its charter contains the nature and conditions under which it transacts its business, and constitutes a contract between itself and the State. It acts as one person in its dealings with the outside world, as if it had one head, one mind, and one purpose. Its shareholders are not liable for its debts, except in certain exceptional cases. It has perpetual succession; that is, it exists until the date fixed in its charter for its dissolution arrives. Being the creature of the State, it is liable to State supervision and visitation. Membership in a corporation is attested by the ownership of shares of stock, which are offered for sale to the public, and which pass from
hand to hand with the same facility as negotiable instruments. The New York Stock Exchange is *not* a joint stock association. A joint stock association is very similar to a corporation under the laws of New York, but there is this important difference, which deters individuals from combining their business in such a form—all the individuals composing the company are liable as partners. Most of the express companies are joint stock companies, and their shareholders are all liable, individually, for the debts, if they should become insolvent. The substantial difference between the Stock Exchange and a joint stock company is this: the latter exists as a business enterprise—to trade and gain thereby; the former is not engaged in business—it furnishes facilities for others to do business. Membership in a joint stock association is attested by shares which any one can buy and hold. Membership in the Stock Exchange is a personal privilege, not transferable without the consent of the Exchange. It might also be remarked that, under the existing statutes of New York, the difference between a joint stock company and the Stock Exchange is *real*, but extremely fine.

The Stock Exchange is *not* a partnership, because the general rule of law is that no partnership or *quasi* partnership subsists between persons who do not share either profit or loss, and who do not hold themselves out as partners. As I must repeat, the New York Stock Exchange is not engaged in business; it simply affords facilities for its members to deal in stocks and securities. It gains nothing from the business of its members, except in the shape of dues and fines and other membership exactions.

Failing to come within the definition of a corporation, joint stock company, or partnership, it results that the Stock Exchange is nondescript, and has no technical name or place in the law. It has some of the elements of each of the foregoing bodies. It is so much like a joint stock company that it might be taken for a twin brother. It closely resembles it in the following particulars:

First. It can sue or be sued in the name of its president or treasurer. If it were a partnership it would be necessary to join all the members.

Second. It has perpetual succession—that is, it can exist (as it has existed since 1817) as long as its members choose to keep up its organization. If it were a partnership the death of one of the partners would dissolve it, and the life of a corporation is limited by the terms of its charter.

Third. New members may be admitted into the body without causing its disruption or dissolution. If it were a partnership the introduction of new members would cause a dissolution or require a readjustment of its internal conditions.

The New York Stock Exchange goes on in its business life without regard to change in its membership by death or transfer of the "seats." Members go and members come, but it goes on forever.
Fourth. Like the members of a joint stock company, all the members of the Stock Exchange are liable for its debts, obligations or liabilities.

It is unlike a corporation or joint stock company in the indicia of membership. The latter issue stock certificates attesting the amount of each shareholder’s interest in the companies. Stock Exchange membership is the personal, unassignable privilege of transacting business on the floor of the Exchange. Each member has a “seat” which gives him the privilege of standing up on the floor to transact his business from 10 a. m. to 3 p. m. And another important distinction is made by Sec. 3 of the General Corporation law defining a Stock Corporation, which is as follows: “A stock corporation is a corporation having a capital stock divided into shares, and which is authorized by law to distribute to the holders thereof dividends or shares of the surplus profits of the corporation. A corporation is not a stock corporation because of having issued certificates called certificates of stock, but which are, in fact, merely certificates of membership, and which is not authorized by law to distribute to its members any dividends or shares of profits arising from the speculations of the corporation.”

The Exchange exists under a written constitution and by-laws, which furnish the rules for the government of its officers and members. Every individual becoming a member of the Exchange is presumed to assent to its rules, and they govern his action while he is a member. It is not necessary that he should actually sign the constitution or by-laws, but his assent to the same may be inferred or presumed from the circumstances of each case, and especially from the fact of admission and acting as a member.

As to the limit and extent of the rules which an organization like the Stock Exchange can adopt, it seems to be established that its members possess the right to make such regulations for the government of the body as they may deem proper, providing these contain nothing unreasonable or against the law of the land (which, of course, includes anything immoral or against public policy), and that, with these necessary limitations, their rules will be obligatory and enforceable. Of course it would be impossible for the Stock Exchange to exist without rules and regulations, and therefore the courts have been very liberal in construing these regulations, with the view of carrying out the objects of the organization. In some few cases the rules of the Exchange have been found to be contrary to law or public policy, but in most instances they have been sustained. In the light of the present legal adjudications, the Exchange possesses the fullest control of its members in the exercise of their vocations.

