

# WHERE SURPLUS CAPITAL HAS GONE

AT THE time that the speculative frenzy of Wall street was responding instantly and freely to the many propositions of capitalists and others who were perfecting industrial combinations or trusts, as they are sometimes called, A. Barton Hepburn, vice-president of one of the larger banks of New York, felt that the moment was opportune to sound a note of warning.

His long experience as a banker, and especially as the Controller of the Currency (which is the administrative authority over the National banks of the United States), and the accuracy with which many of his earlier predictions had been fulfilled, caused much attention to be paid to the few cautious, careful and moderate words which he spoke. It seemed to him that the country was advancing too rapidly for the capital that it possessed. He thought that the organization of industrial and the expansion of new capital ought for a time to be checked.

What he said, while it attracted much attention, did not seem to affect the action of any one who was busily engaged in manufacturing capital stocks or in speculating the market or promoting the sale of new stocks. Yet, what Mr. Hepburn felt justified in saying in a few weeks ago, is being repeated in a brief opinion expressed by Russell Sage. Whatever Mr. Sage says is sure to fix, at least for the moment, the attention of every one engaged in financial affairs. But there is a natural wonder whether a capitalist of such vast resources, and one especially whose chief vocation is that of lending money upon call, might not be tempted sometimes to express an opinion for the purpose of influencing the market. No one can say justly that Mr. Sage ever did that, and yet what he says is usually accepted with some reservation.

**Concordance of Opinion.**

A few weeks after Mr. Hepburn had ventured the cautious opinion, that there should be a check to capital expansion, one of his successors as vice-president of the largest of American banks, as he was also a successor of his as an officer of high authority in the Treasury Department, having been Assistant Secretary of the Treasury, Mr. Sage, at a public banquet in a public manner, at a public banquet and in response to a toast, expressed exactly the ideas which both Mr. Hepburn and Mr. Sage had thought it worth while to declare as their own.

This banker, F. A. Vanderbilt, argued with some detail that the surplus capital of the country had been practically exhausted by the expansion which had been made upon it in the past five or six years, and that there could not be such expansion without causing shock, demoralization and, probably, disaster. What each of these three widely-known financiers predicted, the great money center of the United States, and, reactively, the other money centers, had been feeling throughout the entire Summer.

During the period of the most severe depression and excitement in New York City, Mr. Hepburn was the guest of an association of bankers in New England, and to them made an address in which he touched upon certain currency questions; and, after that address, in a more informal manner, added to what he then said and what he had spoken a year earlier in the way of modification. He declared that, in his view, it was probable, if not inevitable, that there would be in general commerce, business and industry, a reaction, just as there had been in the world of finance, stocks and speculation.

It was known in New York that this was the opinion of many of the leading bankers, but not any of them cared to express it publicly. Mr. Hepburn was asked to explain in some detail the financial conditions both of business and of corporations, as well as of the currency situation, which was in some features so acute during the Summer of 1903 that President Roosevelt felt that he might be justified in summoning Congress into extraordinary session, partly for the purpose of considering the currency subject.

**Accumulation of Capital.**

When Mr. Hepburn was asked what was meant by his statement that the surplus capital which had been so handsomely accumulated in the last five or six years had been absorbed, he replied:

"Soon after the country, in the great political canvass of 1896, decided in opposition to the financial program with which Mr. Bryan's name was identified, there began to be a reaction from the period of distress and demoralization which characterized the years from 1892 to 1896. In addition to that, there were two or three years of most favoring crops, and the repeal of the so-called 'Sherman silver law' in the Summer of 1893 had caused confidence to some extent to be restored; but it was not to be perfectly restored until the people of the United States had decided, in a general election, whether there was to be free unlimited coinage of silver at the ratio of 16 to 1, or whether the gold basis was to be established as the permanent basis of our currency."

"It so happened that a year or two later there came the announcement of the discovery of enormous deposits of gold in the whole Alaska Peninsula; and almost coincidently with that there was a great increase in gold production in the United States. Now all of these causes operated to restore confidence, and, furthermore, to stimulate trade and commerce. We began to export our surplus products in enormous quantities abroad. The adverse trade balance in our favor each year for several years in the neighborhood of \$50,000,000. Domestic industry and trade were very greatly quickened. The iron and steel industry responded most impressively to this new impulse."

