PHENOMENAL ASPECTS OF THE FINANCIAL CRISIS.

In the face of a period of business prosperity which had continued nearly five years, in the last two of which were exhibited decreasing volumes of bank-clearings and net railway-earnings, excessive outputs of iron, wheat and cotton, with extreme depression of prices of these and of other staples and enforced economy on the part of agriculturists;—in the face of these well-recognized symptoms, accompanied with an unsound currency at home and financial depression and decreased commercial activity abroad, the optimistic business-world in the United States refused to admit that a reverse movement of the commercial pendulum was about to begin, until in May last they saw it actually incline in the opposite direction.

The abler writers in the financial columns of the press have repeatedly pointed out that such and such conditions, plainly indicated, could lead to only one result, and that disaster. But no one could or dared name the day when the consequences must make themselves felt, and most of us said hopefully to ourselves, there is time to meet this or that menacing contingency. No better illustration exists of the inability of trained observers to realize the significance of the visible portents of an early financial convulsion in the United States, than is found in a translation of "A Brief History of Panics and their periodical occurrence in the United States," by Clement Juglar, in which there is an "introductory essay setting forth the indications of approaching panic" by the translator, as follows—

> "The symptoms of approaching panic generally patent to every one are wonderful prosperity, as indicated by very numerous enterprises and schemes of all sorts, by a rise in the price of all commodities, of land, of houses, *etc.*, *etc.*, by an active request for workmen, a rise in salaries, a lowering of interest, by the gullibility of the public, by a general taste for speculating in order to grow rich at once, by a growing luxury leading to excessive expenditures, a very large amount of discounts and loans and banknotes and a very small reserve in specie and legal tender notes, and poor and decreasing deposits."

Here we have evidently the teacher. The diagnosis is followed by a chronology of commercial and financial events in the United States, leading up to and during various panic years. It remains only to quote the concluding sentences of the work, written apparently late in 1892—

"The past twelve months have witnessed a continued settling of old accounts, and the undertaking of new business in a limited way, despite a somewhat uneasy feeling about silver and the newly accomplished Presidential election. But the fact that an analysis of the bank-returns to the Comptroller of the Treasury shows that available resources (capital, deposits, surplus, and undivided profits), as compared with demands (loans and discounts), are good and growing, considered in regard to the other signs indicating prosperity (see introduction), justifies the prediction of the steady development of a prosperous period."

Six months later, the panic was here.

The credit "Panic of 1893" will go into history as distinct in kind from any that preceded it. There has been some unreasoning fright; but, as contrasted with the ordinary consequences of a commercial or financial cry of "fire," this panic is almost a new species.

Notwithstanding the lack of data from which to generalize respecting regularity in the occurrence of or periodicity in panics, the fact remains that there have been nine panic-periods in the United States within the century and, with an exception or two, about nine or ten years apart. These periods have consisted of from three to five years of commercial activity succeeded by several years of depression. Those classed as panics proper are assigned to the years 1818, 1837, 1857, 1864, 1873, 1884 and 1893, while the less distinct business disturbances were in 1814, 1826, 1829, 1848 and in 1890—an echo of the Baring crash. The panic of 1818 was a corollary of the disturbance of 1814, following the war of 1812 and the outcome of extravagance in business and unsound banking. The disasters of 1821 and 1829 were due to careless methods of banking and extended credits, while the panic of 1837 was due to over-speculation in trade and real estate and to unsound banking. The like was true in 1857, while in 1848 there was reaction from inflated values and overtrading at home and abroad. The Civil War, with attendant evils, brought on the panic of 1864; while, as will be recalled, excessive railroad-building and overtrading, following the war period (as in 1818 after the disturbance in 1814), brought on the prolonged and disastrous panic of twenty years ago. The panic of 1884, more restricted in area, was due primarily to an abnormal inflation of credits, to bankers and others doing business at arms' length, intensified by instances of fraudulent banking.

The accompanying group of memoranda furnishes material for comparison and contrast with reference to preceding panics. To this are added memoranda indicating the tendency to periodicity of activity and depression in trade within twenty years, and data bearing on the relation between the credit crisis of 1893 and the business situation preceding it at home and abroad.

FEATURES OF PANIC PERIODS IN THE UNITED STATES, 1814–1893.

