

INDUSTRIAL CRISES.

THEIR CAUSES AND REMEDIES.

BY H. BOWLBY WILLSON.

49 WEST FORTY-EIGHTH STREET,
New York, September 16, 1878.

GENTLEMEN: I avail myself of your kind invitation to "communicate, in writing," my views relative to the subject-matter of your investigations.

1. This, I understand, is to ascertain the causes, as far as possible, of the present depression in the industries of the country, and to receive suggestions on the subject of remedies within the domain of legislation.

2. As a starting point, I admit the premises, namely, that the country has been passing through one of those periodic crises, in nearly all its industries, since the panic of September, 1873. But, at the same time, as a student of economic phenomena, I cannot admit that the causes which led to this panic differ materially from those of other similar experiences, of which a large number of business men and economic authorities, still living, are cognizant, and of others, recorded in the commercial history of the world, since the commencement of the present century. I also question the assumption of some who have testified before your committee, that the stagnation in business since 1873 has been greater than existed in 1835, 1837, and 1857; to which two latter periods my own personal reminiscences extend. Furthermore, I am of the opinion, founded on my own particular avocations, and a general knowledge of industrial pursuits, more particularly in Ohio, and other Western States, and in Canada, that the present crisis has nearly run its course, and that we are entering on a new era of prosperity. Entertaining these general views on the subject-matter of your inquiries, I feel bound to suggest that any remedies attempted by Congress should be general in their character, and be framed with the view to the prevention of future crises by removing or diminishing the intensity of their causes.

3. I have been engaged for a third of a century in what may be called railway business, as contractor and financier, and shall confine the facts I have to communicate chiefly to my own branch of industry. My first labors in this business were directed to the furthering the construction of railways in Canada and Michigan; and in 1851 I removed to London, where I devoted some years to raising British capital for railway construction, so that my experience has had a wide range. More recently, in 1872, I undertook the construction of a line in Ohio of considerable magnitude, only a small part of which is as yet completed, owing to the panic of 1873, and that part I built last year.

4. At the time I took the contract, in 1872, there prevailed throughout the country vast activity in the railway business. The annual construction of new lines had risen to no less than 7,000 miles. This unwonted and vast expansion of the railway business gave employment, directly and indirectly, in construction and providing rails and other materials and equipment, to not less than one million of men, representing a population of probably not less than four millions, who lived by this vast branch of industry. A superabundant paper currency had inflated all values, the market value of labor included. The capital expended was partly raised in many of the localities where the lines were located, and partly in Eastern cities and in Europe. New York, London, Paris, and Frankfort bankers reaped immense profits by "floating loans" on mortgage bonds for railways sometimes existing only on paper; and many of the "land-grant" projectors simply divided the proceeds among themselves, without building a mile of railway. In North Carolina there were seven lines which had been partly built by State grants, whose managers got the State to appropriate \$16,000,000 more of its bonds, under the pretext of "completing the State railways"; and eleven millions of such bonds were brought to New York and were sold or hypothecated at from 30 to 60 per cent., and, with only one or two insignificant exceptions, the whole cash so raised was stolen. What took place in North Carolina was repeated, to a greater or lesser extent, in all the States under carpet-bag rule. According to a statement