As has been intimated, the Exchange is in no wise interested in the pecuniary gains or losses of its members, the sole source of its revenue being derived from such dues, fines, assessments or contributions as it may, from time to time, collect or receive from them, together with any increase
of its present accumulations. At common law, the legal title of
the personal property of the Exchange, it being unincorporated, is
vested in all its members, in like manner as the title to partner¬
ship property is vested in all the partners; but, unlike the relation
of partners, a member of the Exchange, or his legal representatives,
has no right to call for an account of the property and a division of the
same. A member has no several proprietary interest in it, or a right to any
proportionable part of it, upon withdrawing. He has merely the enjoyment
and use of it while he is a member; but the property remains with, and
belongs to, the body while it continues to exist—like a pew, the ultimate
and dominant property in which is in the congregation, and not in the
pew-holder; but when the body ceases to exist, those who may then be mem¬
bers become entitled to their proportionate share of its assets. When an
individual is elected a member of the Exchange, he becomes entitled to what
is commonly called a “seat,” and such a proportionate interest in the
property of the association as he would be entitled to if he should happen
to be a member at the time of its dissolution; and that interest would be
found by dividing the amount of property by the number of “seats” then
existing after deducting debts and liabilities. These “seats,” under the
constitution of the Exchange, are transferable, but the transferee must be
approved by two-thirds of the Committee on Admissions. The transfer,
sale, or assignment of the interest of a partner would work a dissolution of
the partnership; but in the present instance it will be seen that the trans¬
feror, by such an act, does not disturb or affect the integrity or longevity
of the general organization. He simply ceases to be a member and to
have any legal interest or concern in the Exchange, and the transferee,
having been approved by the proper Committee of the Exchange, becomes
invested with all the privileges, duties, and attributes of membership.
When a member dies, his “seat” may be sold by the Committee on
Admissions, who satisfy any claims of the members and pay the balance
to the legal representatives of the deceased.

If the Committee on Admissions should, for even arbitrary reasons,
refuse to approve a person to whom a member has bargained to sell his
“seat,” the latter is forced to continue his membership. The New York
Stock Exchange, in this respect, is like a club. It has the right to select
its own society, and it can refuse to admit applicants without deigning to
give a reason. In this respect the powers of the Exchange are almost
despotic.

In respect to holding real estate, the Exchange may be regarded as a
joint stock association, and there is a general law in the State of New
York authorizing any joint stock company or association, in the name of
its president, to purchase, hold, or convey such real estate (1) as may be
necessary for its immediate accommodation in the convenient transaction of its business; (2) as may be mortgaged to it in good faith to secure loans made by or moneys due to it; or (3) as it may purchase at sales under judgments, decrees, or mortgages held by it. Conveyances shall be made to the president of the association, as such, and he and his successors may sell, assign and convey, free from any claim of shareholders, or any person claiming under them.¹

As to the liability of members for the debts of the Exchange, no case has arisen where such a proposition has been involved, and none is likely to arise. But if any case should occur in which the Exchange would be unable to respond to any debt which it might owe, or any liability which might be fixed upon it, the question would be decided upon general principles of law, which hold that members of unincorporated companies are regarded as partners and are subject to the whole law of partnerships.

Carrying out the analogy which the common law creates and maintains between unincorporated bodies and joint stock associations, in a suit by or against the former it was necessary that all persons composing it should be made parties, but the legislature of New York has remedied this evil and has provided that any company or joint stock association composed of not less than seven persons, whether owners of or who have an interest in any property, right of action or demand, jointly or in common, or who may be liable to any action on account of such ownership or interest, may sue and be sued in the name of the president or treasurer for the time being of such joint stock company or association.

In respect to the rules and regulations which it can make for its internal government, I have shown that the Stock Exchange has full power, but when its rules are brought into a court of justice for construction it must submit to the test which is applied to the by-laws of incorporated bodies. They will be declared void when they violate the constitution or laws of the United States, or of the individual states where the associations exist, or the common law, as it is generally accepted.

Subject to the above limitations, one of the most important powers of the association is that which relates to the suspension or expulsion from membership. It is settled that for a violation of the rules, after a hearing in accordance with the methods prescribed in the constitution and by-laws, any offending member may be either suspended or expelled from membership, as the nature of the act justifies. But in disciplining its members the Exchange cannot act arbitrarily. It must give the accused a full and fair trial in accordance with its rules and regulations.

It is obvious that without this power of suspension and expulsion the

¹Note. But to avoid any possible questions, a company was incorporated under the laws of the State of New York, duly empowered to hold real estate; the stock of the company being exclusively owned and held by the Stock Exchange. Incorporated January 30, 1863.
Stock Exchange could not be successfully maintained. Without the right of disciplining its members, there would exist such confusion and disorder as would effectually prevent its business being accomplished, and the courts, in examining into questions where such discipline has been inflicted, either in the way of suspension or expulsion, have taken great pains to examine the acts in the light of the objects for which the Stock Exchange exists.

