

THE MORATORIUM IN NEW YORK.

It is of great importance that the public should understand not only what the unexpected application in New York of the banking moratorium means, but what it does not mean. One very unfortunate aspect of the moratorium expedient is that it gives opportunity for any inference, however alarming and however unfounded, as to the reason for adopting it. But another equally unhappy consequence of its adoption, to protect the banks of one locality from a run of their depositors, is that it inevitably causes similar runs on banks of localities which had neither adopted nor intended to adopt it. That situation had arisen even in New York last Friday afternoon, although not a word of doubt had been seriously said regarding the soundness of the New York bank position.

When a mass of depositors suddenly draw out their money because they fear that otherwise they may not get it on demand, they create the very condition which they had imagined. What has happened in New York, and in the country at large, is properly described by President ROOSEVELT as "nameless, unreasoning, unjustified terror." But it is necessary, in justice to other depositors, and to the banks themselves, that the State authorities should at some point apply a check to the hysterical and extremely dangerous demonstration.

Individuals whose deposits are tied up during the term prescribed must exercise patience. The most that they will suffer is personal inconvenience; it is not at all a question of personal loss. The interval allowed always admits of arrangements to restore the smooth working of the banking machinery and to put a quietus on the outbreak of hysteria. In the meantime the banks themselves will be well advised to make immediate plans whereby not only pressing requirements of cash for payrolls but reasonable demands by depositors for personal use shall be met at once, despite the formal moratorium. This was the policy pursued, even when the New York City banks temporarily suspended cash payments, at the height of our great financial panics in the longer past.
