

this town-lot speculation has contributed something to the stringency in money, for if a bank lends half of its money to such speculators, and they, although re-depositing in the bank, keep it circulating among themselves, it has so much less to lend to merchants and manufacturers. But the rage of real-estate speculation has scarcely touched the Eastern States, where the major part of the loanable capital of the country is found, nor has it been at all pronounced in the Western cities of the first class.

The question recurs, Where has all the money gone to? What has become of the \$140,000,000 of new or newly mobilized circulation that has found employment within two years? If it has not been absorbed in high prices of commodities, as it certainly has not been, where is it to be found? Mostly, we think, in the natural expansion of healthy trade which has succeeded the reaction of 1882, 1883, and 1884. The "good times" which began in 1879 culminated about the time that President Garfield was assassinated in 1881, but the reaction that then set in did not reach its maximum until the Grant & Ward failure three years later. A year or two of liquidation and languor succeeded, and then better days began to appear. The first sign of betterment was the gradual clearing away of the great surplus fund in the New York banks already referred to. This was the proof that capital could once more be profitably employed. The improvement in trade led to the resumption of railway building on a pretty large scale, but these enterprises have for the most part been undertaken by old companies, possessing sufficient capital to tide them over the period of infancy and small earnings, and not, as in former periods, by private adventurers. None the less do they call for money. They make drafts upon Wall Street just as the same enterprises would in the hands of "impecunious devils." But the difference between the two is very great. It is quite certain that the money thus borrowed by the Atchison, the Northwestern, the Burlington, and other old companies will pay the stipulated interest, and that there will be no list of bankruptcies following, like those which strewed the country after 1873.

We may, therefore, class these enterprises as a part of the general and healthy growth of business which has drained out the idle funds that accumulated in all the business centres in 1884, and has called for and obtained fresh supplies of an equal or greater amount. At this juncture a new competitor for money comes into the field, viz., the United States Treasury. The payable part of the public debt having been cleared off, and the revenue laws remaining unchanged, there is a public income without a corresponding outgo. Unlike other civilized States, we have no means of keeping public moneys in touch with commercial interests. What is collected in the way of taxes does not go into a Bank of England, or of France, or of Germany, to be used when wanted by the Government and meanwhile by solvent borrowers, but becomes a useless and blighting hoard, which the Secretary struggles fitfully and with limited authority to get rid of. Im-

mediately that this condition supervenes, all eyes are fixed upon the public hoard to see whether it grows larger or not. Very few are able to tell by watching whether it increases or decreases, but everybody takes alarm more or less. Any tightness produced by the Treasury is reproduced in a hundred other places. "We have got plenty of money," remarked the president of one of our large trust companies the other day, "and we intend to keep it; we don't know what the Secretary is going to do, but we mean to be on the safe side." The situation is such that the Treasury is able to produce and must produce a reflex stringency in the money market even when it does not directly cause it, since it works upon the apprehensions of other custodians of large sums. It provokes hoarding even when it does not itself hoard. How far this private hoarding has been carried it is impossible to say, but knowing as we do particular cases of such hoarding, we assume that there are many others. It is customary in ordinary times for the trust companies to keep all their money in the Clearing-house banks. At the present juncture, however, they keep what they consider an adequate emergency fund in greenbacks in their own vaults. Probably other institutions and houses that have large demand liabilities do the same.

Now the question arises, What can and what ought the Treasury to do? The safe rule in ordinary times is for the public authorities to let the money market alone. We would apply this rule to all cases where the Treasury itself has not been instrumental in producing an abnormal and artificial condition. That it has contributed to bring about such a condition at the present time is hardly open to dispute. That Congress is primarily to blame is certainly not open to dispute, but, as the *Boston Herald* very justly remarks, when the President undertook to manage things without calling Congress in extra session, he assumed the responsibility for any mischance resulting from his own lack of power. A panic and crash during the interval would be visited upon the Administration. No attempt to shift the responsibility upon Congress would avail, because Congress cannot act until it is convened by law or proclamation.

Neither Congress nor the Executive can get rid of surplus money without applying it in some way upon the public debt, principal, interest, or both. The purchase of bonds has been hitherto confined to the $4\frac{1}{2}$ per cents. Why should not the 4s be included in the Secretary's plans? Why not broaden the basis by taking in the \$738,000,000 of this class of securities? Although the premium to be paid for the 4s is much larger than for the $4\frac{1}{2}$ s, the saving to the Government is by far larger. A 4 per cent. bond for \$1,000 running twenty years involves the payment of \$1,800 principal and interest. If bought now at say 126, there is a saving of \$540. A purchase of $4\frac{1}{2}$ s of the same amount at 108 saves only \$100. If there is some danger of demagogic attacks upon the Administration for paying large premiums to bondholders, that risk is much less than the risk of a financial crisis. All the blatherskites of finance heretofore have bent their artillery upon the "great surplus" in the Treasury, insisting that it should be paid out. It is hardly

likely that they will change their line of attack as they would have to do in order to assail the Administration for buying bonds at a premium of 8 or of 26. We think that the basis of bond purchases should be broadened at once to the full amount of the bonded debt, which is upwards of \$1,000,000,000. If the Secretary should fix a reasonable price for each description of bonds, and offer to take all that are offered, up to the limit of his necessary working balance, he would assuredly not be liable to censure. Nor would he be responsible in that case for any subsequent disaster to commercial interests.