PERIODS.		
I.	1814.	A result of the war; closing of the ports; speculation.
	1818.	Unsound banking; heavy failures; factories idle; heavy emigration to the West.
II.	1826. 1829.	Unsound money; wild banking; expansion of credit.
III.	1837.	Unwise banking-methods; excessive speculation.
IV.	1848.	Inflated values; overtrading at home and abroad.
V.	1857.	Unsound financial methods; wild-cat business enterprises.
VI.	1864.	An outcome of the Civil War.
VII.	1873.	Excessive railroad-building and overtrading following the war period.
VIII.	1884.	Inflated credits; vicious banking.
IX.	1890.	Mild disturbance commercially, an echo of the Baring crisis.
	1893.	Restriction of credits, liquidation in the stock-market, bank-failures and the closing of industrial establishments, following heavy gold-exports, and loss of confidence in ability to maintain a standard of value, together with an outlook for another change of the tariff.

PERIODS OF EXPANSION AND DEPRESSION IN TRADE, AT HOME AND ABROAD, 1873–1893.

PERIODS OF		
Depression.	1873.	Over-stimulation of trade following the War; excessive railroad-building.
	1874. 1875. 1876. 1877.	Gradual contraction of trade and industry; railroad riots in 1877.
Expansion.	1878.	Beginning of trade revival.
	1879.	Good crops and demand for export; resumption of specie payments.
	1880.	Activity in railroad-building; trade and industries booming.
	1881.	Temporary check; assassination of Garfield.
	1882.	Very active railway-building.
Depression.	1883.	A visible slackening in business.
	1884.	Panic; heavy banking and industrial failures.
	1885. 1886.	Enforced economy and recuperation.

Expansion.	1887. 1888. 1889.	Moderate increase in the volume of trade; heavy railroad construction. United Kingdom: Speculation in South African gold fields. France: Speculation in tin, copper, and sugar. South America. South Africa. Australia. — Large expenditures for public works. Great activity in trade.
	1890.	United States: Sherman silver law; McKinley tariff law; largest volume of trade recorded. Greatly restricted credits in the stock-market; liquidation. England, reaction due to the Baring crash, and anticipated effect of the McKinley law.
Depression.	1891. 1892.	United States: Moderate decrease in the volume of trade. England: Reaction in trade due to decreased demand from North and South America, Argentine, Uruguay, Peru, and Chili, and crises in Portugal, Spain and Brazil, and to French and Russian crop failures.
	1893.	Increased anxiety abroad over the operation of the silver law here; withdrawal of large sums speculatively invested in "Americans"; gold exports; restricted bank loans; depletion of gold reserves; credits further restricted; bank and mercantile failures very numerous; decreased demand and fears of further tariff changes cause some industries to shut down; currency at premium.

The contraction of credit in the United States within the last three months is the result of a widespread, generally mistaken, though not concerted, effort on the part of the public to prevent greater disaster. General trade at the beginning of 1893 was not unduly expanded, and while there were unfavorable conditions present, never before had there come a panic when sail had been so well shortened, credits so restricted, when the world was doing business so conservatively. The phenomenon is in part psychological, marking the administration of a corrective to prevent the patient's becoming ill enough to require heroic remedies. But the patient, on discovering that he was suspected of being unsound, has at times betrayed symptoms of fright, even of panic, which, as in cases of bodily derangement, often aggravate trouble.

The panic of 1893 stands unique in that it presents an unrivalled record of "failures" of solvent banks, corporations, firms and individuals in a country having unsurpassed facilities for production and distribution and possessing the highest average of civilization and refinement. Such a convulsion was possible only through the extreme sensitiveness of the now highly-developed and intricate international commercial mechanism. The interdependence of the innumerable parts of the existing complex machinery of business, as compared with that of twenty years ago, is as the relation of a chronometer-watch to a mowing-machine. The extraordinary increase of railway, steamship and telegraphic communication between all parts of the world has been referred to so often, and so much has been said concerning international "balances of trade"—not to omit reference to the trained ability employed in gathering price-making information respecting production, supplies and distribution of staples—that it is not surprising so many are inclined to underestimate the extent of this influence. Society at any given point has yet to devise a method which shall effectually quarantine it against the consequences of unsound business-methods on the part of commercial neighbors, for there is to-day no civilized community which exists exclusively by its own efforts or on its own products.

