

Statement of State Warehouse Commissioner John L. McLaurin

I desire to make a public announcement, that on a recent visit to the city of New York, in company with Senator J. A. Banks, we made arrangements so that cotton in State warehouses can be financed at a rate of interest on straight loans not exceeding five per cent, and on bank acceptances, at the present money rate, including broker's commission, not over four per cent. The only difficulty is on this end of the line, in providing the necessary machinery. The most practical way is to handle the matter through the local banks, for the reason that the large institutions in New York cannot well deal with individual borrowers desiring small amounts of money.

In an article published in the Columbia State of December 9, and copied into most of the county papers I said that "the new currency law, properly understood and wisely administered, is the greatest boon in finance ever conferred upon man. It is the first effort to impart elasticity to our currency system, and is a distinct recognition of the fact that credit, not gold, is the real money that is carrying on the commerce and maintaining the civilization of the world."

In an address made by Mr. Herbert R. Eldridge, of the National City Bank, to the New York Credit Men's Association, on January 21st, he said: "Credit, the backbone of trade, is built up on the solid foundation of character and ability. Without such component parts the structure is insecure and lacks permanency. No matter what amount of capital one may have employed in his business, credit remains his most valuable asset."

For many years our cotton planters have created vast national credits which others have used to their benefit, making us pay a heavy interest for the use of our own credit.

In speaking of the re-discounts under the new currency law, and, more recently, acceptances under the New York State bank law, Mr. Eldridge said, in the same address: "Taking the South as an example and recalling the evident desire of congress and the country at large to assist in its problem of caring for the large cotton crop of this season and the slow movement consequent to the lessened demand occasioned by the war, it can be seen what degree of usefulness the acceptance privilege would have permitted. It cannot be expected that a Northern investing bank should be familiar with the quality and integrity of the usual warehouse receipt issued in the various sections of the South. But if such advances could be made against bills drawn by the owner of the cotton on a bank of high standing, the situation would assume a far different aspect. The accepting bank would protect itself by the deposit with it of familiar warehouse receipts representing cotton in sufficient amount to amply protect it."

The State warehouse law was designed to meet just this condition of affairs, and now is the proper time to

establish in the money centers their value as a collateral. I have kept in touch with the federal reserve board, and am greatly indebted to the kindness and intelligent aid rendered personally by Mr. W. P. G. Harding, who, coming from the South, thoroughly understands finance as it relates to cotton. He gave me a personal letter in which he said that "the State warehouse law is, in my opinion, in advance of anything that has been attempted in other Southern States, and appears to be a model of its kind."

New York financiers naturally desire to maintain that city as a financial center, and to do so must offer money at a rate under the discount established at the various reserve banks. This gives the federal board considerable power over interest rates by either lowering or raising the federal discount rate. The intention of the State bank law is to develop an acceptance and discount market in New York such as has enabled London to make herself the clearing house of the world. The National City Bank is showing great wisdom in establishing branch banks under the federal law in South America and elsewhere, so as to develop our export trade.

Under the old national banking system we had a rigid money market, producing such bankers' panics as in 1907, because just as credits needed expansion to avert panic, there was a contraction of credits, increasing public conditions. These acceptances will make for elasticity by extending credit when needed and automatically retiring credits when not required by actual business needs.

The new currency law, under its power to fix the re-discount rates, will eventually standardize interest charges throughout the country, and, to some extent, eliminate competition as to interest rates. It is to meet this condition that a system of acceptances is being established. One or two large financial concerns in New York seem to be preparing to make a specialty of the purchase and sale of acceptances. This has never been done to any extent in this country, but in the money centers of Europe it is used very largely in commercial transactions. The accepting bank is paid a small commission, which can be well afforded because of the low rate of interest at which a draft is sold. It is to be remembered, in this connection, that the State banks aggregate in capital and surplus sixty-two percent of the entire banking power of the country, and that the proportion is greater in New York than in any other State.

I am constantly struck with how little knowledge the public in South Carolina have to the enormous change that has been brought about by legislation within the past year. I confess that I did not know anything about the changes in the State banking laws of New York until I made this trip, and I am saying as much as I do now about acceptances because I feel that we all need a better understanding of the banking system. The prosperity of this State depends largely upon an intelligent use of credits arising from cotton. We need to learn that the correct idea of a bank is not so much as a mere place to borrow money, but that its highest function is to conserve the credits of the country and use them to the best advantage of the entire public. The time is at hand when we must better understand what is meant by reserves, discounts and acceptances.

