

THE  
**ENCYCLOPEDIA OF SOCIAL REFORM**

INCLUDING

POLITICAL ECONOMY, POLITICAL SCIENCE, SOCIOLOGY, AND  
STATISTICS, COVERING ANARCHISM, CHARITIES, CIVIL  
SERVICE, CURRENCY, LAND AND LEGISLATION  
REFORM, PENOLOGY, SOCIALISM, SOCIAL  
PURITY, TRADES UNIONS,  
WOMAN SUFFRAGE,  
ETC.

EDITED BY

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sports, and advocates the improvement of the physique in every imaginable direction. Religion and philanthropy join their forces in ceaseless and exhausting effort to stem the resistless tide which appears to be sweeping the race over the cataract of extinction, sustained by faith in the eternal promise of a millennium rather than encouraged by any palpable success. They contend valiantly against overwhelming results, ignorant or oblivious of the easily controlled causes.

"Let it once assume the regulation of the propagation of the race with wisdom and faithful efficacy, and all the other burdens and labors will become light and full of promise, hope, and fruit. It must control this vital function of marriage for the public welfare, as well as for the private good of the individual. This control is sanctioned and required by the divine right of self-preservation, and has become an imperative duty to the race and to God—a duty supreme in impulse and in consequence.

"Nor is its performance impeded by great difficulties. The tentative measures which have been enacted, the previous license, the consent of parents or guardians for minors, the prohibited marriage of the idiot and raving maniac, have secured unanimous approval. So, eventually, the common-sense of mankind will endorse the enactment of the whatever provisions are essential to the common welfare.

"We recommend, as the next step, the enactment of a code regulating marriage fully in these respects, and by some such methods, as follows:

"First, it should be required that a license must in all cases be obtained from a county official before a legal marriage can be made.

"Second, severe penalties should be imposed upon any who perform the marriage ceremony without the presence of the prescribed license, which should have a blank upon it for the marriage certificate, with the ages, residence, parentage, nativity, and race of the parties; the signature of witnesses, and the certificates of one or more reputable physicians, under oath, testifying to a knowledge of the following facts, derived from personal acquaintance with the persons and families of the parties, or from other satisfactory evidence.

"That they are both of proper marriageable age, in good health, sound and complete physically, neither intemperate, criminals, nor paupers; whether either parents or grandparents were lunatics, drunkards, idiotic, epileptic, congenitally blind, deaf, or deformed, or of syphilitic, cancerous, scrofulous, or tuberculous constitution.

"The license papers should be issued in duplicate, and one copy, with all blanks filled should be filed and recorded in the county clerk's office. A false certificate by a physician should prevent the further practice of his profession. The law should strictly prohibit the marriage of females under 20, and males under 25; of males over 45 with females over 40 who have not passed the period of child-bearing (for outside of these limitations of age it is generally understood healthy children are exceedingly improbable, if not impossible); of habitual criminals, paupers, tramps, and vagrants; of the insane, idiotic, epileptic, paralytic, syphilitic, intemperate, cancerous, scrofulous, and tuberculous; the congenitally blind, deaf, defective, or deformed; the children or grandchildren of parents possessed of these talents, or of suicides, which is of itself presumptive evidence of degeneracy.

"The infraction of this law or the cohabitation with prohibited persons should be punished by the permanent seclusion of both parties in the penitentiaries provided for life confinement.

"This is neither a complicated nor impracticable scheme. Consider what the results would be. In the brief course of one generation all the inherited rottenness and corruption of the ages would be purged out of the people. The criminal and pauper class, as a class, would become extinct. Penitentiaries, jails, almshouses, insane asylums, idiot, deaf and dumb and blind asylums would be largely depopulated. Intemperance, the fruitful mother of all evil, sin, and suffering, would become a rare vice; suicide, the refuge of conscious incompetence, would cease; at the rate of 33 per cent. in 25 years in England, and quite as much here, would be an almost unknown crime; the growing burden of inordinate taxation and benevolence for the dependent would be lifted from society; the evils of divorce would cease, chronic diseases would disappear almost entirely, and temporary ailments be robbed of more than half their terrors;

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\* Marriage and Disease, p. 88.

more than half of the poignant grief and affliction over the untimely death of children would be avoided; health and strength and ruddy cheeks would delight the eyes and hearts that now grieve over puny forms and wan faces; doctors' bills would no longer drain the family resources; the earning power of the next generation would be magnified, its capacity for intellectual improvement and education increased, its susceptibility to moral and religious influence and government intensified, and the whole race rebound from the depression of its past with a buoyancy and power equal to the full development of its age of steam and electricity."