Most important of all in relation to this is the evolution and extension of the credit-system. Aside from the retail trade, it is demonstrable that more than ninety-five per cent, perhaps as much as ninety-eight per cent, of the actual business of the country, involving the transfer of products, is done on credit. So highly systemized have become the obtaining and registering of mercantile credits in the United States, where the plan has attained its widest development, that only fifty years have elapsed since credits were extended on a most primitive basis. New Haven may now judge of the desirability of selling goods on credit in Portland, Oregon, as readily as it could with reference to New York City fifty years ago, through the aid of the one million four hundred thousand credit-ratings and more than one hundred thousand correspondents of the modern mercantile (credit) agency. Such an engine as this for facilitating trade has emphasized the complexity of commerce, even as have the locomotive, the steamship, the telegraph, and improved industrial machinery and appliances. But it is only within the last twenty years that these forces have been in full and effective operation and only within a dozen years that, in conjunction with the frequent presentation of the world's price-making news, they have so interlaced and knit the international financial and commercial fabric as to bind firmly together the interests of all communities.

Very little reflection will suffice to point out how the United States, with the underlying conditions of last January, could not have suffered from a credit crisis twenty or more years ago, such as is now showing its effects. On January 1, 1893, we had had two years of a more moderate commercial pace, with liquidation among producers of cotton and wheat; the volume of general trade had been gradually restricted since the "banner year" of 1890, until it was fully ten per cent smaller; there was no extended speculation in general commercial lines; unwarranted expansion in real estate prices in the West and Northwest had largely disappeared; there had been a heavy depression in cotton, silk, iron and other industrial lines, and prices of food and other staples, with rare exceptions, were low or had been declining. Aside from overproduction of iron and excessive speculation in shares of industrial properties at the New York Stock Exchange, the menace of an unwise silver law, and the logical conclusion (after the November election in 1892) that many manufacturing industries were to be subjected for the second time within four years to further tariff legislation, there were no rocks in sight in domestic waters. Our relative prosperity had for two years, since the Baring panic in London, been an object of admiration or envy to transatlantic commentators, particularly as the United Kingdom and leading Continental nations were passing through a period of enforced liquidation.

The inevitable in the shape of the disappearance of gold and a depreciated currency, in case of the non-repeal of the compulsory purchase-clause of the Sherman silver law of 1890, had been repeatedly pointed out. *But nobody seemed to realize that that very contingency* must be met through our inability to "go it alone," financially or commercially. Much less did anybody believe the change was so close at hand. London and other foreign investors, long prior to January 1, had begun to withdraw investments from this country because of a distrust of our ability to maintain the standard of value under the provisions and operation of the Sherman law. This action was stimulated by necessities after the Baring crash, while late in 1892 and early this year a large proportion of the millions of foreign money employed for speculative investment in American securities were withdrawn, our shares being by that act practically dumped into our laps with a request to pay for and keep them. Banks here were called on to help take care of this unrecorded class of importations and began to realize that for some time to come our available supply of funds would be smaller. This was accompanied by heavy exports of gold, owing in part to the smaller value of our exports of breadstuffs and cotton in the last fiscal year and in part to practical purchases and exports of gold for the account of Austria, Germany and other European nations.

Private money-lenders, capitalists and other individual depositors in banks had ere this begun to draw out balances and place them in safe-deposit vaults, to insure their availability. For nearly a year prior to last May, mercantile collections were slower than they had been for six or eight years previously, and other well-recognized symptoms of a general and widespread stringency of funds in the interior were apparent. When gold exports became heavier, early this year, there were many attempts, some successful and some unsuccessful, to make gold loans, and banking returns gave evidences of a tendency to keep funds well in hand. It became plain to bankers that deposits were shrinking and collections hard to make. This was the basis of the earlier and more moderate restriction of discounts, in order that the supply of available funds might be made to "take care of" the banks' customers. Furthermore, it was argued, care must be taken to offset the probable early workings of the superstition that disaster would follow entrenchment on the $100,000,000 gold reserves.

The following extracts from well-informed publications bear on these points. The London "Commerce" of recent date said—

> "The proportion of gold held by the government to its liabilities in respect to the notes and currency certificates issued, has diminished to a corresponding degree, with the result that foreign capital has ceased to flow into the States; while, as we have already stated, there has been a heavy withdrawal of money from the banks by depositors and investors in order to provide against future contingencies. And herein we perceive the root of the present mischief, for there is not only a considerable reduction in the stock of money available for commercial purposes, but that stock has been still further diminished by the hoarding of gold which is going on in the country."

