MARSH DEFENDS NEW YORK MARKET

(Continued From Third Page.)

that under the operation of the by-laws and rules of the exchanges they are compelled directly or indirectly to assume some of these responsibilities. Accordingly, they lift their voices up in public, denouncing the regime of merchants, and endeavoring to force such a remodeling of the rules and by-laws as will free them from the clogs that impede their speculative operations. And, finally, cotton producers, not so much of their own motion as impelled by the general outcry of spinners and speculators that things are wrong, take the field with the contention that, if cotton exchanges are to exist at all, it should be for the purpose of keeping as high as possible the price of cotton, and that the by-laws and rules should be so amended as to work always in favor of those persons, chiefly speculators, who are endeavoring to do this.

Pulling Them Away.

Thus all these classes of persons, whose interest in cotton is certainly very direct and vital, but yet not the interest of cotton merchants, strive to pull or force the cotton exchanges away from the primary principle of their being, i. e., that they are associations of cotton merchants, organized by cotton merchants for cotton merchants; and to compel them to adopt some other primary principle which shall dominate all their by-laws and rules according to the supposed needs of these other persons. And as in these days criticism of the established order of things easily holds the public ear, and as the demand for the tearing down and reconstructing of the most respectable institutions is commonly regarded as presumptively justified, it has been a comparatively simple matter for the discontented spinners and speculators and producers to impress the public with the idea that there must be a good deal in their contentions.

But, in the long run, matters of such vast importance to the body politic must be determined according to right reason, and not according to the temporary or adventitious interests of any set of individuals. The cotton exchanges can be twisted away from their original and traditional function only on condition that those striving for the change can prove that their assertion of right in the case is fundamentally well grounded. But this, in my opinion, they will have great difficulty in doing.

Contention of Spinners.

Let us take first the contentions of the spinners with regard to the impropriety of the existing rules and methods of the exchanges, and particularly of the New York Cotton Exchange. As I make out from the published utterances of various spinners and from communications from individual spinners or associations of spinners addressed to the New York Cotton Exchange, there are three chief grounds of complaint.

The first is that the contract for the future delivery of cotton is not framed in such a way that the average spinner can buy it with the assurance that, if he desires the actual delivery of the cotton, he will receive exactly that character of cotton which he finds it most advantageous to use in his mill. The second complaint is that the operation of the by-laws and rules governing deliveries on contract is such that, though the contract is specifically called a "basis middling" contract, the price of contracts at times varies more or less widely from the price of actual middling cotton, thus introducing an element of uncertainty into the business operations of the spinner, to whom and to whose customers the current price of middling cotton is the market price of cotton as a commodity. The third complaint is that unrestrained speculative operations are permitted on the exchanges, and that violent and incalculable fluctuations in the price of cotton result therefrom, making it difficult for the spinner to forecast with certainty the most important single element in his business—the price of his raw material.

Takes Up Complaints.

Let us examine seriatim these complaints of the spinner in the light of the definition of a cotton exchange as primarily an association of cotton merchants with by-laws and rules designed to facilitate merchandising cotton as nature produces it and nothing else. To begin with, the spinner declares that it is unjust to him that when he wishes to use the cotton exchanges directly, and not through the mediation of the cotton merchant, he should be compelled by the by-laws and rules to take delivery of all kinds of cotton on his contracts instead of getting just the kind he finds it most advantageous to spin. Here a moment's consideration will show that there is a fundamental difference between the position of the spinner and that of the cotton merchant. Indeed, this difference is such that the two positions are economically irreconcilable. It is the business and the duty of the cotton merchant to merchandise any and every kind of cotton that is produced. He cannot pick and choose.

He cannot leave in the hands of the producer those kinds of cotton which are less advantageous to the spinner, confining his purchases to the kinds for which there is an instant and universal demand. The producer would not tolerate such a procedure, even if the merchant desired to follow it. In the normal course of his business the merchant must acquire great quantities of cotton which are slow and difficult of sale, and the distribution of which must be extended over considerable periods of time.