For the treatment of prisoners and its important bearing on the prevention of crime, see PENOLOGY.

References: *Criminology*, by Dr. Arthur MacDonal (New York City, 1893). This volume has an introduction by Dr. Cesare Lombroso, of Turin, and a complete bibliography of the subject. *Abnormal Man*, by Dr. Arthur MacDonal, United States Bureau of Education; *Crime and its Causes*, by W. D. Morrison (London, 1891); *L'homme criminel, étude anthropologique et médico-légale*, par Cesare Lombroso, traduit sur la IV<sup>e</sup> édition italienne, avec préface par M. Letourneau (Paris, 1889); *La criminologie, étude sur la nature du crime et la théorie de la pénalité*, par R. Garofalo, agrégé de l'université de Naples (Paris, 1888); *Hypnotism and Crime*, by Dr. J. M. Charcot (The Forum, April, 1890); *Penological and Preventive Principles, with special Reference to Europe and America*, by William Tallack, Secretary of the Howard Association (London, 1889); *Prison Statistics of the United States for 1890*, by Roland P. Falkner, Ph.D. (Philadelphia, 1890); *The Restoration of the Criminal*, a sermon by Frederick H. Wines (Springfield, Ill., 1888); *Crime: Its Cause and Remedy*, by L. Gordon Rylands (London, 1880); *Prisoners and Paupers*, by H. N. Boies (New York and London, 1893). (See also articles CRIME and PENOLOGY.)

**CRISES (COMMERCIAL AND MONETARY).**—A time of general difficulty and pressure in commercial and monetary circles, if acute, is called a *crisis*; if prolonged it is usually called a *period of depression*. A crisis, too, must not be confused with a panic. A panic starts with a group of speculators, perhaps occasioned by some disastrous event or report of a disastrous effect. The market is upset. Weaker firms fail; yet there is no general crisis and the market soon recovers. A crisis lasts longer and is general, tho' it is often connected with panics. Crises, whatever be their cause, usually follow a certain course, which it is asserted by some writers, Jevons prominently among them, follows a certain cycle. Jevons in his *Political Economy Primer* thus describes them. He tells us (pp. 115-119) that the cause of this cycle is not well understood, but then says:

"There can be no doubt that in some years men become confident and hopeful. They think that the country is going to be very prosperous, and that if they invest their capital in new factories, banks, railways, ships, or other enterprises, they will make much profit. When some people are thus hopeful, others readily become so too, just as a few cheerful people in a party make everybody cheerful. Thus the hopefulness gradually spreads itself through all the trades of the country. Clever men then propose schemes for new inventions and novel undertakings, and they find that they can readily get capitalists to subscribe for shares. This encourages other speculators to put forth proposals, and when the shares of some companies have risen in value, it is supposed that other shares will do so likewise. The most absurd schemes find supporters in a time of great hopefulness, and there thus arises what is called a bubble or mania.

"When the schemes started during a bubble begin to be carried out, great quantities of materials are required for building, and the prices of these materials rise rapidly. The workpeople who produce these materials then earn high wages, and they spend these wages in better living, in pleasure, or in buying an

unusual quantity of new clothes, furniture, etc. Thus the demand for commodities increases, and tradespeople make large profits. Even when there is no sufficient reason, the prices of the remaining commodities usually rise, as it is called, by sympathy, because those who deal in them think their goods will probably rise like other goods, and they buy up stocks in the hope of making profits. Every trader now wants to buy, because he believes that prices will rise higher and higher, and that, by selling at the right time, the loss of any subsequent fall of prices will be thrown upon other people.

"This state of things, however, cannot go on very long. Those who have subscribed for shares in new companies have to pay up the calls—that is, find the capital which they promised. They are obliged to draw out the money which they had formerly deposited in banks, and then the bankers have less to lend.

Manufacturers, merchants, and speculators, who are making or buying large stocks of goods, wish to borrow more and more money, in order that they may have a larger business, the profit seeming likely to be so great. Then, according to the laws of supply and demand, the price of money rises, which means that the rate of interest for short loans, from a week to three or six months in duration, is increased. The bubble goes on growing, until the more venturesome and unscrupulous speculators have borrowed many times as much money as they themselves really possess. Credit is said to be greatly extended, and a firm which perhaps owns a capital worth £10,000 will have undertaken to pay £200,000 or £300,000 for the goods which they have bought on speculation.

