



Today's Financial Crisis Recalls Panic of 1893

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For the Daily Facts

With terrible economic news revealing itself daily, it seemed appropriate to reflect upon the Panic of 1893 and its impact on Redlands.

The Panic of 1893 signaled the onset of a severe economic depression, and Redlands found itself caught up in the national and international financial collapse. The Panic of 1893 put the brakes to the Redlands "boom" and stymied many projects.

The problem in discussing the 1893 depression is that most of the government records and the 1890 census papers were destroyed many years later by fire. As a result, it remains an economic crisis largely known only to historians and economists. Little published work has been done because of the paucity of material.

Even our local history barely alludes to it. A brief reference surfaces from the "History of San Bernardino & Riverside Counties" by John Brown Jr. and James Boyd, stating that there was "the period of industrial trouble and unrest of 1893."

"One of the most extraordinary epidemics of alarm ever witnessed in a thriving and prosperous section," is how Citrograph editor and publisher Scipio Craig described the 1893 panic that led to depression and Californians' reactions to it all. The culprit, in Craig's eyes, in addition to greed, was silver, but more about that later.

Early in February 1893, Craig noted in a brief column that business had slowed but had all the prospects of getting better. In fact, he prognosticated that the east San Bernardino Valley was perched on the threshold of a new economic "boom." However, as with our 2008 crisis, the news unfolded like an onion being peeled, providing alarming revelations each week. This, muddled with periodic statements from pundits avowing light-at-the-end-of-the-tunnel and better-times-ahead philosophy, added to people's anxiety.

Throughout the 19th century, the nature of the American financial structure was the object of contentious debate. By the 1890s, bimetallism (that is, gold and silver) backed up the currency. In 1873, gold alone had become the law of the land but by 1890 the Sherman Silver Purchase Act brought back silver. The crash in June of 1893 led to the subsequent repealing of silver purchases in light of eroding Treasury funds.

Some economic lag was noted by Craig in March, but he blamed it on timid investors who, upon seeing gold exchanged for currency backed by silver (in domestic and foreign transactions), became concerned. The result, in Craig's view, was economic uncertainty reflected by public loss of confidence in investments.

The hoped-for rosy picture painted by Craig became clouded in his May observations in the Citrograph. He noted several national bank failures, but cautioned that they were already weak and it may be that "some large financial edifices may go down." Added to the mix, he cautioned, was the financial doldrums in Europe. At the heart, he wrote, were the "silver agitators and the state bank promoters." His antidote called for the growth of new enterprises fostered by new capital, "just what southern California was short of."

Without calling it a panic, Craig checked his optimism and acknowledged in June what the nation as whole was experiencing - a massive crash that threatened to take the U.S. Treasury with it. He expressed concern about possible panic, bank closures, dried-up capital, the Australian economic downturn, and speculation that had led to a burst economic bubble.

Further, Craig lamented that even in Redlands many people had decided to hold on to what they had, thus drying up dollars to lend. Again he attacked the forces of silver, arguing that lenders wishing to advance loans at gold value were unwilling to conclude a deal of given silver-backed currency in return. He noted that the European economic collapse and foreign silver mines were further eroding the American economy.

Fulminating against the silver interest, Craig concluded that they were guilty "of using the livery of heaven in the service of the devil." He added that eastern financiers in search of ungainly profit at the expense of laborer added to the woes.

Craig joined with others in calling for the end of silver and bimetallism. His wish became reality, a result of the June crisis. But it was too late, the country, already in panic, entered depression in 1894. One aspect of the economic downturn in Craig's view was the end of the "the silver craze" and he proclaimed "wild cat bank schemes are dead and buried."

But not just the banks were to blame, in Craig's view. While pointing to shuttered banks in San Francisco (the Pacific Bank), Los Angeles, San Bernardino, Riverside and Orange counties, he scored the "demoralized depositors who have recklessly brought on themselves (the panic) by groundless fears." That particular charge was of much debate nationally.

Still, just as in our 2008 circumstances, economic life did not stop in Redlands or in the country. The first three-phase electrical generation in history took place in 1893 under the leadership of the Redlands Light and Power Company. It revolutionized such transmission throughout the world.

Local mining magnate Anthony G. Hubbard purposely placed much of his gold bullion on deposit in Redlands banks, helping to forestall any insolvency and panic rush on their assets. Fortunately he could afford to. In February 1893, The Citrograph detailed the discovery of a piece of gold from Hubbard's Harqua Hala mine in Arizona weighing 30 pounds and valued at \$81,000. Displayed to crowds in San Francisco and called the "dome of gold," the great find would be worth \$1,860,000 in today's dollars.


Redlands continued to weather the economic depression, seeing a slow comeback by 1895-96. Nationally, the political scene fared poorly. The economic crises saw President Grover Cleveland convince a reluctant Congress to repeal the silver act. He negotiated unpopular bank loans to keep the United States on the gold standard, resulting in the alienation of Western and Southern farmers. He outraged labor by intervening in a railroad strike, and he so angered Democrats that they repudiated him, and adopted "free silver," resulting in an election loss to Republican William McKinley in 1896.

Readers tempted to make comparisons of the 1893 depression and public reaction to government solutions to the 2008 economic downturn do so at their own risk. Meanwhile, I read daily the news releases that will become the "stuff of history" 100 years from now.

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