All that I have endeavored to do with the warehouse system is to transform our cotton into a basis of credit. I believe that I have made a beginning in financial circles, in establishing the character of State warehouse receipts. The State receipt is the best security that can be offered on cotton. I said in December that it was "up to" the banks. I now say so again. There is no excuse for charging a man with cotton eight per cent interest in South Carolina when money can be had in New York on acceptances at four per cent.

I have the following letter from a responsible note broker in New York: "My Dear Senator McLaurin: Referring to our conversation in re arrangements for acceptances against cotton stored under the warehouse system of the State of South Carolina, I beg to suggest the following plan for overcoming the difficulties which are presented in the fact that the money that you propose to borrow would be borrowed for account of a number of these obligors, owners of the cotton hypothecated."

"I suggest that in order to get over this difficulty, you arrange with some responsible bank or financial institution in South Carolina to loan against the warehouse receipts issued by the State Warehouse System and to take in connection with said loans an agreement giving them the right of rehypothecation or subrogation."

"If they are not familiar with the terms of this agreement, I shall be glad to draw it up for them."

"Whenever they desire to reimburse themselves for the advances so made, they can send the warehouse receipts to me in New York together with the draft at any ninety days' sight on some institution here who is willing to accept the same under the provisions of our State law as set forth in the pamphlet which I have just handed you."

"The usage of the market is against making such contracts as these for a longer period than ninety days but it is frequently arranged that the acceptors shall renew them upon maturity continuously, making the loan in fact a continuous one."

"For such acceptances the institutions who are willing to make them generally charge a commission at the rate of one per cent, per annum, or at the rate of 1-4 per cent for each

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12 1/2c new Spring Dress Gingham for this Easter Sale at, per yard 18c

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Ripplette, something new for the Spring in Dress Goods, per yard 15c

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The Very Latest Styles and Materials. Worth \$1.50—Special for This Easter Sale 98c

Ladies' 10c Gauze Vests; special for this Easter Sale, at each 5c

Midday Blouses at 69c to \$1.00

1 lot of Ladies' Skirts in Blue and Black, values up to \$5.00; Easter Sale price \$2.95

25c Corset Covers, Easter Sale price 15c

Ladies' 25c genuine Silk Hose, Black and White; Easter Sale price, pair 18c

Ladies, Misses and Children's Dresses, made of Gingham and Galatea cloth, values \$1.00, 49c

Galatea cloth; values up to \$1.00, each 49c

One lot Corsets, Easter Sale, each 39c

FASHIONABLE SPRING MILLINERY

For Women, Misses and Children

Our Millinery Department is showing all the new correct styles in trimmed and ready-to-wear Hats. In this department you can find a hat up-to-the-minute in style and one that is really becoming to you and the prices are the lowest; a visit to this department and you will be greatly surprised at the values we are offering.

EXTRA SPECIAL BARGAINS FOR EASTER WEEK

Just Received a New Lot of Trimmed Hats

NEW SPRING CLOTHES FOR MEN AND BOYS

Men's Suits featuring all the new Spring styles and fabrics, including the Staple Blue Serges. These Suits are made from the best All-wool Materials, style, fit and workmanship guaranteed in every Suit; if it does not give entire satisfaction in every respect we will give you a new suit—absolutely \$15.00 values; Special for this Easter Sale, at \$9.95

Men's and Young Men's New Spring Suits, worth up to \$7.50, at \$4.95

Men's and Young Men's new Spring Suits, worth up to \$20.00, Special for this Easter Sale . . . \$12.95

Men's and Young Men's new Spring Suits, worth \$10.00, at . . . \$6.95

Men's new Spring Trousers, about 100 pairs in the lot, up to \$3.50 values; Special for this Easter Sale, at \$1.95

NEW SPRING STYLES FOR THE BOYS All the New Spring Styles in Suits, Trousers, Shoes, Hats and Caps

Boy's Knickerbockers Suits, Pants made full Collar Peg Top style, with Norfolk or plain double-breasted style Coats, prices \$1.48 to \$7.98

Boy's Knee Pants, all sizes and styles 25c to \$2.48
Boy's Hats and Caps in all the new Spring styles, at our usual low prices.

NEW SPRING OXFORDS

To Fit Every Member of the Family

We are the sole agents for the W. L. Douglas line for men; prices range from \$3.50 to \$4.00.

