The National Tribune.

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REAL NAPOLEONIC FINANCIERING.

GIGANTIC DEAL TO RELIEVE THE SITUATION.

How It Was Brought About by a Few Hours of Swift Negotiation—Real Magnates in Control—Some Inside History of a Colossal Transaction—Step-Ladder Operations Brought About the Panic—Healthful House Cleaning.

Slowly but surely the country is emerging from the financial panic which oppressed the Nation in the closing days of October and the early part of November. Public confidence is recovering from the shock it received at the disclosure of misconduct in high financial circles, which brought on the panic, and business is gradually resuming normal conditions. Many lessons were taught by the trying experiences of the past six weeks, and there are indications that they have had their effect, a salutary effect.

Step-ladder finance has received a jolt from which it will not soon recover. Cleaner financial methods will prevail in the metropolis, and exploitation of trust funds will not be so easy in the future. Closer surveillance of bank officials' conduct by the directors and stockholders will mark the future. Gambling with other people's money will not be as popular with those in control of bank deposits.

One of the lessons taught was the ability of the Government of the United States to protect the financial system of the country, and renewed confidence has been established in the power of the Treasury Department to come effectively to the relief of strained financial situations.

The panic was not without its tragic features. Two suicides of bank officials in New York have occurred as a direct result of the panic, and several deaths are indirectly laid to it. Criminal prosecution of men in high position has ensued, and the shadow of the jail menaces some of them.

A Great Financial Deal.

One of the greatest financial deals of the decade was made possible by the necessities of the panic, in the taking over of the Tennessee Coal and Iron Co. by the United States Steel Corporation, and the largest of the world's industrial combinations has been effected in this merger. The future effect upon the iron and steel industry of the country can hardly be forecasted.

It is an interesting story, the history of that transaction. Its ramifications extend from the White House to Wall Street, and to J. Pierpont Morgan's library, where in the gray of a November morn the deal was closed, and two big financial institutions, the Trust Company of America and the Lincoln Trust Company, were saved from ruin.

Every reader of The National Tribune recalls the principal events of the panic; the suspension of the Knickerbocker Trust Company, the run on the Trust Company of America and the Lincoln Trust Company, the collapse of the stock market, with crash of values; the swift aid rendered by the Treasury Department in depositing Government funds in New York banks; the action of J. P. Morgan and a group of financiers in raising $25,000,000 in an afternoon to loan to stock brokers to carry over their deals and obviate the closing of the New York Stock Exchange.

All these events preceded the deal between the Steel Trust and the Tennessee Coal and Iron Company. They had occurred in the week which ended Nov. 2. Sunday, Nov. 3, was a bitterly anxious day in New York. The two big trust companies mentioned were tottering, there had been a steady drain upon their resources, and all New York knew that the drain could not keep up much longer. The absolute failure of these two companies would mean precipitation of a financial crisis which inevitably would drag down other institutions.

All day Sunday, Nov. 3, the greatest capitalists and financiers of the city were in conference. Most of the meetings were held at the residence of Mr. J. P. Morgan. Other bankers were in session in a suit of rooms at the Waldorf, and there were constant interchanges of communication between the groups. Just before midnight two men drove away from Mr. Morgan's house and hurried to the 23d street ferry, where they took a train for Washington. Monday forenoon the news tickers carried the statement that Mr. E. H. Gary, Chairman of the Finance Committee of the United States Steel Corporation, and Mr. Henry C. Frick, prominent in the Steel Trust, had been in conference with President Roosevelt.

About the same time announcement was made that arrangements had been perfected to help the Trust Company of America and the Lincoln Trust Company out of their financial dilemmas. It was also announced that the United States Steel Corporation had obtained control of the Tennessee Coal and Iron Company, the owner of the only supply of iron ore in the country outside of the Steel Trust. These several announcements put the stock market up a point. The day of threatened gloom and disaster was turned into one of rejoicing.

The Sale of the Tennessee Coal and Iron Company.