The Philadelphia "Ledger," in a leading article early in August, said—

> "Silver purchases under the Sherman law, awakening distrust in the minds of foreign holders of American securities, have undoubtedly had much to do with the present situation."

On July 22, in discussing a flurry in "Americans" in London, "Bradstreet's" said—

> "It was impossible to arouse a renewed interest of any dimensions in regard to American securities in the London and continental markets, the latter fact being apparently attested by the utter lack of buying of stocks for foreign account which has shown itself ever since the Baring disaster abroad and the adoption of the Sherman silver act here."

Statements that contributing elements have been unwise speculation, extravagance, reckless competition and the giving of unlimited credit to those engaged in purely speculative enterprises, do not, on careful investigation, appear susceptible of proof. The "speculation" prevalent last winter was largely in industrial securities; there were few if any other "great extravagances" and there was no extensive giving of unlimited credit. Many firms had been doing a large business for the amount of capital employed, and numerous failures followed. Collections became more difficult to make, banks hoarded their cash, refusing in many cases to pay the checks of depositors for sums due the latter, merchants began cancelling orders placed with jobbers and manufacturers last spring, confining themselves to taking the most salable goods, for immediate wants, and over all that *bête noire*, the diminished gold reserve in the National Treasury, raised its hideous front. Then appeared the psychological phase. Panicky symptoms were apparent after each fresh group of heavy failures, the number of which ran up from an average, in normal times, of from twenty-five to thirty daily, to from seventy-five to eighty daily, and the banks promptly discerned the necessity of increasing the cash on hand. From time to time, sporadic panics among bank-depositors have been a feature. One of these (at Los Angeles) was overcome by the banks' shutting their doors until depositors had had time to calm down. Bank suspensions, many of them of solvent institutions, became frequent. Inability to secure loans promptly on good collateral lay behind this, as it did behind many mercantile embarrassments, money-lenders preferring to keep funds close at hand.

The United Kingdom had been "hit hard" through the crash in Argentines and the Baring panic of 1890; there was a decreased demand for British goods from the Argentine Republic, from Uruguay, Chili, and Peru, and the influence of the crisis was felt in Portugal, Spain and Brazil, and of the crop-failures in France and Russia. After liquidation in the New York stock market at the end of 1890 and the beginning of 1891, many fancied we had reached the extent of the consequences of our interdependence with the financial welfare of other nations—little realizing, in the crash of 1890, the forerunner of what was to be encountered in 1893. The earlier effect of enforced contraction of bank-credits was felt in Wall Street, whose economic function is to determine, approximately, values of properties dealt in. The over-capitalized, inflated and over-stimulated "industrial" securities were quick to feel the change, in May, after which most other active securities had a reckoning. With respect to these representatives of property, the end came early. The speculatively-managed "industrials" declined from the highest point prior to 1890, from fifty to eighty per cent in value; four Pacific lines from seventy-five to eighty per cent; the representative trunk lines from nine to seventeen per cent; leading "grangers" from thirty to forty per cent, and other active shares in proportion.

The second phase of the disturbance was found in the widespread closing of factories and mills in the East and West, in excess of the number usually idle in the summer season, manufacturers preferring to await a revival of demand rather than to store products. The severity of the second stage of liquidation is attested by there having been nearly one million[1] industrial, mining and other hands in enforced idleness on or about August 1, as compared with about three hundred and fifty thousand at the close of 1884, the previous year of extreme business depression. At this time there was being recorded a long list of strictly commercial failures each week, an unprecedented number; yet, in logical sequence, the strictly commercial liquidation, following that in financial and industrial lines, was still to be observed. This in turn was to be followed by consequences to the retail merchant of the reduced purchasing power of the general public.

The duration of the consequences of the panic of 1893 to the business community cannot be foretold with accuracy, but, it is safe to assert, the recovery will not be rapid. It would be remarkable, indeed, if there should be a visible return of activity in industrial and commercial circles within the current calendar year. The period of liquidation and recuperation occupied four years following our most severe panic, that of 1873, and two years following the convulsion of 1884, a disturbance more restricted in area and general effect. A house may be razed in a night, but its rebuilding will require weeks, and a nervous shock may so shatter the system that months will be needed for recuperation.