**Prosperity in the West.**

"Through this great productivity of crops, of precious metals and of industrial agencies the country began to discover that it was accumulating capital. It was able, by means of its surplus foreign trade, to absorb a large amount of American securities held in Europe for many years. It was able to pay off some of our indebtedness abroad; and it was discovered that we were establishing what are called 'bankers' credits' over there. Relatively, I have often thought that the increase of surplus capital in the West was even greater than elsewhere in the United States. Farmers, who had been in debt many years, were able to pay off their mortgages, to buy improved machinery and to add to their lands; and the records furnished by the banking departments of the various states showed that they were accumulating money."

"We, therefore, had a greater amount of surplus capital—certainly greater in figures, probably greater relatively—than in any other time in our history. The inevitable result of that is sometimes called, or surplus capital, becomes very large, it seeks utilization. People want to make as much money as possible. That is the time when capital is in plenty. It is used up in these ways; and then there follow demoralization and panic."

**Where the Surplus Went.**

Mr. Hepburn was asked to detail more specifically some of the uses of this surplus capital.

"There were, for one thing, large investments in foreign loans. Some of the richer corporations of New York bought great blocks of European loans. American capital was interested in the financing of the English war loans. There began even to be purchases of English consols. In addition to that, there came at that time the great impulse to consolidate various industrial properties and to bring together various

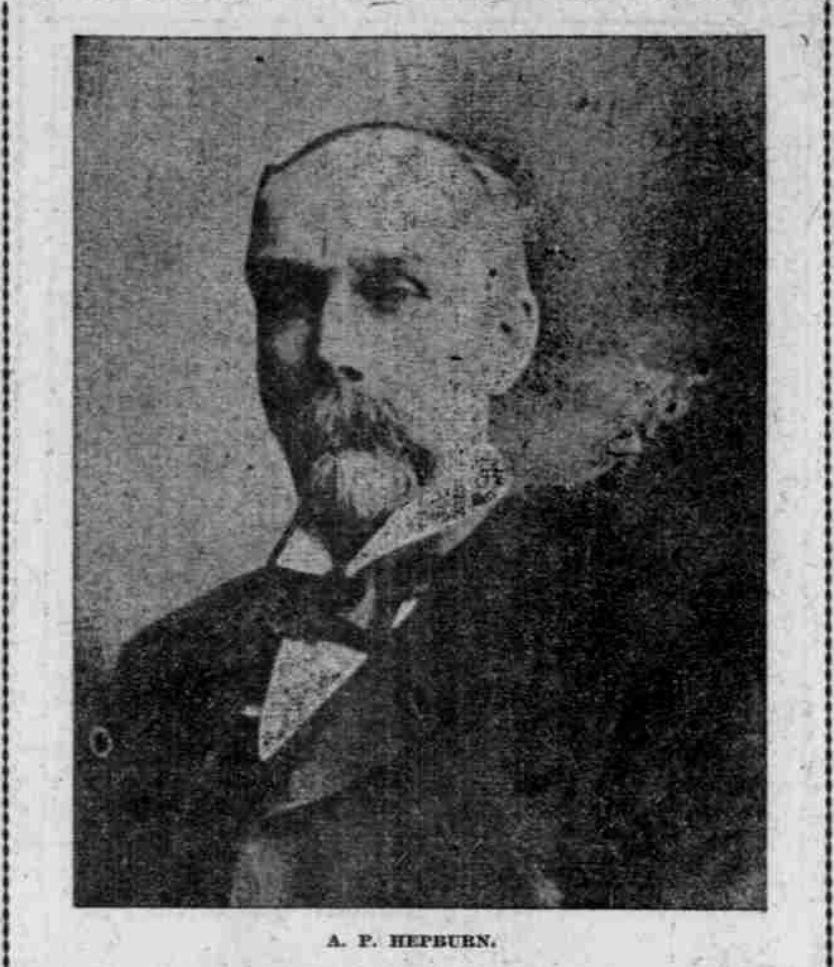
railway systems; the conspicuous example of that being, so far as industry is concerned, the organization of the United States Steel Corporation; and, so far as railroads are concerned, the movements which led to the unification of some of the Pacific railroad systems. These and many minor undertakings—some minor only in the sense that they were not as large as the United States Steel Corporation, but were yet very large—were promoted, and for a time found apparently easy absorption.