The relief extended the two financial institutions was coincident with the transaction which resulted in the sale of the Tennessee Coal and Iron Company to the Steel Trust. It has been stated that the deal could not have been made and the relief would not have been extended if assurances had not been given that the Federal Administration did not regard the merger as coming under the inhibition of the Sherman anti-trust act; that in fact, the trust thus formed was regarded as one of the "good trusts." New York understood that the visit of Judge Gary and Mr. Frick to Washington had developed that fact.

The terms of the deal between the Steel Trust and the Tennessee Coal and Iron Company involved about $25,000,000. The Steel Trust purchased the stock of the other company, giving United States steel bonds, 5s, in exchange for the Coal Company's stock. About $11,900 in steel bonds, par value, were given for each 100 shares of coal and iron stock, the steel bonds being figured at 84. The four largest holders of Tennessee Coal and Iron stock were Leonard C. Hanna, Grant B. Schley, John W. Gates and O. H. Payne.

The way in which the Trust Company of America benefited in the deal was this: Tennessee Coal and Iron stock, held by the Trust Company at that time as collateral for loans, was not regarded as available collateral, while steel bonds were acceptable anywhere. The substitution of the bonds for the stock relieved the Trust Company to that extent of the necessity of calling in ready cash. The outcome of the transaction was that the two trust companies were enabled to raise cash to meet demands, the runs on them by depositors ceased and the situation immediately quieted down. So everybody was happy. The Steel Trust secured its coveted ore deposits, and presumably is not to be prosecuted as a bad trust by the trust-busting branch of the Government. The banks were saved, and the depositors got their money. This was one of the happy outcomes of the panic.

The Immediate Cause.

The immediate cause of the panic was a run on banking houses and trust companies in New York City. It was brought about by discovery that the most shameless misappropriation of trust funds had been going on. The public, amazed and horrified by the disclosures, became suspicious of all banks and bankers. Depositors threatened to withdraw their accounts and put their money into safe deposit boxes. In self-protection the banks all over the country were compelled to serve notice that they would not pay out accounts, but resorted to what is known as the system of clearing-house certificates for the satisfaction of would-be withdrawers. The discovery which brought this crisis occurred in the month of October. It came about in rather a curious way. There was a flurry in stock market speculation, the result of an effort to corner a certain copper stock.

The price of the stock ran up to a phenomenal figure of increase in one or two days and as suddenly dropped. It was found that men who were endeavoring to work the corner, and bankers in New York immediately began to make inquiries to find where these men obtained the money for their speculations. The men were located, the system was detected and swift and merciless came the punishment.

The men who are to blame for the precipitation of the crisis are Charles W. Morse, E. H. Thomas, Fritz Augustus Heinze and his brother and their immediate associates. It was found when the managers of the New York Clearing House completed their investigation that these men had established a chain of banks, availing themselves of the assets of those banks to engage in the most daring and reckless form of speculation. One of the members of the group had secured control of all the coastwise steamship and steamboat lines under one management. He had secured the consolidation, and he had formed a $60,000,000 steamship company, and was prepared to offer $20,000,000 for bonds that he had not yet bought up. It was discovered that others of the group had set out to float the greatest copper speculation the country had ever seen. It was found that another of the group was engaged in real estate speculation upon a most tremendous scale.

Speculating On Other People's Money.

