GOLD DEPRECIATION AFFECTS PROSPERITY

Professor J. Pease Norton of Yale Defines Recent Money Conditions and Deprecates Presidential Campaign for Currency Issues.

The following is an article in Review of Reviews for January on "The Gold Situation and the Currency Outlook," with especial reference to congressional legislation and the danger to business from a presidential campaign on currency issues, by J. Pease Norton, assistant professor of political economy at Yale university and secretary of section 1 of the American Association for the Advancement of Science

The financial-legal factors, disturb- ment, and become the hotbeds of social ing business prosperity, fundamental to discontent all the evident effects currently classed as causes, are four, namely: First, the world-wide depreciation of gold, which has and is operating to undermine the use of gold as a standard of value in various insidious ways; second, the illregulated practices of capitalization of corporations proceeding under a com-

corporations proceeding under a comparatively new combination of economic conditions, involving underwriting, investments of commercial and savings banks, trust companies and insurance companies; third, the inadequacy of our currency system with especial reference to the bond-secured bank note system; fourth, the rapid expansion of the banking industry under the guise of trust companies without proper legal requirements covering reserves.

Although gold is the measure of the prices of all commodities as a standard of value, prices may increase because of a cheapening of the standard relative to commodities or because of an increase in the value of commodities relative to the standard. In the one case, inventions in gold mining and new discoveries of gold would be active. In the second case, above mentioned, short crops, deficient economic progress, and great pressure of population on the means of subsistence would be the effective causes for the high prices. High prices may, then, be classed historically in two groups, (a) inflation prices due to want.

Increase World-Wids.

Increase World-Wide.

That high prices exist there is no question. All average price levels, whether English or American, show in eight years more than 50 per cent increase. In other words, it requires \$1.50 to buy what \$1 would purchase on the average eight years ago. If these are not famine prices, because during eight years the crops have been bountiful, progress extremely rapid and the standard of living throughout the world upon progress extremely rapid and the standard of living throughout the world upon the increase, then the causes should be sought in the depreciation of money. If the statistics agree in showing the quantity of gold increasing, the cost of production per ton of ore diminished radically by new inventions, and the world's stock of gold showing a marked and sudden increase, little doubt remains.

in all the production was a marked and sudden increase, little doubt remains.

The facts are plain. A golden deluge is already upon us. In the year 1706 the annual production was \$7,000,000 in 1800, \$12,000,000 in 1800,000 in

Doubtless, the sale of \$40,000,000 corporate stock and bonds by the city of New York will mark no less the communication of a new era of investment values than the necessity for early changes in the laws regulating the investments of savings banks and trust institutions. That we are on a new investment basis, a few may longer doubt. That \$40,000,000 4½ per cent bonds, tax-exempt, should bring only 102 on the average, a basis yield of about 4½ per cent adding the amount of the tax to bring this investment into comparison with securities subject to tax, say 1½ per cent, an equivalent yield of nearly 6 per cent, for New York city bonds will prove for the majority of financiers surficient indication of the trend.

The price of the New York city bond The price of the New York city bone

The price of the New York city bond issue represents the havoc which gold depreciation has wrought up to this date. How great is the fall in New York city bonds, few even now realize. In 1904, the New York city 3½ per cent bonds were distributed to the public as high as 164. Since then, a decline has occurred of 24 points of 25 per cent in this gilt-edged investment security. From the standpoint of the holders, the comparison is even more discouraging because the purchasing power of the dollar in the brief interval of three years has declined 10 per cent, as measured by the index number issued by Dunn last May, when presumably on account of the extraordinarily rapid advance in prices, this ancient statistical landmark was abandoned. Consequently the holder of the 3½s finds that not only has he lost 25 per cent of his capital measured in dollars, but that \$80 will only purchase what \$72 would three years ago. Therefore, measured in the real test of purchasing power the holder has lost 32 per cent of his capital, and received in the meantime an interest return of 3½ per cent, little more than one half the current time rates now ruling for a year. That the effect must go farther, no sane critic can doubt.

