

The following is a sampling of newspaper accounts that relate to the French import, in September, 1905, of in-excess of \$22,000,000 in U.S. gold coin from the United States – where there is no corresponding US export report. This secret shipment was apparently designated “secret” in order to maintain market stability within the United States. The continuation of this research and ultimate source-confirmation is currently outside the scope of our *Republic* endeavors.

See Notes, at end.

Should Japan take advantage of low rates of exchange to transfer to London so much of her balance here as may not be needed for purchases in the United States, the effect upon the money market would be nil, for the cash would remain and be available for the crop movement and for loans.

It is clear, therefore, that the controlling influence in the money market for the next three or four months will be the movement of currency to the interior to move the crops.

Wall Street Journal, August 10, 1905, 8:1.

The advance in sterling on Thursday was ascribed to covering of maturing finance bills and to purchases for remittance on Japanese account. It is understood that the Japanese balance of the proceeds of loans placed in the United States is being loaned on call and that the depository banks and trust companies are not averse to the withdrawal of part of this balance for the purchase of exchange so long as call money continues at 2% and below. By such operations a portion of the Japanese special fund is transferred to the general fund of banks and other institutions, becoming thereby available for all purposes without restriction.

The tone of Paris exchange on London and the cheapness of bar gold at London are indications that peace negotiations are coming to be regarded as a negligible factor in the money markets of London and Paris for some time to come, and that they may be so treated at New York until the crop movement is over. For it is Russia's desire to place part of the forthcoming loans in the United States Russian financiers would not think of offering the bonds either here or in Europe until after January 1, 1906, even if a treaty of peace should be agreed upon earlier.

Wall Street Journal, August 12, 1905, 8:1.

The inquiry for remittance was largely of the usual seasonable mercantile character but it was believed that some of the buying was for the remitting part of the proceeds of the Japanese loan. This loan is payable, principal and interest, at the fixed rate of exchange of 4.87, so there is a small profit in remitting the proceeds to London at any rate of exchange below 4.87. As demand sterling approaches that quotation the inquiry for Japanese accounts falls off.

Finance bills were very little in evidence. Trust companies were supplying time money, while the call money rates were too low to attract foreign capital. Upon this point C. Schumacher & Co. say:

“It is most likely that time and call money will advance within a fortnight, as funds are steadily being withdrawn for the purpose of moving our crops. If this should be the case, it will help to bring into the market any number of finance bills. The fact that such bills are being drawn, while temporarily depressing the market, will ultimately result in a demand for remittances abroad later on.

“Foreign exchange is being influenced at all times by any number of factors which make it difficult to correctly forecast its course for any length of time. For instance, the Japanese government with its purchases of supplies on one hand and remittances of proceeds of bonds on the other; the cotton market, the wheat market, and the attitude of foreign buyers of our products and the size of our crops; the yellow fever situation; the peace conference ...”

Wall Street Journal, August 21, 1905, 8:1.

The inquiry for remittance was made mainly on mercantile account and to cover maturing finance bills but there were some purchases of bills for remittance of Japanese funds. The Japanese bonds were issued at the fixed rate of exchange of 4.87 and when they can obtain only 2% for the proceeds of the bonds on call here, and can remit at 4.86½ there is a profit in doing so. The volume of business for the week was quite small and the market was unusually dull.

With regard to the future of the market C. Schumacher & Co. say:

“We are told that while foreigners hesitate to pay the high prevailing price for cotton, yet the outlook for early exports of this staple is most excellent. During the past week exchange against the new crop was offered for delivery within the next eight to ten days. As soon as actual new cotton is received in large quantities at the seaports, the market will probably decline and result in a liberal export movement. This we expect to take place in about two weeks and the exchange market is only waiting for this movement to start before assuming its natural and customary downward course for September.”

Wall Street Journal, August 28, 1905, 8:2.

THE MONETARY SITUATION.

SOME OF THE POSSIBLE EFFECTS OF THE FAILURE OF THE PEACE CONFERENCE.

Two results at least seem likely to follow adjournment sine die of the peace conference after signing a protocol declaring agreement impossible. The first result expected is that Japan would withdraw to Europe money now on deposit in New York and also the proceeds of the loan which was placed here last July, payment upon the bonds having been set for October 16 next. It was stated about two months ago that the balance to the credit of the Japanese government in New York banks was approximately \$56,000,000, which was being loaned in the market and on call. The payments on the new loan of \$25 on July 17 and a like amount on August 3 were \$5,000,000. It is understood that the option to make payment in full of subscriptions on August 3 was not

generally exercised. The amount due to be paid under the terms of the subscription on October 16 is \$39,397,000, and of this amount it is estimated that about \$35,000,000 remains to be paid; \$9,797,000 would be added to the proceeds of the previous loan deposited here to the credit of the Japanese government, or in all \$65,397,000.