All his trading as a merchant must be governed by this fact, and any arrangement of the rules controlling his trading which fails to take cognizance of this fact is, from his point of view, fatally defective. It is economically impossible for him to trade on the one side with producers who insist on selling him all the cotton they raise, or none; and, on the other, with buyers of contracts for cotton in gross who can compel him to deliver them only the immediately desirable portion of his purchases. Knowing as he does that ultimately all kinds of cotton are needed and will be sold, he sees no reason for providing a certain class of buyers of cotton with advantages which he himself does not enjoy when he buys himself. As a merchant he cannot in reason be expected to do any such thing. If, then, cotton exchanges are primarily associations of cotton merchants, the contention of spinners on this point falls to the ground by reason of its economic impossibility.

Variation in Price.

We come now to the complaint that the occasional variation of the price of the "basis middling" contract upon the exchanges from the current price of middling cotton produces unfortunate results in the spinners' business, and that the exchanges are at fault in their rules, if those rules make the variation possible. This complaint the spinner is apt to emphasize by saying that it is the custom of the cotton goods trade to base the price of contracts for goods upon the quotations of the exchanges for contracts for cotton, and that when the price of the latter falls away from that of middling he labors under great and unjust disadvantages. Perhaps also he adds that when he has "hedged" a contract for goods calling for the use of middling cotton or better by purchasing cotton contracts on the exchanges, it is not right that he should find the parity between the price of the cotton he needs and the cotton contracts he has bought disturbed to his loss.

This last allegation need not be taken too seriously; for it was always possible for the spinner to "hedge" his goods contract by means of a contract made with some cotton merchant for specific grades of cotton. Neither is it easy to understand how there can be just cause for complaint, if the spinner has based his own operations in goods upon the happenings in a collateral market, which he is not in a position to understand thoroughly, even if that collateral market is as clearly allied to his own as the cotton futures market to the market for goods. But above and beyond these lesser answers to the spinners' contentions is the fact that the cotton exchanges, through their future contracts, are markets for cotton in gross, just as it is produced and sold by the producer, and not markets for cotton sorted out and made immediately available for the varying requirements of individual spinners. They are great reservoirs into which through "hedge" sales for future delivery the great flood of all kinds of cotton is poured, to be drawn out by the merchants who use them according as the varying requirements of their business demand.

Not in Harmony.

Nor is it in harmony with the very idea of their being that they should be used in any other way than as cotton merchants use them, buying and selling in them in gross, and then performing their merchandising function of assorting and distributing as their trade requires. This being so, the only proper theory of the rationale of the price of contracts in these markets is that this price reflects the current value of cotton in gross, and not the value of any particular grade or grades.

The fact that the exchange contract is known as a "basis middling" contract means to the cotton merchant nothing more than that middling cotton is to be taken as the starting point in calculating the value of any given lot of cotton, when it changes hands in the market. It certainly does not mean that the price of contracts is, or ought to be, the current price for middling cotton. The cotton merchant understands perfectly that conditions may arise and constantly do arise that give to this or that grade of cotton a particular and unusual value, and that this may be true of middling as well as of any other grade. When this occurs, it is certain that the current price of middling will increase as compared with the price of cotton in gross, and there is nothing uneconomic or contrary to just principles of trade in its doing so. The intelligent cotton merchant is always prepared for having it do so, and takes account of the possibility in his merchandising. Thus in the Liverpool market to-day the price of middling cotton is 30 Liverpool points, or $3 a bale, above the price of cotton in gross, as shown by the quotations for futures, and this in spite of the presence in that market of many hundreds of thousands of bales of cotton. Middling cotton has become scarce there, and is much in demand, and this fact is indicated by the price. The spinner, then, who quarrels with these phenomena simply shows that his point of view is not that of the cotton merchant. But why should the spinners' point of view be adopted by the exchanges, when they exist for the use of merchants?

High Speculation.

With regard to the last complaint of the spinners, that excesses of speculation are permitted on the exchanges, which seriously and unwarrantably disturb the conduct of their business, there is, in my opinion, as things are to-day, much more to be said in its justification.

