



## The memory that fades: 1873, a lasting crisis

military-Earth thinking notebook

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**The author of this article has already given us proof of his free and original spirit in a previous issue of the Cahiers. She reminds us here of an unknown economic episode of the second half of the 19th century, by making <sup>a</sup> comparison between the evils endured at that time and those known today, as well as the solutions then adopted. As for those that could be adopted at the beginning of the 21st century, she <sup>lets the</sup> reader choose.....**

Europe - as it is - is dragging behind it so much history, stories and memories and, for the last seat of the European Union, it has been a long time since it was founded. so many photos, stories and films, that it sometimes forgets the essence of pivotal periods that do not have the full attention of our contemporaries.

As Warren Buffet, an expert in the field, has often said, no crisis or growth is like the ones that preceded it: "It is useless, even dangerous, to draw inspiration from the past, because the economy is essentially volatile and its intermingled elements are unpredictable". The great Warren calls this the "rear-view mirror syndrome" and adds: "If the past were all that we needed to know, librarians would be the richest people in the world."

Yet, even if we are laminated by the reminder of the 1929 crisis, another period of crisis challenges us: the one that came to light in 1873.

1929 was essentially a stock market crash that had repercussions on economic systems, production patterns, the labour market... with the consequences that we know, since it had never - in the modern era - happened and there was no recipe for it. The turpitudes of the US banks discovered in 2007 triggered what we know, and the assimilation to 1929 happened like that.

## The crash of 1873

1873 is closer to the current situation in Europe. The approach must be reversed: this is a deep structural crisis, much more than a financial one.

The War of 1870 between France and Prussia, together with the fall of the Second Empire, the revolt of the Commune (a revolt that was not limited to Paris, as is too often believed) and its sackings, brought the tremendous growth momentum of the previous twenty years to a halt. This Empire, which collapsed within a few weeks, was indeed the period of the strongest and fastest economic growth in our history (comparable to the best years of modern China). This war ruined not only its protagonists (France lost 1.6 million citizens and owed 5 billion in compensation), but the whole of Europe. Moreover, the enormously expensive Suez Canal, inaugurated in November 1869, was a failure: transit was non-existent and brought no profit, even though great hopes for the internationalisation of the European economy had been founded on it.

The disaster began with the bankruptcy of two Austrian banks and the Crédit Foncier in May 1873. Numerous small banks and financial institutions followed throughout Europe. Italy and Belgium were affected. Growth in Great Britain slows down by half. Colonial action (and its profits) stagnate. Unemployment grows at a phenomenal rate because, after the overproduction of the good years, companies are forced to slow down and put their workers on the pavement. Added to this is the "invasion of the Saracens", foreigners from the east and south, who work at low prices and drive down wages. In London, one out of every four inhabitants sleeps on the street. Only a drastic policy of expatriation to the farthest colonies could slow down the flow of the needy.

## How has Europe fared?

This terrifying recession lasted between 15 and 23 years, depending on the country. The most far-sighted leaders agreed that it was not just a question of banking, but of the need to move to a new form of structure, to undertake indispensable reforms: it was time to get out of the 18th century and the Metternich system.

The French State, struggling with a laborious return to the Republic, stagnated until around 1881/82, only to return to political stability and growth of 6.8% in 1883 and 8.2% from 1885 onwards. From then on, with major works, the grouping together of many activities that had been too dispersed until then, considerable savings on the central government's lifestyle, the reorganisation of the territory, distribution taxes, a workers' housing policy, the creation of a new housing estate, the creation of a new social security system, and the creation of a new social security system, the national education system and the extraordinary job opportunities that followed, mining, road and port development... everything will contribute to the rebirth of a flourishing economy and a peaceful population. The best years began around 1890, then peaked after 1900 between 1909 and 1913.

Great Britain, dusted off under the leadership of Gladstone, dominates the international scene: Victoria becomes Empress of India in 1876, the traffic established with the East

finally makes the Suez Canal profitable and becomes a tool of world trade as we hoped. On the other side of the Atlantic, the young United States, having settled their internal problems, undertook a vast "conquest of the West" and developed their industrial potential in the north-east and their agricultural potential in the centre, becoming a first-rate economic interlocutor.

Prussia, Austria, Italy and even Russia undertook profound reforms; Belgium discovered the joys of coal; the European saga of the Rothschilds, Wendel, Hottinguer and so many others was a success. The European saga of Rothschild, Wendel, Hottinguer and so many others really began at this time with a better knowledge of financial procedures, the development of insurance, the structuring of work in companies and the introduction of social assistance. This was probably not entirely satisfactory: the penal code was fearsome, the revolt was easily stirred up, but at least almost the entire population had enough to eat, even though 1917 brought a decisive turning-point in the relationship between money, political power and the working class.

The expression "depression" emerges from a work by a Belgian economist published in 1895, for which "the depression expresses a decrease in speed and intensity in the social movement of wealth: it is like a slow and gradual retreat, whose effects worsen with its prolongation, and of which we don't see the end"... "this depression gradually invades the moral order"...

All in all, the Great Depression of 1873 - creeping, stagnant, devastating - has laminated Europe for more or less twenty years. The question is when did ours begin, all the more complex as economies are no longer analysable country by country, but are interdependent [1].

History never repeats itself, especially if it is economic. But perhaps we could start to roll up our sleeves?

1] The work of the late Jacques Marseille, economist and historian, as well as that of Antoine Brunet, former head of strategy at HSBC, will be read with interest on this subject.

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