

THE PROPOSED SCHEME OF COTTON BANKS.

A CLOSE AND CRITICAL ANALYSIS OF THE SUBJECT AND THE SEVERAL SIDES TO IT.

The following editorial in the Charleston News & Courier is so timely and to the point that we reproduce it for the benefit of our readers, most of whom are interested in the subject discussed:

"Merchants who buy cotton and store it are a positive and considerable factor in fixing the prices of the staple. Thus, when the farmers have sold a large proportion of the crop to cotton merchants and it is in their hands, their holding or selling affects the price which the spinners, the ultimate buyers of raw cotton, pay for it. When two million bales of cotton are in the hands of merchants, they may be able, within limitations, to dictate the prices which rule in the market.

The scheme of the Southern Cotton association, which was outlined in our Columbia correspondence yesterday, contemplates organizing the cotton producers into small corporations whose business will be that of cotton merchants, dealing exclusively in "spots." The farmers of a neighborhood are to subscribe enough money to build a "standard warehouse." That done, they will deposit, which is to say lend, cotton to the company to be used as its mercantile capital. The company will proceed to hypothecate the cotton it borrows for the money of the banks and will then buy more cotton, taking the cotton of the negro farmer and the poorer farmers. Heretofore, it has proved difficult for the well-to-do farmers through their associations to control the crop raised by the tenant and one-horse farmer. Their cotton, because they cannot afford to hold, has passed promptly into the hands of the spinner or merchant. This object of the new scheme is most excellent.

Presumably the farmers, organizing the concerns proposed by Mr E. D. Smith, will always strive to sell their cotton for the highest possible prices. Thus they will constitute a body of "bulls." The cotton merchants that we now have may be bulls or bears. Having no special motive to prop the prices of cotton, they may also deal in futures, selling or buying as judgment dictates, and so their aggregate influence may be either to elevate or depress prices.

We are not prepared to approve nor yet entirely to condemn the new plan of the Southern Cotton association. Is it a reasonably safe business, that of farmers or others forming companies to deal in spot cotton? Ask yourself—do you want stock in a company which can hope to earn dividends only by buying cotton and selling it at an advance? The man who deposits cotton with the company becomes, virtually, a stockholder to the extent of its value. When the cotton is pledged at the bank, it will be subject to sale for the debt of the company. If prices slump, the company must put up more margin or it will be sold, just as would shares of a railroad or cotton mill company, pledged as security for a loan. Exemption from storage fees and insurance is, of course, only nominal remuneration for capital contributed in the form of cotton.

In short, the farmers who go into these proposed cotton companies will partake of all the speculative dangers which other cotton merchants invite, unless the companies all over the South are so numerous and strong a "bull" element, which can be relied upon to throw their strength as one man at all times, that they will control and not be dependent wholly on the voluntary whim of a number of independent organizations, which is to say, corner the market at will. Is that practicable? Otherwise, it is merely co-operative speculation.

No one will dispute that if the cotton producers can organize themselves into cotton merchants by forming corporations everywhere, constituting a solid, powerful and numerous body of bull merchants,

prices of cotton would soar, but who bears of producers who are also shorts? "Standard Oil" is the best example. Standard Oil is a trust in the worst sense of the term. In the past the Southern Cotton association has been merely an advisory organ. It has accomplished wonders, infinitely more than it was expected to do, by informing the producers and by inducing them to hold cotton at the right time, and at other times to reduce acreage, but it has never had any power to enforce its decrees. Hence it was never a trust, having no actual control and dependent wholly on the voluntary support of its membership. If, however, by any device the Association should obtain actual control of so much cotton as that it might dictate prices, it would become a trust and the accusations of its enemies would take on substance. If then the proposed banking scheme should prove practicable, how can it exist without violating the anti-trust laws?

Standard warehouses should be built everywhere in the cotton region, so that at the lowest possible cost the farmer could store his cotton and obtain a receipt good as collateral at his bank. Then he could do his own speculating and the farmers will never be independent until this result is achieved. Cotton in the farm gin house or in the weather is not a good security for money, but in the warehouse, it is. The cotton associations should devote themselves to the work of promoting the building of the warehouses, and when they have been placed convenient to all producers throughout the cotton belt, the producers will be in position to distribute the selling of the crop throughout the year and avoid surrendering the whole crop to merchants and spinners during the harvesting months, which had been the great evil from which the farmers have suffered.

However, we have no objection to the agitation in favor of the proposed cotton banks. The farmer who feels able to enter a concern to speculate in spot cotton has a perfect right to do so and, we opine, there is little danger that the companies will become either sufficiently numerous, or sufficiently unified in their conduct as to menace the world with another great trust.

Sunday-School.

There was a Sunday-school teacher who has three boys in the class. To each of them he gave a paper bank and told him to return the following Sunday with all the pennies he could procure.

The following Sunday little Tommy Jones had two cents in his bank.

"How did you earn the two cents, Tommy?" asked the teacher.

"By selling papers," answered Tommy.

The next one, Johnny, had 6 cents.

"How did you earn your 6 cents, Johnny?"

"By doing chores," replied Johnny.

The third one, Willie Smith, had 25 cents in his bank.

"And how did you get 25 cents, Willie?" asked the surprised teacher.


"By skidooning," promptly replied Willie.

"What do you mean by skidooning?" asked the teacher.

"Well, you see my father's a traveling salesman and only comes home about every two weeks. He came home last night and ran up stairs and kissed me and then he kissed Ma and turning round he gave me a quarter and said: 'Now, Willie, you skidoo.'"

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