The 1907 Financial Upheaval

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THE 1907 FINANCIAL UPHEAVAL

BY

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VITA

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INTRODUCTION

The Panic of 1807, its causes, extent, results, and the remedies taken to correct the chaotic situation form the objectives of this investigation. In the process of presenting the relevant material in a clear and concise manner, the writer has a five-fold purpose in mind. In the first place a generalized picture of the background previous to the October scare is given. Secondly, the mental set of the people directly involved and the people affected is mirrored from primary sources. Thirdly, eye-witness accounts of what was seen and what the probable effects would be are given. Fourthly, remedial measures taken to alleviate the financial and economic instability of the Panic are described. Finally, an evaluation of the causes and remedies and their immediate effects are set down.

In pursuing the investigation, it became patent that many leaders were distressed over the instability of their money and some seized the opportunity to profit through illegal means. Others were blissfully ignorant of the impending crash, while the majority cared little or nothing about the situation and continued to live as they had without regard to existing
conditions and their ultimate effects. It may be stated that the whole period was almost too human to evaluate. It is this very sameness, however, that makes this period in our nation's history so vital, absorbing, and perhaps profitable to us a half century removed. Some of the conditions are still with us today and probably will remain. It is only too true that little can be done to put a stop to carelessness, over-spending, and ill-advised investments. A picture of past disasters will no doubt continue to be seen by many unseeing eyes. Thus, it is to those who may profit from past mistakes that this paper is hopefully dedicated as well as to those who are interested in human action for its own merit.
CHAPTER I

FINANCIAL ADOLESCENCE OF THE UNITED STATES

Human nature is such that nothing save industrial experience of the sort will convince the average man that a limit is set by financial law to the use of credit in rapid industrial expansion, and that the limit will usually have been very nearly reached when business prosperity seems to have reached its most exalted heights. Each successive business generation, therefore, pursues its way in cheerful defiance of the teachings of the past; each blows its own financial and industrial bubble; each, after two or three discarded warnings, has to face the terrific penalty; and, having passed through that experience, each may be depended on for conservatism until the next generation of exploiting financiers comes on the scene. 1

It is, therefore, understandable that the six depressions in the United States from 1833 to 1887 were the result of internal industrial conditions. "It would be difficult to name any kind of occurrence or condition which

1 Alexander D. Noyes, "The Cycle of Prosperity," Century Magazine, 75:632, November 1907 to April 1908
2 Appendix A shows the effects of these depressions upon the alcoholic consumption in the country

1
affects business, that did not take place during that period." Beginning with 1887 five more depressions descended upon the financial world. One was caused by the panic of 1890; another was brought about by a panic three years later; the financial derangement of April, 1894 was another; the Venezuela Proclamation of December, 1895 provoked the fourth; and finally the threatened abolition of the gold standard in July, 1896, brought about the fifth.

It would be misleading to neglect mentioning that these years (1833-1897) were not necessarily low financial ones for the majority. It is this writer's intention to touch the high spots occasionally in order to show a clearer understanding of the background of the Panic of 1907. It must be understood, however, that many successfully withstood the crushing effects of such tragic happenings; but the great majority of the people were victims of the financial strain each time it occurred.

In order to clarify the situation, it is necessary to obtain a clear-cut understanding of the terms "panic" and

3 George H. Hull, Industrial Depressions, Frederick A. Stokes Co., New York, 1911, 158
4 Ibid., 163
"depression". As Juglar indicates:

A ... panic may be defined as
a stoppage on the rise of prices:
... the period when new buyers
are not to be found. .... A
panic may be broadly stated as
due to overtrading, which causes
general business to need more
than available capital, thus pro-
ducing general lack of credit. 5

On the other hand, the term "depression" may be defined as "... a prolonged period of financial and commercial stagnation char-
acterized by unemployment, restricted credit, low prices, and
general social distress." It must be understood that not all
depressions involve panics; yet, panics invariably bring about
immediate depressions. Sometimes depressions occur without the
chaos engendered by a panic. Such are due to the bad internal
structure of industry itself. Hence, these are quite indepen-
dent of panic.

Financial circles are almost immediately paralysed
by a panic, even though it be short lived, lasting only a day,
a week, or perhaps a few months. The situation in a depression

5 Clement Juglar, A Brief History of Panics and Their Periodi-
cal Occurrence in the United States, translated and edited by
De Courcy W. Thom, G.P. Putnam's Sons, New York, 1893, 2-3
6 Franklin J. Meine, ed., Webster's Encyclopedic Dictionary,
Columbia Educational Books, Inc., Chicago, 1940, 200
7 Hull, 18
has a more lasting effect and does not bring about the immediate effects of a panic. Unfortunately, it is a more durable condition.

Hull gives a clear picture of the general reaction of the people to the Panic of 1907 when he states:

The public, however, will almost invariably identify the panic as being responsible for the prolonged depression, simply because the panic, being startling and spectacular, will make a vivid impression upon the public mind. 8

The table below shows approximately the lapse of time in the differing ups and downs in the panics and depressions from 1835 to 1907:

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<td>1.0</td>
<td>2.0</td>
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<td></td>
<td></td>
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8 Hull, 20
9 Ibid., 191
* Minor financial flurries
The reasons given for the majority of these conditions have been blamed upon a multiplicity of factors. Many economists are not hesitant to bring forth their pet theories regarding the causes, yet historians are united in their explanation of the effects. This thesis is then concerned with the 1907 upheaval and uses such crises as background material for a clearer understanding.

Confidence in the prosperity which began in 1897 carried over to succeeding years. The expanding of many businesses necessitating corporate financing severely strained the money market. The cash holding of the national banks on October 5, 1897, was $388,900,000. Revenue exceeded expenditures and the problem of surplus financing greatly perplexed the federal Treasury. Several circumstances contributed to the national prosperity. A vast amount of grain was exported to Europe and gold imports were used to pay for this. In the meantime, the volume of our own gold production had been increased. In 1901, a partial repeal of the taxes necessitated by the Spanish War was welcomed by financiers no less than the full removal of such taxes one year later. Another circumstance which helped

indirectly was the currency act of 1900. This made it easier and more profitable for the banks to issue notes.

Despite the obvious external prosperity, warnings of financial storms were seen in a tightening of the money situation in New York financial circles. The Secretary of the Treasury became alarmed at this and took unprecedented steps to relieve the situation. Some municipal and state bonds were accepted by the banks on the provision that the released national bonds must be used as a basis for additional note circulation. To make it even easier, the banks were permitted by the Secretary to keep their federal deposits without any reserve backing. Naturally, the banks were only too happy to cooperate with the Secretary of the Treasury in these unprecedented steps. The Clearing House Association of New York refused to make use of this permission to accept government deposits without reserve requirements. By mid-summer of 1903 another scare began to rise, further tightening the money situation as cash was needed to move the crops. Mr. Shaw then announced that the internal revenue receipts already collected would be transferred to the banks.

11 O.M.W. Sprague, History of Crises under the National Banking System, 61 Congress, 2 session, Senate Document 538, Washington, 1910, 217
12 Dewey, Financial History, 478
Some, however, were of the opinion that the Secretary of the Treasury had no authority to make such a transfer. The Treasury Department on the other hand believed that the depository banks were part and parcel of the Treasury. Thus, it was nothing more than a matter of shifting money from one pocket to another.

From the above, it is abundantly clear that Mr. Shaw was overly helpful to the New York banking circles. The majority of Americans were quick to realize that the Secretary was unduly anxious on behalf of the New York bankers. Consequently, rumors began circulating to the effect that Shaw was favoring Wall Street entirely too much to the determent of the people at large.

Not withstanding the obvious shaky financial situation, the people were lulled into a false feeling of security. As Mead tells us:

... from 1887 to October, 1907, this country enjoyed prosperity. Money became most abundant, thanks to the increased national bank-note circulation, so that the amount in the country grew during the years ... from twenty-

13 Dewey, Financial History, 478
two dollars to thirty-four dollars per capita. Trade, both foreign and domestic, increased by leaps and bounds. The prices of staple articles rose. Labor was in increasing demand at higher and higher wages. Corporations, firms, communities, and individuals rivaled each other in increased expenditures. 14

Such reports of the United States' great financial stability during the ten year period (1897-1907) fail to present a clear picture. It would be more accurate to state that the vast majority of the people assumed the boom period to be that of a high economic normalcy, but in reality it was but the false prelude to the bubble's bursting.

The financial adolescence of the United States was based on the struggle from infancy to the attainment of maturity in a period of a little over one hundred years. This struggle was based upon the eagerness of the people to succeed, to defeat youthful inexperience and to gain the respect and admiration that is given to an adult. But, the country had no traditional policy to follow, no economic history to draw upon and no desire to accept guidance from the older nations of Europe. Her

mistakes were natural, although tragic to those suffering the ill-consequences of immature economic navigation. In desperation, the national government called upon reserves it did not possess. It attempted to use such non-existent reserves to obtain those things it needed. Thus, began the vicious circle. This created general uneasiness, wealth for the fortunate speculators, debt for the unsuccessful, and utter confusion for the majority. Over-spending, over-trading, over-production, over-mining of gold, over-construction, over-expansion by interior railroad building, and over-confidence did not help to alleviate the strain. The result naturally was the many cycles of boom and prosperity followed by panic and depression, only again to revert to boom, and the cycle started once more. It was at the end of this adolescence that the Panic of 1907 took place. The writer does not wish to convey the idea that these cycles are a thing of the past; but, until this period, not too much was done to correct the causes of such economic, commercial, and industrial fluctuations. As a result, measures were taken to prevent rather than ease the ill-effects of financial disaster in so far as they were able.

