

the loss of private fortunes amounting to scores of millions in schemes and undertakings, absurd or fraudulent. The means of consumers, or the cash demand for commodities, in both France and Germany, was hence most manifestly and most emphatically lessened; and in like manner, and as a consequence of a sudden inflated demand, there was in these countries an undue application of floating capital to certain kinds of production, especially coal and iron.

In the United States the war ceased in 1864 and the great activity in railway making did not begin till 1868. But the destruction of the million lives during the war of 1860-64, the devastation of the South, and the demoralisation of the East, North, and North-West had so crippled the resources of the Union in capital and people, that it was unable to sustain the vast railway extensions of 1868-73. The railways were made with native and foreign money, and native and foreign credit. Nearly every new and old line in the country was "financed" by means of expectations built upon the future; and when that future came it was found that there was neither traffic to afford a dividend, nor, for many years to come, population to produce and consume commodities in any degree commensurate with the means of transport provided. In this instance, therefore, we have another repetition of commercial depression directly caused by the diminished means of consumers, and by the undue direction of capital to certain productive purposes.

In our own country, we are chiefly the sufferers from the events in France and Germany and in the United States, with some special aggravations to be specified presently. The impetuous demand arising at the close of the war in the summer of 1871 fell principally on this country, as the only place where commodities could be found and could be most rapidly produced, and hence the excited markets of 1871-3, especially for coal and iron. So also the American and Russian demand for steel rails and other materials came to England, as then the cheapest source of supply.

Simultaneously with these demands for commodities, there were brought to this country attractive proposals for loans to foreign potentates, governments, cities, municipalities, and companies, and these proposals were largely accepted. The Stock Exchange underwent enlargements equal to twice or thrice its former magnitude; and syndicates and combinations previously unheard of were employed to procure success and favour for the new class of securities brought forward. Meanwhile there were domestic schemes by the hundred for all sorts of companies devoted to the production of the kind of commodities then in requisition.

The sequel came upon us at the end of 1873. The resources of the United States and of Central Europe were exhausted. The railways built in the United States from 1868 to 1873 were most of them financial failures. The traffics did not pay working expenses, and gradually all the native and foreign capital embarked in them has become destitute of dividend, or lost altogether. Here was a diminution of revenues among the consumers of commodities, and a diminution, too, of untold extent.

The public and private undertakings in Germany, Austria, and Hungary were in the same plight. The money spent upon them was mostly lost, or certainly unproductive for many years to come.

As regards ourselves, the means of consumers have been lessened since September, 1873, by four distinct causes, that is to say (1) from the vast losses of the investors in the loans of foreign States, railways, and companies—Egypt, Turkey, South America, Russia, American railways, &c. In annual income these losses amount to scores of millions; (2) from the losses of investors in public and private ventures at home—mines, industrial, manufacturing, and private companies; (3) from losses incurred in trade—both home and foreign; (4) from losses incurred by the maintenance of tens of thousands of laborers unable to procure employment.

It is perfectly certain that the means of consumers, whether in this or other countries—that is to say, the cash demand for commodities—can only be augmented by the operation together, in pairs, or singly, of three causes, viz, (1) greater frugality, harder work, and more invention; (2) unusual productiveness of the seasons; (3) the accumulation of ordinary savings over a considerable period of years. It is not a matter of confidence or credit, but a matter of hard positive capital—that is, of commodities over and above consumption applied to productive, useful, and dividend-bearing objects of expenditure. Trade has been depressed since 1873, because in this, and in other countries, there has been year by year little or no surplus of means over outlay; and trade will continue to be depressed until that surplus becomes considerable. Among modern artificial communities there is no coyness or coquetry about expenditure, as soon as the means for it exist. The disposition is not to leave money unspent, but to find sufficient money to spend.

The undue application of capital to particular kinds of production is an evil which more besets this than any other country, and for three reasons: (1) because, as a rule, we have a larger annual surplus of production over expenditure; (2) because we have a larger class of persons of all degrees of fortune always watching for what they consider large gains and profitable investments; and (3), and most cogent of all, because our system of deposit banking provides constantly at hand reserves of floating capital, apparently equal to any possible demand upon them.

We say apparently equal—but not really equal to the excessive demands which, under our present and growing practice, must inevitably be made at uncertain periods, upon the banking deposits. The truth is, that we are only entering upon an experience, on a large scale, of the profound change established in the money market by the attraction to the London banks of scores of millions of deposits, by the offer of rates of interest, as a rule, better than can be obtained on Consols, and even on the highest debentures. These deposits in former times were left to the individual discretion and disposal of the several owners, each acting

according to his fortune and station. They are now collected into huge masses in the custody of banks, who pay for them the most extreme rates possible, and are compelled therefore to obtain a profit by lending money on "large lines," upon securities more or less on the verge of banking prudence. Hence the enormous growth, of late years, of advances by banks in London and the provinces, on Stock Exchange securities—notably at one period on foreign stocks. It was by means of such advances that the operations in foreign stocks were for a long time chiefly sustained; and, as a consequence of such sustinment, the emission of new foreign loans became comparatively an easy enterprise.

Hence, also, the success of schemers like Collye, who had wit and credit enough to manufacture bills to the taste of those who administered the banking deposit fund. Hence, further, the long and increasing reign of "finance paper"—meaning by that now familiar and fatal title, the circulation in the money market, under an infinity of disguises, of bills and obligations, all ultimately dependent for realisation on the distant success of industrial concerns, public works, patents, and adventures, fit only to be touched by persons of technical knowledge, risking their own money, and exercising their own personal oversight.

We have the strongest conviction that a very large part of the excessive application of floating capital in this country to industrial enterprises is mostly due to the facilities afforded to "financing," by the necessity under which the banks—London and provincial—have most unwisely placed themselves of paying high rates of interest on money left with them on deposit.

But there is another evil more radical in its nature, and not in any sense confined to this country—we mean the diminished worth of wages—that is to say, the descending quantity and quality of work obtained by employers for wages not merely the same, but higher than we paid eight or ten years ago. This is a cause of dearth of production, and of retarded accumulation of the most formidable character—going far to neutralise the gain to the community from the increase of skill and the progress of mechanical invention. Its effect on an entire country—so far as there are no sufficient compensations in the progress of invention or otherwise—is essentially as disastrous as would be a material reduction of the hours of daylight, or a material aggravation of climate. After a time, and that not a very long time, the severest and most hopeless sufferers, by such a limitation of efficiency and progress, would be the working classes themselves. There can be no advancing welfare among the class dependent on weekly wages, apart from the rapid accumulation of capital. It is the rapid accumulation of capital arising from discovery, invention, skill, and energy, which in the last thirty years has raised general wages in this country fifty per cent., and has accelerated beyond the most sanguine hopes of the most enthusiastic philanthropists of the last age the entire social improvement of the humbler classes. Apart from this rapid accumulation of capital—benevolent interference would have been futile.