Ordinary speculation, all economists are agreed, can work no real injustice to anybody, because, to be successful, it must be founded upon sound judgment of the true underlying conditions, and it is to everybody's ultimate advantage to have these conditions made effective in the market for any commodity as quickly as possible. On the other hand, ordinary speculation based upon a wrong interpretation of conditions always fails, and produces no permanent effect upon the market. But I do not think it can be denied that in recent years there has been a form of speculation in cotton which differs radically from ordinary competitive speculation, and has produced disturbing effects that may be rightly objected to. This speculation to which I refer is based, not upon obtaining a part of the profit of the readjustment of the commodity to new conditions of demand and supply, but upon taking violent advantage of the technical procedure of merchants in the exchanges in the matter of "hedges," forcing arbitrary settlements from these unfortunate merchants on their "hedge" contracts, irrespective of the general economic conditions.

Hedge Contracts.

We had a good illustration of this obnoxious form of speculation in the New York Cotton Exchange last summer, when speculators acquired such vast quantities of "hedge" contracts that they were enabled to force settlements on a considerable part of them at prices which can only be called extortionate in view of the fact that these same speculators were freely selling actual cotton that had been delivered to them at 4 or 5 cents a pound less than they exacted for the settlement of the contracts. I do not think any right-thinking man can apply to such operations any other terms than uncommercial and even immoral. That they run counter to the long and deep legal tradition of the English race is certain; and it is probable that they are in direct violation of the statutory law of the land. It goes without saying that they are regarded with abhorrence by the reputable cotton merchants who form the bulk of the membership of the exchanges.

If the exchanges had the requisite machinery for investigation and prosecution there can be no doubt that a stop would speedily be put to them. Even as it is, the New York Cotton Exchange has, by an almost unanimous vote of a meeting of its members, set about the task of incorporating specifically in its by-laws the principles of the national anti-trust act and of the anti-monopoly law of the State of New York. When this has been done, it will be possible for the exchange itself to put a speedy end to these illegitimate operations, when attempted, and do away with a grievance which its members believe to have a real basis in fact.

Having now discussed, in the light of the definition of a cotton exchange as primarily an association of cotton merchants, the criticisms of cotton spinners, and having endeavored to show briefly that these criticisms, except for that regarding undue speculation, are lacking in validity, if the exact idea of what a cotton exchange really is remains true, I shall speak much more briefly of the common complaints indulged in by speculators and cotton producers about the exchanges.

As to Speculators.

With regard to the speculators, I am inclined to give them rather short shrift, for if there is any one primary obligation of the speculator, when he extends his activities into any branch of commerce, it is to take conditions as he finds them, and run his chances with the rules as they are. There is, however, one long-standing complaint of the speculators in cotton which deserves some little attention. This is that there is what almost amounts to a conspiracy on the part of merchants in the exchange to take unfair advantage of the speculators by delivering them upon their contracts cotton which they are unable instantly to dispose of to spinners. Through this practice, say the speculators, they are continually forced either to sell out their contracts and replace them with contracts for more distant deliveries at a higher price; or else to assume the tedious and expense burden of merchandising cotton which is not immediately in demand.

Such is the complaint, and it is one to which much currency is commonly given whenever a speculative campaign is in progress, or, more particularly, when an overextended speculative campaign ends in a debacle. But, explained in the light of cold reason, it would be hard to conceive of a less substantial complaint. For, to begin with, cotton exchanges do not exist for the purpose of giving profit to speculators, but for the purpose of merchandising cotton. Their by-laws and rules are framed to the end that speculators may be supplied with just that kind of cotton which is most in demand and readiest of sale, but to the end that the great economic function of distributing the entire cotton crop may be effectively performed. These by-laws and rules do not contemplate the impossible condition that all cotton should be disposed of in a moment, but reflect rather the necessity that great quantities of cotton must be carried along in the stocks of merchants, sometimes for long periods, until it is gradually absorbed by the requirements of trade.

Must Bear His Part.

There is no conceivable reason why the cotton speculator should not accept these primary obligations of the cotton business as a real commercial business. There is no reason why, if he ventures into the cotton market at all, he should not bear his part of the expense attaching to the carrying and slow distribution of all that less desirable part of the cotton crop which merchants have to deal with as a regular part of their business. Left to themselves, in the exchanges, the merchants make no complaints about the iniquity of being obliged to receive and merchandise any and all kinds of cotton. That is what they trade in—any and all kinds of cotton. Some they sell fast and some they sell slow, but all of it they know they can sell in due course of time.