An unincorporated body has, at common law, the right to expel a member for a violation of its express rules where such a punishment is attached to the act, and such an association has the inherent power to expel its members in the following cases for certain acts, although they may not be specifically mentioned in its by-laws:

1. If an offence is committed which has no immediate relation to a member's corporate duty, but is of such an infamous nature as to render him unfit for the society of honest men—such as offences of perjury, forgery, or other felony. But before such an expulsion is made, it is necessary that there should be a previous conviction by a jury according to law.

2. When the offense is against his duty as a corporator; and in that case he may be expelled on trial and conviction by the corporation.

3. When the offense is of a mixed nature, against the member's duty as a corporator, and also indictable by the law of the land.

Upon this question of disfranchisement there is a well-defined distinction between those bodies, corporate or unincorporated, where the members exercise a personal or active supervision or duty, and those commercial organizations, instituted mainly for gain, where the members do not actively participate in the management, but merely hold certificates of stock which are transferable by assignment and delivery, and which entitle each holder to a proportionate share of the assets, profits, and earnings of the company. In the former case the personal character and conduct of the member may be of the highest importance, and the rule stated above, relating to the power of expulsion, ought to readily apply. But in the latter case the personal character of the stockholder is of no particular concern, and consequently it seems to be settled, both by reason and legal precedent, that, generally, a member cannot be disfranchised and deprived of his rights in the corporate property for acts of misconduct disconnected with the corporate business. It is manifest that there is a vast difference between a membership in the New York Stock Exchange and the ownership of stock in one of our great railroads. In the former case the personal character, standing, and responsibility of its members are fundamental, but in the case of the shareholders of a railroad company, as they do not participate in the active business, their personal character is of little or no moment. The New York Central or Pennsylvania Railroad, which are corporations, do not and cannot investigate or regard the personal
character of their shareholders; nor do the express companies, which are joint stock companies, make any such investigation. So the important prerequisite to admission to the Exchange is good personal character. This is essential because the members are compelled to contract with and trust each other.

Another important element of the Stock Exchange is the rule by which the members have a lien upon the "seat," or the proceeds thereof, of an insolvent member, for claims or demands arising out of transactions made in the Exchange, and by virtue of which they have, to the extent of the money value of the "seat," a preference over outside creditors. This right to a preference was sustained by the Supreme Court of the United States many years ago, and it is the accepted law to-day. The courts hold that a provision of the constitution of the Exchange that a member, upon failing to perform his contracts or becoming insolvent, may assign his "seat" to be sold, and that the proceeds shall, to the exclusion of his outside creditors, be first applied for the benefit of the members to whom he is indebted, is neither contrary to public policy nor in violation of the bankrupt act. The Exchange is a voluntary association, and the members have a right to associate upon such terms as they see fit to prescribe, so long as there is nothing immoral or in contravention of public policy in the terms and conditions adopted. No man is under any obligation to become a member unless he sees fit to do so, and when he subscribes to the constitution and by-laws, thereby accepting and assenting to the conditions prescribed, he acquires just such rights, with such limitations, and no others, as the articles of the association provide for. A "seat" on the floor is not a matter of absolute purchase. Though it is property, it is incumbered with conditions, when purchased, without which it could not be obtained. It never is free from the condition allowing a preference, and that rule enters into and becomes an incident of the property when it is created, and remains a part of it into whomsoever hands it may come. As the creators of this right—this property—take nothing from any man's creditors when it is created, no wrong is done to any creditor by the imposition of this condition.

The foregoing contains a résumé of the legal nature of the Exchange. There are many interesting and difficult questions which have arisen since its creation and which will continue to arise. The fundamental principle, however, is well settled, that the Exchange, so long as its rules and regulations are not inconsistent with law, will be respected by the courts, nor will the latter interfere with its internal operations and government if it remains faithful to this principle.

Finally, what is the relation of the Exchange to the public? A word is only necessary here. For some purposes the Stock Exchange must be
regarded as a quasi public institution. It is impossible to believe that an organization like it, exercising such a profound influence upon the financial, commercial, and investment world, should be only amenable in forum conscientiae. In a proper case it will be held to be controlled by the rules which govern other public or quasi public bodies. This field, however, is almost untouched, and I do not venture into it, because I am speaking of the law as it is, and not endeavoring to make it out upon supposititious or hypothetical cases. When, and if, the occasion arises, the courts will be equal to the task, and if the Stock Exchange at all times arises to the full performance of its duty to the public, there is little danger of any conflict between it and the tribunals of justice.
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