But the Japanese bonds are in sterling at a fixed exchange rate of 4.87 and with call money ranging at 2% and below in this market and with exchange at the rate of 4.86½ or lower for demand sterling, there would be a profit in transferring the Japanese funds from New York to London. Ever since the rate for demand sterling declined to 4.86½ about the middle of July the feature of the foreign exchange market has been the purchase of bills for remittance by the Yokohama Specie Bank, which is the representative of the Japanese government. **Persons with good opportunities for judging estimates of the amount of money now on deposit in New York to the credit of the Japanese government say it does not exceed \$20,000,000 to \$25,000,000** [Emphasis supplied.], which would make the amount required to be remitted between now and the end of next October after the subscriptions to the new loan have been paid in about \$60,000,000. These remittances in view of the large amount of cotton and wheat which is certain to be exported this fall could be easily made without exporting gold, and, therefore, would have little effect upon the money market in comparison with the movement of cash from New York to the interior to move the crops.

In the second place, the failure of the conference to agree would make it certain that no loan would be issued by Russia either for the payment of an indemnity or to finance peace. Foreign bankers, therefore, who have accumulated large amounts of liquid capital for the purpose of financing the loans expected to be made by both belligerents after the conclusion of peace will find it necessary to seek other employment for their funds, and they are now satisfied that there is no better field in the world than the United States for investment either in good securities or in loans upon collateral. **The exchange which would be created by the transfer of funds for investment here would probably be more than sufficient to meet whatever requirements might result from the transfer of Japanese funds from New York to London.** [Emphasis supplied.]

Wall Street Journal, August 29, 1905, 8:1.

THE MONETARY SITUATION.

TIME MONEY AND FOREIGN EXCHANGE RE- SPONSIVE TO THE CROP MOVEMENT.

With the end of August four months' loans mature over the turn of the year and the rate of interest on four to six months' money advanced to 4a4¼%. It was to have been expected that the time money market would grow firmer after **the record breaking transfers of currency to Chicago through the sub-treasury this week** [?], and an advance in rates for call money to parity with those for time loans is looked for before long. But the firmer tone of the time money market caused foreign bankers to increase their loans through exchange operations, and demand sterling was sold on Wednesday as low as 4.8620a4.8625, recovering at the close to 4.8625a4.8630.

As money becomes firmer at this time of the year, with large crops at high prices to be moved, exchange always grows weaker, reflecting sales of bills by foreign bankers who intend to loan the proceeds and expect to be able to recover at a profit when exchange declines still further under the pressure of cotton and grain bills two or three months later.

While such loans do not effect the cash reserve of banks, there is always the possibility that large exports of cotton and breadstuffs may depress the rates of exchange to the gold import point, in spite of the extended short interest in exchange that must be covered. **Paris at present is increasing her stock of gold by purchases in the London open market** [?], but the agreement of the peace envoys has reduced very materially the possible demands upon Paris for which preparation has been made, and if New York should really need gold during the next three months it is not unlikely that Paris might supply a round amount of the metal at a price.

Wall Street Journal, September 1, 1905, 8:1.

SECRETARY SHAW ON GOVT. FINANCES

Unusual Demand [Emphasis supplied.] for Money for Crops – No Indication of Any Stringency

Washington – “Government finances are in good shape,” says Secretary of the Treasury Shaw. “Customs receipts are keeping up, and for the current fiscal year are nearly six millions ahead of what they were for the same period last year. There is also an increase of \$1,500,000 in internal receipts.

“There has been an unusual August demand for crop moving money, but the supply has been ample, and there is no indication of any stringency.”

In answer to an inquiry as to whether any unusual provision would be made by the department to strengthen the money market in case the strain from the west and south should continue [? Emphasis supplied.], the secretary said that bridge would be crossed when arrived at, but there was nothing in the present situation to call for any extraordinary action.

Wall Street Journal, September 2, 1905, 8:2.

THE MONETARY SITUATION.

EVIDENCE ACCUMULATING THAT DEMAND FOR CURRENCY AT THE INTERIOR THIS YEAR WILL BE ENORMOUS.

Evidence is accumulating that the requirements of the interior this fall for cash from New York on account of the movement of the crops will be larger than ever before.

The net loss to the interior for the week ending Aug. 31 was \$4,261,000, comparing with losses for corresponding weeks of \$111,000 in 1904, \$647,000 in 1903, \$2,820,000 in 1902, \$1,834,000 in 1901. For the past four weeks the net losses to the interior amounted to \$15,320,000, comparing with gains of \$6,815,000 in 1904, \$6,235,000 in 1903, and losses of \$2,748,000 in 1902 and \$3,552,000 in 1901.