CONCERNING HIGGINS.

AN occasional correspondent writes to us from Washington what he believes to be the reasons why Eugene Higgins is retained in office, notwithstanding the disgrace and shame that he has brought and is daily bringing upon the Administration and the cause of civil-service reform and decent politics, which the Administration is believed to be sincerely desirous to promote. In this letter, which comes from a highly respectable and intelligent quarter, although not an Administration quarter, "Higgins's bad reputation," we are told, "is based entirely on acts done before his appointment. It might have afforded a sound reason for not appointing him, but it cannot be made a valid basis for his removal, after having been more than two years in office, unless supplemented by subsequent misconduct. The past was wiped out when he was appointed." We cannot allow that baptism and the remission of sins belong to the political power, but in any case repentance should go before absolution. It is carrying the doctrine of "vindication" pretty far if not only an election by the people, but an appointment by the President or Secretary of the Treasury, can "wipe out the past." When Mr. Blaine, as Speaker of the House of Representatives, was accused of trafficking his influence and his rulings for pecuniary favors, it was claimed that his subsequent election to the Senate wiped out the past and made him over as good as new. But the people of the United States did not so regard it. Nor would his election to the Presidency have wiped it out. Nor would anything under heaven have that effect, for the simple reason that nothing under heaven makes the past different from what it is.

If there was a sound reason for not appointing Higgins in the first place, to wit, his bad reputation, this was not only a valid basis for his removal as soon as it was discovered, but has been a continuing valid basis ever since, and, we may say, a growing one. For it is evident that one bad reputation does more harm to the Administration than ten good ones can repair. The public have a right to expect good ones everywhere. The public offices are for the public good. When the people find the offices filled and administered on this principle, they get only what they bargained for and what they pay for. They are not beholden to anybody for this. They are not bound to be thankful for it, although they usually are so. When they get something quite different from what they were promised and had a right to expect, even

though this is in only a few places, or in one single place, they have a right to complain, they always do complain, and we hope they always will. All attempts to offset a bad appointment with a good one or any number of good ones will be treated by them with indignant scorn. A good reputation is made not by a majority of good acts, but by uniformity of them. When Higgins was first appointed, a distinguished Republican politician in this city said: "That act will destroy the Cleveland Administration." "Why do you think so?" asked his interlocutor. "Because it takes away the moral superiority that carried the election," was the answer. This may be an exaggerated view, but it contains the germ of an important truth.

Prior to the election of 1884 it was one of the common jests of the Republican politicians, when a particularly bad nomination or platform was made, or a bad bill passed by their side, that probably the other side would "help them out." The meaning of this was, that the Democrats would be pretty sure to commit some greater blunder, and that the people would put up with the Republican bad thing in order to avoid the Democratic worse thing. This rule "helped out" so many times that finally they became reckless enough to nominate Blaine for President. The Democrats forgot their rôle that time. They did not help the Republicans out, but the people helped them out in a different sense, and they remain out yet. There are not wanting signs that the Republicans are going to take up the rôle of helping out, by doing or threatening to do things so much worse than keeping the Baltimore gang in office that the people will find themselves better able to stomach Higgins & Co. than the plans offered by the other side. Insults to the Chief Magistrate of the nation for his opposition to pension profligacy, for example, may countervail and overpower the just indignation which attends the distribution of offices in Maryland. The renomination of Blaine would certainly do so. But banking on the blunders of your adversary is very bad politics. The Republicans, after all is said, are more experienced and capable political managers than the Democrats, and in any controversy that is to be won by wits alone, they will in the long run outwit their adversaries. The Democratic party cannot possibly be the smarter of the two, but it may be the better. If it cannot be the better, and distinctly so, it will go out of power in the course of a very few years.

The plea now put in that Higgins is a good clerk and attends to his duties well, and that he has no real power, is not calculated to make any impression on the public mind, for two reasons. In the first place, the country is full of men, of Democrats if you please, of good reputation, who could also fill the place and perform the duties satisfactorily. If the office is not one of much responsibility, the field of choice is by so much the wider. Again, nobody is bound to accept the statement that Higgins performs his duties well, because the witnesses are under suspicion. The only persons having the opportunity to judge are interested to vindicate their own choice of him and their retention of him in the face of much

remonstrance and obloquy. We can cite at least one instance where he performed his duties so extremely ill that a well-ordered Administration would have dismissed him at once. We refer to his suppression of Secretary Manning's telegram to Appraiser Coombs. But, of course, the public have little means of judging of these things. Nor do these things much concern them.

EUROPE IN SUSPENSE.

PARIS, September 8, 1887.

