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CROOKED BANKING IN NEW YORK.

Dickens once wrote that while picking pockets is dangerous, a man has only to rig up an office with fancy brass grill work and gilt signs and call it a bank, and people will rush in and hand their money over the counter without a murmur, says the Literary Digest. Some of the recent bank closings in New York City are taken to show that the methods in vogue in the days of Dickens are still in style, and one of the "bankers" now in jail is being classed with famous criminals of days gone by who were clever enough to dupe trusting depositors, but not clever enough to see that honesty is the best policy. In New York City during the past few weeks a State bank, a savings bank, and a trust company carrying deposits amounting to many millions of dollars have been closed by order of the State Superintendent of Banks, while a number of other big financial institutions were only saved by the prompt intervention of the Morgan interests. Although the effects of this sudden breakdown were promptly circumscribed, it served, as many papers remark, to flash once more a glaring light on certain "weak spots" in our banking system. A "weak spot" is a defect in our system of safeguards that allows a crooked financier to pocket the depositors' money. At the same time, declares the St. Louis Globe-Democrat, the fact that the incident caused scarcely a ripple in Wall Street is abundant proof that "the basic conditions of the market were seldom in a sounder condition than they are in now." "Had this collapse occurred in a time of general fear," it adds, "there would have been a recession in prices all along the line." The New York Herald adds its assurance that the banks and trusts companies as a whole were never in sounder condition than they are today."

Returing to the "weak spots" in our banking system, we find them summarized by The Wall Street Journal as "irresponsible ownership and management, lack of adherence to sound banking principles, and banking isolation.". Under present conditions, which are characterized as "a disgrace to our financial intelligence"—

"It is possible for a group of promoters, or even a single individual with a little money and unlimited impudence to found a bank or buy one, and run it to their own taste. The man who has made a million or so by putting through a big 'merger,' inflated with a sense of his ability to do big things, imagines that he can run a bank as easily as he can float a mining company. If he has the dexterity of a Morse or a Robin, he may create a chain of banks, alleged 'surety' companies, title companies, and savings-banks, using the credit and assets of one to bolster up another. If he can get the services of some ex-official with a high-sounding title, the game can be worked even more smoothly. A 'superintendent' retired from some State department makes an excellent 'come-on.'"

These evils, we are told, would be neutralized by a central bank; but in the absence of such leadership, suggests the Wall Street Journal, "something could be accomplished if clearing house committees in the large cities would gradually build up a recognized authority over banking policy and have the courage to exercise it."

Against the weakness which comes from bad organization or bad management, thinks the New York Journal of Commerce, there can be no adequate provision "without a somewhat radical change in the system." We have in this country over 7,200 independent National banks under the eye of one official bureau at Washington, and a still larger number of State banks and trust companies subject to no national supervision, but regulated under a variety of laws in the several States. Says The Journal of Commerce:

"With this dual system of something like 20,000 institutions engaged in commercial banking and scattered over the wide territory of the country, partly under national jurisdiction and partly under that of forty-six different States a regulation that is constantly effective is out of the question. It is hardly possible to prevent the establishment of banks now and then which are weak in capital, weak in management, and destined to be weak in support. Still less is it possible to prevent some of them from falling into unscrupulous hands and being used in a manner to profit those who have control of them at the risk and the possible cost of their depositors, creditors, and trusting stockholders. How is this weakness to be remedied? We see no way, if the system of many local banks with small capital is to be continued, except by some form of legalized association in districts, with centers of administration, which shall impose upon the banks forming such association in each district mutual functions obligations and responsibilities, and make it for their interest and safety to keep the necessary watch and maintain a standard of sound banking practice. This is a feature in one form or another of most of the plans that have been proposed for currency and banking reform, and it seems to be essential, not only to the further development, but the continued existence, of many local banks rather than a smal number of powerful institutions with branches or a great central bank which shall dominate all others."