The treasury has received inquiries which induce the belief that shipments of money from New York to Chicago, St. Louis and New Orleans during the next two weeks will be quite large. **Transfers of currency through the sub-treasury to Chicago during the month of August were largest on record, notwithstanding that several Chicago bankers a few weeks ago demonstrated to their own satisfaction that the west would take very little money from the east this year.** [Emphasis supplied.]

Payments by New York banks into the sub-treasury here on account of internal revenue collections deposited with correspondents have this year greatly exceeded similar payments a year ago. The losses of the banks on sub-treasury operations proper, representing chiefly such transfers of internal revenue collections and payments into the 5% fund of correspondents for the past four weeks were \$13,767,400, comparing with \$8,365,800 for the corresponding period of last year. Such payments are equivalent for all practical purposes to the shipment of currency to the interior since they make available there cash which would otherwise have to be paid over to the treasury.

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Wall Street Journal, September 4, 1905, 8:1.

THE MONETARY SITUATION.

DISCREPANCIES BETWEEN BANK STATEMENTS AND REPORTED MOVEMENTS OF MONEY.

It is natural that discrepancies should occur between the bank statement of cash held by the banks and the gains or losses indicated by the reported movements of currency between the banks and the interior and the sub-treasury. The average system makes it impossible for the currency report and the bank statement to agree, and the many unreported local movements cause other disagreements. Nevertheless as an index to the future course of the money market the actual weekly receipts of currency from the interior and shipments to the interior as reported to the Wall Street Journal by the banks and the receipts and disbursements of the sub-treasury as reported by that institution are more reliable than the bank statement.

The discrepancy between the reported movements of currency and the bank statement for the past four weeks is peculiar in that the bank statement shows a loss of \$7,295,400 less than that indicated by the currency reports. [Emphasis supplied.]

The record follows:

Loss of cash indicated by reported movements of currency since the beginning of the crop movement compared with that shown in the bank statement:

1905		
Week ending.	Cur. Report.	Bank state.

August 12	\$1,099,000	\$1,933,500
August 19	8,468,400	3,018,100
August 26	4,659,500	9,440,200
September 2	7,572,800	7,103,500

Total	\$21,790,700	\$14,495,300
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Currency report shows loss of \$7,295,400 more than bank statement.

[Emphasis supplied.]

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Wall Street Journal, September 6, 1905, 8:1.

THE MONETARY SITUATION.

THE PERIOD OF CHEAP MONEY AT AN END – TRUST COMPANIES AND FOREIGN BANKERS NOW LOANING AT CALL.

In the opinion of bankers the period of cheap money on call has come to an end and it is not expected to return at least until January when currency is flowing to New York from the interior. There is no apprehension of any stringency but at this time of the year there is always more work for the money of the world to do than at any other period and the earnings of money always correspond to the requirements made upon those who control it in liquid form. The demand for time money is increasing, and it is reported from Philadelphia that there is a good deal of inquiry there from New York for time money at higher rates than are now quoted here for loans on good mixed collateral.

The effect of shipments of currency to the interior by the New York banks and of heavy payments to the sub-treasury for account of correspondents is cumulative. First, there is a restriction on time loans while funds available for call loans are not disturbed. Then, as the steady drain for the crop movement continues, the amount of money that banks can loan on call is diminished, necessitating shifting of loans and higher rates for call money. Last week's loss of cash made six months' money firm at 4a4¼% and the loss this week to the sub-treasury, in addition to the loss by direct shipments to the interior, has increased the rate for call loans to 2½a3% with only a few transactions at 2%.

The permanent advance in rates for call money above 2% will bring into the market trust companies and other institutions, which while the rate is not higher than 2%, let the money which they cannot put out on time remain in banks where it draws 2%. Foreign bankers will also be quick to take advantage of the opportunity to transfer their credits to New York through exchange operations. In fact, they began to do so on Wednesday as soon as the rate on call touched 3%.. Offerings of finance bills were large enough on that day to break the exchange market from 4.8605a4.8610 for demand sterling at the opening to 4.8585a4.8590 at the close. The advance in call money rates may induce the Japanese government to let its balances remain in New York, or that

government may take advantage of the decline in exchange to increase its remittances to London. The result would be practically the same whichever course may be adopted. For the demand for remittance would sustain the exchange market and thus encourage the issue of finance bills, so that the transfer of Japanese funds to London would not decrease at this time the amount of money available here, and it is certain that at some time in the near future nearly all the Japanese balance will be sent to London.

Wall Street Journal, September 8, 1905, 8:1.