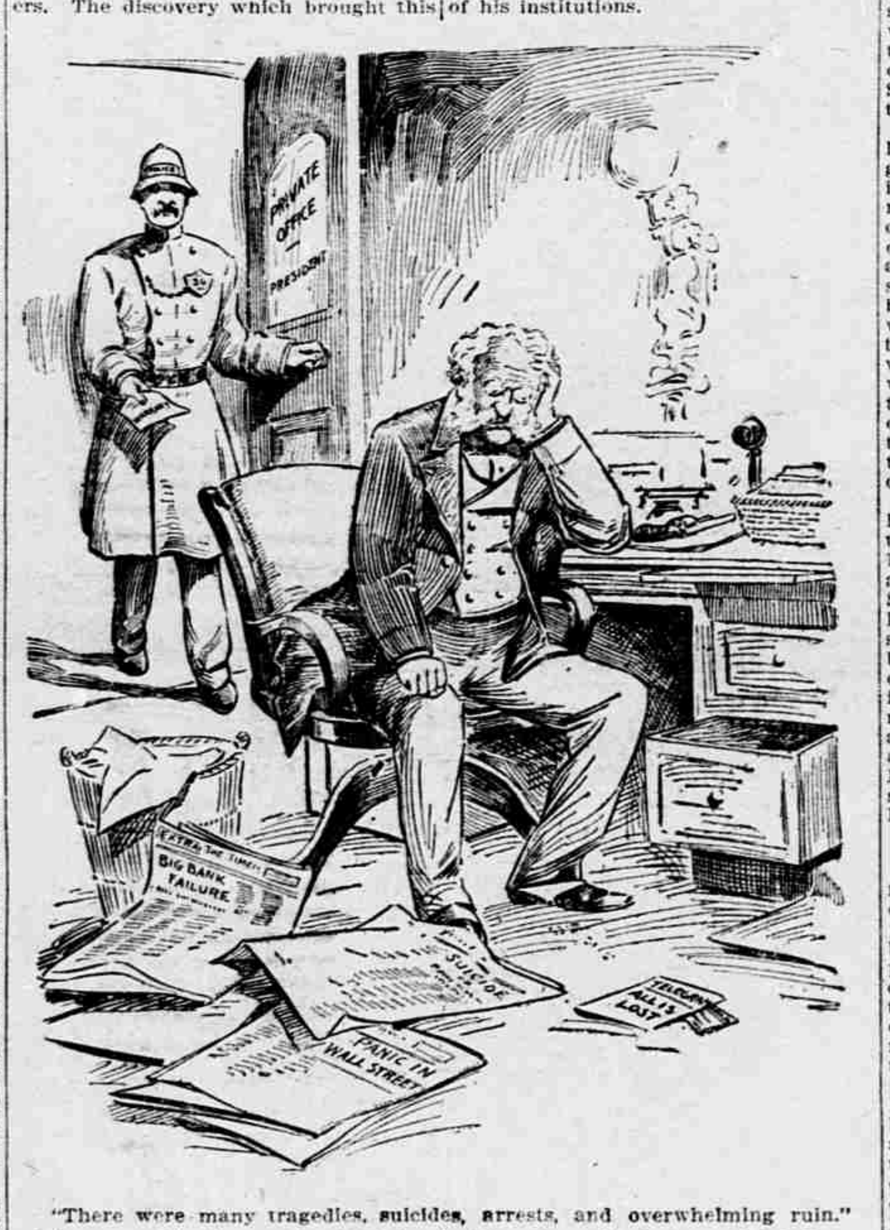
All of these speculators were using the money of depositors in banks over which they had gained control. They were borrowers of money which had not been put into their institutions for any such uses. Subsequently it turned out that smaller institutions in no way connected with these larger banks and trust companies had been fairly looted by their managers in schemes of a like speculative character.

Readers of this journal recall the disclosures a year ago showing how Mr. E. H. Harriman had made himself the dominant factor in the greatest combination of railway transportation lines; how he acquired branch after branch, till his hands were full, and the time came when he had to reach out for other lines.

This was something of the method followed by Mr. Charles W. Morse, differentiated to suit his particular purposes. Mr. Morse started out early in his efforts to consolidate things. He consolidated the ice companies of the East, and raised the price of this necessity of life so high that he invoked the law and frustrated his full plan. Next Mr. Morse applied himself to buying steamship and steamboat lines between Maine and Galveston. In order to have money to do this he allied himself with a number of banks. He was joined by A. W. Heinze and E. H. Thomas. Their plan was to buy a controlling interest in one bank, and have themselves elected directors and officers. Then they would borrow money, and pledge the stock of the bank to buy control of another. This was step-ladder finance. They followed that plan until they were an influential factor in at least four great banks and trust companies in New York City. In the directorate of some of these was Charles T. Barney, who was President of the Knickerbocker Trust Company. Mr. Barney's interests became associated with those of Mr. Morse and Mr. Heinze.