"But there came a time when it was apparent that the power of absorption was gone. Commercial and financial expansion had reached its limit. The surplus capital had been used up, so to speak. Credit itself was being strained. And when, a year ago, there came heavy demands for money for crop movements in the West, it was evident to skilled observers that the strain was really upon us. There began to be hesitation; then stronger evidence of the inability or refusal of those who in the past had surplus capital, to purchase securities; and, little by little, the reaction made itself felt, until it culminated in the excitement and vivid object-lesson of the summer of 1903."

**Check to New Investments.**

Mr. Hepburn was then asked to explain what he meant by his intimation that the man of business, in view of all that has happened within the first half of the year 1903, would check his own business expansion and curtail and fortify himself against any period of depression or distress.

"The meaning ought to be self-evident. There cannot be any such liquidation as has been in progress for nearly a year without there resulting from it, not only a check to new investments, but also a limitation of demand, which causes a market more or less dull, according to the extent to which the limitation of the demand goes. There is an impression that Wall street is something apart from the rest of the nation. It is something like the view sometimes held by public men that the New York postoffice is a purely local institution; and yet the New York postoffice is of quite as great importance to merchants and manufacturers elsewhere in the country as it is to those of New York City. It is once said by a former Postmaster-General that the pulsations of its mighty heart are felt all over the country and the world. So, too, the pulsations of the financial heart of the country, which is New York, are even more speedily and perceptibly felt than are those of the great center of the postal system of this country; so that Wall street cannot ex-



A. P. HEPBURN.

ercise reverses without ultimately the effect of them being also felt throughout the country. Wall street is not a cause; but it is a reflection of all the mighty agencies that make industrial, commercial and agricultural prosperity, as it is an important reflection of all the agencies which make depression and distress. Wall street does not cause all panics, although panics are usually first developed there."

Mr. Hepburn was asked if, in his view, the currency system of the United States was in any way responsible. He replied that, while there were certain archaic features of our currency system, certain defects that should be remedied, yet, on the whole, it is now in a healthful and confidence-giving condition.

"There is no reason," he continued, "why there should be any distinction between the revenues received for customs and those received from internal taxes, so far as the utilization in the

discretion of the Secretary of the Treasury and in the form of deposits in the banks is concerned. If the funds which are now required by law—because collected from customs dues—to be kept in the Treasury until paid out for Government expenses were available for the public in what is called asset banking, I am not of the opinion that the country is ready for it, whatever may be said of its merit as an abstract proposition. The people have become familiar with a bank currency, which they know is as good as gold, because the entire faith of the nation, as expressed in its bonds, is behind this currency.

"A bank note issued by a bank at Eastport, Me., passes as readily in circulation in San Francisco as does a greenback or silver certificate, and there is no exchange upon it. This sense of absolute safety will, I feel, prevent any Congress at present from approving any method of securing national bank notes that differ from the present one. The Government bond which stands behind the note is as sure a protection as bullion itself would be."

**Increase of Circulation.**

"It has seemed to me, however, that it might be worth while for Congress to pass such a law as would permit the Secretary of the Treasury, in his discretion, to grant to any national bank, in time of emergency, the right to increase its circulation up to a certain ratio of its capital. But, of course, a currency of that kind should be made automatic, so that it would be instantly retired when the emergency was passed; and that can be done by taxing it at such a figure as to compel its retirement when the rates for money reached a normal figure. That is exactly what happens when the New York Clearing-House issues its certificates, something that is done only in times of great emergency. The tax upon these certificates is sufficient to compel their instant cancellation when rates for money become normal. Nothing should be done which would make it possible to inflate the paper money of the United States.

"The natural increase of national banks and the new circulation thereby provided and the certainty that for many years, probably, the gold mined each year in the United States and in Alaska will increase the circulating medium by \$5,000,000 or more, ought of itself to provide whatever additional currency the normal and healthful growth of business and production in the United States

makes necessary. I am certain that the great development of the West, its capacity to produce noble harvests on the whole—for climatic influences in one part of our country do not affect all parts unfavorably—the opening up of much of the yet undeveloped West, will, of themselves, speedily provide a surplus capital, which, when it is secured, may make possible renewed investments, renewed enterprises and thereby a renewed season of prosperity."