Adolescence is a delicate time of life when habits, attitudes, and general all around mental as well as
physical health must be thoroughly safeguarded. Otherwise the well-rounded and adjusted adult will not blossom. A nation's life resembles to some extent that of the ordinary human individual. At this time our nation was a financial adolescent.
Judging from external conditions, 1906 may be considered a year of great prosperity. Commodity prices and the cost of living were high and a construction boom was apparently in full force. One reason for this was that building had fallen since 1904 due to the extremely high cost of materials. Consequently, people limited themselves to necessary repairs and slight improvements. The increased demand for new construction projects was modified to a great degree by the apparent unwillingness of investors to risk their money in such a dubious venture as real estate at that time. Quite naturally, little or no actual building construction was undertaken. Prices, however, slowly lowered and this decline set off the cycle once more. Investors were now more than anxious to risk their money in order to reap a rich harvest. The stock piles of building materials were slowly exhausted as the cycle began to gain momentum. As a result in the year 1906 there were frantic calls for materials, workers, and financial assistance. Such investment construction is usually followed by a stimulated increase

1 Hull, 180
in necessity construction. The theory is that production is stimulated and general business is extended to a pitch of unexcelled prosperity. But the price of any commodity regulates its selling factor. When the demand is satisfied a gradual surplus is built up; supply then exceeds demand and a slackening period sets in after the levelling off. When the payment is halted a natural result is that financial and commercial interests are accordingly affected.

It must be borne in mind that the rapid development and equally sharp decline in work-promoting enterprises is most apparent when viewed objectively from a vantage point of forty years. However, those living at the time are usually not able to distinguish the change and quite naturally conclude that such financial good times are normal and will continue.

With the general advance in construction prosperity all branches of gaining a livelihood quite naturally are stimulated. The general field of entertainment receives more than its share of surplus money and as a result stars such as the John Drews and the Mary Gardens rise with the prices. Clothing manufacturers are encouraged to buy more goods as the demand for

2 Hull, 180
their commodity is increased. This situation continues to flow through the whole fabric of daily living for people are most eager to maintain their station in life.

The price of food, likewise, soared because the farmer and the grocer insisted upon their share of the fruits of the apparent prosperity. The Roosevelt Pure Food Law improved service and food in the many restaurants scattered throughout the country. This was done to such a degree that they were patronized much more than in previous times. It would be misleading, however, to fail to mention that most entertaining was done in the home. This, in turn, necessitated the employment of domestic help. Such help was at a premium and as a result was in a position to demand higher wages and the best in working conditions.

Education, likewise, was expanded. No prosperous home would dare admit that its children wanted for anything. An excellent proof of wealth was the common statement to the effect that the children attended this or that expensive and exclusive school.

When the head of the family possessed sufficient
resources to live on a higher level than his father, when his
children are well fed, clothed, educated, and given every pos-
sible opportunity to advance, when he has a surplus which would
enable him to dabble in stocks and bonds, then is he lulled into
a feeling of security in which the very idea of personal disaster
to him and his is utterly abhorrent. Such an attitude of mind
was far too general at this time and must be understood in order
that the entire spirit of the period in question be not uncom-
prehensible. Disaster was waiting just around the corner for an
opportunity to raise its ugly head and start the chaos that is a
natural consequence of the fact that its warnings have been ig-
nored.

On an early spring day, April 8, 1906, one year
and a half previous to the bursting of the Panic in all its
fury, a terrible disaster took place on the Pacific Coast. On
that day the city of San Francisco was utterly destroyed by an
earthquake and subsequent fire resulting therefrom; the loss in
human life was high for any city. Millions and millions of
dollars in property values went up in smoke or had been shaken
apart by the earthquake. The insurance companies bore the full
impact of the losses resulting from the earthquake and fire.
Disaster as well as war drain a nation's finances. Money, capital, and property are destroyed. The disaster in San Francisco shook the financial fabric of the nation. It was a most unfortunate occurrence but not the direct cause of the Panic as Sprague points out:

... but even if it [the 'Quake] had not occurred it is certain that demand for additional capital was outstripping current savings seeking investment. Increasing difficulty was experienced in marketing securities of the very highest class. By some ... this difficulty was attributed to the activities of the national and state governments designed to regulate corporations; but it can hardly be supposed that this superficial view blinded those in responsible positions in the financial world. The strain upon capital was world-wide, and in the United States municipal bonds whose sale would have been stimulated ... could only be marketed when offered at lower prices or a higher rate of interest. 3

During the summer months, however, stocks and bonds began to move again to higher grounds. Dividends were rather high and this was all the assurance speculators had to have in order to stimulate investments. The large banks began to receive capital from the smaller banks and the money in

3 Sprague, Crises, 239
circulation was thereby increased. A large number of the investment establishments in the financial capitol received the required reserve capital from outlying community banks. These, in turn, felt themselves to be secure since their reserves had been placed in famous New York institutions of banking and investment. Almost fifty-four millions of dollars had been secured through the importation of gold. This was brought about through the negotiation of finance bills and the entire movement was eased to a great degree by deposits of funds of the government in the banks against the gold. Even the crop-moving demands were successfully met by the financial circles in New York without suffering too much loss. Some increase loomed on the horizon, but by December the stock market began to decline. As a consequence, very stringent money conditions returned.

The year, 1907, opened brightly with the hope that the beginning of the new year would be marked by an increased flow of money into New York. The New York banks, however, soon found themselves in a difficult position of being forced to make

4 Money in circulation increased nearly $100,000,000. Deposits in New York banks reduced the Treasury Department's holdings $23,000,000. "State and other bonds were accepted as security for such deposits on condition that the banks should use the released United States bonds on a basis for further issues of notes." Sprague, 240
loans on the very loans which they had already negotiated. Such juggling of funds resulted in double liquidation and brought about the "Rich Men's Panic" of February and March, 1907. As a writer in the Nation points out this type of panic is "... conceived of as forced selling of stocks by capitalists who are so rich that their credit cannot be touched, and who are merely compelled to reduce the burden which they are carrying with borrowed money." Such a panic occurs when the stock market seems to promise an extensive rise. The speculator purchases more stock with the idea in mind of unloading such stock when prices reach a higher level. The reason this type of person borrows money from the banks is due to the fact that most of his wealth is tied up in land, private business, and his regular stocks and bonds. Rather than selling those things which he knows are safe and sound in order to get the necessary funds, he proceeds to borrow on the fact of his well established credit. Such financial manipulation is quite easily arranged. The speculator simply pledges his real investments as collateral. This way he may borrow enough money to plunge into speculative stocks of doubtful value. He may even go one step further and invite disaster by pledging his new purchases and thus speculate further. In present day terms this is simply buying on margin 5 "A Rich Men's Panic," Nation, 84:554, March 14, 1907
and in our own time we have experienced a too, too painful result of such financial legerdemain.

When the prices rise and the speculator is able to sell he stands to make a very good profit. If the price of his speculated stock remains constant to a relative degree he is able to hold and maintain his investment. But, as the writer in the *Nation* correctly states:

But, if he has wholly misjudged the market; if the price, both of the newly-bought stock and of the older holdings ... put up as collateral, falls ten or twenty percent on the Stock Exchange, the ... million dollar operator is quite as much forced to 'liquidate' as is the petty speculator caught with an 'exhausted margin'.

... Small speculators caught ... soon reach the end of their resources and are 'closed out', leaving no more forced sales to come from that quarter. The ten-million-dollar man, ... may raise sufficient cash, by sales on the Stock Exchange to reduce his debt and protect the bulk of his speculative ventures.

... his sale of stocks will not only be long-continued, but will be of a magnitude proportioned to that of his speculative commitments. 6

Of course money is lost, but his speculations are so great that visible signs of individual distress or shaky credit are lacking.

6 "A Rich Men's Panic," 254
This in a word is a "Rich Men's Panic."

This "Rich Men's Panic" may be summarized as follows: the speculators were the largest buyers following the August dividend's go-ahead signal; these men misjudged the market conditions; and, the public did not purchase the stocks so financially manipulated. In a country where almost seventy-five per cent of the business is carried on a cash basis, such a panic merely brings about an already overly aggravated money shortage.

7 "A Rich Men's Panic," 254
8 This will be brought out more clearly in Chapter III where the "run" on the banks is explained in detail.
CHAPTER III
OCTOBER, 1907

The year 1906 gave ample evidence of the approaching financial storm but such evidence was ignored by the majority of people throughout the country. Speculators, both large and small, felt no compulsion to taper off their wild purchasing on slim margins. To complicate matters, expert opinion in Europe was over-confident that the financial world in America was sound. European financiers were not slow in extending credit to Americans. It is easy to understand then the events which reached their climax in October, 1907. Through world-wide economic madness, the results could not have been otherwise. The unfolding of these events should not cause any shock for they had been foreshadowed long before the Panic really began.

The first sign of trouble came when Charles W. Morse, notable as the constructor of a great ice company and the projector of a chain of banks, E.R. Thomas, a young and daring financier, and F. Augustus Heinze, an engineer who had gained fame and fortune by his dealings in copper, suddenly withdrew from the

1 Berlin Correspondence, New York Evening Post, July 21, 1906, Financial Section, 1
direction of the group of banks which they controlled. 2

There was a strong rumor that the Clearing House Committee had dictated this move. Those involved denied this and stated that the changes were caused by their voluntary action in order that they might devote their full energies to their personal interests. According to a headline appearing in the *New York Times* we read that "Heinze's Coppers Dance Up and Down." On October 17 the financial page carried these news leads "Brokerage House Fails. Stock Exchange Firm Suspends Following United Copper's Wild Course ...." If any added proof were needed more information was given on the 18th, relative to the Clearing House's aid to the Mercantile National, and the entire front page spread concerned itself with conveying the information that all would be well.