When the crash came in United Copper stock, Mr. Heinze's pet speculation, and the Stock Exchange house of Otto Heinze & Company failed, it was found that the Mercantile National Bank of New York had loaned immense sums of money used to speculate in United Copper stock. The bank was investigated by the Clearing House Committee, and was found to be solvent. Its capital had not been impaired, and it was not hurt in the panic. The Clearing House Committee found that Morse and Heinze and Thomas and Barney had been making heavy loans in a number of banks. The whole desperate system of step-ladder finance was disclosed.

To the eternal credit of the New York Clearing House, prompt and stern action was taken. The Clearing House declared that such methods would not be countenanced in New York banking business, and that men who pursued them would have to get out of the banks. Mr. Morse was forced to get out of the biggest of his chain of banks, the National Bank of North America. He was compelled to resign as director in all his other banks and trust companies. Mr. Thomas, who was President of the Hamilton Bank, was forced to resign. Mr. Thomas's brother was put out of the Consolidated National. Mr. Heinze had to get out of the directorate of his institutions.



"There were many tragedies, suicides, arrests, and overwhelming ruin."

The dramatic feature of this house-cleaning was that it occurred between Saturday and Monday. All day Sunday and far into the night the Clearing House managers were in session in their own headquarters or in one of the other institutions in the financial district. In vain did Morse and Thomas protest. They were high up on the step-ladder, but that stern-faced group of financiers made them come down, rung by rung, until they were down and out. On Monday morning the public read with interest of this house-cleaning, and for the moment drew a breath of relief. It was thought that the worst was over; that the trouble had been found and eradicated, and that henceforth there would be no cause for fear.

Still Another Shock.

But still another shock was in store. It was announced that Mr. Charles T. Barney had resigned as President of the Knickerbocker Trust Company. That announcement came as a bolt from a clear sky. The Knickerbocker Trust Company was regarded as one of the soundest financial institutions of the metropolis. It had palatial marble banking rooms on Fifth Avenue, with branches in several parts of the city. Mr. Barney had been asked by his directors to resign, because it was found that he had interests in other directions. The Knickerbocker Trust Company had deposits amounting to more than $60,000,000, and depositors immediately became alarmed and began a run on the bank. They did not know to what extent Mr. Barney might be involved in the step-ladder system. The Trust Company paid out $8,000,000 in cash, and then closed its doors.

Mr. Barney's connections were looked up, and it was found that he was a director of the Trust Company of America, and a run was started on that institution. The Lincoln Trust Company also suffered a run. Over in Brooklyn several banks and trust companies closed their doors, the scare of the public having extended thruout Greater New York, and, of course, affecting most severely the institutions which were the weakest from their participation in minor forms of step-ladder finance.

These revelations threw the public into a frenzy of fear and distrust. For a day all the banks trembled lest a general run might be started, which they knew would bring the whole financial fabric of New York toppling to the ground.

Trust Companies and Banks.

The trust companies were the most vitally affected. The National banks, members of the New York Clearing House Association, stood shoulder to shoulder, together, pledged to support each other in case of a run. The trust companies, not being members of the Clearing House, did not have this meed

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CURRENCY REFORM.

THE ALDRICH BILL PRETTY SURE TO PASS.

Every Effort to Be Made to Shut Off Exploitation of Windy Financial Theories—Strong Dissatisfaction With the Bill in Some Quarters—Other Financial Panaceas.