"But the sudden rise which, sooner or later, occurs in the rate of interest, is very disastrous to such speculators; when they began to speculate interest was, perhaps, only 2 or 3 per cent.; but when it becomes 8 or 10 per cent. there is fear that much of the profit will go in interest paid to the lenders of capital. Moreover, those who lent the money, by discounting the speculators' bills, or making advances on the security of goods, become anxious to have it paid back. Thus the speculators are forced at last to begin selling their stocks at the best prices they can get. As soon as some people begin to sell in this way, others who hold goods think they had better sell before the prices fall seriously; then there arises a sudden rush to sell, and buyers being alarmed, refuse to buy except at much reduced rates. The bad speculators now find themselves unable to maintain their credit, because, if they sell their large stocks at a considerable loss, their own real capital will be quite insufficient to cover this loss. They are thus unable to pay what they have engaged to pay, and stop payment, or, in other words, become bankrupt. This is very awkward for other people, manufacturers, for instance, who had sold goods to the bankrupts on credit; they do not receive the money they expected, and as they also perhaps have borrowed money while making the goods, they become bankrupt likewise. Thus the discredit spreads, and firms even which had borrowed only moderate sums of money, in proportion to their capital, are in danger of falling."

"No one ventures to propose a new scheme or a new company, because he knows that people in general have great difficulty in paying up what they promised to the schemes started during the bubble. This bubble is now burst, and it is found that many of the new works and undertakings from which people expected so much profit are absurd and hopeless mistakes. It was proposed to make railways where there was nothing to carry; to sink mines where there was no coal nor metal; to build ships which would not sail; all kinds of impracticable schemes have to be given up, and the capital spent upon them is lost.

"Not only does this collapse ruin many of the subscribers to these schemes, but it presently causes workpeople to be thrown out of employment. The more successful schemes indeed are carried out, and for a year or two, give employment to builders, iron manufacturers, and others, who furnish the materials. But as these schemes are completed by degrees, no new ones are proposed, and new ones; people have been frightened by the losses and bankruptcies and frauds brought to light in the collapse, and when some people are afraid, others readily become frightened likewise by sympathy. In matters of this kind, men of business are much like a flock of sheep which follow each other without any clear idea why they do so. In a year or two the prices of iron, coal, timber, etc., are reduced to the lowest point; great losses are suf-

fered by those who make or deal in such materials, and many workmen are out of employment. The working classes then have less to spend on luxuries, and the demand for other goods decreases; trade in general becomes depressed; many people find themselves paupers, or spend their savings accumulated during previous years. Such a state of depression may continue for two or three years, until speculators have begun to forget their failures, or a new set of younger men, unacquainted with disaster, think they see a way to make profits. During such a period of depression, too, the poorer people, who have more income than they spend, save it up in the banks. Business men as they sell off their stocks of goods leave the money received in the banks; thus by degrees capital becomes abundant, and the rate of interest falls. After a time bankers, who were so very cautious at the time of the collapse, find it necessary to lend their increasing funds, and credit is improved. Then begins a new credit cycle, which probably goes through much the same course as the previous one."

Such is Jevons's description of a general crisis; crises started by particular causes we shall consider under the history of crises below. It is necessary now to point to that Jevons and other economists claim that general crises not only follow a Periodicity, somewhat fixed course, but occur at somewhat fixed periods. Thornton, Tooke, Langton, Mr. John Mills, of Manchester, and Jevons have all treated this subject at length. Palgrave's *Dictionary of Political Economy* says:

"An enumeration of recorded years of acute commercial distress—1753, 1763, 1773-75, 1783, 1793, 1815, 1825, 1836-39, 1847, 1857, 1866, 1875, 1880—suggests periodicity. During these 140 years trade and banking have been carried on in war and peace, with a silver standard, with a gold standard, under a suspension of cash payments, in times of plenty and in times of want; but the fatal years have come round with a considerable approach to cyclical regularity. While admitting that the commercial crises to which this generation has been exposed have been less acute than those which afflicted the close of the last and the beginning of the present century, the fact of their recurrence in something like periodicity remains."

Jevons explained crises in part by bad crops, and these by sun-spot periods. He says, in a communication to the British Association (1862):

"There is a periodic tendency to commercial distress and difficulty during these months (October and November). It is when great irregular fluctuations aggravate this distress, as in the years 1836-39, 1847, 1857, that disastrous breaches of commercial credit occur."

And again (*Journal of the Statistical Society of London*, 1866, vol. xxix., p. 240): "These changes arise from deficient or excessive harvests, from sudden changes of supply or demand in any of our great staple articles, from periods of excessive investment or speculation, from wars and political disturbances, or other fortuitous occurrences which we cannot calculate upon and allow for." Still further developing the notion of periodicity, Jevons (*Political Economy*, 1888, Science Primers) says: "Good vintage years on the continent of Europe, and droughts in India, recur every 10 or 11 years, and it seems probable that commercial crises are connected with a periodic variation of weather affecting all parts of the earth, and probably arising from the heat received from the sun at average intervals of 10 years and a fraction."