Financial uneasiness began to spread while the
Clearing House Committee was conducting its investigation. When the newspapers divulged a few facts of this inquiry in relation to the misuse of invested capital, then the bankers became alarmed. In little time all institutions having financial dealings with the board of directors of the suspect bank began checking their records. Quite naturally their depositors were deeply concerned. These were divided into two groups; the suspicious and cautious who drew out their savings before the storm broke; and the trustful souls who believed that prosperity was permanent and so no harm would come to a financial institution just because it was under investigation.

Shortly after, Charles T. Barney, who had been an associate of the Morse group, resigned as president of the Knickerbocker Trust Company. This only added fuel to the fire. At the close of the business day, October 21, the National Bank of Commerce formally announced it would not accept checks drawn on the Knickerbocker Trust. That evening a group of bankers held a meeting at Sherry's Restaurant and spent their time deliberating the fate of the Knickerbocker

9 The Mercantile was the second largest of its kind in New York City
10 Inglis, 1646
11 New York Times, October 22, 1907, 1
Trust until the early morning hours. In order to save face, this group guaranteed the huge sum of $15,000,000 to tide the struggling institution over its financial storm. The morning papers, however, carried the news in full detail. The public became alarmed upon reading the story. Hours before the Knickerbocker Trust opened its doors on the 22nd, a long line of orderly though thoroughly anxious depositors were patiently waiting to withdraw their money. This was the first actual and real indication that the Panic was underway when the general public showed signs of its lack of confidence in the Knickerbocker Trust. The line of hopeful yet fearful depositors extended for blocks and during the long period of waiting it became necessary for the New York City police to issue numbered cards so that those wishing to take time off to eat might return again to their place in the long line.

By half-past one o'clock that afternoon [October 22] the Knickerbocker Trust Company had paid out nearly $8,000,000 of its own money, and the run of eager depositors was as insistent as ever. No help was forthcoming from other banks [the $15,000,000 promised the night

12 Inglis, 1646; New York Times, October 22, 1907, 1
14 See Appendix B
15 Noyes, "Financial Panic," 294
before could not be raised and cash was nowhere to be found]. The officers of the company, ordered all payment stopped. The business of the concern was indefinitely suspended. The news was known instantly all over town. Blind, unreasoning fear spread everywhere. 17

October 22 was a day to be remembered in the financial world. The flow of call money to the threatened banks was spasmodic and even the President's speech at Nashville did little or nothing to alleviate the seriousness of the situation. The next morning a "run" began on the Trust Company of America and its branch, the Colonial Trust Company. The newspapers, through their adverse criticism, had played a leading part in bringing forth the full force of the scare. They were advised to tone down their news stories. If they had not such warning there is little likelihood that the New York Times on October 23 would have carried a front page spread assuring its readers that the situation was well in hand and would

16 New York Times, October 23, 1907, 1
17 Inglis, 1648
18 New York Times, October 23, 1907, 5, 15; "Exeunt Roosevelt and Bryan/;" Harper's Weekly, November 9, 1907, 51:1640-1648; stressed the fact that the President knew of the approaching Panic but was determined to carry out his stubborn policies.
19 New York Times, October 23, 1907, 1
20 Ibid.
be cleared up shortly through the efforts of J.P. Morgan and his friends.

At this time it may be stated that the statutes chartering trust companies made no provisions for them to perform a general business or to accept demand deposits from the public. No cash reserve was necessary to be used against the deposits and these companies were legally able to invest in real estate, deal in buying and selling stocks, and to lend money on real estate. Such privileges had been denied to deposit banks and these were carefully checked to see that there were no infringements. Insurance companies, likewise, were not restricted and they with the trust companies were free in their movements in financial affairs. Together they covered any requirements made of them by depositing their reserve capital in banks. These banks, however, were only guaranteed twenty-five per cent of the total sum. In this manner, liabilities were protected according to technical means but the whole credit system was entirely too broad and loose to withstand any unforeseen blow on the financial drop.

Another important fact was that the trusts were

21 Banking Law of New York State, Article IV, Section 156
able to clear, or exchange checks through the facilities of the Clearing House, even though they were not members. It was in this manner that the National Bank of Commerce was able to refuse any further clearing for the Knickerbocker Trust Company.

On Wednesday, October 23, a committee of five bank presidents was formed "to receive applications for assistance, make examinations, and report to meetings of all trust companies." The foundation of this committee helped to bulwark the sagging spirits of an already disheartened population. This was one instance where the bankers were truly honest and helpful. The committee was able to transfer money in large amounts. Bonds were deposited by the trusts; these were turned over to national banks which, in turn, used them for additional government deposits.

On Thursday, however, this situation grew very serious. As a rule panics subside after a few hectic hours but this one continued to grow worse. The part of the Stock Exchange

22 The loan committee consisted of James Cannon, Vice-president of Fourth National Bank; Henry Davidson, Vice-president of First National Bank; Walter Frew, Vice-president of Corn Exchange Bank; Gates McGorrah, President of Mechanics National Bank; and, Albert Wiggins, Vice-president of Chase National Bank
23 Sprague, 254
24 Ibid.
in the Panic brings this picture into much clearer focus. The busiest part of the Stock Exchange is the "money post" where loans of cash are made. This is usually the most crowded place in the entire building. On Tuesday, October 22, no loans were made before noon and on the next day there was no business at all. Thursday was the most nerve wracking day in the Exchange's history up to that time, as the market was verging on sheer panic. At this very critical time the entire financial structure of the Exchange was saved temporarily through the combined efforts of J.P. Morgan and his associates. They placed $25,000,000 into the money market. A few moments previously small amounts of call money became available and these were bringing 120 per cent interest. Relief appeared just in time.

Meanwhile, George B. Cortelyou, Secretary of the Treasury, boarded a train for New York and when he arrived personally deposited $25,000,000 of the Treasury surplus with

25 Inglis, 1649
27 Inglis, 1649
28 New York Times, October 24, 1907, I; but, Noyes, "Financial Panic," states that the amount was $40,000,000
the national banks. On that same day, Mr. Rockefeller stated, "I propose to do my part to the full extent of my resources." Yet, this extra aid, was not sufficient, though it was a life-saver to some extent. The banks were unable to meet the heavy withdrawals demanded of them and began to stall payments. It was their clear-cut intention to make a long drawn out process of what ordinarily would consume a few minutes. In this way the banks would still be functioning but the cash turn-over would not amount to much. It must be remembered that the heavy demands for cash precluded the reception of new deposits. As a result, all the money was being withdrawn and none was being deposited. Hence, precious time, as well as money, was extended. To add to the utter confusion and turmoil, the small inland banks became highly concerned over the status of their reserves which they placed in reputable New York banking institutions for safe keeping. They began to have "runs" in their local communities and called for the reserves held in New York. This state of affairs made it necessary for the New York banks to insist on a sixty day notice before they would return any deposits. This occurred on Saturday, October 26, just four days after the "run" on the Knickerbocker. Saving banks issued a formal notice to the effect

29 Noyes, "Financial Panic," 299
30 Ibid.
that only after a sixty day notice would depositors be able to withdraw their money. Consequently, a large percentage of the money deposited would be tied up; the Panic would have time to subside; thus, the general rush could be eased.

When cash became short, many dire consequences followed. Some shrewd people wrote checks instead of making direct application to the banks for their money. In this manner the fortunate and particularly prominent depositors were successful in obtaining their money during the first day of the "run". The large trust companies sent messengers to secure their reserves which they had kept in local associate trust institutions. Naturally, these were given every preference and by the time the regular, small depositor reached the teller's cage most of the available money had disappeared.

It is only too true that when a shortage of ready cash occurs those who possess it naturally hold on. In this way hoarding played a prominent part. The fortunate depositors,

31 Noyes, "Financial Panic;" 300
32 Messengers were necessary as the Clearing House Association had refused since 1902 to allow all trusts the privileges extended to members. Therefore, non-members were forced to revert to the ancient practice of sending messengers to cash checks if the Association refused to grant them this service.
lacking faith and confidence in banking institutions, were determined to hold tight until conditions were corrected.

Three immediate results followed from this. First, the hoarding of money; secondly, the offering of a premium for currency; and thirdly, the issuance of Clearing House certificates.

Between August and December of 1907 a sum in excess of $30 millions disappeared from the banks. This huge amount was not hoarded by timid depositors, but by the people as a whole. The fear that a shortage in money would retard the meeting of normal obligations was distressing. The Comptroller of the Currency reported that banks outside of the central reserve cities were able to gather extra reserves of cash through the nation-wide partial suspension of payment. "The banks of the Southern, Western, and Pacific States were the worst offenders .... [They] ... more than doubled the amount of cash required by the law."

33 The Astor Safe Company rented 789 safes during the first week of the Panic or six times their normal amount, A. Platt Andrew, "Hoarding in the Panic," Quarterly Journal of Economics, 22:294, February, 1908
34 These certificates are discussed in detail in Chapter V
35 Andrew, "Hoarding," 294
37 Andrew, "Hoarding," 299
With the withholding from circulation of such large amounts of ready cash, it became necessary for the issuance of premiums for currency. This is nothing but black market operation. This means that cash holders were encouraged to bring forth their money from their private vaults and put it in circulation after they had been given an extra bonus. On November 12, the premiums were as high as four per cent. Despite all the pressure to prevent or break up such hoarding, little cash was obtained from such premiums. Cash was scarce and anyone fortunate enough to have it, was determined to keep it, four per cent or no four per cent.