Just now it seems to be a matter of currency; that is, Congress seems to be thinking more about currency reform than about anything else unless it be politics. If it were not for the fact that Senator Nelson W. Aldrich, of Rhode Island, has introduced a bill to give the country more currency in times of stress and strain, there would not be very much for Congress in either Senate or House to deliberate about. It would be a sure enough do-nothing Congress for the time being.

But Senator Aldrich, aided by Senators Hale and Allison, who are the big three of the north end of the Capitol, has brought forth his bill, and without being irreverent or flippant one can with truthfulness say that a great "rag-chewing" time has ensued all around the Capitol. Still adhering to the descriptive term from the Bowery, it can also be said with entire truthfulness that there is "rag chewing" all over the country with reference to that bill. The editors in many cities have been making flings at the measure. The bankers in many cities, especially outside of New York, have been doing likewise. Many other people, who think they know something about finance and currency, have been throwing bricks Senator Aldrich's way, and apparently the end is not yet.

The bill was brought out, after much labor, some days ago. This week, beginning with Tuesday, a coterie of very influential Senators will go into a little room about 10 by 16 with that much-criticised measure to see what they can do to it. The room is that of the Senate Committee on Finance, just off the southeast corner of the Senate Chamber. There are double mahogany doors which open directly into this committee room, with no vestibule or ante-room whatever and an ancient-looking man, with a face of the cast of the Revolutionary patriots, will be sitting on the outside, and no one but a member of the committee will be allowed to push the double doors open for much of the day.

Within Senator Aldrich sits at the head of the long table. He is the picture of sturdy manhood and of robust health, notwithstanding his 60 years and more. There is no man around the Senate or around the Capitol with a keener mind or shrewder ideas or possessed of more magnetic power in bringing Senators around to acquiescence, if not to his own ways of thinking. There are other very interesting men around the table with him, sitting at the rectangular board as studiously as boys at school. Hale, Allison, Platt, Hopkins, Hansbrough and Burrows are some of the Republicans; Bailey and Daniel some of the Democrats.

A Panacea for Panics.

The bill is expected to be a panacea for panics, altho it is very doubtful indeed whether it will ever prove to be a panacea. However, the people have been led to believe that Congress must provide some panacea, and the politicians—the Republican politicians in this instance—see there may be a chance to quiet the people about it once more, till after the Presidential election. The bill has some powerful support outside of Congress. President Roosevelt approves of it, as perhaps the best measure that Congress can be persuaded to pass. He would have a central bank of issue—something like the old United States bank, perhaps—if he could have his way; but the Aldrich bill provides for nothing whatever on that line. The New York bankers like the bill. It is hinted, probably with truth, that the first idea for the measure came from J. Pierpont Morgan, and that he saw the draft of the bill and approves of it. The New York bankers generally approve of it. That fact alone, if there were no other grounds, would suffice to make many other people, both plain people and bankers and financiers, disapprove of it.

Furthermore, it might be said that it is in the cards for the bill to pass, in substantially its present form, and become a law, however much grumbling there may be on the side lines. The Senators who are doing things to the bill this week in that little 10x16 mahogany-furnished room, where the last touches were put upon the Dingley tariff law—with Senator Aldrich sitting at the head of the long rectangular table—and also upon a lot of other very important fiscal and customs measures, will not do very much to it. They will amend it slightly in some places. The amendments will put on quite as much for the purpose of allaying opposition and making it easier to get the bill thru the Senate without creating a great fuss and long debate as for improving its panacea properties.

Senator Aldrich has already passed around among his Democratic colleagues in the Senate Chamber and felt of their pulses. He knows about how much they will stand without crying out too loudly. When the bill gets out of his committee he will pass around and feel of the Democratic pulses again, and ascertain how much fever there is in the Democratic systems. He will expect some of his Democratic patients to break out into ravings, but he is using soothing lotions and using persuasive arguments to keep down the flow of Democratic talk. On the Republican side he simply cracks the party whip. All the Republican Senators fall into line as a matter of discipline.