The invention of this theory of "credit cycles" can be traced to Mr. John Mills, of Manchester (paper on "Credit Cycles and the Origin of Commercial Panics," *Transactions of the Manchester Statistical Society*, December, 1867). Mr. Mills discusses the pathology of crises; and after alluding to "the occult forces which swell or diminish the volume of transactions through a procession of years," thus speaks of periodicity:

"It is an unquestionable fact that about every ten years there occurs a vast and sudden increase of demand in the loan market followed by a great revulsion and a temporary destruction of credit."

A perhaps safer position is to say that while the cause of crises lies in the various motives which lead men to overspeculation, and in the psychological principles which make the act of one mind or of a few minds influence a whole community, so that overspeculation creates a general overspeculation, in the above-suggested ideas may lie the secret of crises returning so frequently about once in ten years. Many causes, however, may lead to crises. Macleod's *Dictionary of Political Economy* puts the causes of commercial crises as follows:

"1. A long-continued very low rate of interest. Persons in such times who have nothing but the interest of small capitals to live on are so strained in their means that they look out for more profitable investments. At such times wild speculators are sure to abound to take advantage of the credulous. One scheme breeds another, and a speculative fever seizes upon the public like a mania. Multitudes of schemes are set afoot for no other purpose than gambling in the shares. Numbers of persons then rush to buy the shares merely for the sake of selling them again, knowing full well that a crash must come, but hoping to make a lucky hit during the fever. Then, at last, either when calls come, supposing them ever to get to that stage, or when the circle of dupes is found to be exhausted, prices begin to waver and every one rushes to sell, and of course things fall as rapidly as they rose, and then comes the crash."

"2. When some new, large market is opened at home or abroad, in which extraordinary gains are realized by the first adventurers, numbers then rush in and over-production takes place, and the herd of adventurers is ruined."

"3. A great and general failure of some great crop necessary for subsistence. The enormously increased price deranges the demand for other things; the sudden rise of price tempts great speculation, sure to be followed by enormous disasters."

"4. A great derangement of the ordinary course of trade from some great general cause, such as the sudden commencement or the sudden termination of a war. The sudden cessation of demand for some articles deranges the calculations of the producers of them, and the sudden demand for large quantities of others raises their price suddenly, and gives rise to immense speculations in them, which are sure to be overdone and end in general ruin."

"Each of these causes separately, if on a sufficient scale, may produce a commercial crisis; but, as several of them may happen together, it will, of course, be proportionably intensified."

Of peculiarly monetary crises the Report of the United States Monetary Commission of 1876 gives a description from which we quote the following extracts:

"The worst effect, however, economically considered, of falling prices, is not upon existing property nor upon debtors, evil as it is, but upon laborers, whom it deprives of employment and consigns to poverty, and upon society, which it deprives of that vast sum of wealth which resides potentially in the vigorous arms of the idle workman."

**Contraction of Money and Crises.** A shrinking volume of money transfers existing property unjustly, and causes a concentration and diminution of wealth. It also impairs the value of existing property by eliminating from it that important element of value conferred upon it by the skill, energy, and care of the debtors from whom it is wrested. But it does not destroy any existing property, while it does absolutely annihilate all the values produced by the labor which it condemns to idleness. The estimate is not extravagant one that there are now in the United States 3,000,000 persons willing to work, but who are idle because they cannot obtain employment.

"Money capital, labor, and other forms of capital are the warp and woof of the economical system."

Labor, cooperating with the forces of nature, is the source of all wealth, and to reach the highest degree of effectiveness, it must be classified through the aid of capital and supported by capital during the process of production and be measured and paid in money, each unit of which is a slight draft on all other forms of property, bearing a value in proportion to the number of such drafts. In order that any country may reach the maximum of material prosperity, certain conditions are indispensable. All its labor, assisted by the most approved machinery and appliances, must be employed, and the fruits of industry must be justly distributed. These conditions are utterly impossible when the money stock is shrinking and the money value of property and services is declining. However great the natural resources of a country may be, however genial its climate, fertile its soil, ingenious, enterprising, and industrious its inhabitants, or free its institutions, if the volume of money is shrinking and prices are falling, its merchants will be overwhelmed with bankruptcy, its industries will be paralyzed, and destitution and distress will prevail.