In regard to Clearing House certificates and conditions of the banks, full details will be given and explained in a subsequent chapter concerning the great debate on those institutions and persons who contributed most toward alleviating the deplorable situation.

It follows, naturally, that when a shortage of money occurs business necessarily becomes forced to suspend
operations as well as the banks. This develops into an ensuing depression. The time of the Panic, however, found the average wage winner working but not paid. His savings were tied up because of the banks' closing; his credit almost disappeared.

With the whole economic structure under fire, the logical question in everyone's mind was, who are the guilty? After the first shock came the question of what must be done to correct the situation? And as in all matters human, the third question which followed was, who did the most to solve the first two?
CHAPTER IV

WHAT CAUSED THE PANIC?

Many writers at the time placed full responsibility for the financial Panic solely upon the banks. The flagrant misuse of banking privileges by Morse will serve as an excellent example of what these writers had in mind.

By securing loans on the collateral of one bank’s stock, he used this money to purchase stock in another bank. Through this method he was able to control at least a half dozen banks. Through financial manipulation of this kind the deposits of the banks he controlled were used by him in a series of gambling and speculative deals with dire consequences. The Stock Exchange as a result was thrown into a state of near-panic.

But it must be pointed out that Morse alone was not able to bring about the entire upheaval in New York. Others were equally guilty. The bankers risked their deposits on whatever suited their personal ideas without regard to the financial risks involved. Real estate was the bulk of the bankers’ invested money. Of course real estate provides a small profit.

1 "Corrupt Banking and the Panic," Nation, 87:402, October 29, 1908
2 "Two Causes of the Financial Collapse," Nation, 85:598, December 26, 1907
Furthermore, even a supposedly safe reserve of five to eleven per cent turned out to be inadequate even though it was thought at the time to be safe. The country banks deposited in New York City three-fifths of their fifteen per cent which was the cash required to be on hand. In turn, the large trust companies operated on an even smaller margin. The tie-up between the smaller banks and the trust companies was such that each depended on the credit of another. It is patent then that such reliance of one bank upon another for re-deposited reserve was most dangerous. Each institution, by using the reserve capital of another bank deposited in it for speculation and unsound loans naturally left the depositing banks with little or no capital. Thus when the Panic broke upon the financial world few banks had sufficient reserves. It was just a case of not following the stipulations of the National Banking Law which required a twenty-five per cent reserve. If there had been only a few offenders in this regard, then in all probability there would have been no Panic or at least one of very short duration. But such was not the case. As Sprague so clearly points out:

"The normal condition of the banks was one of lack of preparation for emergencies. No adequate lending power or surplus cash

3 "The Aftermath of Panic," Nation, 85:454, November 14, 1907
4 Ibid.
reserve was available at any time except during periods of trade depression ...." This was the only time that the banks had fewer borrowers and surplus cash. Generally, it was felt that this was the condition and nothing could be done about it. The banks worked under a handicap and did not realize it to its fullest extent.

Ultimately, the Panic of 1907 was good for the banks. It showed clearly that in an emergency the banks were supposed to do two things: first, to be able to meet all demands for withdrawal; and secondly, to increase its loans. Subsequent financial conditions prevented the banks from acquiring new depositors. When these conditions were not met, people demanded that the banks be reformed. At the time of Panic, however, there was much discussion but little action.

It may be questioned why the crisis developed and centered in New York. This is easily explained by the fact that the trusts were incorporated and confined their financial activity in New York. Its proximity to European banking centers placed it in a most advantageous spot; even Canadian investors found its location most convenient. Yet we bear in mind that, although the Panic began in New York, it did not confine itself 5 Sprague, 216
to that city. Chapter VI deals with the geographic location of this world-wide financial condition.

The bankers themselves feared a financial crash before the general public became suspicious. As a result they cornered all the available money they could and held on to it. In a word, the bankers became the first hoarders. Their next step was the flat refusal to repay their depositors. Under such conditions, business in general could no longer secure loans and thereby was unable to function properly. When business fell off, the bankers thus injured their own cause. No financial institution can endure over a long period when fresh money is not available. In regard to foreign loans, these disappeared when American credit disappeared. As a result, European trade fell off when American business slumped.

When the New York bankers had expanded to an unsound financial condition they were naturally forced to call in their loans. This action forced the borrowers against a financial wall. Since United States' banking laws did not require a set ratio between the bank's capital and its liabilities, over-expansion was only natural. In such a situation...

adequate lending power or surplus cash would not be available.

To complicate matters even further, the depositor banks demanded their money just as the "run" on the New York banks was at its peak. In a desire to shift the blame, the New Yorkers castigated the depositor banks and particularly those in the West. As to the fairness of this we are not concerned. The practice of depositing reserves in banks of other cities was a rather dubious venture at the time. As a writer in the Nation points out: 6,178 of the 6,544 national banks were what is termed 'country banks'. These had to deposit three-fifths of their fifteen per cent which was a required reserve. In order to secure their business the large city banks offered to pay interest on this reserve so they might use it for their own purpose. As a result $420,000,000 was placed on deposit in large cities and $201,000,000 was kept as cash on hand to meet the demands of local depositors. Since the New York banks had lent most of the cash belonging to depositor banks they were naturally unable to meet the hurried call for such money.

7 "Who Was Responsible for the Panic?," Nation, 85:575, December 19, 1907
8 "The Panic of 1907," Nation, 86:51, January 16, 1908
9 Ibid.
10 Alexander D. Noyes, "Recovery from the Recent Panic," Forum, 39:483, April, 1908
When the Panic broke, its full force fell upon the national banks and in particular on those located in central reserve cities. The holdings of all national banks were not sufficient. It amounted to less than $700,000,000 as Mead points out: "... they were liable to be called on for $550,000,000 deposits of banks of their own class, and also $480,000,000 deposits of the state banks, not to mention the $100,000,000 deposits of the saving banks." It was never intended that the national banks were to share the benefits or obligations of the trust or smaller banks' responsibilities. Hence, they were not equipped to meet the serious demands placed upon them. The national banks carried the deposits of the state banks' reserve. Why such a situation was ever allowed to develop in the first place is a more important question than the location of the state banks' money. This is the reason why bank reformers demanded two separate banks, clearly distinct or one bank wherein full responsibility could be placed. Sprague felt that even with emergency measures it would have been quite impossible for the national banks to meet their full responsibility. He advocated reforms. In all fairness, it is a question

13 Sprague, 216-321
whether or not the banks should receive so large a share in the
blame for the Panic of 1907. The banking laws as well as the
bank managers should share in carrying the blame. The bankers
knew full well that business could not possibly be stable while
there was a lack of reserves and it was for them to see that
comprehensive laws should be passed safe-guarding the banking
business. They had the best opportunity to discover where the
weaknesses were and what remedies could be employed to dissipate
such weaknesses. It is amazing how such unscrupulous people
could ever achieve such responsible positions of trust. When
they do then the blame falls upon those in charge of trusted
financial institutions for their utter failure to carry on their
work with that integrity, honesty, and public interest so neces-
sary in their position. Making due allowance to human frailty
it is peculiar that the majority of the bank managers at that
time possessed such a low degree of personal honesty.

Many people blamed politicians in general and the
President, Theodore Roosevelt, in particular. Some believed
that his trust breaking tactics lead many businessmen to the
stubborn conclusion that it would be a good lesson to his admin-
istration if a public panic should occur. Though the source
14 "Who Was Responsible," 575
writers of the time do not put this in so many words, they do not state it. "The notion of a 'Roosevelt panic' seems not to have passed into folk-lore ...;" and, "Politically, Mr. Roosevelt will be held responsible ..." are but a few of the commentaries. The Nation's financial writer seems to strike a fairly accurate explanation when he stated that much mud-throwing is exchanged during a presidential election year. This is only too true. It might even indicate that the financial slump may have been the normal tapering off of business which is all too common during a campaign year. The usual reason for this is that Big Business wants to hold off until the election returns are settled. It may even be stated that the autumn of a presidential election year is one of watchful waiting. However, many blamed Roosevelt as the chief cause of the Panic in view of his prosecution of the trusts, his program of railroad regulations, his backing of the demands of labor against capital, and his conservation program designed to stop Big Business' exploitation of natural resources. Roosevelt in turn accused the trusts, the bankers, the railroad men, and other exploiters of causing or aiding in the Panic.

17 "Legends of the Panic," Nation, 87:422, October 29, 1908
18 "This Week," Nation, 85:433, November 14, 1907
19 "Panic and Politics," Nation, 86:247, March 12, 1908
The President may have given cause for this attack through his excited and sweeping comments. These should have been made with tact and diplomacy or it may be that his advisors misinformed him. Regardless of all this, it is quite absurd to insist that the banking failure and general speculation were his sole responsibility. Because as a writer in the Nation ponders:

Roosevelt was mistaken but was fundamentally honest.

Many of the dire consequences of the Panic have been attributed to the speculation carried on at the time. To gamble with one's own cash is no crime but to take money willingly which belongs to another and use it on highly risky financial ventures can not be justified, either ethically or on sound business principles. It will be only a question of time until such financial manipulations are discovered. The risk to one's self and to the entire community can in no way compensate for any possible gains. The speculation in the 1907 financial world most assuredly played an important role in bringing about many of the tragic economic results.

