Newspapers and Financial Crisis

You read about it in the newspapers. The stock market has lost almost half of its value over the past six months. Several large New York financial institutions have collapsed, unable to pay depositors or their creditors. Money and credit are in short supply, in fact some banks are not making loans, even to their best customers. A worldwide financial meltdown was eminent. 2008, yes, but these same headlines were all featured in 1907 as well. The boom and bust nature of the capitalist economy is one of its defining features. Expansion, recession and depression are words used to describe changes in the production of goods and services. At the same time the exchange of goods and services is facilitated and necessitated through a financial system. How this financials system operates, more specifically how it is described and explained through the news media is the subject of this presentation.

Only in retrospect can we see that by 1907 the United States had just recently reached the limits of its territorial expansion. Swift victory in the war with Spain had brought dominion over Puerto Rico and the Philippines, and Hawaii had been annexed that same year. Momentum was building to complete a canal through Panama which would allow the American navy to move swiftly from the Atlantic to the Pacific, and there would be an increase in the volume and speed of trade between these regions. The American economy was rapidly expanding, but suddenly, there was no more money, what had happened?
Money, more specifically the movement of money, was controlled in America through the banking system. Banks in 1907 were very lightly regulated, the Federal Reserve System would not be established for another six years. But the need for a central bank which every other industrialized nation had established for their economies, was growing more apparent as the cycles of bank failures continued to plague the American economy. In 1893 and 1896 there had been similar economic slowdowns with accompanying bank failures.

McKinley Prosperity Slide

Bank deposits in 1907 were not insured, but were backed by integrity and good faith in bankers. The banks in Portland were connected to the larger national and ultimately international financial system based on the Gold Standard. The Gold Standard Act of 1900 pegged the value of the dollar to a specific weight of gold, valued then at $20.67 to an ounce. The purpose of the gold standard was to facilitate international trade with other countries that had pegged their currency to a specific weight, or value of gold.

The Gold Standard Act was an executive action taken by President McKinley after his defeat of William Jennings Bryan in 1900. Bryan had been a champion of free silver, or bimetallism, which would have allowed for greater money supply as the volume of silver would also be used in exchange for dollars. Bryan, and a greater money supply was supported by workers and farmers, as it was believed to increase their access to money, and their ability to use it. The large financial interests were against free silver as it dampened their ability to conduct and control international trade.

McKinley Puppet Slide
McKinley’s victory in 1900, and the protection for big business which it signified was bemoaned by legions of Americans not protected by the boom in production and prosperity associated with the maintenance of the Gold Standard. McKinley was seen by many as a puppet of big business and despised by those suffering the abuses of unregulated capitalism.

Rockefeller Slide

The consolidation of industrial, commercial and financial concerns had reached a high point in America by the turn of the twentieth century. John Rockerfeller’s Standard Oil was an example of a fully integrated economic collosus. It was comprised of oil and steel production, railway interests and financial institutions. Within each of these industries Rockefeller held a monopoly position or shared it with a few other giants and had virtually complete control over the market. The abuses of this power, at the expense of the worker, customer and even the uninvolved citizen, became a target for public condemnation. The muckraker was born, exposing the harms of unfettered capitalism, and political will was encouraged to control and regulation some of its more egregious consequences. McKinley’s assassination in 1901, only months into his 2nd term, lifted former secretary of the Navy Theodore Roosevelt into the Presidency. The new president embarked on a crusade of ‘Trust Busting’ in an effort to protect the citizenry from the abuses of a marketplace dominated by a few large players. Railroads, steel and oil were all put under scrutiny through the legal system in an effort to determine and dismantle any harmful concentrations. But what about the financial industry?

Portland in 1907 was the commercial and financial center for the rich agricultural, forestry and mining regions of the Columbia and Willamette river systems. It was the
seagoing transshipment point for most of the produce of these regions, in particular its wheat. The banking and insurance industries were highly concentrated and there had been one dominant newspaper with the same editor for over forty years. Harvey Scott had become editor of the Oregonian in 1865 and as Professor Turnbull states in his study of Oregon Newspapers, “Two cardinal principles of Scott’s political and economic philosophy were free trade and sound money.”¹

A variety of alternative newspapers were created during Scott’s tenure at the Oregonian and in July of 1902 C.S. Jackson, a successful publisher in Pendleton Oregon bought the struggling *Journal* only months after it had been conceived in Portland by A.D. Bowen. Mr. Jackson enlisted some of Portland’s key people as original stockholders in the Journal company as he was determined to succeed in a market so many others had failed in. Failed dailies in Portland includes the *Daily Bee*, the *Bulletin*, the *Standard*, and the *Northwest News* among others. Mr. Jackson declared the Journal the “Newspaper for all of the People” and in a letter to B.F. Irvine, who would later become the editor, he outlined the Journal’s philosophy, “The strong need no defender; the weak do. The powerful have many newspaper supporters; the poor have few, Wealth is able to take care of itself; poverty is not and needs help.”²

The *Journal* had become established as Portland’s principal alternative to the *Oregonian* by 1907. It was financially secure and provided news and editorial commentary. A close reading of it’s editorials and news articles during the financial crisis of late October and early November 1907 provides some understanding of an alternative

---

² Turnbull 189
vision for the American economy, Portland’s place in it, and the proposed action and direction for government in the United States. The tremendous decline in the values of shares on the New York Stock Exchange over the previous six months is generally agreed as being the initial cause for the halt in the movement in currency which pushed governor Chamberlain to declare Bank Holidays in Oregon. But from this original cause come two different explanations and propositions.

