

BANKERS AT NEW ORLEANS

Fifteen Hundred Delegates at the Twenty-eighth Annual Convention.

THE ADDRESS BY COMPTROLLER RIDGLEY

A Note of Warning Is Sounded—The Country Too Prosperous and the Time for Caution Has Arrived—We Must Either Reduce Volume of Traffic or Increase Facilities for Handling It—Cause of Speculation A Credit Currency Suggested to Make the American Banks the Best in the World.

By Exclusive Wire from The Associated Press.

New Orleans, La., Nov. 11.—The twenty-eighth annual convention of the American Bankers' association today began a three days' session. Fifteen hundred delegates had registered at headquarters tonight, in addition to nearly 500 visitors and ladies. The first day's session was opened with prayer by Rev. Dr. Beverly Warner, and then addresses of welcome followed. President Herrick replied to the welcome and delivered his annual address.

The formal business, which consisted of the reception of reports of officers and committees was then taken up, after which Comptroller of the Currency W. E. Ridgley spoke of the change in banking conditions.

Mr. Ridgley's Address.

Mr. Ridgley said in part:

I have recently seen a statement that the profits of the operation of one of the great railway trunk lines are due to the enormous volume of traffic and too large a volume of business. Heretofore it had been found that as the volume and density of traffic increased, the cost of operation, and particularly the cost of conducting transportation, was a much smaller proportion of the gross earnings than the net earnings. The earnings have increased more rapidly than the gross. Now, however, it is found that there is a limit to this with a given plant of tracks, terminals and motive power, and that when the volume and density of traffic passes a certain point, the slightest delay or derangement of train movement spoils the railroads. The result is that more than proportionately increases the cost of operation and the resulting net earnings are less than with a smaller gross amount. The general business in the United States and more particularly the financial and banking operations are much more rapid than in other countries, and there is danger in our situation from an excess of business and a lack of machinery and facilities for conducting it. It is becoming more and more apparent that there must be some curtailment of operations or increase in facilities either by the addition of new means or more efficient use of the old ones if we would avoid serious trouble, if not disaster.

To Prosperous.

We now find ourselves in the condition of the railroads, where we have a volume of traffic. With all the machinery of exchange strained to the utmost to keep up the present rate, and with every channel swollen to the full with the rushing tide, the slightest disarrangement spreads at once, and is very far-reaching in its effects. We must either reduce the volume of the traffic or increase the facilities for handling it. In the present condition there is not a sufficient factor of safety and there is danger of the strain exceeding the limit of elasticity. It does not reach the point of ultimate rupture, but it is near enough to cause considerable anxiety. In the farming states where this harvest is being gathered, there are 2,250 bushels with \$62,000,000 of capital and \$70,000,000 of surplus. The people who want this money advanced against these valuable and readily salable assets ought to get it at \$12,64,000,000, but the farm implements and machinery worth \$75,000,000; the stock worth \$375,000, and raise over \$1,000,000 worth of produce each year.

Wants Credit Currency.

It would not be any undue expansion of inflation if these banks had the privilege of issuing in addition to their notes covered by bonds an amount of uncovered notes equal to say 50 per cent. of their covered issues. Call it credit currency, association currency or anything else, but let you at least a small sum will provide a guarantee fund which will adequately protect the noteholder and the public. A graduated tax and ample provision for redemption will insure the retirement of these notes as soon as the necessity for such an issue is no longer found safe and satisfactory. In other words, they will be more so here where we have abundant basis for the credits and a great need for such an improvement in a banking system which, in all respects, but the lack of elasticity of its currency, is otherwise excellent. There has been no system of banks in the country good in our national system, and no system in any country will be any better if we make this improvement, which is almost all it needs. Our people believe in the national banks and well they may. Nothing is more important than the quality of their notes, which have been responsible in the loss of a dollar to a matchbox. The total loss to depositors since the beginning of the system is about \$3,000,000. This is only about 8-10 of 1 per cent. of the average amount on deposit, and is not to be compared with the losses suffered by the noteholders. Our farmers are now gathering and beginning to sell their best and most valuable crop supplied with money as a result of good crops and high prices for the past few years. Wholesale and retail business is good in all parts of the country, and the universal report is that collections were never easier to make.

Time for Caution.

In spite of all this, the banking and financial situation is looked upon with considerable apprehension. We cannot disguise the fact that with reserves held in all the banks of the country the situation is serious and requires close attention and careful handling. Now is the time for caution and care in bank management. It is in times such as we have been having for several years that banks get into trouble. What becomes later a bad line of credits is apt to be made in prosperous years, not when times are dull and business bad.

Cause of Speculation.