Another cause of the financial breakdown may be

20 "This Week," Nation, 85:390, October 31, 1907; Harper and other staunch Republican publications fully accused Roosevelt
attributed to the currency problem. With speculators working on credit, with banks conducting business on small reserves, with the entire population over-spending, with industry over-producing and the nation as a whole over-confident, it is only logical that the currency would be jeopardized. Under the existing currency system, however, there was no way for the volume of money to be expanded and the banks were in a way unable to help themselves. As Marburg says there is no visible remedy for this difficulty. Many writers of the period believed that it was time for a remedy to be devised whereby currency would become sounder and more flexible in order to give some elasticity in periods of stress. On the other hand, others insisted that the money was sound and even suggested that it had never been in such a stable condition, although a scarcity did exist. It appears that it was the policy of many financial reporters of the time not to act when in doubt.

21 "Aftermath," 454; the gold supply increased $6,700,000
23 Marburg, 56
24 "Financial Conditions and Treasury Action," Nation, 85:486, November 28, 1907
25 Noyes, "Financial Panics," 313
26 Evidently, Mr. Noyes changed his mind for both attitudes were written by him, but for separate publications; "A Year After," Quarterly Journal of Economics, 194
Fortunately the nation's legislators were more interested and something was done. At the time there was a powerful pressure group interested in currency reform and this group had the backing of the press as a whole. In the months preceding the actual Panic much had been printed in the daily papers advocating reforms. The pressure had reached such a stage in the daily press that the whole currency problem was called into question and thus the fear was promoted that disaster was in the offing unless something were done. This in turn may have increased the fear which caused the Panic. The platform of this group consisted of demands for an elastic currency, financial solidarity, and a central bank.

In attempting to discover the causes of the Panic, four things have been stressed; namely, the banks, the President, over-speculation, and the currency. Many other conditions were present which contributed to the financial debacle, but the four mentioned above are the most important. It will be noted that of these four, criticism has been given by the actual observers of the role played by each.

27 See Chapter VIII
28 Johnson, "Crisis," 464
such name calling was just another way of blaming Big Business when the real causes were too involved to figure out. In attempting to understand such attacks on the capitalists, one thing comes to mind. The Roosevelt Administration had given many hard blows to trusts. As a result most people came to the conclusion that the trusts and the men who controlled them were entirely evil or they were good men and should be given their just due. Each group insisted on the validity of its opinion. Those who were in favor of the trusts spread the news of the beneficial support given to the banks by Big Business. Those who disagreed insisted that the trusts brought on the Panic and subsequent depression. As the editor of Harper's Weekly states:

> It may ... be here set down ... that the only living man who could have prevented ruin ... was J. Pierpont Morgan, and that even he ... would have been helpless but for the unqualified support rendered by ... James Stillman, George F. Baker, John D. Rockefeller, Thomas F. Ryan, and the two venerable trust presidents - Edward King and Levi P. Morton. 2

Some held, quite strangely, that anything connected with finance was good. The few banks guilty of squandering depositors' money in unsound speculation formed a minority. The majority according

2 "Exeunt Roosevelt," 1640
to Inglis, were silent. It was fortunate that some financial leaders possessed sufficient resources and sagacity to control the situation; otherwise the Panic might have been worse but they succeeded in checking the "runs" on the banks. With the loosening of the money situation the crisis ceased and the Panic stopped almost as abruptly as it had begun. Boastfully, those who favored the above opinion point out that the bankers dumped $50,000,000 to the government's $25,000,000 on the money market at the psychological moment. And this was supposed to have saved the day.

Of course a third or middle of the road group existed. They neither condemned nor condoned the financiers. Their general reaction was that the financiers' help was wonderful but too good to last. To a degree they believed that the capitalists were sincere when compared to their deplorable actions in the panic of 1903. At that time they vied with each other to see who could do the most harm to financially embarrassed institutions in order to incorporate them into their own particular organizations.

3 Inglis, 1646
4 Ibid.
5 New York Times, October 24, 1
6 "Who Was Responsible?," 575-576
They believed, furthermore, that the financiers were neither
the saviors nor the demons as the pro and con groups insisted.
They held that they did give a great measure of financial aid
to the banks; but pointed out at the same time that the interest
charged was exorbitant when one considers that this was an em-
ergency.

The role played by George B. Cortelyou, Secretary
of the Treasury, was exaggerated out of all proportions to its
real worth. Naturally, the Administration proclaimed this sup-
posed fact that it had saved the day. Before Cortelyou's
assumption of office, the previous Secretary had left a surplus
under the heading of cash balance available to be parceled out
among banks. The recipients of this money never had their
names published. It seems that they were chosen without any
rhyme or reason to such a degree that some banks had been given
deposits equal to or greater than their entire capital stock.

7 Harper's Weekly, 51:1640, November 9, 1907 published a letter
written by President Roosevelt to Cortelyou on October 24, 1907
which stated in part, "... I congratulate you upon the admir-
able way in which you have handled the present crisis ...."
8 "Washington Notes," Journal of Political Economy, 15:624, De-
cember, 1907
9 Ibid., immediately following his tenure of office, Shaw entered
Wall Street as a financier. This clarifies statements of his
over-friendliness with banking interests
It seems that there was little need for the banks to worry because they had been assured that the money would only be called for in an emergency, and they would be notified in sufficient time. Cortelyou's policy was to change this system in order to bring about a complete separation of the Treasury Department from the influence of Wall Street and private business. When the "Rich Men's Panic" broke in February and March, naturally, the new policy was delayed. He then introduced an appointed committee to decide on future policy. The object was to take such surplus money and deposit it in stable banking institutions through legal means, and further to keep the public informed as to what measures were being taken. Now in August, 1907, a five week deposit plan was initiated and on October 20 the sum of $166,000,000 was reported to have been used according to this new plan. All went well until the October "run" on the banks necessitated the Secretary's personal appearance in New York City.

On October 23, Cortelyou poured $35,000,000 of federal money into New York banks, the security given was

10 "Washington Notes," 625
11 Ibid., 626
12 New York Times, October 24, 1907, 1
13 $25,000,000 is the amount listed in the October 24, 1907 New York Times, but $35,000,000 is what the Secretary states in his Report to the Senate on January 29, 1908
based on municipal and railroad bonds. Every effort had been made to stop the "run" and stabilize both foreign and domestic business. Nevertheless, the "run" depleted the available cash. It thus became necessary for him to ask for the "cooperation of the press" in reestablishing that calm which was so necessary in time of strife.

One month later, the Secretary issued $100,000,000 in three per cent, one year notes, and $50,000,000 in two per cent bonds under the Panama Canal Act. The circular was issued in the middle of the month by the Treasury Department and explained that such money was to be deposited on the government's account or that the banks could use the new security for increasing their own note circulation. The banks, however, and private individuals refused to take advantage of this offering and in less than a week's time the sale of the three per cent notes was suspended in an abrupt manner. There had been issued

14 New York Times, October 24, 1907, 1; Journal of Political Economy, 15:627, December, 1907
15 Nation, 85:390, October 31, 1907
16 The banks were substituting reserve money for the notes, which were not legal as reserve; if the bonds acted as government collateral, the banks would lose 16 to 25% on exchange. Either way would force the banks to reduce reserves during an urgent cash shortage
less than one-fifth of the entire amount and this brought about 17 an end to the experiment. Some held that these measures 18 were undeniably inflationary. On the other hand, the Ad- 19 ministration denied this and pointed out that bank statements were up by November 17 and that the first shipment of gold had arrived from England.

The role played by the Clearing House certificates in the Panic is most interesting. A Clearing House, as Cannon points out, "... is a place where all the representatives of the banks ... meet ... to settle accounts with each other, ... and so 'clear' the transactions of the day for which the settlement is made." The settlement of the day's business is so important that only members are able to 'clear' through the facilities so set up. There are two classes of Clearing Houses; the first simply clears notes, checks, and whatever else is agreed upon; the second is concerned with the rules and regulations governing the rates of exchanges and charges. The most important functions of the Clearing House are five in num- 20 ber: 1, loans to the government; 2, assistance to members; 3,
uniform rates for deposits; 4, uniform rates of exchange and collection; and 5, the issuance of the Clearing House loan certificates.

In actual operation the Clearing House demands that each debtor bank pays its debtor balance before one thirty o'clock on the business day. Then after that time, the creditor banks receive their balances. New York stands out for the rather rigorous conditions imposed on non-member banks, and for the safeguards it has set up to protect its members. Previous to January, 1908, no law of the New York Clearing House demanded the twenty-five per cent reserve that the member banks held. This is important in understanding the issuance of the certificate loans.

The first Clearing House certificates were issued on October 26, 1907. They were temporary loans made by associate banks, acting as a Clearing House Association, to members for the settlement of their Clearing House balances.

21 Cannon, 98
22 *Ibid.*, 104
23 *Ibid*.
24 Sprague, 429; see Appendix D
25 Cannon, 108
During the time of the Panic, currency could not be expanded fast enough. Thus it became necessary for the banks, acting through the Clearing House, to take proper steps. A loan committee was set up composed of five bank officials with the president of the Clearing House acting in an advisory capacity. The certificates issued assumed the place of money that could not be obtained readily for the purpose of keeping banks on credits and debits. The use of certificates was confined to the payment of the balance due to associate banks.