SECRET TREATY ALLEGED
BETWEEN RUSSIA AND JAPAN.

Indicated by Chance Remark Made by
Professor Martens.

That Japan may not have fared so badly as her people seem to think in the peace negotiations and that under the treaty made public there is a secret treaty that may have far-reaching consequences, transpired yesterday through a chance remark of Professor Martens, who aided in drafting the treaty that ended the war.

Mr. Martens, when asked if he would exhibit the copy of the treaty, said: "I cannot. There is a secret treaty that no one but the Czar and Mikado will know."

He stopped abruptly, as though he had said too much, and refused to continue the conversation with the newspaper men by whom he was surrounded. The conversation referred to occurred just before the departure of the French liner La Lorraine, on which the legal adviser of the Russian plenipotentiaries sailed for Europe.

That the peace treaty means much more than appears on its face, that it means a permanent peace between Russia and Japan, came out in a conversation later with the Japanese official spokesman. "The peace," said Mr. Sato, "which has been arranged is permanent and is for the best interests of Japan."

Journal of Commerce, September 8, 1905, 1:4.

BANKS REPORT HEAVY
REDUCTION IN LOANS.

LOSS OF \$20,000,000 OFFSETS CASH
DECREASE OF \$7,400,000

Loss in Surplus Only \$196,000 – Falling
Off in Loans Accounted for by Oper-
ations of Trust Companies and For-
eign Bankers – Principal Changes In
Cash and Loans.

Wall Street was again treated to a surprise Saturday in the shape of a reduction in the loan account of \$20,861,000, the more remarkable in view of the fact that the past week was not one of liquidation in the stock market, which factor had been responsible for the previous losses in this item. The inference was naturally drawn that the larger interests were not favorable to an elimination of the surplus reserves such as was suggested by the indicated loss in cash of \$7,238,700. The actual cash decrease came very near the forecast, amounting to \$7,463,400. The decrease in loans by the banks was accounted for by the shifting of the burden to trust companies and foreign bankers who have recently been lending freely, thus relieving the banks. Within the past two weeks the decrease in loans has amounted to \$50,898,500. The surplus of \$4,635,600 is about \$25,000,000 less than that of a year ago.

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Journal of Commerce, September 18, 1905, 3:5.

Notes: This is draft research.

1. The placement of the several Japanese war loans in New York is covered very well in the New York Times (1904-5).
2. Gold imports from Europe to the US resume in mid-September. Therefore, this shipment took place before exchange became adequate for settlement. Gold had to be shipped.
3. There are “private” meetings between Japan’s Baron Kaneko and President Roosevelt (NY Herald, August 19, 1905, 4:4 and August 22, 1905, 4:3). The withdrawal of Japanese funds, no doubt, would have been discussed. Secretary of Treasury Shaw would have discussed the issue with Roosevelt.
4. American Ambassador had a private meeting with the Czar (NY Herald, Aug. 24, 1905, 4:3). Japan’s post-war access to French financial markets may have been a topic.
5. J. P. Morgan meets with Roosevelt (Journal of Commerce, Aug. 29, 1905, 1:2.) Morgan, of course, was instrumental in assembling large sums of money (i.e. Panama Canal payment). His advice would have been sought on the movement of Japan’s funds, and consequent market effects.
6. The gold may have been shipped aboard La Lorraine. “The conversation referred to occurred just before the departure of the French liner La Lorraine, on which the legal adviser of the Russian plenipotentiaries sailed for Europe.”
Journal of Commerce, September 8, 1905, 1:4.
7. Japan had previously been denied access to the French financial markets. Access to the French financial market for subsequent Japanese loans was most likely a part of the sub-rosa Portsmouth treaty, and most likely required Russian consent. This may have been a stipulation for part-indemnity by Russia, and the reason to ship Japan’s New York balances to France – to provide incentive for French bankers (formerly the Czar’s

bankers) to assist Japan in post-war financing. Russia's post-war loans were delayed (the French market could absorb only so much), ultimately increasing internal strife within Russia.

8. Most of the New York money loaned to Japan was the result of, primarily, British investment. Britain was to a great extent allied with Japan, but could not overtly fund the hostilities. Hence, the "US" loan ruse. (New York Times, post war coverage). Hence, the need to return these funds to Europe.

9. Are Japanese post-war loans in France really in fact a Russian indemnity? Who really repaid those Japanese loans placed in Paris? Russia initially paid, at least indirectly, by forbearing immediate new loans in Paris.

Possible sources for confirmation: Theodore Roosevelt papers, Treasury (Shaw), Bank of France, Paribas, Yokohama Specie Bank, Vanderlip/Stillman papers (Columbia), J. P. Morgan Library,