And so long as the by-laws and rules of the exchanges are found equitable by cotton merchants in respect of the character of cotton deliverable on contracts it is essentially impudent for the speculators to seek modifications for their own special end.

And now, finally, a few words about the contention of the cotton producers that the cotton exchanges are failing in their duty to them, unless they facilitate the operations of those who are striving to enhance the price of cotton. This contention, as I have indicated above, seems to me rather an echo of the complaints of spinners and speculators than something originally conceived by the producers themselves. But, whatever its nature, it has undoubtedly played a considerable part in the recent agitation against the exchanges. The one brief, and, at the same time, economically sound answer to this complaint is that the supreme duty of cotton exchanges is to facilitate the merchandising of all the cotton which the producer has for sale. Advances and declines in the price are not their proper concern.

The Dangerous Type.

The most dangerous merchant is one whose business is based upon advances or declines in the price of the commodity he handles. Nobody knows better than the cotton merchants who compose the exchanges that they do not fix the price of cotton; that they would be helpless if they attempted to do so; and that they have only one proper concern, i. e., buying and selling cotton with a reasonable compensation to themselves for their capital and their brains, at such prices as the law of supply and demand may determine. To ask more of them than this is to ask them to introduce an element of corruption into the entire business. They will never consent to do more than this so long as they remain reputable merchants.

To sum it all up, in the words often used before, cotton exchanges are properly institutions organized by cotton merchants to facilitate the merchandising of cotton. They have no other reason for existence. Their by-laws and rules should be absolutely dominated by this idea and by no other. The one imperative duty they have is to provide for the distribution of the entire cotton crop as nature gives it to us. Any departure from their duty for the sake of meeting the particular needs or wishes of spinners or speculators or cotton producers is but a denial of the first principles of their being.

Railroads.

Richmond, Fredericksb'g & Potomac R. R.

TO AND FROM WASHINGTON AND BEYOND.

Leave Richmond	Arrive Richmond
*4.50 A.M. Byrd St. Sta.	*7.50 A.M. Byrd St. Sta
*5.42 A.M. Main St. Sta.	†11.25 A.M. Elba Station
*6.50 A.M. Byrd St. Sta.	*11.35 A.M. Byrd St. Sta.
*7.30 A.M. Main St. Sta.	*1.12 P.M. Main St. Sta
*8.40 A.M. Byrd St. Sta.	*2.15 P.M. Byrd St. Sta
*12.01 noon Byrd St. Sta.	*7.25 P.M. Byrd St. Sta
†4.00 P.M. Byrd St. Sta.	*9.10 P.M. Byrd St. Sta
‡4.15 P.M. Elba Station.	*9.40 P.M. Main St. Sta.
*5.15 P.M. Main St. Sta.	*11.05 P.M. Main St. Sta.
*8.20 P.M. Byrd St. Sta.	*12.50 night Byrd St. Sta

ACCOMMODATION TRAINS—WEEKDAYS.
Leave Byrd St. Sta. 4:30 P. M. for Fredericksburg.
Leave Elba Sta. 7.50 A. M., 6.30 P. M. for Ashland.
Arrive Byrd St. Sta. 8.25 A.M. from Fredericksb'g.
Arrive Elba Sta. 6.30 A.M., 5.30 P.M. from Ashland.

*Daily. †Weekdays. ‡Sundays only.
All trains to or from Byrd Street Station (except trains leaving 4.50 a. m. and arriving 12.50 night) stop at Elba. Time of arrivals and departures not guaranteed. Read the signs.