Cannon holds that without such certificates, it would have been almost impossible for the government to import gold from Europe since the certificates created the absent credit. Such credit was essential, otherwise, imports could not be sent without the payment for the transfers and bills of exchange. The interest rate on these certificates is important. Sprague holds that the interest was beneficial as the banks wished to retire their loans as soon as the crisis was over and thereby save the interest charged. Nash holds that there was not one instance in the nine times where the loans

26 Cannon, 111
27 Sprague, 184; he also considers this issuance as the highest form of bank cooperation but would discourage legalizing them for this would destroy their success
were used that a single dollar was lost. Despite the fact that it was reported that the public did not lose confidence in the loan certificates or with the Clearing House itself, some hold that such loans were the cause of the "general cash suspension". It was also believed that the Clearing House certificates merely prolonged official stimuli to the currency problem and that their issuance merely added to the financial ills. This was due to their inability to be accepted on all levels of exchange.

Whether the day was saved by the leading capitalists, or by the Treasury action, or by the part played by the Clearing House certificates, or by any other one factor is a point very difficult to decide. Perhaps the arrival of gold from Europe helped. It could be that the financial interests of the country were united in attacking a common enemy and that the efforts of all resulted in a confidence which broke the cause of the Panic, fear and indecision. Confidence did appear but its appearance will be discussed in a more complete picture in Chapter VII.

29 Ibid., 93
30 "Recovery from Panic," 487
The Panic originated in New York City. Its full effect seems to have centered on the Eastern seaboard which depended to a great extent on the center of finance's heart beat. The complete picture, however, would be missing if the impression were given that the remainder of the country, as well as the whole world, was not affected. It must be remembered that the West was blamed for hoarding its reserves and that it was unwilling to ship these East. During the emergency there was a feeling that Western financiers and smaller financial institutions had acted in an unorthodox manner. Not only did they keep their reserves but demanded that the New York banking institutions refund their deposits. In all fairness, however, it must be stated that the smaller banks did deposit their meager reserves in New York financial institutions and they felt quite strongly that they should be the first to receive any refunds. They believed that they were a safeguard for the whole nation's economy and in particular during the "run" late in October. Furthermore the Westerners were convinced that they had suffered enough in past financial panics and did not intend to become victims sacrificed on the altar in the East. They stressed the
fact that too much had been lost already in crop-movings and in the San Francisco fire and earthquake to permit their section to risk any more money. It is almost a truism that those who possess the nation's purse strings possess them for the very reason that they realize what they have and are thereby unwilling to lose them no matter what the urgency or reason may be.

Naturally conditions throughout the country were not in the financial chaos that existed in New York. Of course large industrial centers were affected quite severely because they depended on the free flow of industry and manufacturing. In a word, the Panic touched all parts of the entire country but not to the same degree. Moreover, Europe, Africa, Asia, and South America were affected almost as much as the United States. Even at this time the financial web was so tightly woven that a broken strand in any one place affected the whole web. Today we have become fully convinced of this fact through the ungentle hands of hard experience.

Specifically, the Egyptian market collapsed almost at the same time as the Japanese market fell in April.

1 Noyes, "A Year After," 202
In the middle of October, Montreal felt the blow of its Stock Exchange panic; in far away Hamburg, Germany the worst upset in the city's financial history was experienced about the same time. The Paris and Berlin exchanges reported on October 22 that their openings were firm but dropped sharply as the news of the "run" on the New York banks had reached them. Santiago, Chile, Amsterdam, Genoa, and Copenhagen suffered severe crises almost simultaneously with New York. London and Paris, though not suffering from actual panic, were forced to readjust their financial structure. This was done in the hope that they would escape the full force of the world wide financial blow.

It is understandable why London and Paris took such measures when we remember the gold borrowing on the part of the United States. Both countries had a central bank and all finance revolved through it. When the Panic struck financial circles in the United States and investigations proved that a shortage of currency existed, it became highly imperative to get more gold in a hurry.

2 *New York Times*, October 16, 1907, 14
3 Noyes, "A Year After," 203
4 *New York Times*, October 23, 1907, 15
5 Noyes, "A Year After," 204
Naturally America turned to England for proof of her promise to extend aid if it were necessary. The crisis in Amsterdam and Hamburg had to a certain extent depleted the usual gold supply held by England. The Bank of England was compelled to borrow from the Bank of France in order to fulfill its promises and at the same time safeguard the English economic balance. It would appear then that London banks were in a similar plight with their American cousins. But this is not the case, because the English insisted that a reserve of at least forty per cent be deposited with them. Now when gold is borrowed, some kind of credit is necessary to act as collateral for such borrowing. But Clearing House certificates and Treasury money served as a basis for our European financial deals. According to a writer in the Nation we borrowed on credit but were forced to pay with commodities. The Bank of England was forced, during the crisis and panic, to continue to raise its rates in order to secure payment from other countries so that it could lend the United States the gold

6 New York Evening Post, July 21, 1906, Financial Section, 1
7 Aldrich, Senate Document 538, 245
8 "Panic, 1907," 51
9 Cannon, 111
10 "Treasury Relief," 460
With the arrival of gold shipments during November and December confidence in the currency and general financial picture departed from the fear stage and assumed the attitude of confidence once more. As soon as this confidence appeared, the Panic almost automatically was forced to disappear and the crucial period had passed.
CHAPTER VII
CONFIDENCE IS RESTORED

It is just as difficult to set a definite date for the ending of any panic as it is to set one for its beginning. One's fears and lack of confidence are intangible things and it is quite hard to pin them down as having begun or ended at this particular moment or time. Of necessity, this is a matter of choice. It was stated in the early chapters of this work that the Panic of 1907 officially began on October 22, the date of the Knickerbocker bank "run". Some explanation is in order before setting a specific date for the end of the financial upset.

Some hold that this Panic ended almost as abruptly as it began. These give the date of October 24 because the financial kings and the United States' Treasury had poured over $75,000,000 into the money market to try to stabilize it. Others, on the other hand, are of the opinion that when the certified New York checks were no longer selling at discount, 1

1 Inglis, 1646-1649; another reason was that confidence returned with the issuance of Clearing House certificates and news of gold arriving from England

59
the emergency had disappeared. This was on January 2, 1908.
The rise of stocks and bonds in the New York Exchange during January, 1908 helped to build confidence. This also is adduced as an additional reason for their choice of this date.

Fundamentally, the two opinions stated above concerning the date of the ending of the Panic of 1907 are purely a matter of personal opinion. To a great measure they depend upon the attitude of the individual as to where the credit should be placed for remedying the financial upset. Those favoring Big Business interests maintain that the Panic ended when business interests placed its money on the open market. The backers of the United States' Treasury state that the crisis was alleviated as soon as the Department took active measures. Those who defend the Clearing House hold that its loan certificates gave a formal basis for local confidence and international security for the newly imported European gold. Another group maintains that all materially aided in restoring confidence. When confidence in financial circles was gradually restored, several things happened. The premium on currency was lowered and gradually

2 "Premium on Currency," 44
3 "Recovery From Panic Depression," Nation, 86:225, March 5, 1908
discontinued. Hoarded money found its way back into circulation
As a result, in January the Stock Market was able to forge a-
head and banks began to show a significantly favorable balance;
business was given the necessary stimulus through these finan-
cial movements which breathed an air of confidence, security,
and safety.

For the purpose of establishing some definiteness
to the financial Panic of 1907, it may be safely stated that it
began on Tuesday, October 22, 1907 and continued until the last
day of December of that same year. These ten weeks with all
their maneuverings sum up all the material mentioned heretofore
and constitute what is meant in this thesis by the Panic of
1907. Of course this is the present writer's conclusion but
it is believed that the facts adduced fully support such a con-
cclusion.

Naturally, it would be a gravely mistaken impres-
sion for anyone to assume that economic stability was completely
established by the first of the new year. At this time the New
York banks provided cash for their local depositors but not for
the inland banks. These inland banks were not able to cash

4 "Premium on Currency," 45
their drafts in New York City banks. They even eliminated the discount demanded because they no longer required such extra money due to the fact that their hoarded surpluses more than covered the demand for withdrawals.

The financial, commercial, and industrial picture brightened considerably with the revival of confidence in the banks and the beginning of business enterprises such as the re-opening of the steel mills and the demand of western and southern buyers for dry goods. It may be assumed that recovery as usual lagged behind the restored confidence even though the crisis had been passed. Production had almost stopped and quite naturally wages stopped, too. Thus all types of business had been injured. The cycle needed a stimulus. Demands for materials from the south and west provided part of this stimulus but much more was needed. Basic demands were present but money to turn these into actuality was absent. The post-Panic picture seemed to be one of watchful waiting. Since a nation's business economy depends to a great degree upon money in actual circulation and when this condition is not fulfilled, the natural result is then similar to a vacuum. The domestic business picture slowly and the foreign scene rapidly paralleled it. It will be

5 Noyes, "Recovery," 480
remembered that gold had been used in exchange for agricultural commodities. America was fortunate in having a surplus which could be used as an exchange item, but prices were low and so were wages. Reserves were not available to help in the beginning of the cycle. Furthermore, America was not the only country injured by the economic upset. The entire world felt its blow and foreign countries were not able to prime the commercial cycle. Countries such as England and France, witnessed no actual upset but they were alarmed by the necessity of exchanging gold for American use and found themselves, thereby, under a heavy strain. Unfortunately, the minor boom following the January rise in the Stock Market soon turned into a worldwide depression.