"The peculiar effect of a contraction in the value of money is to give profit to the owners of unemployed money, through the appreciation of its purchasing power, by the mere lapse of time. It is falling prices that rob labor of employment and precipitates a conflict between it and money capital, and it is the appreciating effect which a shrinkage in the volume of money has on the value of money that renders the contest an unequal one, and gives to money capital the decisive advantage over labor and over other forms of capital invested in industrial enterprises. Idle machinery and industrial appliances of all kinds, instead of being productive of profit, are a source of loss. They constantly deteriorate through rust and waste. They cannot escape the assessor and tax-gatherer as the bulk of money does, and must pay extra insurance when idle. Labor, unlike money, cannot be hoarded. The day's labor unperformed is so much capital lost forever to the laborer and to society. It being his only capital, his only means of existence, the laborer cannot wait on better times for better wages. Absolute necessity forces him to dispose of it on any terms which the owners of money may dictate. These are the conditions which surround the laborer throughout the commercial world to-day. The labor of the past is enslaving the labor of the present. At least that portion of the labor of the past which has been crystallized into money is enabled through a shrinkage of its volume and while lying idle in the hands of its owners to increase its command over present labor and over all forms of property, and to transform vast numbers of honest and industrious workmen into tramps and beggars. These laborers must make their wants conform to their diminished earnings. They must content themselves with such things as are absolutely essential to their existence. Consumption is therefore constantly shrinking toward such limits as urgent necessities require. Production, which must be confined to the limits indicated by consumption, is constantly tending toward its minimum, whereas its appliances, built up under more favorable conditions, are sufficient to supply the maximum of consumption. Thus idle labor, idle money, idle machinery, and idle capital stand facing each other, and the stagnation spreads wider and wider."

#### HISTORY OF CRISES.

In 1634 there was a crisis over tulips which became a *furor* in Holland. This mania lasted four years before it burst. But the first crisis of the modern type occurred in 1720 over the speculative plans of John Law in forming his Mississippi Company. His company possessed in 1719 over 21 ships and nearly \$1,000,000. Shares went up to many times their value. Speculation developed like a fever in France and England. In France the currency was inflated. The fall Early Crises, was precipitate. About the same time, too, in England was developed the South Sea Bubble (*q.v.*). Various companies united into one South Sea Company, but they were largely fraudulent, and the leading to great speculation, soon utterly failed. In 1763 and 1799 there were crises in Hamburg. In

England there were crises in 1783, 1793, 1795-1797, in connection with the American and French wars. In 1815 there was a severer crisis at the close of the Napoleonic wars. Hitherto the French ports had been closed to England. After the peace England undertook to flood Europe with manufactures. But there was "over-production" (*q.v.*) and a crisis. In 1825 there was another crisis, an account of which, together with the accounts of the next succeeding crises, so far as they concern England, we abridge from the account by G. H. Pownall in *Palgrave's Dictionary of Political Economy*. It was one of the most severe:

"At this date speculation ran very high, for the most part in loans and mining adventures, and other investments abroad. The foreign exchanges were so much depressed as to be the cause of a nearly continuous drain on the bullion of the bank. This foreign drain, Tooke remarks, was not counteracted by any operation of the bank; it was suffered, he observed, to run its course, till it ceased of its own accord, that is by the close of the summer. Many

#### Crisis of 1825.

simple efflux, toward the close of the summer. Many and heavy banking failures, and a state of commercial discredit, preceded and formed the earlier stage of the panic. The tendency to speculation, and the undue extension of credit, was preceded, probably caused, and certainly favored and promoted, by the low rate of interest which had existed for some time previously; and this low rate of interest was apparently prolonged by the operations of the Bank of England. Facility of banking accommodation, which had existed for some time previously, favored undue extension of credit.

"This gradually led on to the great difficulties of the year. In the summer of 1822 the bank reduced its rate of discount from 5 to 4 per cent."

"The great severity of the pressure extended over a very short time, hardly more than three weeks. Some banking failures, principally in the provinces, in the month of December, were followed by the failure of several banks in London. A severe drain on the resources of the Bank of England took place. The accidental discovery, for such it was said by Mr. Harman in his evidence in 1832 (Bank Charter Report, 1832) to have been, of an amount of £1 notes which had been put away in the bank was, doubtless, a fortunate circumstance; for altho the sum was not large (between £700,000 and £800,000), it served to meet the peculiar difficulty of that time, which consisted in an extensive distrust of the small note country circulation, and it is probable that it had an immediate and very great effect in stopping the demand from the provinces for gold." (Tooke.)

