

The Great Depression of 1873-1896

Musson, A. E. "The Great Depression in Britain, 1873-1896: A Reappraisal." *The Journal of Economic History*, Vol. 19, No. 2, 1959, pp. 199-228.

It is nearly a quarter century since H. L. Beales produced his notable article on "The Great Depression." Since then a great deal of work has been done on that period, especially by economists and statisticians, so that it is now possible to make a fuller assessment of the changes in Britain's economic position during those years. [...]

There is no doubt that, as Beales showed, the term "Great Depression" is in many respects an unsuitable and misleading label for these years. There was no evidence of absolute decline: production and trade continued to expand, national income and wealth grew, real wages and the standard of living improved. Prices certainly fell, but almost every other index of economic activity-- output of coal and pig iron, tonnage of ships built, consumption of raw wool and cotton, import and export figures, shipping entries and clearances, railway freight and passenger traffic, bank deposits and clearances, joint-stock company formations, trading profits, consumption per head of wheat, meat, tea, beer, and tobacco-- all these showed an upward trend. These facts were visible

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to observant contemporaries such as the loud complaints of falling prices unemployment, pointed out that the depressed. As Marshall put it: "A depression interest, and a depression of profits; not see any reason for believing that pression in any other respect." On the other hand, there was an overwhelming mass of opinion-- in reports of parliamentary committees and royal commissions, in parliamentary debates, newspapers, books, pamphlets, and speeches-- that conditions were bad. The complaints were not, of course, continuous: the depression, we know, was not unbroken, the clouds periodically lifted, and the atmosphere brightened. There were, in fact, cyclical fluctuations, with booms reaching peaks in 1882 and 1890, and slumps descending to troughs in 1879, 1886, and 1893. But the booms were short-lived, the slumps prolonged, and business never really escaped from the atmosphere of uncertainty and depression. [...]

We can agree, then, that during these years of falling prices "people said there was a great depression." Beales, however, follows Giffen's view that the wail of distress did not come from the mass of the people, who were for the most part better off, but mainly from industrialists, merchants, and financiers, who felt the pinch of falling prices, profits, or interest rates, and who were best able to make their complaints heard." More recently Rostow has supported this view. There is no doubt that, on the whole, the condition of the working classes improved during this period. Real wages rose considerably, there was a redistribution of the national income in favor of wage earners, pauperism declined, deposits in savings banks grew steadily, and consumption per head of foodstuffs, beer, tobacco, and similar products rose. But

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it is doubtful whether the working classes felt better off. It was not only in the capitalist Parliament and press that there were complaints of distress, but also in trade-union reports and socialist publications. Although, as a contemporary remarked, the standard of living was actually rising, conditions "did not seem to be improving," since money wages were reduced in many trades in the early years of the

depression. Moreover, depression resulted in more unemployment. [...]

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The most notable feature of the Great Depression was of course the fall in prices, which so obsessed contemporaries. As Sir Robert Giffen stated in 1885, ". . . it is clearly unnecessary to assign any other cause for the gloom of the last year or two. . . . The change is more like a revolution in prices than anything which usually happens in an ordinary cycle of prosperity and depression in trade." D. A. Wells even went so far as to declare that "the recent fall in prices of the great staple commodities of the world has been in extent and character without precedent in the world's history." [...]

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The main characteristics of the agricultural depression in this period are well known: ' the catastrophic fall in prices, especially of wheat, the growth of foreign imports, and the decline of arable farming. It must be noted, however, that total agricultural production did not fall, the decline in arable output being more than counterbalanced by increased production of animal products. Pastoral farming, dairying, poultry farming, and market gardening were comparatively well off, especially near industrial towns, and there was much mixed farming where the serious fall in wheat prices was offset by more favorable market conditions for other products.' [...] On the other hand, figures of agricultural rents and farming income show a considerable fall. Rents fell on an average by 25 to 30 per cent during the Great Depression," but farmers suffered much more than landowners, their average income falling by about 40 per cent.' Total agricultural incomes, according to Ojala, declined from £201 millions, or 18.5 per cent of the national income, in 1870-1876, to £135 millions, or 8.3 per cent of the national income, in 1894-1903.

The distress in agriculture was bound to react upon the economy as a whole, though less strongly than in the earlier part of the century. The agricultural group still included 11 per cent of the total occupied population in 1891. Depression in so important a sector of the economy must inevitably have reacted upon other sectors. The Royal Commission on the Depression of Trade and Industry pointed out in 1886 that "the purchasing power of a large section of the community-- that, namely, which depends directly upon the productive capacity of the

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soil-- has been seriously crippled" by "bad seasons and the of the produce of other soils which can be cultivated under conditions than our own," and that this "cannot fail to have had an important influence upon the demand for manufactured goods. [...]

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In the Great Depression, then, we can discern a number of fundamental changes taking place in Britain's economic position. Production and productivity grew at a slower rate; capital investment was checked; Britain ceased to be the world's workshop and, as a result of foreign competition, found increasing difficulty in expanding her export trade; but her imports of food and raw materials continued to grow rapidly, the terms of trade moving in her favor; British agriculture was seriously depressed; and, finally, we can see in this period the beginnings of a fundamental change in British trading policy, away from free trade and back to protectionism and imperial preference. These changes in Britain's

economic position were masked by the upswing in prices, profits, and business activity that occurred after about 1896, but in the later Great Depression between the two World Wars they were to become more strongly marked and to have more serious consequences, forcing Britain into more drastic economic readjustments.