Fortunately, industry and commerce were not completely paralyzed in America during the late winter and early spring of 1908. As Feder states: "... during ... 1908 factories and shops operated on part time, and when they shut down activity in other lines offered employment ...." Nevertheless, no complete survey of the national unemployment scene was made. Yet some measure of its extent can be gleaned from

6 This work is not directly concerned with the 1908 depression; consequently, details are omitted
7 Leah H. Feder, Unemployment Relief in Periods of Depression, Russell Sage Foundation, New York, 1936, 189
other sources. Immigration declined and emigration increased; relief agencies reported a sharp increase of applicants; and, loan companies experienced a tremendous rush of business. There was a demand for emergency work to be supplied by the government. Labor demonstrations became widespread, even though the depression of 1908 was not quite as severe as the one in the late 1890's.

It must be stated, however, that the depression subsequent to the Panic of 1907 is not the topic of this work but its inclusion is necessary to complete the picture. In all justice, a few words should be said about the role played by the New York Stock Exchange which was intentionally passed over. In order to avoid any confusion about the economic upheaval at its start, the Stock Exchange had been left for later treatment. In summary form the following may be stated to clarify the role played by the Exchange in the Panic of 1907. The consensus of expert opinion in financial circles is that the Stock Exchange was not responsible for any over-extension or over-speculation. The blame for this falls squarely upon the

8 Feder, 192
9 Ibid., 197
shoulders of business in general. By consulting Appendix F, proof is given that the changes on the Exchange took place previous to the October Panic and that no evidence of speculative expansion is indicated for the market was below normal. Had general business been sound, the Stock Market would have slowly risen following its forced liquidation.

Meyer points out, furthermore, that no bank or trust company failed during the crucial ten weeks because of loans or investments in any Exchange securities. As a writer in the Nation points out: "During all the months before the October Panic, Wall Street's indications of coming trouble were treated ... as ... Cassandra warnings; but the prudent ... hid themselves or their money." Wall Street and the Stock Exchange have always been the financial barometers of the state of the nation's finances. Nevertheless, the economy and high spirits of the time left the general population with the false idea that no more financial upsets would ever spoil the grand economic situation which they were enjoying. Yet, the solemn

11 Ibid., 38
12 "Wall Street Vindicated," Nation, 86:27, January 8, 1908
13 Ibid.
warnings had been sounded but went unheeded. As soon as the storm broke, it seemed that everyone turned to the Stock Exchange and blamed it unjustly for allowing such things to take place. This was due in part to the past mistakes of the Exchange. However, months after the Exchange succeeded in placing itself on a firm basis after the upheaval, it was not slow in turning its attention to give all possible aid to the liquidation of the industries and businesses of the entire country. It was in this way that many mistakenly misunderstood and believed that the cause of such liquidation was the Exchange instead of those for whom it was acting. Thus, when smaller markets were not able to meet their notes, business on the Exchange practically reached the panic state on that fatal October 24th day.

Meyer believes that one of the most important recommendations following the upheaval should be the establishment of a free market for liquid securities in New York:

A country without a market in which liquid securities can be readily converted into cash, is a country without any safe economic barometer of the movement of capital and the demands for it, without the means of attracting and holding foreign capital.
capital and which can never aspire
to become the financial center of
the world. 15

Hence, it may be stated that the end of the Panic
was purely figurative. To show what brought about its conclu-
sion is the best way to permit one to get and assimilate the
nature, extent, and final phase of the tragic financial occur-
rence which, had proper measure been taken, should never have
happened.

15 Meyer, 46
CHAPTER VIII
CONCLUSION

From 1833 to 1906 there were many depressions which almost rent asunder the financial fabric of the United States. Some of these were brought about by panics. Unfortunately, many people were the unwilling victims of financial legerdemain. Others who should have known better suffered terrific losses through their own uncontrolled avarice. Panics invariably bring about depressions even though depressions do not always involve panics. As was stated previously, a depression is a prolonged period of business stagnation while a panic is basically a stoppage on the rise of prices. The former is more endurable than the latter. It is far easier to give a description of the effects of a panic or a depression than it is to ferret out their fundamental causes.

Usually a situation develops wherein the majority are slowly lulled into a feeling of false security and blind themselves to the visible signs apparent in the shaky financial scene. They believe that their "good times" are the normal way of life and thus are unshakeable. Shaw, the Secretary of the
Treasury, played an unenviable role in promoting such false security by means of his private deals with selected financial tycoons from Wall Street.

Financially our nation had just passed through the second stage of financial growth which is akin to lusty adolescence in nature. The country was struggling mightily with all the vim and vigor of a people too desireous to succeed, to be recognized, and to blaze a brilliant trail ahead. By 1906, demands had been made for capital, materials, and workers to join in the task of fulfilling the incessant clamor for new construction. New construction necessitates expansion in all fields. A terrific set back was felt, however, on April 8, 1906 when the devastating and horrible earthquake and fire in San Francisco literally shook the nation in more ways than physically. The west coast was hardest hit. Eastern insurance companies were forced to draw on their reserves to bear up under the full affects of the shock. This disaster was not a direct cause of the Panic of 1907. Prices actually arose during the summer months of 1906. Dividends were high as a consequence, and the large financial institutions once more opened their doors to capital from the smaller inland banks. Despite the importation of gold, the
stock market began its decline during December. With the dawn of the new year hopes were high that conditions would somehow right themselves. During February and March, 1907, banking institutions found themselves in the embarrassing predicament of being forced to make loans on the very loans which they had previously arranged. The result of this financial sleight of hand was the only too well known "Rich Men's Panic". The public fortunately refused to nibble at this financial bait and as a consequence, money became acutely short.

When Charles W. Morse and his friends suddenly withdrew from an active interest in their banks, rumors began to fly. At this time, the New York Clearing House Committee found it necessary to rush to the aid of the faltering Mercantile National Bank on October 18. United Copper's sudden flight from the financial control of this bank almost brought the Mercantile National Bank to the point of financial suicide the day previously. Of course it was only natural for rumors of a dire nature to spread once the Clearing House Committee moved into the picture. Charles T. Barney's resignation from the Knickerbocker Trust Company did not help the situation one bit. But when the National Bank of Commerce formally and steadfastly refused to
accept checks drawn on the distressed institution, many believed their suspicions to be basically sound.

Following the eventful meeting on the 21st at Sherry's Restaurant, the morning newspapers carried the complete and dismal story in all its gory details. Quite understandably, early in the morning too hopeful depositors lined up before the Knickerbocker Trust Company in order to withdraw their savings. As that fateful Tuesday, October 22, progressed suspicions did not lag and the result was that almost all banks experienced financial "runs" during the next few days. It must be remembered that the trust companies' charters lacked specific provisions regulating currency, demand deposits, cash reserves, and strictures on investments. Thus, trust companies and insurance groups practically had a free hand to do what they pleased with the money placed in their hands.

The task performed by the loan committee, composed of five bank presidents, was most commendable. This committee, the Treasury Department, and business interests helped materially in heading off complete stagnation of general business. These three groups agreed that it was necessary to offer
premiums for currency. Through this means, it was hoped that hoarded cash would be brought out of hiding. It is estimated that over two hundred thirty million dollars was hidden and of course stagnant. In spite of the four per cent premiums, the money remained just where it was - hidden and unavailable.

The banks could see no clear way to expand the volume of money. Once these banks had become enmeshed in the tangle of their own financial maneuverings their future became quite hopeless. All agreed that the remedy for this situation was a firm, sound, safe, and flexible currency.

In an attempt to uncover the cause or causes of the Panic of 1907, four main evils stand out prominently. Currency, banks, over-speculation, and, to some, President Theodore Roosevelt are given either as a main cause or a combination of causes. It is a matter of opinion which of the above mentioned played the stellar role but it is a fact that all contributed. Quite naturally, opinion was divided as to where or to whom proper credit should be given for saving the financial debacle. Some say "Big Business" deserves the credit. Others maintain that the Secretary of the Treasury's actions
mitigated the depressing effects of the Panic. Still others stress the important role played by Clearing House certificates. These were temporary loans made by associate banks, acting as a Clearing House Association, to members for the settlement of the Clearing House balances. Such certificates were negotiated as money and could be readily obtained. Yet, their appearance made it possible to import gold from Europe. The interest on them was high and in a way this was proved to be beneficial as the recipient banks were only too anxious to pass them on in order to save money. Not one single dollar, however, was lost through their use.

Towards the end of December 1907, the Panic had practically subsided. The slow return of confidence proved to be a slight stimulus for industry and business. Some, however, misread this and believed that the wheels of progress would gain sufficient momentum of themselves. They were tragically mistaken. After a sudden surge, the Stock Exchange experienced a sudden decline. In the late spring and early summer, commerce and industry dropped dangerously low. At this time the depression of 1908 slowly reared its ugly head and seemed determined to feast on the misery created by the Panic as long as possible. Before the depression, subsequent to the Panic, was able to
fasten its debilitating tentacles on the commercial and financial life of our nation, the Panic had had almost immediate repercussions throughout the world. Fortunately, however, England and France took immediate steps to forestall a financial disaster within their own sphere and such efforts were successful. These measures, so opportunely and sagely used abroad, were studied later and incorporated into the American economic system.

The depression following the Panic was final proof that something must be done to prevent future recurrences of such financial distress. As a result, the Aldrich-Vreeland Act was passed hastily on May 30, 1908, seven months after the October Panic. As is usually the case with hasty legislation, bearing on an involved subject, it misfired, though its intentions were the best. As Laughlin pointed out: "It [the Act] is a curious compound of conflicting views, compromises, haste, and politics; but it is the law of the land ...."