The Speaker's Attitude.

"Uncle Joe" Cannon smokes his long black cigar as he sits with his feet upon the table in his little 8 by 10 mahogany-finished office at the south end of the Capitol. He cares not how loudly the Democratic members of the House cry against that bill. The rules of the House will enable him to suppress them after a few hours of "free" discussion. He will give the word to his Republican legions to fall in line. Some of them are threatening rebellion. But the Speaker knows how to deal with rebellious Republican subjects. He has dealt with such subjects in previous times, and saw other Republican Speakers, his predecessors, deal with them. He likes the Aldrich bill. There will be some show of meditation and deliberation over the measure when it comes from the Senate, but as a matter of fact the Speaker has already wirtten his O. K. upon the bill, and expects to "put it thru."

Many serious as well as ribald criticisms are directed at the measure. Whether it is good or bad, or how much it is good or how much it is bad, one who wishes to be both fair and impartial would be loth to say. Probably only actual experience will develop what the law will really do. The bill as Senator Aldrich introduced it comprises only about a half dozen big pages in large type, such as is used for printing Congressional bills. Its provisions can be stated in almost a word. It provides for issuing additional currency thru National banks in times of emergency up to a limit of $250,000,000. This emergency currency is to be taxed at the rate of one-half of one per cent a month or at the yearly rate of six per cent. It must be based on Government bonds or on State, municipal and railroad bonds, such as are approved by the savings banks in States like Massachusetts and New York. For every $100 worth of such bonds the Government will issue $75 worth of currency. The issue has to be made on the order of the Comptroller of the Currency, with the approval of the Secretary of the Treasury and the United States Treasurer.

Provisions for Redemption.

There are numerous other details, including stronger provision for the redemption of this currency than exists now for the security of other bank notes, but most of them are matters of administration and not of deep concern to the general public. As an important detail of criticism, the bill has been more attacked because of the authority to base circulation on railroad bonds than with reference to any other feature. The criticism is that this bill, if it becomes a law, will create a great demand for other than Government bonds, especially railroad bonds. Bankers over the country, who see a panic coming, will begin to buy up railroad bonds, which can generally be had on more favorable terms than State and municipal bonds. That will boom the bond market, and all the elements of speculation will enter into the situation. When the panic is over and banks are trying to withdraw or curtail their issues of emergency notes, on which they are paying six per cent a year, they will be selling off their railroad bonds, and their value will accordingly depreciate. All this activity in bonds of railroad corporations will naturally affect the market for the Government's own securities.

Again, a very large portion of the various bonds of all the country are held in the East. The investments of Western people are in bonds, other than Government bonds, only to a small extent. Therefore, one hears the reasoning that the bond provision of the Aldrich bill will discriminate in favor of the East and to the detriment of the West. It will be more difficult for Western bankers to get the bonds than for Eastern bankers to get them.

The contrary argument, with which much of this criticism is met, proceeds along this line: The bill will help the country industrially and commercially because it will help restore confidence. One of the means by which this would come about is the increased demand it would make for bonds. It would help railroads to dispose of their bonds. It would make it easier for the railroads to raise money by the sale of bonds. For while this help might be largely sentimental, it would none the less be material, for sentiment plays a very important part in such matters. Much of the present stagnation is due to the stoppage of railroad building and railroad improvements, altho the country is in dire need of more railroad facilities. Therefore, the bill would be a great lift and would help the country back to the erstwhile prosperity.

Difference of View as to Railroad Bonds.

Some members of the Finance Committee think that railroad bonds should be eliminated from the bill, and some think those bonds should not be eliminated. Perhaps the most intense of all the skirmishes over the bill will be upon that feature. It will have to be fought out in the Senate as well as in the Finance Committee, and the House, altho in a state of subjection to the Speaker, may have a word of debate about it. There is also talk about increasing the amount of currency that can be taken out on $100 worth of State, municipal or railroad bonds. Some would make it as much as $85 or $90, where, as the bill was introduced, only $75 would be allowed.

