Manuscript pages: Panic of 1893. Parallel between I.C.C. bill and General Recovery Bill [Chapter 6, Railroads]

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Parallel between I.C.A. bill and General Recovery Bill

It was excessive railroad building and speculation in railroad stocks that led to the crash of '82 and the long depression that followed very much as it was the over-stimulation of industries, particularly of mergers, speculation in the stocks that caused the panic of 1929 and the resulting Recovery Bill.

Fifty years ago after the long depression money came pouring into the country. All of this was due to various things. (Page 128, Appletons') 1881:

The production of the country in agriculture, manufacturing, return to the gold standard, the hoarding up of gold, the redemption of United States bonds put the country into a slump as far as money was concerned for the first time since the War. Money plentiful, there was a tremendous run for investment, practically anything could be sold. Stocks which had been traded because of the inability of the companies to pay dividends now rose rapidly as the companies began to earn again. It was in the railroads that activity was greatest and also it was justified.

The article in the Annual says that railroad construction in 1881 was going on the rate of thirty to fifty were being issued at the daily rate of miles of track per diem and stocks and bonds one to one million two
hundred thousand to two million. It is not well to say that the promoters of railroad enterprises were never scrupulous about actual values or actual earnings, never interested in the fate of the investor should have worked over time to sell the securities which flourished.

We had then the same kind of performance that was so common in '28 and '29. Big scrip dividends and were declared mergers to advertise great money makers which where money was needed to improve the property, add to it, by the purchase of other property, by building more roads. Stocks were flooding the markets in big quantities exactly the way we saw corporate stocks flood in five years ago. Just as five years ago not saw fifty two years ago higher and higher. There were those that did buy, they put their money into trust companies. Even the speculators themselves were fooled and they sold out again and and must fall back again believing that the market had reached its top only to see it go ahead again.