NEVER, since I have been an observer of European politics, do I remember a time when the mutual relations of the great Powers have been, I will not say so unsatisfactory, but marked by so much distrust and uneasiness. I will not speak here of the relations between France and Germany: the Schnaebelé incident is still fresh in everybody's mind, and everybody knows that last spring a war was almost imminent; if it had not been for the energetic action of the President of the Republic and of the group of republicans who go under the name of Opportunists, and who determined to exclude Gen. Boulanger from the Cabinet, war was almost certain. Nor will I speak of the new attitude assumed by the German Government in Alsace-Lorraine, and of the measures adopted in these provinces since the last elections took place; without questioning the right of the German Government, it is enough to say that this new attitude creates a state of things which is a permanent danger.

If I examine the relations of France and England, I am obliged to confess that they are far from satisfactory. The time of the cordial alliance is past; the necessity of having a good understanding with our neighbors across the channel is no longer felt as it was once by the Government of Louis Philippe and by Napoleon III. By a curious coincidence, the French and English have never been socially so united and politically so independent. Paris receives every day hundreds of Englishmen; you can see English bars in every street of the quarter of the Madeleine and of the Champs Élysées; all our young men have learned the jargon of the turf; we have English tailors for men and for women; our worst novels have as many readers in London as they have in France; we exchange fashions, plays, books, reviews, newspapers. But this permanent social fusion has no effect on the political interests of the two countries. If you wish to have a proof of it, look at the history of the late Anglo-Turkish Convention, prepared by Sir Drummond Wolff, and rejected by the Porte. There never was a more extraordinary diplomatic incident. Sir Drummond Wolff was not a diplomat *de la carrière*, as we say—he had not been bred in the art of concealing artfully facts behind words; he had in this convention boldly and openly claimed for England the right, after she had evacuated the valley of the Nile, to reoccupy it in case of need and in certain emergencies affecting the material order and financial prosperity of Egypt. It was hardly necessary to put such a clause in the convention, as circumstances which would make an occupation of Egypt imperative cannot well be defined beforehand. Europe did not object to the existing occupation, though some of the Powers did not like it. Europe, in all probability, would not object any more to a reoccupation in a certain number of years, if this reoccupation seemed a necessity. "Il y a des choses," says Beaumarchais, "qu'il ne faut pas se dire à soi-même." *A fortiori*, you must not tell them to others. To assume in a convention a positive right of occupation at any time was to invade the rights of sovereignty of the Porte—which

which are still nominally recognized, and which form the basis of all conventions with the Porte.

M. de Montebello, the French Ambassador at Constantinople, had a conversation on the subject with the Sultan, and, following the instructions of his Government, represented to him that France could not accept the idea of a diminution, a division of his own sovereignty with England. The Sultan was, at the time, on the point of signing the convention; he was evidently moved by the argumentation of the French Ambassador, and was also reassured against the consequences of a rupture with England, when the French Ambassador went so far as to say that France would guarantee the Porte, at any risk and any price, against the selfish and ambitious designs of England. This was very strong language—so strong that in other times it would have seemed antecedent to open hostilities. The Sultan was so much impressed by it that he asked the French Ambassador: "Will you not let my first dragoman make a written note of what you have just said to me?" The French Ambassador could not well refuse; but the note had no official character. How it came into the hands of Sir Drummond Wolff, almost immediately, it is not for me to say, but those who are familiar with the ways of Constantinople will not be surprised at it. What is more surprising is that this informal note, this résumé of a conversation, made, not by the French Ambassador, nor revised or approved by him, found its way, with its strong, perhaps exaggerated, expressions, into a Blue Book presented to the English Parliament. Little has been said about this note in the English or French press; its gravity was such that it was felt imprudent to discuss it. At the same time, the note throws a great light on the actual relations of France and England, which are no longer what they used to be. England, since the rejection of the convention, simply maintains her position in Egypt; but the time will come when a diplomatic solution of the Egyptian problem will become necessary, and we do not see clearly what this solution will be.

If we look on the European continent, we find that the mutual relations of the three great empires are suffering a slow and gradual change. It seemed at one time as if this alliance of empires was a solid foundation of peace which could not be shaken; it was rendered apparent to the world by solemn and annual interviews. Everybody feels now that there is something rotten in the great alliance, though few know exactly where the rottenness lies. Are we to believe that the policy of semi-abdication which Austria has followed since the creation of a new German empire is on the point of coming to an end, that Austria will again be tempted to have a will of her own? Her statesmen have wisely united their action with the action of Germany for eighteen years; the Emperor has shown himself devoid of all petty feelings of vanity; he has consulted the interests of his numerous peoples and the interests of peace, instead of obeying his pride. But it was always felt by him, as well as by the greater part of his subjects, that he could not renounce one thing, which was the historical mission of Austria in the valley of the Danube and in the Peninsula of the Balkans; that his duties to Germany would cease if Germany sacrificed the interests of Austria to the interests of Russia.

Germany may well say that, so far, she has not sacrificed her Austrian ally; that she has allowed Austria to occupy Herzegovina and Bosnia, and that no limit has been fixed to this occupation, which has already assumed the character of an annexation. Germany may say, also, that Russia has not gained much in the Peninsula of the Balkans, and, in fact, we hear Russia complaining every day of the Treaty of Berlin. The