"Tooke describes the spirit of speculation aroused as follows: 'This possibility of enormous profit by risking a small sum was a bait too tempting to be resisted; all the gambling propensities of human nature were constantly solicited into action; and crowds of individuals of every description—the credulous and the suspicious, the crafty and the bold, the raw and the experienced, the intelligent and the ignorant; princes, nobles, politicians, placemen, patriots, lawyers, physicians, divines, philosophers, poets, intermingled with women of all ranks and degrees (spinners, wives, and widows)—hastened to venture some portion of their property in schemes of which scarcely anything was known except the names.'

"The recoil from these speculations was inevitable. The country banks, whose advances and whose issues of notes had both exceeded the limit of prudence were among the principal sufferers. Several London banks likewise failed. A remark made by Mr. Huskisson, 'that we were within a few hours of a state of barter,' has often been quoted as showing the severity of the trial the country passed through. The turning-point appears to have been in the week ending Saturday, December 17, 1825. On that day, according to a statement made by Mr. Richards, then deputy governor of the bank, 'whether from fatigue, or whether from being satisfied, the public mind had yielded to circumstances, and the tide turned at the moment on that Saturday night.' The greater part of 1826 was a time of considerable depression, but by the trade and manufactures of the country had resumed their usual and steady course."

The crisis in America was at its height in 1826. In July metal had disappeared from the banks. Discount rose from 20 to 30 per cent. By August failures were general.

The monetary disturbances of 1836-37 are not included by Tooke among the memorable commercial crisis. "It was confined in a great measure to two branches of trade, the American and East Indian, including China. The Bank of England raised its rate of discount to 5 per cent., and laid some restriction upon the bills of American houses, who were notoriously overtrading."

But in the United States this crisis was most severe. Early in 1836 President Jackson counseled an increase of circulation at the expense of small notes, and gold began to come to America; but by the above-mentioned action of the Bank of England credit was withheld, and failures in this country became numerous. Gold in 1837 went back to England, and the crisis in the United States was general. Seven hundred banks stopped payment. It was the worst period since the Revolutionary War. Early in 1838

there was prosperity again, but a crisis breaking out in France and Belgium, with a great draft of gold from the Bank of England, which came near stopping specie payment, the crisis in the United States became still more formidable. On October 10 the United States Bank (see BANKS and BANKING) was compelled to close its doors. In 1839, 959 banks stopped payment. There were 33,000 failures, with a loss of \$440,000,000.

The crisis of 1847 affected England more. The failure of the potato crop in 1846 caused the need for a heavy importation of corn. "The price of corn was very high in 1847, the average in May being 92s. 10d. per quarter, but the imports rose in proportion. The result was the failure of many houses in the corn trade, which became the signal for other heavy bankruptcies. Several banks succumbed, and credit was severely shaken."

Meanwhile the anxiety and alarm were causing hoarding, and it appeared not unlikely that the banking department of the Bank of England might be compelled to stop payment while there was more than £6,000,000 of specie in the issue department. Some of the leading city bankers had an interview with the prime minister, and the desired relaxation was given. The official letter recommended "the directors of the Bank of England, in the present emergency, to enlarge the amount of their discounts and advances, upon approved security." A high rate, 8 per cent., was to be charged, to keep these operations within reasonable limits; a bill of indemnity was promised if the arrangement led to a breach of the law. The extra profit derived was to be for the benefit of the public. No really adequate reason has ever been given for this last stipulation, unless it is supposed to have been made to prevent the bank from maintaining the extra rate unduly long.

The effect of the Government letter in allaying the panic was complete. When anxiety as to obtaining bank notes or gold was removed, the immediate pressure shortly disappeared.

The crisis of 1857 began in America. New

Crisis of 1837.

Crisis of 1847.



companies had been forming in all directions. There was an unusual importation of European goods. The banks were unable to resist the monetary pressure, and on August 24 they stopped payment; 5123 failures were counted, with liabilities of \$299,000,000. The enormous fall of values, however, brought back gold, and by January, 1858, most of the banks had resumed. It affected England later, but most severely. The suspension of the Bank Act of 1844 eased the market somewhat, but the industrial crises were even more marked. Hundreds of thousands of workmen were unemployed. Riots became frequent. The crisis passed, but then gradually reached successively France, Germany, the Scandinavian States, Austria, Italy, South America.

The crisis of 1861 affected England in January and France in the autumn, and was brought on by England's having to pay a heavy balance in favor of the United States. The rate of discount in France had to rise to 8 per cent. to bring back cash.

