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THURSDAY, JANUARY 2, 1908.

LIGHTS AND SIDELIGHTS ON THE PANIC OF 1907.

In his statement dealing with financial conditions during 1907 Comptroller of the Currency Ridgely makes what we doubt not to be a true diagnosis. He declares that in recent years the whole world has over-traded, the United States enormously so; and that while the reaction was inevitable it might not have taken the form of a bank panic had the country possessed a better banking and currency system. Though the trouble manifested itself in this manner, yet between October 26th and December 30th there were but sixteen bank failures or suspensions and the total for the year only reached twenty-one, whereas in 1893 160 banks failed, fifty-four never to re-open. His figures, of course, only take account of national banks. The money panic was as bad as that of 1893, but the fundamental strength of conditions prevented similarly disastrous results. Even so, acute distress might have been caused had not the Treasury Department and leading financial men thrown themselves into the breach. The banks to-day are in good condition, and it is their duty to bring about normal business conditions by resuming their full functions as promptly as possible—action which they can take with comparative ease. Ahead of the country is a long period of readjustment and recuperation. Values must be re-arranged and there will be more failures of all kinds. In getting off its excessively speculative basis the country will necessarily experience some lars, but the great resources of the land remain and when we have paid our debts and reduced our expenses business will be on a sounder basis than ever before. Such, in substance, are the views of Mr. Ridgely as set forth at length in the news columns of yesterday's Observer, and we wish to express our belief that he has not gone far wrong in any important particular.

Along a somewhat different line of approach yet in substantial agreement is a review by a staff writer in The New York Evening Post's weekly financial section. The effort here is to find out not only how the trouble happened but why it happened at this particular time. We are bidden remember that although it is 1907 which will go into history among the famous panic years the high finance of 1907 is lame compared with the high finance of 1901 and 1902. There were the wild manipulations of the steel trust's early history, its 200 per cent. cash dividends to "underwriting syndicates," and its scheme to convert $200,000,000 stock into bonds; the astonishing career of the shipping trust; the Rock Island swashbuckling; the Northern Pacific corner—these and similar performances were wilder even than the sufficiently wild performances of the financial clique which built upon an inverted pyramid on the Union Pacific surplus of 1906 only to see it fall amid a general shock. Why did one group get clear with its gains while the other was overtaken by disaster? We quote:

"Three reasons may be assigned to show why the full penalty was not inflicted in 1903, but in 1907. One has its roots in human nature and credulity. The great speculators of 1901 took enormous risks; but the risks were novel, and the men who incurred them invented their own retreat. Their escape was perhaps a narrow one, and it certainly cannot be held that they were just the victims of the fearful punishment inflicted on the promoters of the 'boom' of 1906, that were those suckers' millionaires. Nevertheless, But the very fact that the Northern Securities decision of 1904 had not got off with so seemingly slight a penalty, seems to have had the effect of inducing more imitators to discard all reasonable precaution. Instead of being warned by the narrowness of the escape of 1901, these latter warriors drew the conclusion that the natural punishment of such conduct was to be escaped forever.

"The inference was peculiarly illogical; for, since every experiment of the sort exhausts the upper waters, a good part of the community's resources, there will necessarily be less of a real substratum and resisting tenacity for the next undertaking of the sort. This is the second reason for the culminating severity of the blow in 1907. It explains not only why the projects of the millionaire gamblers went down in such complete disaster, but why banking companies, whose unsound practices were not punished as they deserved four years ago, had to face the music last October. The third reason lies in the singular infatuation of the outside credit community, in Europe and at home, which led that community, just as the American boom was approaching its inevitable end, to believe that nothing could end it. In the few years prior to 1903, the Boer War had compelled England to put its house in order, and as a side result, had compelled liquidation of Germany's over-extended credit. Prior to 1906, Europe, like ourselves, had been speculating again. Furthermore, Europe had been warning America of coming trouble for two years before the 'rich men's panic' of 1907; on the eve of 1906, it had nothing to say except that our credit was illimitable. A natural result was the exhaustion of outside credit resources, so that when the crisis came, these other markets could not spare the help which was wrenched from their unwilling hands by the power of despair. But this is a very old story. It is when every one has reached the conclusion that precautions are no longer necessary, that the hour of really formidable danger comes.

While stock exchange operations receive exclusive attention in this article, the case is virtually stated, as it is meant to be, for the country at large. In 1903 Wall Street had a fairly steady country at its back and so could regain equilibrium after wild gyrations and leave the country little the worse for the support accorded; by 1907 the whole country had gotten into the game, not merely stock exchange securities but everything boomed up to a speculative level, and when next a Wall Street clique saddled their promotion schemes upon prosperity the burden proved too much for an already overloaded back. The very fact that the big speculators of the early nineties had run by danger signals with impunity convinced the general public that in this country of unbounded resources prosperity would henceforth prevail unbroken and could bear anything. Everybody knows what the last straw will do to a camel's back, and in this case much more than a straw was laid on. Reaction became inevitable.

The great boom is over and there are some penalties yet to pay, but underlying business conditions remain sound and the country will soon be itself—its better and saner self—again. The South has probably suffered less than any other section and has especial cause for cheerfulness. Do thyself no harm, fearful one, for we are all here—we and this continent of scarcely touched economic possibilities.

WADE H. HARRIS.

Wade Hampton Harris, editor of The Evening Chronicle, having celebrated his semi-centennial on Tuesday last, The Observer extends most cordial felicitations. It is a clear fact that Editor Harris is one of the very finest, both personally and professionally, and here goes the hope that his present youth will have merely become a ripe old youth when his full centennial fardily rolls around. Esto perpetua—may he be perpetual.

Confessing that the problem presented by a rabbit's nose-wabbling never greatly interested him, an Ohio man the other day demanded of an Observer reporter to know why a married couple simply cannot play cards without quarreling. This query has not as yet been answered, nor shall we attempt an answer at this time. Instead, we pass the matter on to the learned brotherhood as a whole, having especial reference to The Norfolk Landmark.

The suit filed to test the constitutionality of Georgia's new operative prohibition law appears to rest upon no solid grounds. It is manifestly an extreme last hope and calls for very little attention.

TWO POLICEMEN SHOT.

Inhabitant of Tenderloin District Shoots Down Two Patrolmen Who Were Trying to Arrest Him on Trivial Charge—Surrenders and Goes to Jail.

Knoxville, Tenn., Jan. 1.—Patrolmen Mike Wrenn and O. L. Jarnagin were shot and killed to-night while trying to arrest one Ernest Wells, on a trivial charge. The shooting occurred in the entrance to Rena Hensley's house on Central street, in the Tenderloin district. When the officers laid hands on Wells he attempted to draw a pistol and both officers grabbed his hand and Patrolman Wrenn caught him by the collar. Wrenn asked Jarnagin if he had the pistol and the latter replied that he had and Wrenn released his hold. As he did so Wells wrested the weapon from Jarnagin's hand and shot Wrenn, who fell away, and Jarnagin was then quickly shot as he was attempting to draw his weapon. Turning Wells shot Wrenn again and then turned around and shot Jarnagin through the heart.

Wrenn died instantly and Jarnagin in a few minutes, but not until he tried twice to arise and call for help. Wells surrendered to a citizen and his only explanation was that he knew if they arrested him, he would go to the workhouse and he would go to the workhouse and he would go to the workhouse and