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Lancaster Intelligencer

MONDAY EVENING, APRIL 26, 1881. GOWEN SPEAKS.

HIS DEFENSE OF READING MANAGEMENT

Mr. F. B. Gowen addressed an immense and enthusiastic audience in the Academy of Music, Philadelphia, on Saturday night in defense of his P. & R. railroad management.

"I was then 33 years old, and I can say without egotism that no young lawyer in Pennsylvania had a brighter future in his profession than I had."

"There are men on the shore who would like to see the laboring ship and grasp the wheel and steer it to ruin. Such men as these there are in Philadelphia and such men have been trying to board our ship and I have been trying to keep them off."

"One of the great questions which I found demanding solution when I became president of the company was to harmonize labor and capital. I found great dissatisfaction between the operators and the miners."

"To-day they are as peaceful as any section of the city of Philadelphia, and the company has thirty thousand men attached to it as brother to brother."

"In carrying out this arrangement, said Mr. Gowen, it became necessary for me to raise the price of money. I telegraphed to the McCalmonts for \$100,000. They answered that they were in doubt, and three days afterwards refused, and I was left in the lurch by men of wealth and position, who had made \$125,000,000 in dividends from the company violating their pledged faith."

"The floating debt of the company did not exceed \$5,000,000, but a year later it had increased to \$9,000,000. From 1876 to 1881 the managers of the company and myself were carrying debts to bed at night knowing that on the following morning there was half a million of dollars to pay and not knowing where the money was to come from."

"In paying a tribute of respect to the late Adolph E. Borie Mr. Gowen said: 'When the McCalmonts could find no man outside of an insane asylum, a penitentiary or a lawyer's office to attack Mr. Borie they imported as a member of the London stock exchange, a white-haired scoundrel named Thomas W. Powell, to do it. I say this now as I said it in London and no one dared to say anything in his favor. They brought him here to make over a man's grave a charge of jobbery in the purchase of Reading coal lands. [This reference to Mr. Powell was greeted with uproarious applause.] Mr. Borie gave me the use of his name for three or four millions of dollars and never received a dollar for the use of his name. I tell you when they imported a man to blacken the name of my dead friend they have committed a great blunder. Finally there came a time in May last when it was necessary to have \$1,000,000, but the McCalmonts refused positively to come to our assistance. The crash came on May 21 and on May 24 the receivers were appointed. Now I know all about the company. No man ever moved more about a company than I do of this. At that time the company had a surplus of value amounting to \$15,000,000 over the above its indebtedness."

our assistance. The crash came on May 21

"After a brief reference to Mr. Harris who had been on his homely and fair-mindedness, he touched on the gentleman's report on the value of the company's property, which, he said, Mr. Harris had decided by an inflexible system of 'algebraic equation.' He said Mr. Harris erred when he based his calculations on a profit and loss account interest at the rate of eight per cent."

"I will cite a case to illustrate the errors in his report. The company owns a tract containing 41,000 acres of land which is known as the Schuylkill and Susquehanna tracts. The tract is covered with timber and 10,500 acres is coal land, and the remaining 31,000 acres has no coal in it. Now Mr. Harris says, according to his estimate, that the land which contains no coal is worth \$15 an acre, but he finds that by charging eight per cent compound interest on the coal land for fifty years it is only worth \$8 an acre. I lived in Schuylkill county many years and if there is anything about coal land or coal measures up there that I don't know it is not worth knowing. He said it was universally acknowledged in commercial circles that coal and coal lands are valuable, 'but Mr. Harris finds that such a belief is a fallacy and shows by his algebraic equations that when coal exists under ground it takes \$3 an acre from the value of the timber. Last year our fixed charges for rentals and interests amounted to \$10,070,000 and the company earned \$8,961,000, leaving a deficit of a trifle over \$1,200,000; therefore it became necessary for us to reduce our fixed charges. We had one of our courses to take. One was to increase and a many way, the other was not. The main way was to pay every man every cent we owed him; the unmanly one was to pretend that the financial condition of the company was a great deal worse than it really was and by that means escape the payment of our honest debts. I refused to consent to the latter course, although I will admit that there are times in the affairs of a great company when it is necessary to give up a great deal to save a portion of the stock, but I know that time had not come."

"There are times when great companies get among the breakers and then there are people on the shore who burn false lights to lure the vessel to destruction. There are men on the shore who would like to see the laboring ship and grasp the wheel and steer it to ruin. Such men as these there are in Philadelphia and such men have been trying to board our ship and I have been trying to keep them off. I am afraid we have shipped some sailors and some officers who are in secret league with the wreckers on the shore. The plan to save the company by means of an issue of bonds did not meet with such encouragement on this side, so I went abroad. I have visited England many times during these years and I know that whenever an American company borrowed money in that country it was through the mediumship of some rich Anglo-American banking company, which received a big commission for negotiating the loan on the part of the borrower. I went about it differently. Engaging an office in the heart of London, I put out the sign of the Philadelphia & Reading railroad company and employed a respectable and trustworthy gentleman to assist me in the office. What was the result? Why, instead of being offered \$10,000,000, which was the sum I wanted, in five or six days I was offered no less than \$70,000,000; but I incurred the enmity of those great Anglo-American banking companies, some of which have representation in Philadelphia. About that time I was informed by telegraph that in consequence of a bill in equity filed by the McCalmonts I must suspend operations. Judges McKenna and Butler decided that we had no right to issue the bonds in the form they were. You must remember that I am a lawyer as well as a railroad president, and it is my duty to accept the decision of the court. If I do object to the decision on legal grounds this is not the place, nor is this the audience, before which to make my appeal. It was not generally known that 'before the judges rendered their decision they wanted counsel for McCalmonts to wait three weeks for the purpose of endeavoring to change the form of the bonds so as to save the money of the company, but the counsel for the McCalmonts insisted on a decision. These men have tried their best to wreck the company, but I tell them here, as I tell you, that they can't do it."