Much has been alleged, *pro* and *con*, as to the possible contributory influence of an "impending change in the tariff," and it must be admitted that the prospect of a revision of the tariff, though in an opposite direction, for the second time within four years, cannot help

[1] "Bradstreet's," August 12.

proving an aggravation in a period of depression and financial panic. The inability of manufacturers and importers, owing to unsettled conditions, to estimate the probable cost of raw materials or other products six months hence, or the probable demand for goods in 1894, must go far to induce them to work on orders only or in some instances to shut down to await more settled conditions. To this extent, the existing crisis may be fairly said to have been aggravated by a prospect of important if not radical alterations of the tariff. Yet it is worthy of attention that out of seven hundred or eight hundred representatives of manufacturing industries which shut down in the summer of 1893, fewer than one per cent[1] said, "in so many words," that their establishments closed owing to impending or expected tariff alterations.

There is much to encourage a belief in a relatively early recovery from the depression in trade and industry which has left its impress on recent months. Exports of wheat, provisions and other products are increasing; and while crops of wheat and cotton are not excessive, the prospective foreign demand is encouraging, and available export surpluses, while not large, promise good prices. Gold has been returning from abroad, for the benefit of those who are made unhappy by seeing it exported, and quotations, not only for securities, but for almost all staple products, are at "bed-rock," or exceptionally low. Several small speculative attempts at covering either products or securities have collapsed, and the general business situation, in the early autumn of 1893, while reduced in vigor, is relieved of "wind." Credits have long ago been brought back to a normal basis, trade in the United Kingdom has shown unmistakable signs of a revival, and if Congressional students of affairs will study the history of panics sufficiently to ascertain that all, except possibly "war panics," have been precipitated primarily by unsound currency, unwise banking or other financial irregularities, they will see a bright light on the silver question. On the other hand, we may look for a delay in the recovery of manufacturing industries, owing to expected changes in the tariff and a probable difficulty in securing adequate funds with which to move the crops.

It is fair to assume that 1894 may bring with it the beginning of a revival. While the interdependence of the different branches of international commerce is so delicately adjusted as to respond every-

[1] Bradstreet's, August 12.

where to an injury at any point, it is also so adjusted that a relatively speedy resumption of activity is more easily accomplished now than was the case twenty years ago. It is to be regretted, however, that more bankers and individual capitalists have not realized and shown by their works, that a potent remedy for a financial or credit panic is to lend freely and raise the rate—not to hold fast to surplus funds.

ALBERT C. STEVENS.

MY FOUR FAVORITE PARTS.

EVERY actor goes through the experience of being constantly pressed to name his favorite impersonations. It is an embarrassing request, for two reasons. First, the actor who has in his time played many parts, extending over a very wide range, finds it difficult to make a choice, to say he feels happiest in this or that character. Secondly, the choice itself seems to suggest that he is passing a final judgment on his own achievements, that he says to the world, "This is my best; on this my reputation rests." As many people will not in the least agree with him, his personal opinion may wear the aspect of a challenge, and of an egoistic display.

I am risking this misapprehension, simply to put on record a few impressions of four parts in Shakespeare which I chiefly love—Hamlet, Richard III., Iago, and King Lear. Perhaps I may preface what I have to say of them by remarking the curious perversity which has prompted some distinguished artists to decry the art of acting. We all know Macready's story of his performance of "Virginius" a few hours after he had buried his daughter. He never payed the part so well; his personal grief made more poignant the pathos of the Roman father, and when it was over he felt that his art was degrading. I read, the other day, in a charming paper by Mrs. Ritchie, how Fanny Kemble told her that acting was repulsive because it quenched the springs of natural emotion. Why this should be the misfortune of the actor and not of the novelist—why Dickens, for example, who lived in the joys and sorrows of the creatures of his brain, and walked the streets all night in the deepest dejection after describing the imaginary woes of an imaginary death, ought not to have given up novel writing to preserve his sensitiveness to real bereavements—I have never been able to understand. What is the degradation of representing parental tenderness on the stage when your heart is bleeding for the loss of a child, if there is no degradation in passing from a death-bed to your desk to tell in a story what has wrung your heart-strings in your own home? The idea is as crude as that the actor who plays the villain of the piece with convincing iniquity must