The crisis of 1866 was mainly in England, once more causing a suspension of the Bank Act, and was marked by the memorable "Black Friday" and of the failure of the almost historic house of Overend, Gurney & Co. September 23, 1869, saw a "Black Friday" in New York, but it was mainly local and connected with gold speculation.

During the first three quarters of 1873 the general prosperity of the United States seemed undiminished; but on September 18, 1873, the most extraordinary panic began which this country has ever witnessed, and reached its height about the middle of October. It prostrated thousands of commercial houses, cut off the wages of hundreds of thousands of workmen, and overthrew the Stock Exchange. It swept down the entire banking system of the country. Even savings banks closed their doors. It broke off the negotiation of American securities in Europe, and prostrated business in every way. The causes were involved.

The closing of the War of the Rebellion had seen the commencement of great industrial activity in the United States. From 1869-73 enormous amounts of money were invested in commercial enterprises. The cost of the railroad construction of those five years is estimated at \$1,700,000,000, while municipalities and private corporations borrowed money for vast undertakings. The land grant policy and cheap transportation developed a new West. In Europe the opening of the Suez Canal stimulated commerce. Interest was based on the high prices of war time. There was increased need of currency. Instead of this the policy of re-umption and contraction (see CONTRACTION AND EXPANSION OF CURRENCY) limited the amount of currency below the demand. Prices fell, whether owing to contraction of currency or cheaper processes of production is a disputed point. (See BIMETALLISM.) Both causes were probably at work. But it is not disputed that

prices fell. Heavy crops and an unusually large demand for money precipitated the impending crisis. September 18 the great house of Jay Cooke & Co., of New York, failed. This brought trouble to Fish & Hatch, and to McCulloch of London. The worst immediate effects of the crisis were soon met. The bankers met and voted: 1. To issue \$10,000,000 loan certificates, and still later \$10,000,000 more. 2. A general movement on the part of the banks to make large payments in checks only, certified as "good through the Clearing House." 3. Purchase of bonds by the Treasury amounting to \$13,500,000, which liberated an equal amount of legal tenders. 4. The advantage taken by the savings banks of the thirty days' notice of withdrawals by depositors. 5. The closing of the Stock Exchange from the 20th to the 30th of the month. Great pressure was brought to bear upon the United States Treasurer to afford relief by issuing United States notes; but he declined, and only consented to sell \$13,000,000 bonds.

The immediate crisis was stayed; but in industrial lines 1874 was worse than 1873, and there was depression till 1877. The great railroad strikes of that year made matters worse. In 1878 there was improvement, and this continued till 1883. In 1884 another crisis occurred, tho of less serious character, and depression continued through the strikes and industrial troubles, which continued till 1886. Confidence was then in a degree restored, and with some depression in 1888, till the crisis of 1890. That year prominent English houses which had invested in Argentine Republican and African securities were disturbed, and finally on December 15 even the great house of Baring Brothers suspended. In France the great coffee syndicate failed. But the Bank of England stood firm, and a syndicate of strong houses liquidated the debt of Baring Brothers. It affected the United States almost as much, tho not so much in the form of a crisis as of adding to depression, continuing without much improvement to the great crisis of 1893.

The crisis of 1893 was in many ways different from all other crises. It was only very slightly due to overspeculation, almost purely to monetary conditions, yet it affected not only financial circles, but industry all over the United States. Early in the year there was widespread financial unsteadiness, with securities on the down grade. In Congress there was discussion over the repeal of the silver-purchasing act of 1890. (See CURRENCY.) During May and June there was no improvement, tho, with the exception of the National Cordage Company, no important houses were seriously affected. June 26, however, it was announced that India had stopped the free coinage of silver. It at once sent the price of silver bullion down to the lowest point ever recorded, and all stocks went down. The mines of Colorado and other silver States were at once stopped and their workmen left unemployed. There was a panic. Western and Southern banks began to fail. Hoarding set in, even in the East. Currency became scarce. Many manufactories shut down. Even strong manu-

Crisis  
of 1890.

Crisis  
of 1893.