We are the sole agents for the Gold Medal and Dorothy Dodd lines for women and big Misses; prices range from \$2.50 to \$3.75.

For the boys and girls we carry a complete line of Hoge-Montgomery's Slippers; solid leather through and through.

Infant's Soft Sole Shoes at 25c

\$4.00 Men's Sample Slippers in all Leathers, at \$2.85

Ladies' and growing Girl's Slippers in Pumps and Mary Jane Pumps, in Patent Leather, Gun Metal and Vici Leathers; \$2.00 values; Easter Sale, at \$1.45

Men's \$3.00 Slippers in all Leathers, Lace or Button, Easter Sale, at \$2.35

1 lot of Ladies' Pumps, about 80 pairs in lot; values up to \$3.00, at \$1.95

Boy's Slippers up to \$2.50 values, in all Leathers, Easter Sale, at \$1.65

Misses' Mary Jane Slippers in Patent Leather and Gun Metal; Easter Sale, at \$1.25

1 lot of Children's Slippers in Mary Jane, and Lace or Button, values up to \$1.50; Easter Sale, at 95c

75c Children's Slippers 48c

AGENTS FOR MAY MANTON PATTERNS—10c EACH

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ninety day acceptances. Drafts so accepted by any one of the institutions I have in mind can now be sold in the market here at about 2-1/2 per cent, per annum, which added to the acceptance commission of one per cent, per annum and my brokerage of 1-8 per cent, for each ninety days, equal to one half of one per cent, per annum would make the total cost of the money so borrowed four per cent, per annum.

"If your local bank loaned the money at six per cent per annum they could make a profit of two per cent for their services and the negligible risk assumed."

"It could doubtless be further arranged that the New York institution will allow them to hold the warehouse receipts in trust so that when any borrower desired to pay off a small loan against a particular lot of cotton, it would not be necessary to send to New York for the release of the

warehouse receipts. "Of course you understand that in loans of this sort, the accepted institutions of New York require a margin of at least twenty per cent upon the ascertained value of the cotton at the place at which it is stored as evidenced by your warehouse receipts, and it is probable that some general agreement would have to be arrived at for the adjustment of any margin calls that might be made in the event of a decline in the price of cotton.

"My commission would include arranging the acceptance and selling it and attending to all necessary details."

The legislature granted the power to negotiate loans and make sales of cotton, but appropriated no money except for current expenses. It is a manifest impossibility for me, without providing new machinery, to handle these individual loans, and I hope to

make arrangements with several local banks to transact this business on a margin of two per cent, profit—that is, if they can get the money at four per cent, then lend it to the farmer at six per cent. I can myself place straight loans at five per cent, in New York, but it would not be possible for me to handle them in small amounts. In the matter of sales of cotton, I am in touch with a gentleman from Europe who is familiar with the cotton business, and I am satisfied that arrangements can be made to sell cotton direct to the mills.

I believe that the State warehouse system is a scientific solution of the cotton problem. It is in its infancy, but can be developed to handle the cotton in each of the Southern States on the same plan that we are arranging here, enabling us to market our crop gradually.

All legitimate interests in cotton desire to stabilize its value. Hedge selling by mills to protect purchases of cotton is now a necessity, because of wide fluctuations in the price of raw cotton. This expense is now borne by the cotton planter. A striking example was had a few days ago, when a report was circulated in the exchanges that Secretary Houston had said there would be no reduction of acreage. Prices broke sharply, which enabled short sellers to get out of the market, and who probably circulated the story for that purpose. The next day, on a denial by Mr. Houston, the market rebounded to a higher point than ever. It is to be hoped that the secretary of agriculture will find out the author of this "conspiracy in restraint of trade" and prosecute them to the limit of the law.

The farmers need organization, so as to make their power felt. At present there is no adequate means to secure unity of action among the several States. The Farmers Union is strong in Texas and North Carolina. We should revive it in the other States so as to enable us to act together in securing proper legislation, not only handling and marketing the crop, but in restricting production. The present rise in the price of cotton is deceptive and if it leads to generally increased use of fertilizer and enlarged acreage the result will be disastrous. Those interested in cheap cotton can act as a unit. We are a disorganized mass, each man for himself, with no concept of action. The warehouse bill is a fine example of what can be accomplished by concentrated effort.

Fellow Farmers, let us organize and act together. We create the facts, we have the numbers, why not use our power? Respectfully, JOHN L. McLaurin, State Warehouse Commissioner.