"To-day, after consultation with all the counsel, we have decided to meet an appeal from the decision of Judges McKenna and Butler, and we are confident the appeal will be sustained. As long as it was hoped we could not raise the money there was not one word of illegality. Now that the money is raised, we are compelled to court thought of illegality, but the judges thought differently, but I have such confidence in their integrity that I feel they will be the first to confess their error when the whole case is argued."

"Disposing of the floating debt by saying it would be the easiest matter in the world to cover it with money raised on the property by which it is secured, Mr. Gowen passed on to the election. 'It was charged in the newspapers and in court by those who knew it to be false,' said he, 'that I purposely misled the board of directors by calling for the January meeting defective. It is infamously false. I had arranged to return by the Scythia on December 25, but I called on Lord Cairns, who thoroughly approved my scheme of salvation and persuaded me to remain writing a letter to Hugh McCalmont asking him to acquiesce heartily and promised to cable. Later I found the cable he sent to Kidder, Peabody & Co. read: 'F. B. Gowen wishes to postpone the January meeting. McCalmont Brothers & Co. have no objection.' An American agent telegraphed to me that there should be no postponement. I objected to the form of the dispatch sent from London, and then Hugh McCalmont said: 'Can't you use your influence to prevent the meeting without letting our name or Lord Cairns appear?' 'I was quite satisfied and did this, but after all the steamers had sailed and all chance of my getting back was past, Mr. Bullitt went into court and in the name of his client objected to the postponement which I secured for his suggestion. I made Hugh McCalmont admit all this himself. I would rather have cut off my hand and gone a maimed cripple and begged my bread from door to door than have been guilty of such cowardly, tardy meanness. When these lawyers publish that this was a trick of mine it is proper I should tell you that they lie, and I here put a mark on them that they will never get rid of."

"The speaker went into the history of the election, showing all the influences that were directed against him the other side, and mentioning A. J. Drewel, John C. Bullitt, and Alexander and Green, of New York. He spoke of the members of

the new board of directors. They were of two classes, he said, the sanguine and the cautious. The former had ventured to buy 50 shares of stock, hoping they might fall only \$10 a share when they were elected. These were Messrs. Bond, Tyler and Steel. The others felt it would fall more than \$10, and Messrs. Shipley, Parrish and Welsh took twenty-five shares, while Mr. Newbold could only stand twenty. This description elicited roars of laughter and great applause, and then the vote was analyzed, showing that of all the votes cast for the newcomers only forty-nine hundred shares were owned in America. This, as a negative endorsement, he considered the greatest that a railroad president could boast of. He said Mr. Peabody, of Boston, a member of the firm of Kidder, Peabody & Co., was as guilty of ballot-box stuffing as any poor wretch who did it for \$5 on South street—the ground being the presentation of a proxy for fifty-five thousand shares of stock in the name of Evelyn Lee Hazelton, of London, who owned but fifty shares.

Until the validity of this election was decided he said he and his board were determined to retain power in Reading, and decided by changing eight per cent interest of Mr. Bond in the company's office in a style which created roars of laughter, ringing the changes on the fact that Mr. Bond had no occupation there whatever. He said a stenographer was present to take down what he said of the new board. Well, it was a very able and very honest one. Some of its members were very able and some were very honest, but whether the honest were able and the able honest could not be told until the former had been tried by at least a year of the complex business of the road and the latter by the temptations to make money that surround a railroad office.

Mr. Gowen next asserted that the whole opposition had been gotten up to get rid of him so that the Reading company might in the future be run in the interest of the Pennsylvania railroad company and through ownership, but through representation in its management. He charged that Colonel Thomas A. Scott had corrupted the councils of Philadelphia for the purpose of defeating a bill before those bodies granting rights to the Reading road; that the Pennsylvania railroad company had obtained a mile of the Junction railroad by fraud, thus cutting the connection of the Philadelphia & Reading with the South; that the Pennsylvania railroad company, to prevent the same object from being obtained, purchased the Philadelphia, Wilmington & Baltimore railroad company at a price that is equal to \$2,000,000 a year on a business that last year only amounted in gross to \$2,700,000; and that the oil trust which was worth 10 per cent per annum to the four trust lines, if it had been properly handled, had been ruined by the Pennsylvania railroad company's manœuvring with the Standard oil company, carrying oil over 400 miles for 15 cents per barrel, when it cost about 40 cents a barrel to carry it. It was worth 25 cents to 2 per cent on the capital stock, being thrown away for a year to make the Reading railroad company lose \$500,000. 'On this point Mr. Gowen remarked that the Standard oil company had built a pipe line of its own, and is now actually shipping oil over the Reading railroad instead of over the Pennsylvania railroad.'

Finally came the history of the great strikes. Mr. Gowen told how he was forewarned by Allan Pinkerton, told the precautions he took and their success. He told how he had given the benefit of all his information to the rival company and how they took no precautions, contrasting what he represented as their incompetence with his promptitude and success. Out of this grew the riotous and insolent prosecution against Harrisburg, and the prosecutions were sufficiently supported by that gathered by Messrs. Wolfe and Lee, and their committee. He had participated merely on account of the effort made to place part of the burden of the loss on the Reading company.

In his peroration Mr. Gowen asked the stockholders if they would place the last independent outlet from Philadelphia in the hands of its enemies and those of the great corruptionists. Then he foresaw the "near deliverance of the commonwealth." If they held on he promised that it would be to their profit, and he hoped he would bring that about himself and finally hand over his place to successor really elected by a majority of the stockholders.

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