"It is now reasonably certain that by reason of the warnings given by Mr. Hepburn and others, and, in addition, the precautionary measures adopted by the Treasury Department and the leading bankers and financial and business men of the country, it is to be in the closing weeks of the year satisfactory. It is expected that after the new year there will be a healthful revival of investment which will follow an increase of surplus capital."

DANIEL STRONG.  
(Copyright, 1903, by T. C. McClure.)

**Battle-Hymn of the Republic.**

Julia Ward Howe.

Mink eyes have seen the glory of the coming of the Lord;  
He is tramping out the vintage where the grapes of wrath are stored;  
He has loosed the fateful lightning of His terrible swift sword;  
His truth is marching on.

I have seen Him in the watch-fires of a hundred circling camps;  
They have built Him an altar in the evening, and damp  
dews and damps;  
I can read His righteous sentence by the dim  
and flaring lamps;  
His day is marching on.

I have read a fiery gospel, writ in burnished  
rows of steel;  
"As ye deal with my contempt, so with my  
grace shall deal;  
Let the Hero, born of woman, crush the  
serpent with his heel,  
Since God is marching on."

He has sounded forth the trumpet that shall  
never call retreat;  
He is lifting out the hearts of men before His  
judgment-seat;  
Oh! be swift, my soul, to answer Him! be  
jubilate my feet!  
Our God is marching on.

In the beauty of the hills Christ was born  
across the sea,  
With a glory in His bosom that transfigures  
you and me;  
As He died to make men holy, let us die to  
make men free,  
White God is marching on.

**THE PALATIAL OREGONIAN BUILDING**

Not a dark office in the building; absolutely fireproof; electric lights and artesian water; perfect sanitation and thorough ventilation; elevators run day and night.