facturing companies could not get change to pay their men. Wealthy men with unquestioned credit could not get checks cashed. All the banking centers except Chicago began to have recourse to clearing-house certificates. In New York during the summer these certificates reached the sum of \$38,280,000. Early in August bank and treasury notes commanded a premium as high as 4 per cent. in New York. There was a money dearth. The President called an extra session of Congress, which opened August 7. It was claimed by the monometallists that the money panic was caused by a lack of confidence in the United States monetary policy, from fear that the silver was depreciating, the United States would be committed to depreciated silver. In the House a bill was therefore introduced by Mr. Wilson, according to the suggestion of the President's message, repealing the silver-purchase bill, tho renewing the pledge to maintain the parity of gold and silver at the existing or some other ratio. On the other hand, it was claimed by the free-silver men that the financial crisis was caused by the lack of money resulting from the purpose of the gold manipulators to drive silver from the world, enhance the value of gold, and increase their profits. It was claimed that ever since 1873 this policy had resulted in a contracted currency, low prices, suffering for the debtor classes, stoppage of manufactories, etc., a long depression, and that now by a last stroke the crisis had been brought on by the bankers trying to drive silver completely from the market. The conflict was bitter in Congress and through the country, the sentiment of the West and South being bitter against the capitalistic East. Finally, August 28, the Wilson Bill was carried by a vote of 240 to 110, and the silver-purchase clause repealed. Then began a still more heated struggle in the Senate. Not till October 30 was a bill introduced by Senator Voorhees repealing the silver-purchase law, but declaring for the parity of gold and silver in stronger terms, substituted for the Wilson Bill passed by the Senate by a vote of 43 to 32, accepted by the House by a vote of 192 to 94, and signed by the President November 1.

Meanwhile the crisis was already checked. By the middle of August confidence began to return. By September the premium on currency vanished. Foreign investors began sending in money, taking advantage of the low price of stocks. Only one private banking firm in New York City had failed and only one national bank. Of the 301 bank suspensions from May 1 to July 22, 93 per cent. were in the South and West. Yet the business failures from April 1 to October 1 were 8105 against 4171 for those months in 1892, with liabilities of \$284,663,624 against \$41,110,322 for 1892. Thus the number of failures had doubled and the liabilities had increased nearly sevenfold. Three great railway systems were sent into the hands of receivers: the Northern Pacific, the Union Pacific, and the Erie. For further details of this crisis and for references, see CURRENCY. For various other views as to the causes of crises, see articles SILVER QUESTION; CONTRACTION AND EXPANSION OF CURRENCY; MONOMETALLISM OVER PRODUCTION; SOCIALISM.

**CRUSADES, SOCIAL EFFECT OF.**—The crusades covering the interval from the eleventh to the thirteenth centuries, and partly inclusive of these, exercised the most profound influence upon Europe; not only upon those directly engaged, but upon popes, kings, and emperors; upon the relations of Church and State, and upon the development of literature, education, and art. Classes were broken up, and nations were brought together. The economic conditions of Europe were changed. The decay of the Western empire had broken off the intercourse between the East and West, and completely ended the maritime traffic which had been begun by the Phœnicians. It was this destruction of naval commerce that compelled the Crusaders to march overland to Asia. The crusades revived the trades of ship-building and merchandising, and dotted the Mediterranean with sails. A Minor exchanged products with Norway and Sweden. An enormous impulse was thus given to manufactures and agriculture. Neglected industries were developed, and new arts and occupations introduced from the East. The crusaders learned in Greece the manufacture of silk, in Tyre the art of glass-making, in Africa the cultivation of maize and sugar-cane, and in Damascus the working of metals and making of cloth. Manufactures necessitated the growth of large towns, which was one of the most notable results of the crusades. Great wealth, with all its good and evil consequences, began to flow into the cities of Italy, Germany, France, Flanders, and other European countries.

References: Blanqui, *Histoire de l'Economie Politique en Europe*; Guizot, *History of Civilization in Europe*; Ranke, *Weltgeschichte*, viii.

**CUNNINGHAM, WILLIAM**, is best known in economic thought as the leading English advocate of the historical or empirical study of social phenomena. Graduated from Trinity College, Cambridge, in 1873, and ordained the same year, he devoted his early years mainly to historical, theological, and ecclesiastical studies. Deputy to the Knightsbridge professor, 1881, and since 1887 Vicar of St. Mary's the Great, Cambridge, he has given his later years largely to economic history. In 1882 appeared the first edition of his important work, *The Growth of English Industry and Commerce*, which Professor Ashley (*q.v.*) calls the first attempt that had been made to trace the whole course of English economic development. He has since developed this book into a practically new work, the first volume of which appeared in 1890 and the second in 1892. In 1884 he published his *Christian Opinion on Usury*; in 1885, *Politics and Economics, an Essay on the Nature of the Principles of Political Economy and a Survey of Recent Legislation*; in 1886 *S. Austin and his Place in the History of Christian Thought*; in 1887, *Political Economy Treated as an Experimental Science*; in 1891, *Use and Abuse of Money*. In 1891 he was made Tooke Professor of Political Economy at King's College, London, and also elected to a fellowship at Trinity, Cambridge. He is a D.Sc. of Edinburgh and D.D. of Cambridge.