FINANCIAL CRISES AND RECOVERIES DURING FIFTY YEARS.

Some Parallelisms from the Past that are of Special Interest in this Year of Stress, 1907.

Alternating periods of "fat years and lean," with crises of depression in commerce and finance, are phenomena observable throughout economic history.

Just a half century ago occurred a financial crisis to which recent events afford some interesting parallels. Following the recovery from the extreme depression of 1847 there had been a decade of activity and prosperity well-nigh unprecedented. The Crimean War and gold discoveries in California and Australia had given an impetus to prices, which by 1857 were more than 25 p.c. higher than at the middle of the century. Agricultural development, immigration, and industrial growth, all contributed to the spirit of extreme optimism that was increasingly manifest. Then came wasteful extravagance in personal and business expenditures, and a disposition to push new undertakings beyond the limit of the "accrued savings" and assured credit that constituted available resources. Vast borrowings abroad were resorted to without forbodings until the expansion—or distension—reached it height in 1857. But though liquidation was rapid and drastic, recovery too was surprisingly quick.

THE CRASH OF 1866.

While the sudden panic of 1866 was due largely to conditions following upon the Civil War in the United States, Europe rather than American bore the brunt of the shock. A sporadic growth of joint-stock companies and a craze for American and other railway schemes preceded the crisis in Great Britain. Speculation in cotton and other commodities was also rife. Then came Black Friday, May 10, when Overend, Gurney & Company failed with liabilities of £18,727,915, and the Bank of England closed the day with scarcely more than half of the 5¾ millions in reserve which it had held in the morning—having lent over £4,000,000 in the course of the day. The Bank rate was at 9 p.c. and the Government authorized the suspending of the Bank Act—a 10 p.c. rate to be charged on all loans involving breach of ordinary regulations. However, the breaking of the Act was not resorted to, coin and bullion not again falling below £11,-860,000 although the Bank made advances of £12,-225,000 in the five days beginning the 10th. The general recovery from the panic was slow. For fourteen weeks the 10 p.c. rate was maintained as against 6½ weeks in 1857.

UNITED STATES EXPERIENCES IN 1873.

It was in 1873 that the United States experienced the full force of the explosion which it had partially escaped in 1866, through the earlier forced liquidation of 1860-1. Railway construction had been advancing by leaps and bounds, involving the borrowing and locking up for several years of millions upon millions of American and European funds. In a series of years begining 1869, the annual increase in mileage was 4,953, 5,690, 7,070, 6,167 and in 1873, after tne panic, 3,948. Iron and coal prices rose rapidly and other commodities followed suit. Credit was greatly overstrained, and the crash for the United States came with the suspension of New York trust companies early in September, 1873, followed by the failure of Jay Cooke & Company, head of the syndicate to whom had been entrusted the refunding of the public debt. Six years of deep depression followed—in the first four of which failures showed aggregate liabilities of $776,000,000. The relieving of the immediate money market crisis was attempted by the Secretary of the Treasury paying out $24,-000,000 in purchasing bonds, and by the New York banks resorting to the use of clearing house certificates.

THE SITUATION IN 1884.

After 1881 began a boom period which was apparently in its heydey when the failure of Grant and Ward in May, 1884, precipitated a serious general collapse of inflated credit—investigation showing serious abuses in banking practices. Stock exchange and public panic ensued. Money went up to over 1 p.c. per day, the interior banks drew heavily on New York reserves, and recourse had again to be made to Clearing House certificates.

There are many who consider that the New York bank panic of 1884 provides the closest analogy to the events October, 1907. If so, the way in which the situation righted itself in 1884 is of especial import. The course of events is well summarised by the New York Evening Post as follows:

"In the first place, the New York Clearing House banks agreed to pool their assets and issued $26-500,000 loan certificates. At the same time, within two days of the severest strain, Europe became a heavy buyer of our stocks at the bargain prices. Exchange on London, which had been ruling above 4.86, and compelling gold exports from New York, fell abruptly to 4.83, the gold-importing point; within a week gold was on its way to America from Germany and England, and what was of even more importance, Europe took over, in great quantity, the loans of the New York banks. On Saturday, May 24, the New York banks reported a deficit in reserves of $6,600,000; it was reduced to $1,900,000 the ensuing week; on June 7, the surplus was restored and by July it had risen to $16,300,000.

"What followed later? A quiet financial summer, largely due to the very bitter Presidential election contest, yet with a vigorous rise on the Stock Exchange even in July. In 1885, following a period of abundant New York bank reserves and of call money rates as low as ½ of 1 p.c. during seven successive months, a great recovery ensued, with all the world once more watching the signs of American prosperity."

THE MORE RECENT MAJOR CRISIS OF 1893.

To no panic, however, has so frequent reference been lately made as that of 1893—though not a few financial authorities aver that between last month's events and those of fourteen years ago there is a minimum of resemblance. The writer above quoted says: "The crisis of 1893 was accompanied and preceded by collapse of the underlying props of the whole financial situation, by threatened repudiation of gold payments by the Treasury, collapse of the public revenue, heavy shrinkage in profits in every sort of industry, and widespread doubt as to the country's future