Critics also claim that the bill is full of holes, and that it would put more dollars into the pockets of the speculators and bankers in New York City without helping the country in time of financial panic. It has been pointed out that there is still no prohibition upon clearing-house certificates, which were in circulation in nearly every large American city, and to a large extent are now in circulation as the result of the December panic. It is claimed that if another stringency comes the banks of large cities may find it easier and on the whole profitable to put out clearing-house certificates as heretofore, rather than take out the heavily-taxed emergency currency. It is supposed that clearing-house certificates are illegal, but the Treasury Department has hesitated to raise that question, because when clearing-house certificates are issued the country is generally in the throes of a panic, and it would only accentuate the panic by bringing the legality of that kind of paper prominently to the public view. Then the advocates of asset or credit currency, as against bond-guaranteed currency, point out that it can afford comparatively little if any relief, because so much money will be necessarily invested in the bonds on which to obtain currency from the Treasury Department. Of course, the bill provides for having large quantities of bank notes of the emergency variety on hand for shipment to National banks applying for emergency notes. The machinery for distribution of the new money is otherwise facilitated to the utmost.

Other Panaceas.

Over against this Aldrich bill, destined apparently to become a law, several other panaceas have been offered. The most prominent of them is a bill just introduced by Representative Fowler, Chairman of the House Banking and Currency Committee. He is a Republican in disfavor with the President for holding the latter responsible in large part for the financial troubles and for criticising the Administration for issuing Treasury notes. He is in disfavor with Speaker Cannon because he (Fowler) is a strong advocate of asset currency, which Speaker Cannon strongly opposes. Nevertheless, Mr. Fowler has been a long-time student of finance, is a man of large property, and his views are probably entitled to consideration. He proposes a much different remedy, which would require both space and time to describe adequately. In a word, Mr. Fowler would retire the present bond-secured circulation of the National banks. He would allow the banks to issue notes on "guaranteed credit," which means that the notes would be based upon the banks' own credit and resources. In addition, he would require the banks to keep on hand a guarantee fund of gold or its equivalent deposited with the Treasury Department. It would be composed of five per cent of the bank's deposits during the year, five per cent of its note issue, a two per cent tax upon circulation. As soon as a bank has a certain amount of deposits the Government would be allowed to make deposits of its own funds with such banks at a moderate rate of interest.

The Fowler bill is much more elaborate, but these are its essential features. It is not being given as much attention as it deserves, however, because of the knowledge in Washington that the way has been greased for the Aldrich bill to go sliding thru. There is a strong sentiment in the country undoubtedly for a very thoro overhauling of the currency system, under the conviction that the present patchwork system should no longer be tolerated, very likely there will be times of distress which the inadequate currency system will simply aggravate.

However, out on the farms and in the mills and factories there is little sympathy with such a progressive measure, and it stands slight show for the present. There is no other question in connection with Government which so many people have emphatic ideas about, or which they know so little about. Senators and members are very timid. They do not like to vote for a bill that might be understood only with difficulty by their constituents and which might be easily used as a weapon of criticism against Congressmen seeking re-election. The discipline with which the Republicans are expected to vote will also help out in the rural "deestricts." The President approves of the bill; the Senate leaders approve of it; Speaker Cannon approves of it.

There is room yet for the Aldrich bill to become a burning political question, however. Some of the Western men are very bitter about it. Some of them, Republicans, [illegible] of Government deposits, which has been accepted in some States. But the Senate Finance Committee has set its face stoutly against any such legislation. The claim is that it would go far to sustain the confidence of depositors and that it could be operated at a minimum tax upon [illegible]. The central bank of issue also has many friends who have observed its workings in other countries, but it could not be adopted without overturning the present banking system, and therefore cannot be adopted.