The primary discrepancy involves the nature of money supply. The Oregonian, with its ‘sound money’ editor defended the existing money supply, based on the national adherence to the gold standard. The Journal on the other hand decried that there was not enough money in the system.

In the October 24 editorial page the Oregonian asserted that the gold standard, and the associated control over money supply, was not only the conservative and safe course to maintain, but was duly endorsed by the voting public in their support for McKinley for President. The current financial predicament was cast as an aberration caused by Wall Street gambling, and that the productive factors and financial institutions of the Pacific Northwest were as healthy as they ever have been. The October 29 editorial page admits, “In the midst of the greatest prosperity the country has ever known it awakes this morning virtually without money, and business stands still.”, then goes on to assure, “It is useless to speculate on the probable course of affairs or the possibilities of such a situation. One thing, however, is certain – it will work itself out.”

The Journal editorials are more forward in their recognition of the failures of the system. The October 31 editorial page includes, “The fact is the financial system in vogue

3 Oregonian Portland, Oregon October 29, 1907 p8
in these United States is a patch-work affair that proves the weakest at times when it should be the strongest, and needs to be revised, adjusted and made to fit the demands upon it in times of stringency of money as well as at other times.” Changes must be made to prevent the current problem because, “There is another cause that fully accounts for all that has taken place, and that is that there is not money enough in circulation.”

Bank Failure Slide

While the editorial pages in the Oregonian and the Journal reassured readers that Oregon’s prosperity was assured and its financial institutions were secure banks were failing in Portland. People and institutions, including the State of Oregon, were losing large amounts of money, sometimes life savings.

Arguments concerning the causes and possible outcomes of the current national financial crisis dominated newspapers across America in October and November of 1907. While the Oregonian and Journal editorial pages debated opposing positions concerning the Gold Standard and a conservative money supply vs. a broader more flexible money supply, fiat money was developed and implemented in Portland. Extraordinary measures were enacted by the local financial community to maintain the flow of commerce. In Portland a recently created newspaper focused on local impacts. The Daily News appeared on the scene in Portland in 1906, seemingly springing from the earth, its November 4, 1907 front page included the headline ‘Fiat Money In Portland’ the brief article explained that governor Chamberlain had declared a ‘bank holiday’ until the new sort of cash had been printed. Once printed in amounts sufficient to handle the transactions anticipated, the new ‘fiat’ money would be used through Portland’s Clearing

---

4 *Journal* Portland, Oregon October 31, 1907 p6
House Association, and that these notes would be acceptable for payment of debts at all banks belonging to the Clearing House Association.\textsuperscript{5} \textit{The Daily News} was acting in the public’s interest by explaining the system being foisted upon them. But the paper was uncritical, and in effect endorsed the system proposed by the governor, and developed by the banking interests. In a quite natural manner the article concluded, “Under this system goods can be bought and sold as usual and gold and silver and paper money will not be required.”\textsuperscript{6}

The following day \textit{The Daily News} displayed a more prominently placed and larger article bringing up legal questions associated with fiat money. It also called on the reader to make a decision and provided a very explicit sentence from the Oregon Constitution which denies the legislative assembly or any other entity the authority to issue money. Such a significant change in the tenor and content, as well as the size and placement of the article, would make an investigation of the editorial process which brought this about an interesting proposal. The potentially alarming nature of questions concerning legality are offset by a reassuring headline directly next to the main article, ‘Gold Is Coming To Portland.’ It is reported that half a million dollars in gold is coming to Portland, via the Lusitania, from London, to offset wheat exported by the Balfour Guthrie Company. It should arrive by November 15 and, “Will relieve the local situation greatly.”\textsuperscript{7} By November 6 the legal issue concerning fiat money appears to have been settled with an explosion of positive headlines on the front page, ‘Credit Money Good As Gold’, ‘Fiat

\textsuperscript{5} “Fiat Money In Portland,”\textit{The Daily News} November 4, 1907, 1.
\textsuperscript{6} “Fiat Money In Portland,”\textit{The Daily News} November 4, 1907, 1.
\textsuperscript{7} “Gold Is Coming To Portland,”\textit{The Daily News} November 5, 1907, 1.
Money Is Held Legal’, ‘Credit Currency Is Endorsed’, as well as ‘Another Million In Gold For Portland’.

Gold in Portland Slide

The final set of articles this presentation will consider are on the front page of The Daily News for November 16, 1907. They reinforce the perception that Portland’s financial system is controlled, or at least mediated, by banks on the East Coast and ultimately Europe. The articles ‘See Millions in Real Gold’ and ‘Gold From Europe To Relieve Banks’ document the arrival of gold, originating in Europe, as the resolution to Portland’s financial crisis. Documenting the arrival of one million dollars in gold from San Francisco, which was part of the ten million dollars in gold which was shipped from England to New York just a few days earlier, the Daily News proclaimed, “The money certainly looked good to those whose eyes have feasted on the clearing house certificates for the last week.”

Confidence in European Gold Slide

The uncertainty of the clearing house certificates was going to be resolved by the arrival of the hard currency. Although the dependence of Portland’s banks upon East Coast and ultimately European banks was made clear through this crisis, there had been little call for action to modify the structure of the system to alleviate financial domination by Eastern and European institutions.

Concluding Slide

Portland’s brief endorsement of fiat money and its swift abolition through the arrival of gold was duplicated in every other financial center in the United States during October.

---

8 The Daily News November 6, 1907,1.
9 “See Millions in Real Gold” The Daily News November 16, 1907,1.
and November of 1907. Faith in a financial system, clearly controlled by interests on another continent, had been restored.