There has been a tremendous speculative spirit shown in the market values now are on a very high level. Schemes of promotion and combination have been on such an enormous scale as to be startling and bewildering. This is all so spectacular and sensational that it attracts great attention in the newspapers and magazines. It is well known that stories of great stock deals and enormous sums made by speculators. We should remember, however, that all this is not the cause of our great prosperity nor its chief result, but merely an unavoidable and necessary feature of it. It is not speculation which is to blame, but so much as it is advanced prices which have caused speculation. Railroad stocks have gone up because we have four billion dollars' worth of manufactured goods to move. In consequence, railroad earnings were more than ever before, higher in 1901 than in 1890, and the traffic of their railroads today is only limited by the capacity of the cars and motive power. A billion-dollar steel combination was only possible because we were producing 28,000,000 tons of iron ore; 15,000,000 tons of pig iron; 13,000,000 tons of steel ingots, and 12,000,000 tons of finished steel a year, and we are finding a ready market for it all.

May Have to Rest.

Nothing can prevent the growth of this country. We have all the elements of success and a great lead over all our competitors. Our destiny was fixed when all these unequalled natural advantages were placed side by side, and it only awaited for its fulfillment the coming of our masterful race of men who, for centuries, have been born and trained to rule the world as before us. The final result is absolutely certain, but it may from time to time be impeded and checked as it has been by bad finance and by trying to do too much in too short a time. It seems to be inevitable that we should have periods of rest and recuperation. They are apt to be most severe when we have been going

too fast. The pace we have traveled for the five or six years has been a rapid one. The signs are not lacking that it should be moderated before we are too far spent. There is yet time, and with prudence and care we should be able to turn the ship around and bring it back to a point where it may be unproductive for a long time. Cost of production has greatly increased. We have been consuming our available capital at a very rapid rate, and changing it to other capital where it may be unproductive for a long time. Cost of production has greatly increased. That our balance of foreign trade is falling off at the rate of hundreds of millions per year, the bank reserves are low and the time has come when it is prudent. The situation has lately been so acute as to render assistance from the treasury department necessary to give some relief.

Cumbersome Federal Laws.

Ordinarily the operations of our government finances add to our difficulties rather than help the situation, and the best that the secretary of the treasury can do when called on to help the situation is merely to undo some of the harm which has been done by the operation of our banking laws. The hoarding of money in our treasury, the Federal government, under existing laws, continues to collect a large surplus revenue and locates a large part of the money collected up in its vaults where it is no longer available for use. In 1892, the amount in the treasury as assets was \$100,000. By 1897 this had grown to \$200,000 and on Sept. 1, 1902, the treasury had in its vaults as assets \$314,000,000, or one-eighth of all the money in the United States. It is anything but a help to business to take money from the pockets of the people similarly to take it in this way. It is almost equally harmful to take money which is needed for business enterprises of all kinds and for which the people would gladly pay 5 or 6 per cent. and buy bonds with it on a basis which is not even under 3 per cent.; and this is the way the secretary of the treasury can best undo the harm caused by the laws now existing. Something should be done to more nearly equalize government receipts and expenditures. We should again change our obsolete system so that the funds of the government can go in the channels of trade and not be locked up in vaults by the hundreds of millions.

The Weakest Point.

It is unfortunate that the weakest point of our banking system is in the provision for dealing with such a situation as seems before us today. Nothing could better illustrate the necessity for a more elastic banking currency than the demand for it at the present time. Our banks have been and are being called to handle an enormous currency and credit necessary to move enormous crops, probably the largest in volume and value the country has ever produced. We have raised over 3,000,000,000 bushels of grain worth at least \$1,800,000,000, and 10,000,000 bales of cotton worth \$300,000,000. With the other crops, we have a value which will probably be about \$5,000,000,000. This call for currency comes at a time when all business is being done on an enormous scale. Of course this crop does not all move at once and some of it is used where it is raised, but enough of it to require a very large amount of money to transport it to market. It is this which more than proportionately increases the cost of operation and the resulting net earnings are less than with a smaller gross amount. The general business in the United States and more particularly the financial and banking operations are much more rapid than in other countries, and there is danger in our situation from an excess of business and a lack of machinery and facilities for conducting it. It is becoming more and more apparent that there must be some curtailment of operations or increase in facilities either by the addition of new means or more efficient use of the old ones if we would avoid serious trouble, if not disaster.

MR. BAER ANSWERS THE MINERS

[Concluded from Page 1.]

and mills instead of being supported and educated upon the earnings of their parents, or that such wages are below the fair and just earnings of mine workers in this industry."

He avers that the state of Pennsylvania makes no provision for free schools and that school districts keep local funds and that the laws provide for compulsory attendance at public schools. In the county of Schuylkill this company paid for school taxes in the year 1901, \$80,000.

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