If the Aldrich bill provokes such criticism in the Western States as to become a political issue, whether or not it be a sound measure, Congress will probably pause about passing it and making it a law. Should the West become convinced that New York bankers will be the chief beneficiaries, [illegible] discipline among Republicans might not be sufficient to [illegible].

Thus far the Democrats have outlined no policy of opposition. They seem to be waiting to [illegible] among themselves, and have not yet decided whether they will oppose the bill aggressively.

Building War Vessels.

U. S. Grant Post, Brooklyn, N. Y., has adopted a resolution setting forth that many comrades of that Post and other Posts are threatened with loss of employment in the Brooklyn Navy Yard by reason of lack of sufficient appropriation of funds. U. S. Grant Post therefore supports and hopes that Congress will pass the bill pending in Congress calling for the construction of four new battleships, one of which is to be built at the Brooklyn Navy Yard. This yard is splendidly equipped to do this work, as it has built the battleship "Connecticut." The veterans throughout New York are asked to write to their Congressmen to use their influence in the passage of this bill.

Is He On His Job?

THE TAFT BOOM.

IS IT ALL OVER BUT THE SHOUTING?

Strenous Effort to Carry Everything With a Rush—The President Openly for Taft, and the Whole Federal Organization to Work in That Direction. The Other Booms Suffering a Temporary Eclipse.

It's Taft. Nomination and election sure. A majority of the delegates are in sight. The band wagon is coming down the road. Choose your seat. Get in early before the wagon is full, etc.

That is what the President virtually says. That is what the Taft boomers are saying. They have had every telegraph wire tingling with the intelligence in the last few days. Somebody's money has been paying for the widespread transmission of that and other intelligence—all whooping it up for the Taft boom, making it plain, if possible, to warring Ohioans that they had better stop their quarreling between Taft and Foraker, and support Taft in the forthcoming primaries for delegates to the State Convention.

Perhaps it is Taft, seriously and [illegible]. Some observers are coming to think so. Some others [illegible] reserving judgment for awhile till there are a few further developments. Hardly a delegate has been elected yet, and the primaries thus far have been running largely on [illegible]. State committees have declared for Taft in several instances. A few State Legislatures have resolved for him. Some County committees, with only a small membership present, have declared for him, but all these things have been utilized to enforce the claims [illegible] department, which is working overtime.

The President is known to be predicting that the Secretary of War, whom he favors, will be nominated on the first ballot. He will not say so officially, for officially he is out of politics. Unofficially, however, he is the might and main for the Secretary of War, and thereby it can be said that the Secretary of War was working for [illegible] the United States, with the backing of a tremendous Federal organization. The President has been receiving reports from many States about Taft's prospects. The politicians and workers, when they come down to Washington to see the President, [illegible] to the White House offices to see the President. [illegible]

The grim old fellows at the Capitol—in Senate and House—who are fighting the Secretary's nomination chiefly because they do not believe in the President forcing upon the country the name of the Republican nominee are grimmer than ever. They have not given up the fight. They hear the whirring and the grinding of the Taft organization, now in fine working order, and they hear the whirring and grinding of the Federal organization, with President Roosevelt's hand upon it. They insist that the fight has only begun, and they are not [illegible] to be run over and flattened in a macadamized roadway.

But all agree that the Secretary of War's boom is making progress, and acknowledge that the effort to convince the country thru the mighty engines of publicity which the Taft boomers have at their command that it is all over but the shouting, will have some effect. Many thousands of very wise people can be stampeded by the cry that a given man is sure to win in some political struggle. They want to be on the winning side, and will get down off the fence at nothing more formidable than a big noise.

The Secretary is working with might and main to give his boom force, and is [illegible] whatever progress he may be making. For the next month or two he will devote considerable time to addresses in several States, and he expects to make it clear to the country [illegible] that series of speeches is concluded [illegible] the leading questions. He started off at Boston before the Merchants' Association, with an elaborate defense of President Roosevelt's Administration. This was followed last week with a letter to a toiler in Ohio telling where the Secretary stood on questions affecting or-

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