Both political parties were in mortal fear that they would be saddled with the odium for the Panic and the

2 Ibid., 498-499
subsequent depression. The Republicans, being the party in power were determined that the blame would not be laid at their door; the Democrats, on the other hand, were equally as determined to stress their part in working out the present and future economic stability. The issue, however, was too large, too pertinent, and entirely too complicated for the legislators, whether Republican or Democrat. Nevertheless, all agreed that something had to be done and that quickly in order to satisfy the rising clamor of public unrest and disgust. As a result of this determination to "do something" quickly, the patchwork Aldrich-Vreeland Bill was voted upon before printed copies had been issued to the legislators. Naturally, too many of the legislators lacked the slightest conception of what the purported Bill was supposed to "do" or what it actually meant. Laughlin summarizes this situation as follows:

... we have in this Aldrich-Vreeland Act - the product of a few days struggle at the end of the session - an unexpected freedom of issues based on banking assets, as well as a Pandora's box full of unknown possibilities for evil. It is an amazing lesson on the folly of politics in banking. 3

Although Laughlin's criticism is not overly exaggerated it does

3 Laughlin, 513
neglect the two important achievements of the Act. The national banks were now given the privilege of issuing emergency currency in times of financial disturbance and the National Monetary Commission was created. The latter's purpose was "to secure an organization of capital and credit maintained under all circumstances and conditions ...."

After an investigation of four years of world currency systems, plans were drafted for the United States' banking and currency reforms. The year following the Commission's report, the Federal Reserve Act of 1913 was adopted. Ever since that year it has been the well rounded, stabilizing force protecting American investors and the nation's economy. This famous Act created a series of sectional banks governed by a Federal Reserve Board (which consisted of seven members). A Federal Reserve Bank was to be established in twelve districts of the country. Every national bank had to deposit its reserve in this new type bank. The Act further provided for the creation of Federal Reserve notes to aid in giving more

4 Aldrich, Monetary Commission, 3
5 Two of the members were the Secretary of the Treasury and the Comptroller of the Currency; while, the other five were to be appointed by the President and confirmed by the Senate for a ten year term. From the latter group should come the governor of the entire board.
6 State banks had the privilege of using these city banks' cash
elasticity to the currency.

Thus we have seen that it was almost necessary for the nation to suffer from a series of succeeding panics and depressions before our legislators were forced by the logic of cold, hard financial facts to fashion an instrument which would give protection to all. The need and dire necessity of such a legislative instrument was brought into bold relief by the Panic of 1907. Though the suffering, consequent to the Panic and depression, was hard to bear, the fruit is brought forth in the form of the Federal Reserve Act was worthy of all the suffering.

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Chicago Tribune, all of LXVI


"Exeunt Roosevelt and Bryan/", Harper's Weekly, 51:1640-1642, November 9, 1907, blames the President for all ills.


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* Nation has an entire page of excellent articles

New York Times, all of LVII

<table>
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<tr>
<td>&quot;A Rich Men's Panic,&quot;</td>
<td>84:253-254, March 14, 1907</td>
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<td>&quot;This Week,&quot;</td>
<td>85:390, October 31, 1907</td>
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<td>&quot;The Bank Panic and Its Probable Sequel,&quot;</td>
<td>85:407, October 31, 1907</td>
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<td>85:433, November 14, 1907</td>
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<td>&quot;The Aftermath of Panic,&quot;</td>
<td>85:454-455, November 14, 1907</td>
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<td>&quot;Treasury's Relief Measures,&quot;</td>
<td>85:460, November 21, 1907</td>
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<td>&quot;Financial Conditions and Treasury Action,&quot;</td>
<td>85:486, November 28, 1907</td>
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<td>&quot;After the Panic,&quot;</td>
<td>85:527, December 5, 1907</td>
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<td>&quot;Who Was Responsible for the Panic,&quot;</td>
<td>85:575-576, December 19, 1907</td>
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<td>&quot;Two Causes of the Financial Collapse,&quot;</td>
<td>85:597-598, December 26, 1907</td>
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<td>&quot;Wall Street Vindicated,&quot;</td>
<td>86:27-28, January 9, 1908</td>
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<td>&quot;Disappearance of the 'Premium on Currency',&quot;</td>
<td>86:44-45, January 9, 1908</td>
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<td>&quot;The Panic of 1907,&quot;</td>
<td>86:50-51, January 16, 1908</td>
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<td>&quot;Recovery From Panic Depression,&quot;</td>
<td>86:224-225, March 5, 1908</td>
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<td>&quot;Panic and Politics,&quot;</td>
<td>86:247-248, March 12, 1908</td>
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<td>&quot;Cheap Money and the Financial Outlook,&quot;</td>
<td>86:317-318, April 2, 1908</td>
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<td>&quot;Corrupt Banking and the Panic,&quot;</td>
<td>87:401-402, October 29, 1908</td>
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<td>&quot;Legends of the Panic,&quot;</td>
<td>87:422-423, October 29, 1908</td>
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<td>&quot;A Financial Anniversary,&quot;</td>
<td>87:502-503, November 19, 1908</td>
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APPENDIX A

PER CAPITA CONSUMPTION OF ALCOHOLIC
BEVERAGES IN THE UNITED STATES *

<table>
<thead>
<tr>
<th>Year</th>
<th>Wines (gallons)</th>
<th>Malt Liquors (gallons)</th>
<th>Spirits (proof gallons)</th>
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<td>.29</td>
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<td>1.58</td>
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<td>.39</td>
<td>16.02</td>
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<td>1908</td>
<td>.60</td>
<td>20.97</td>
<td>1.44</td>
<td>23.01</td>
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APPENDIX B

PICTURE OF THE KNICKERBOCKER "RUN" *

* Harper's Weekly, 51:1646, November 9, 1907
WALL STREET DURING THE BANKING PANIC

While hundreds of apprehensive depositors thronged Wall Street during the height of last week's disturbance in the financial world, other hundreds, less vitally concerned, watched the spectacle from neighboring points of vantage.
APPENDIX C

SAMPLE ADD *

LETTERS of CREDIT

Buy and sell bills of exchange and make cable transfers of money on all foreign points; also make collections, and issue Commercial and Travellers' Credits available in all parts of the world.

International Cheques. Certificates of Deposit.

Brown Brothers and Co.
No. 59 Wall Street, New York

* Nation, 85:455, November 14, 1907
APPENDIX D

SAMPLES OF EMERGENCY MONEY *

* Quarterly Journal of Economics, 22:516-518, August, 1908
Among the following samples of emergency currency Nos. 1–8 represent clearing-house certificates; Nos. 9–10, clearing-house checks; Nos. 11–15, cashiers' checks payable to bearer; No. 16, reserve agent exchange; Nos. 17–18, deposit certificates; and Nos. 19–24, manufacturers' pay scrip. For Nos. 6, 8, 15, 21, 22, 23, and 24 I am indebted to the collection of Mr. Theodore H. Price, of New York.

No. 1.

No. 2.

No. 3 (Reverse of No. 2).
No. 4.

The Associated Banks of Danville, Virginia.

$2 TWO DOLLARS

NO. 6415

The First National Bank of Danville.

Johnston & Creek Union Exchange Bank.
Peoples Savings Bank & Trust Co.
Home Savings Bank.

No. 5.

Montgomery Clearing House Certificate

Charleston Clearing House Association

Certificate

No. 6.

Montgomery Clearing House Certificate

Montgomery, Ala.

This certifies that the

of Montgomery, Alabama, has deposited with the undersigned Committee of the Montgomery Clearing House, approved securities of double the value of this Certificate, or United States, State of Alabama, or approved Municipal Bonds for the payment of the sum of twenty-five cents to said Bank or Bearer in lawful money of the United States, at ninety days from date, or earlier at the option of said Bank, but no Certificate is to be issued bearing date, later than January 1st, 1908. This Certificate will be received at deposit by any Bank or Banker belonging to the Clearing House Association of Montgomery, at par, at any time before its maturity.

A

Not valid until endorsed by Bank named herein.

Committee.
No. 7.

$5.00
Las Vegas Clearing House


No. 8.

The Associated Banks of Howard County, Indiana.

series K

There is due and payable the sum of $17,660

secured by a mortgage

This certificate is stamped and may be accepted by merchants and may be discounted under present conditions.

Due notice of redemption will be given through the daily papers.

The Associated Banks of Howard County, Indiana.

By: L. J. Thomas, Secy.

By: M. C. Thomas, Pres.

No. 9.

Chicago, November 11th, 1907

No. 7033

Chicago Clearing House Association

This check is payable only through the Chicago Clearing House and must be collected through a bank.

To The Commercial National Bank
of Chicago

This check is protected by securities deposited with the Chicago Clearing House Association.
The date of the first issue was October 26, 1907
The date of the first cancellation was November 14, 1907
The date of the final issue was January 30, 1908
The date of the final cancellation was March 28, 1908
The gross issue was $101,060,000
The maximum amount outstanding was $88,420,000, December 16, 1907

* Sprague, 428
## APPENDIX F

**STOCK EXCHANGE CHANGES PREVIOUS TO OCTOBER 1907**

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<th>Year</th>
<th>Transactions in shares, Millions</th>
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<td>196</td>
<td>-31.0</td>
<td>14,757</td>
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* Meyer, 36
APPROVAL SHEET

The thesis submitted by Laurette M. Dunne has been read and approved by three members of the Department of History.

The final copies have been examined by the director of the thesis and the signature which appears below verifies the fact that any necessary changes have been incorporated, and that the thesis is now given final approval with reference to content, form, and mechanical accuracy.

The thesis is therefore accepted in partial fulfillment of the requirements for the Degree of Master of Arts.

Sept. 7, 1949
Date

Joseph T. Rountrey
Signature of Adviser