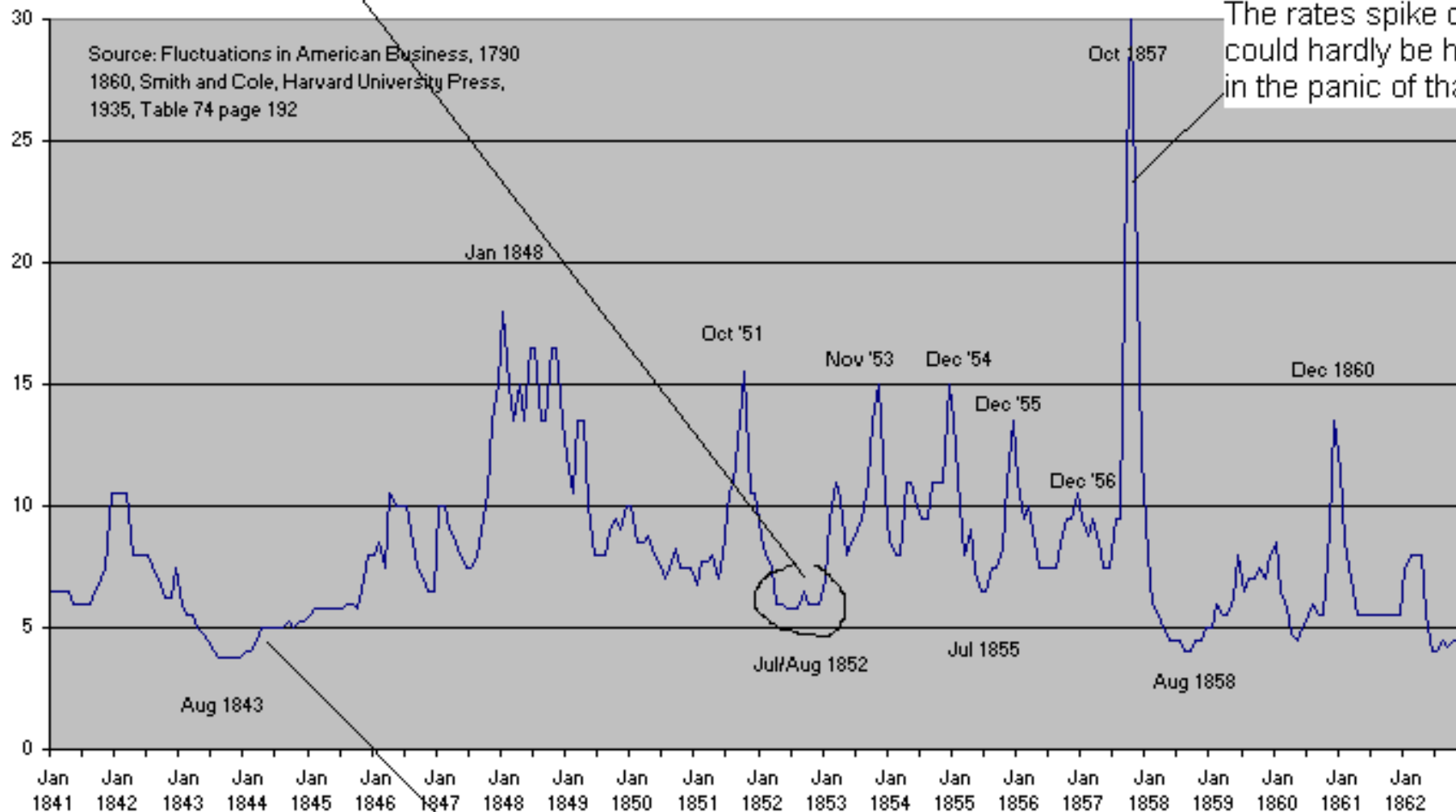


Very low interest rates, brought about by the California gold strike that vastly expanded the banks supply of specie, enabled the banks to expand their loans, their credit base, and hence their profitability, at least in the short run. Leads to an explosion in land speculation.

Discount Rate, New York City, monthly average 1841-1862



The rates spike of 1857. Money could hardly be had at any price in the panic of that year.

Low rates here helped fuel the rapid rise in rail stock prices in this year and the next.