AINSLEE, DR. GEORGE, Physician and Surgeon.....600-607  
ANDERSON, C. R., Attorney-at-Law.....316-317  
ASSOCIATED PRESS: E. L. Powell, Mgr., 306  
AUSTIN, F. C., Manager for Oregon and Washington Bankers' Life Association of Des Moines, Ia.....308-309  
BAAR, DR. GUSTAV, Phys. and Surg., 807-808  
BANKERS' LIFE ASSOCIATION OF DES MOINES, Ia.; F. C. Austin, Mgr., 308-309  
BATES, PHILIP, P. B., Public Printer, 215  
BENJAMIN, R. W., Dentist.....314  
BERNHARD, G., Cashier Co-operative Mercantile Co., 204-205  
BINSWANGER, OTTO, Physician and Surgeon.....407-408  
BOGART, DR. M. D., Dentist.....705  
BROOK, WILHELM, F., Circulator, Oregonian.....201  
BRUEBE, DR. G. E., Phys., 411-412-413-414  
CAMPBELL, WM. M., Medical Referee Equitable Life Ins. Co., 308-309  
CANNING, M. J., Dr., Dentist.....506  
CALDWELL, DR. J. R., Dentist.....506  
CHURCHILL, MRS. E., District Agent, Travelers' Insurance Company, 715  
COFFEY, DR. R. C., Surgeon.....406-406  
COUGHLAN, DR. J. N.....713-714  
COLLIER, F. F., Publisher, P. B. McClure, Manager.....315  
COLUMBIA GRANITE CO., 417-418  
CONNELL, DR. E. DE WITT, Eye, Ear, Nose and Throat.....516-517  
CO-OPERATIVE MERCANTILE CO., J. F. Olsen, Gen. Mgr.; G. Bernard, Cashier, 204-205  
CORNELIUS, C. W., Phys. and Surg., 212  
DICKSON, DR. E. F., Physician.....713-714  
EDITORIAL ROOMS.....Eighth Floor  
EVENING TELEGRAM.....225 Alder Street  
EQUITABLE LIFE ASSURANCE SO-CIETY; L. Samuelson, Mgr.; G. S. Smith, Cashier.....308  
FENTON, J. D., Phys. and Surgeon.....508-509  
FENTON, DR. HICKS C., Eye and Ear.....511  
FENTON, MATTHEW P., Dentist.....509  
GALVANI, W. H., Engineer and Draughtsman.....409  
GRANT, DR. E. E., Phys. and Surgeon.....408  
GIESY, DR. J., Phys. and Surgeon.....710-710  
GILBERT, DR. J. ALLEN, Phys., 401-403  
GOLDMAN, WILLIAM, Manager Manhattan Life Ins. Co. of New York.....204-210  
GRANT, FRANK S., Attorney-at-Law.....417  
GRISWOLD & PHELLEY, Tailors.....131 Sixth Street  
HAMMA, DR. E. H., Physician and Surgeon.....300-301-302  
HARDEN, MRS. L. K., Stenographer.....201  
HAVILAND, DR. W. K., Phys. & Surg., 512-513  
HAWLEY, DR. E. F., Phys. and Surg., 408-409  
HOLLISTER, DR. O. C., Physician and Surgeon.....504-505  
HOSMER, DR. CHARLES, SAMUEL; Phys. and Surgeon.....701-702  
IDLEMAN, C. M., Attorney-at-Law.....615-616  
JEFFREYS, DR. ANICE F., Phys. and Surgeon, Women and Children only.....409  
JOHNSON, DR. E. F., Physician.....713-714  
KADY, MARK T., Superior of Agents Mutual Reserve Life Ins. Co.....405  
LANE, E. L., Dentist.....513-514  
LAWRENCE, DR. E. A., Physician.....504-505  
LAWRENCE PUBLISHING CO., 417-418  
LITTLEFIELD & CORNELIUS.....212  
LITTLEFIELD, H. R., Phys. and Surg., 212  
MACKAY, DR. A. E., Phys. and Surg., 712-712  
MANHATTAN LIFE INSURANCE CO. OF NEW YORK; W. Goldman, Manager.....309-310  
MARSH, DR. L. M., Physician and Surgeon.....310-311  
MCCOY, NEWTON, Attorney-at-Law.....715  
MCELROY, DR. J. G., Phys. & Surg., 701-702-708  
MCDONNELL, HENRY E., Attorney-at-Law.....311-312  
MOURIER, M. M., Manager; G. S. Collier, Publisher.....413  
MCKENZIE, DR. P. L., Phys. & Surg.....205  
MIXT, HENRY.....218  
MOSSMAN, DR. E. P., Physician.....513-514  
MUTUAL RESERVE LIFE INS. CO.; Mark T. Kady, Superior of Agents.....404-405  
NICHOLAN, HOLMCE E., Attorney-at-Law.....710  
NILES, M. M., Cashier, Manhattan Life Insurance Company of New York.....209  
NOTTAGE, DR. G. H., Dentist.....608-609  
NOTTINGHAM, T. W., Mgr. The Water-218 Construction Co., 218-217  
O'CONNOR, DR. H. P., Dentist.....309-310  
OLSEN, J. F., General Manager Co-operative Mercantile Co., 204-205  
OREGONIAN INFIRMARY OF OSTEOPATHY.....409-410  
OREGONIAN BARBER SHOP, MARSH & GEORGE, Proprietors, 129 Sixth Street  
OREGONIAN EDUCATIONAL BUREAU; J. F. Straubel, Manager.....209  
PACIFIC MINER, Philip S. Bates, Pub., 215  
PAGE, R. S., Attorney-at-Law.....515  
PALMER BROS., Real Estate and Business Chances.....417-418  
PORTLAND EYE AND EAR INFIRMARY.....204-205  
REED, C. J., Executive Special Agent Manhattan Life Ins. Co. of New York.....209  
REED, WALTER, Optician.....135 Sixth Street  
ROSENDALE, O. M., Metallurgist and Mining Engineer.....318  
RYAN, DR. JOHN B., Phys. and Surg., 313-314  
RYAN, J. B., Attorney-at-Law.....515  
SAMUEL L. Manager Equitable Life.....204  
SCOTT, C. N., with Palmer Bros.....417-418  
SHERWOOD, J. W., State Commander K. O. F. M.....517  
SMITH, DR. L. M., Physician.....207-208  
SMITH, DR. L. B., Osteopath.....409-410  
SMITH, GEORGE S., Cashier Equitable Life.....506  
STOLTE, DR. CHARLES E., Dentist.....704-705  
SURGEON OF THE S. P. RY. AND N. P. TERMINAL CO., 129 Sixth Street  
SUPERINTENDENT'S OFFICE.....201  
TUCKER, DR. GEORGE F., Dentist.....610-611  
UMPUHA LUMBER CO., W. J. Fendergast, Manager.....401  
VESTER, A. Special Agent Manhattan Life.....208  
WARREN CONSTRUCTION CO., T. W. Nottingham, Manager.....218-217  
WENDLING, DR. ROBT. F., Dentist.....705  
WILEY, DR. JAMES O. C., Phys. & Surg., 708-709  
WILSON, DR. EDWARD N., Eye, Ear, Nose and Throat.....304-305  
WILSON, DR. GEO. F., Phys. & Surg., 708-709  
WOOD, DR. HOLT C., Ph. & Surg., 507-508  
WOOD, DR. W. L., Physician.....411-412-413-414