Norfolk and Western Railway

ONLY ALL RAIL LINE TO NORFOLK.
Schedule in Effect May 14, 1911.
Leave Byrd Street station, Richmond, FOR NORFOLK: b8:10 A. M., *9:00 A. M., a3:00 P. M., *4:10 P. M., b7:00 P. M.
FOR LYNCHBURG AND THE WEST: *6:15 A. M., *10:00 A. M., a2:00 P. M., *9:20 P. M.
Arrive Richmond from Norfolk: a11:40 A. M., b11:45 A. M., *6:35 P. M., b10:25 P. M., *11:50 P. M. From the West: *6:55 A. M., a2:00 P. M., b2:15 P. M., *6:05 P. M., *9:00 P. M.
*Daily. aDaily ex. Sunday. bSunday only.
Pullman Parlor and Sleeping Cars, Cafe Dining Cars. C. H. BOSLEY,
D. P. A., Richmond, Va.
W. B. BEVILL, G. P. A., Roanoke, Va.

Richmond & Petersburg Electric Railway

Cars leave Manchester, Seventh and Perry streets, for Petersburg:
*6, 7, 8, *9, 10, 11, *12 A. M., 1, 2, *3, 4, 5, **5:45, *6, 7, 8, *9, 10 P. M.
11:00 P. M. for Chester, 12:00 midnight for Petersburg.
Cars leave Petersburg, foot of Sycamore Street, for Manchester:
†5:15, 6:35, **7:15, *7:35, 8:35, 9:35, *10:35, 11:35 A. M., 12:35, *1:35, 2:35, 3:35, *4:35, 5:35, 6:35, *7:35, 8:35, 9:35, *10:40, 11:40 P. M.
†Daily except Sunday and holidays.
*Carries baggage and express.
**Limited, except Sundays and holidays.
All cars from Petersburg connect with cars for Richmond.

SOUTHERN RAILWAY

TRAINS LEAVE RICHMOND.
N. B.—Following schedule figures published as information and not guaranteed:
6:10 A. M.—Daily—Local for Charlotte, Durham and Raleigh. 10:15 A. M.—Daily—Limited—For all points South. Drawing Room Buffet Sleeping Car to Memphis via Asheville and Chattanooga. 3:00 P. M. Ex. Sun.—Local for Durham and intermediate stations. 6:00 P. M. Ex. Sun.—Keysville Local. 11:45 P. M.—Daily—Limited—For all points South. Pullman ready 9:30 P. M.
YORK RIVER LINE.
4:30 P. M.—Ex. Sun.—To West Pt., connecting for Baltimore Mon., Wed. and Fri. 6:00 A. M.—Ex. Sun. and 2:15 P. M.—Mon., Wed. and Fri.—Local to West Point.
TRAINS ARRIVE RICHMOND.
From the South: 6:50 A. M., 8:05 P. M., daily; 8:40 A. M. Ex. Sun.; 12:55 Ex. Sun.; 2:00 P. M. daily. From West Point: 9:30 A. M. Daily; 11:35 A. M. Wed. and Fri.; 4:25 P. M. Ex. Sun.
S. E. BURGESS, D. P. A.,
920 E. Main St. 'Phone Madison 455.

Chesapeake & Ohio Railway

9:00 A. } Daily—Fast train to Old Point.
4:00 P. } Newport News and Norfolk.
7:40 A. Daily—Local to Newport News.
6:00 P. Daily. Local to Old Point.
3:20 P. } Daily—Louisville and Cincinnati,
11:00 P. } Chicago and St. Louis. Pullmans.
6:45 P.—Daily.—Western Express. Pullmans to Cincinnati.
8:30 A.—Daily—Charlottesville. Week days—Thurmond.
6:15 P.—Week days. Local to Gordonsville.
10:00 A.—Daily. L'burg, Lex., Cx Forge.
5:15 P.—Week days. To Lynchburg.
TRAINS ARRIVE RICHMOND.
Local from East—8:25 A. M., 7:50 P. M.
Through from East—11:30 A. M., 6:30 P. M.
Local from West—*8:30 A. M., 9:50 A. M., 7:20 P. M.
Through—7:00 A. M., 2:45 P. M.
James River Line—*8:35 A. M., 6:15 P. M.
*Daily except Sunday.

Railroads.