In the recent breakdown the first two failures are laid to the banking exploits of Joseph G. Robin—exploits which have landed him in the Tombs prison—while the closing of the Carnegie Trust Company was the sequel to rather than the result of the Robin case. Andrew Carnegie, we may mention in passing, had no connection whatever with the trust company which bore his name. "It was felt after the 1907 panic," remarks the New York Financier, "that every spot of weakness had been eliminated, but as it turns out, the important task of preventing the formation of new spots was entirely overlooked." But the events of the last few weeks, adds the same paper, will do much to hasten the day when "the weak spots in the road will be repaired and the dangerous side-paths effectively barred." What we need as much as, if not more than, a central bank, says The Financier, is "a central banking authority placed in the hands of the State department by the legislature to prevent the first formation of bank chains, so-called, unless it can be shown that the ownership of more than one bank is held by interests so strong, or for reasons so legitimate, that objection to multiple ownership can not exist." Of the dangers inherent in the present conditions the same paper says:

"To speak plainly, the facts disclosed since the checking of Mr. Robin's meteoric financial career by the police power of the State, and the evidence of weak banking that followed the closing of the Carnegie Trust Company, and the embarrasment of one or two subsidiary institutions, constitute a disgrace to the financial reputation of the first city in America.

"So long as speculators of the Robin type are allowed to enter and remain in the banking business, and so long as irresponsibly managed concerns are permitted to hide behind high-sounding titles, just so long will the business of banking be disgraced periodically by the breakdown of banking machinery.

"We are well aware that men who desire to do so can buy control of banks or other financial institutions, and we realize that it is no less true that oncein control, such men usually attempt to fasten their clutches on other institutions, in order [illegible] them as additional links in a [illegible] The experience is by [illegible] Charles W. Morse, found [illegible] in putting together a chain of this character, which was sundered into fragments at the first sign of strain. His successor in this particular school of finance fortunately either did not have the genius of Morse, or the opportunity to extend his manipulations into circles of higher finance, but even the trouble into which Robin succeeded into getting himself, spread within a week until all the signs of a sporadic financial epidemic were apparent."

The American Banker, while confident that the day is not far distant when the very possibility of this phase of financial disaster will be eliminated, does not tell us what particular form it thinks the remedy will take. Turning to the lay press we find the New York American declaring that "in the long run some system of State or national guaranty of bank deposits must be worked out," because "under modern conditions the whole industrial fabr'c of the country rests upon bank credit, and these all-embracing public interests ought not to stand any chance of being jeopardized because some Morse or Walsh or Bobin happens to run wild."

One outcome of the incident which is attracting much attention is the strengthening of Mr. J. P. Morgan's dominance of the banking situation To relieve certain embarrassments growing out of the closing of the Carnegie Trust Company, J. P. Morgan & Company provided funds to fortify the Nineteenth Ward and Twelfth Ward Banks, and the Equitable Trust Company took over the business of the Madison Trust Company. While many papers echo with the praise of Mr. Morgan's public spirit in thus checking incipient panic, others admonish us to temper our praise with a few searching questions. Thus while the Washington Post remarks that "The house of Morgan &Company has of late years come to bear about the same relation to financial New York as the Bank of England does to London, the Bank of France to Paris, the Bank of Germany to Berlin, and so on," with the difference that it "voluntarily assumes responsibility for the general financial health," the New York World thinks that in the long run financial institutions will find being rescued by Mr. Morgan "more expensive that honest banking.' And in the Evening World we read:

"Praise for the action of Mr. J. P. Morgan in coming to the rescue of three shaky banks should be tempered by an inquiry as to how it comes that he alone should 'rescue' the waterlogged in finance. It is because Mr. Morgan, with extraordinary genius in the use of men and money, has created by a Money Trust without whose behest all things financial are in vain in New York.

"Each crisis, however created, finds him the gainer. The Morse-Thomas-Heinze episode gave him the Tennessee Coal & Iron Company and the Portchester Railroad, though the three adventurers named had nothing to do with either enterprise. They simply created a condition that tightened money and which grew tighted as the Great Rescuer pulled the rope.

"It is announced that 'cash' has taken the place of unsound securities in the 'rescued' banks. Whose cash? Why, yours and everybody's that chances to be stored in other banks and about the use of which not you but Mr. Morgan has the say. He has now gobbled up a tidy bunch of millions and so is rapidly completing his control of all the money in this town—your money, please remember, fellow citizens, which will soon be turned against you in, the subway deal; to earn you no interest from the depository, but to make you pay 23 per cent or more in profits to the Money Trust' subway!"

Sees More Railroad Work.

Work is soon to be resumed on the Lewiston-Huntington railroad along the Snake river by the O.-W. R. & N. Co., announces the Joseph Herald. There is already 60 miles of this road built from the Huntington end, and several miles from the Lewiston end. The road is being built entirely on the west side of the river, which will tap the entire eastern boundary of Wallowa county. This road will prove of vast benefit to this county in every respect.

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