## REHABILITATING VANCOUVER BARRACKS

**FLAT UPON WHICH THE OTHER FIVE INFANTRY BARRACKS WILL BE CONSTRUCTED**

**THE NEW BATTERY QUARTERS**

**THE GUN SHEDS.**

VANCOUVER, Wash., Nov. 20.—The constructing and rearranging of the military post and headquarters of the Department of Columbia, situated at Vancouver, Wash., is one of the largest works ever begun in the Northwest. The work when completed, according to the plans which were approved by the Secretary of War, will involve a period of about five years' time and be at a cost to the Government of over a million dollars, a fact which proves the intention of the Government to locate permanently a post at this point, thus setting at rest all argument on the part of those who have been advocating a change to some other locality.

The location of the Vancouver barracks is considered by the War Department as the healthiest and best in this part of the country. Upon completion of the new buildings and the rearrangement of the parade grounds and roads it will be one of the prettiest and best arranged military posts in the United States. It will be what is termed by military people one of the "show spots of the army."

The post, when completed, will have a capacity sufficient to accommodate one regiment of infantry and two batteries of field artillery. This will include quarters necessary for officers for such a garrison. In addition thereto it will accommodate the commanding general of the Department of Columbia and officers of his staff with quarters. There will also be erected here a new department headquarters building with a cost of about \$750,000. Already plans of this building are being drawn to be submitted for approval.

There are under various stages of construction at the present time a 45-bed hospital, which will cost \$68,725, a battery quarters costing \$65,000, two infantry barracks costing \$55,000 each, a battery gun shed which will cost \$25,000, a coal shed contracted for \$25,225, and an officers' quarters which will cost about \$45,000.

The buildings are all strictly modern in every detail, and built throughout for stability and convenience. The hospital especially will be an ideal structure. It will be constructed of brick, with stone foundation. Its plumbing and sanitary conveniences cannot be excelled. It will be fitted with a room especially for an X-ray apparatus, which will be throughout in every detail. The bachelor officers' quarters will be built after the old colonial style. It will be one of the prettiest and best buildings in the post. It has accommodations for 16 bachelor officers, besides an officers' mess and room for attendants.

The barracks for the enlisted men are constructed after a plan adopted by the Secretary of War for their special features of convenience and appearance. Each barrack will be 121 feet in length and will hold 17 guns. They will be fitted with rolling steel doors and be floored with vitrified brick. The buildings will all be of wood, excepting the hospital. The foundations, however, will be of stone, so that at any time either brick or stone superstructures may be erected.

The work is all being done by contract under the direct supervision of Constructing Quartermaster Wren, Seattle and Tacoma firms have secured most of the contracts. H. O. Robison, of Woodlawn, has secured the contract for the coal sheds at \$1,664. Vancouver is well represented by the firm of Larney & Kiggins, who have secured extensive contracts in plumbing work.

It is a question in the minds of those in charge why the large contractors of Portland did not secure their share of the work. It seems reasonable that the Portland contractors could do the work cheaper than Seattle or Tacoma firms. The enlargement of the post will give employment to a large number of men for some time, and increase the output of the manufacturers of this vicinity, as most of the material is secured at home markets.

**REHABILITATING VANCOUVER BARRACKS**

**GOVERNMENT WILL EXPEND ONE MILLION DOLLARS FOR NEW BUILDINGS FOR OFFICERS AND MEN**

REHABILITATING VANCOUVER BARRACKS