Atlantic Coast Line

EFFECTIVE MAY 14, 1911.
TRAINS LEAVE RICHMOND DAILY.
For Florida and South: 8:15 A. M. and 1:25 P. M. 1:00 A. M. Charleston.
For Norfolk: **8:10, 9:00 A. M., *3:00 P. M., 4:10 P. M., **7:00 P. M.
For N. & W. Ry. West: 6:15 A. M., 10:00 A. M., *3:00 P. M. and 9:20 P. M.
For Petersburg: 1:00 A. M., 6:15 A. M., **8:10 A. M., 8:15 A. M., 9:00 A. M., 10:00 A. M., *3:00 P. M., 4:10 P. M., 6:05 P. M., **7:00 P. M., 7:35 P. M., 9:20 P. M., 11:45 P. M.
For Goldsboro and Fayetteville: *4:10 P. M.
Trains arrive Richmond daily: 4:40 A. M., 6:40 A. M., 6:55 A. M., *8:37 A. M., **10:45 A. M., *11:40 A. M., **11:45 A. M., *2:00 P. M., **2:15 P. M., 6:05 P. M., 6:35 P. M., 8:00 P. M., 9:00 P. M., **10:25 P. M., 11:30 P. M.
* Except Sunday. ** Sunday only.
Time of arrival and departure and connections not guaranteed.
C. S. CAMPBELL, D. P. A.

SEABOARD AIR LINE.

Southbound trains scheduled to leave Richmond daily: 9:10 A. M.—Local to Norlina. 1:20 P. M.—Sleepers and coaches, Atlanta, Birmingham, Savannah, Jacksonville and Florida points. 5:50 P. M.—Sleepers and coaches, Savannah, Jacksonville and Florida points. 11:15 P. M.—Sleepers and coaches, Atlanta, Birmingham, Memphis and the Southwest. Northbound trains scheduled to arrive in Richmond daily: 6:32 A. M., 7:22 A. M., 6:05 P. M., 5:40 P. M.

NORFOLK SOUTHERN

Lv. Norfolk: *6:35 and *11 A. M., *3 P. M., for Eastern Carolina and the South.
Lv. Raleigh: *6:15 A. M., †3 and *9:15 P. M., for Eastern Carolina and Norfolk.
Pullman Sleeping Cars between Norfolk, Raleigh; also Goldsboro and Norfolk.
*Daily. †Daily Ex. Sun.
C. D. LEGRANDE, G. A., American National Bank, 'Phone Monroe 1627, Richmond.
W. W. CROXTON, G. P. A., Norfolk, Va.

RICHMOND AND CHESAPEAKE BAY RAILWAY COMPANY.

Schedule of electric trains to and from Ashland, stopping at intermediate stations upon signal: Lv. Richmond (Broad and Laurel Sts.), *6:05, *7:10, 8:10b, 9:10, **10:10, 11:10 A. M.; 1:10, 2:10, 3:10, 4:10b, 5:10, 6:20, 7:10, 8:10b, 10:10, 11:45 P. M. Lv. Ashland, *5:55, 7b, 8, 9b, 10, **11 A. M., *12 M., **1, 2, 3, 4, 5b, 6, 7, 8, 9b, 11 P. M.
*Daily except Sunday. **Sunday only.
bCarries baggage.

Steamboats.

OLD DOMINION LINE

Lv. Richmond foot of Ash St. daily 7:00 P. M.
Leave Newport News 5:00 A. M.
Arrive Norfolk 6:00 A. M.
Connects with main line steamers leaving Norfolk for New York daily except Sunday 7:00 P. M. Connections also made by N. & W. Ry. 3 P. M. and C. & O. Ry. at 4 P. M. Night Line steamers stop at Claremont to land or receive passengers on signal.
VIRGINIA NAVIGATION CO.—James River by daylight for Norfolk, Old Point, Newport News and all James River landings. Steamer leaves Monday, Wednesday and Friday at 6:30 A. M. Freight received for all James River landings. 'Phone Madison 174. Main Ticket Office, 821 E. Main Street.

Merchants and Miners Transportation Co

Norfolk to Boston, Mass., and Providence, R. I.
Steamers leave Norfolk for Boston, Sun., Tues. and Fri.; for Providence, Mon., Wed. and Sat. at 7 P. M. Passengers and freight taken for all New England points. Tickets on sale at office C. & O. Ry., N. & W. Ry., S. H. Bowman, 708 East Main, and Richmond Transfer Co., 809 East Main.