That there has been secret-selling of

an doubt. That there has been secret-selling of bonds of well-informed interests in amounts reaching great proportions is doubtless within the knowledge of a few. The difficulty in unloading bonds on account of the narrow market which many issues and specialties possess makes it difficult to show the real quotations which many issues would bring.

the failure of the great Kalekerbocker Trust company.

All savings banks immediat retired behind the 60 days' notice r ose. The national banks remained so ant by suspending. The suspension specie payments was the result of sufficient reserves. The reserves f the national banks were insufficir simply because trust companies, at he banks, private banks and insuran companies carried little, if any, re rive, redepositing in other institutior. The result is that within 15 yer the average reserves against depor a for the banking industry which at it further trust companies, sir trust companies are little more the banks free of reserve regulations, ave been on the average cut in twe As a result a sudden run made it is ossible to maintain specie paymer because the reserves were entity inadequate for the business attempted.

Trust Company's Fallure.

The fright engendered by the fallure of the Knickerbocker Trust company produced a psychological panic. It destroyed public confidence, because the reserves were insufficient; institutions through the country suspended specie payments. Currency soid at a premium in Wall street. The fear in the land required immediate allaying. Grasping the solidion, the administration acted promptly in a way capable of accomplishing the results desired. By immediately offering bond issues of \$150,000,000 all told, to be used to provide an emergency currency, a psychological impression was produced at one stroke largely restoring confidence.

As soon as it became apparent that the

iargely restoring confidence.

As soon as it became apparent that the difficulties had been met, and the intensity of the crisis allayed, it was decided unnecessary to actually sell more than a fraction of the amount offered. Had the smaller amount been offered at the start, little would have been accompitated psychologically. The move of the administration, psychologically speaking, tended to balance in restoring public confidence, to the extent such confidence had been destroyed by the opening event, the suspension of the great Knickerbocker Trust company, the two events marking the beginning and the end of the great crisis. Great credit is due to President Rousevelt and Secretary Cortelyou in so splendidly coping with the extremely alarming situation.

Now that public confidence in a meas-

with the extremely alarming situation.

Now that public confidence in a measure has been restored, and the time of normal monetary stringency is rapidly passing, two disturbing factors have for the time been tempered. The canceling of loans by banks will proceed throughout the country. The volume of trade will lessen. In a short time money will begin to accumulate in the banks, and business will pass into that state of torpor which is most discouraging to business men.

In the dismay at fortunes wrecked and profitable business swept away, the first mental reactions of men are two: Responsibility for the crisis, in order to fix the blame, and second, remedies of many kinds largely designed to affect some of the innumerable minor phases which have struck the minds of men in vivid ways.

Many special interests under the guise of remedies for the crisis are suggesting changes in our financial system dangerous to the interests of our people. The movement for a central bank of the United States cannot be seriously viewed the conditions multiple and other conditions. United states cannot be seriously viewed when the conditions, politically and otherwise are known. The reference of such a remedy to Senator Tillman would be decisive. Leaving out of the question the many impracticable suggestions, the possible remedies, when financial, political and commercial conditions are carefully weighed are few. On the whole, it is probable that no direct legislation at all would be most advantageous for the prosperity of the country. Stripped of technicalities, the following measures, which are the substance of several bills to be introduced, would be salutary, provided a currency campaign shall not result.

(1) Require the state banks, trust companies, etc., to become national banks.

banks.

(a) By extending to the national banks complete powers possessed by trust companies and requiring adequate reserves against notes as against de-

(b) By taxing all institutions upon deposits by a graduated scale dependent upon the proportion of reserves, L. e., similar in a way to the 10 per cent tax on the ank notes of state banks. These two laws would if carefully worke insure uniform administration of bank-ing institutions and enforce adequate reserves. Trust companies and state banks would be forced to become na-

banks would be forced to become and tional banks.

(2) Give to the national banks the right to issue bank notes, unsecured by government bonds against which reserves should be required, provided the bank has already outstanding say 60 per cent of the present government bond against which transfered notes. In this way, the transfered notes.

per cent of the present government bond secured notes. In this way, the transition to the Canadian system of asset currency can be gradually brought about without injuring the prices of government bonds now held by the banks.

(3) Henceforth, government bonds should not be the basis for circulation to a total amount greater than the \$600,000,000, now outstanding although they may be given in exchange the privilege of becoming the sole security for government deposits.

These remedies may be passed by the

many street makes a which are not considered and analysis of the continues are not provided the longer described to a longer of the continues and the continues are not to continue and

10% TO 50% REDUCTION

On Every Article in Every Department in Our Store

Our January Sale This Year Will Be a Recordbreaker



Home Good Furniture H. JENNING & SONS

HEADQUARTERS FOR JANUARY SHOPPING

Prices Always the Lowest

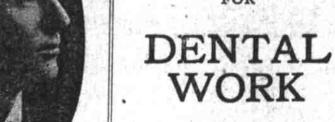
Marked

Big Things Projected on Upper River to Turn Mill and Car Wheels.

(Special Dispatch to The Journal.) Pasco, Wash., Dec. 28 .- Water power as an incident to the improvement of national waterways, with special regard to the Snake river, is the theme of lengthy resolutions drafted by a joint committee of the Franklin county chamber of commerce and the Pasco Commer-cial club. The resolutions indorse the bill recently introduced in congress by Congressman Jones to grant the Benton

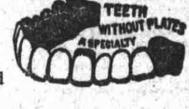
GIVE UP POWER Present a Relative

DR. B. E. WRIGHT



It Will Do More Good Than Any Other Pres-

ent You Can Give



Friend or relative needing any kind of dental work will appreciate a present of that kind. It is practical and will give pleasure and health for years to come. All of our patients are treated with the greatest skill, gentleness and consideration. The most sensitive person will experience no disquieting effects from our treatment. Bridge work, crown work, gold fillings, porcelain inlays and perfect-fitting plates. Perfect work at reasonable prices.

ON RUBBER PLATE.... \$5.00 BEST SET OF TEETH \$8.00

DR. B. E. WRIGHT, PAINLESS DENTIST

3421/2 Washington Street, Corner Seventh OFFICE HOURS-8 A. M. to 5 P. M.; 7:30 to 8:30 P. M.; SUNDAYS-9 A. M. to 1 P. M. TWELVE YEARS IN PORTLAND PHONE MAIN 2119



The Portland Trunk Mfg. Co.

MAKERS OF HIGH QUALITY BAGGAGE FOR FIRST-CLASS TRUNKS, BAGS, SUIT CASES AND SAMPLE CASES

STRICTLY "MADE-IN-OREGON" GOODS

54 THIRD Corner Pine

SEND FOR CATALOGUE 107 SIXTH 2--STORES--2



PHENOMENAL SHOTS

(Special Dispatch to The Journal.) Port Townsend, Wash., Dec. 28 .- Op-Port Townsend, Wash., Dec. 28.—Opposed by weather conditions that made
the work of the gunners most difficult,
full service target practice at forts of
the Puget sound artillery, as concluded
after two days shooting, is pronounced
the most accurate in the history of the
local fortifications. Directed by Captain
Buck and Lientenant Hamilton, the firing of mortar batteries at Fort Flagier
today attracted unusual attention.
With a wind tossing a target floating

NOMENAL SHOTS

AT COAST TARGETS

citil Dispatch to The Journal.)
Townsend, Wash., Dec. 28.—Opy weather conditions that made k of the gunners most difficult, vice target practice at forts of st sound artillery, as concluded to days shooting, is pronounced to detail the history of the first taccurate in the history of the sensational order. A high southers to send the harbor steamer out with the above water long enough to permit making a record for firing that completely satisfies the officers directing the every sensational order. A high southers to send the harbor steamer out with the above water long enough to permit making a record for firing that completely satisfies the officers directing the every sensation and the first taccurate in the history of the sensational order. A high southers to send the harbor steamer out with the sensational order. A high southers to send the harbor steamer out with the sensational order. A high southers to send the harbor steamer out with the sensational order. A high southers to send the harbor steamer out with the sensational order. A high southers the sensa

ADMINISTRATOR'S SALE.

Remarkable Values in All Departments

d above water long enough to permit making a record for firing that completely satisfies the officers directing the exercises.

That results attained by the annual target shooting is proclaimed with joy, by those who maintain the strength of

