

PANIC OF 1819

IN ITS HISTORICAL CONTEXT

Leadup to the Panic

War of 1812 (along with the pre-war embargoes) damaged trade: **exports plunged from 108m in 1807 to 7m in 1814.**

Previously on a gold standard, private banks issued massive amounts of notes (currency) and stopped redeeming them for gold and silver.

Post-war surge in imports competing with American production (**135m in exports, and 260m in imports**, in 1815-16), while farm prices were falling by at least 50%.

11.25m in bonds sold to finance Louisiana Purchase were due in 1819--the foreign creditors would want to be paid in gold.

Panic of 1819

BUS started redeeming banks' notes for gold/silver, causing those banks to ship much gold to the BUS. The banks would then call in as many of their own notes as they could, as well as loans.

Bank auctions of mortgaged land, selling it at less than half of its pre-crisis value.

1818: imports=122m, exports=93m

1820: imports=74m, exports=70m

Aftermath

The economy began a slow but steady advance in the 1820s: even though imports/exports remained much the same in the 1820s, **GDP increased from 700m to 1b**, and the **national debt was almost cut in half, from 91m to 48m**

To protect American production, the tariffs of 1824 and 1828 (the Tariff of Abominations) were enacted.

Conflicts over the tariff of 1828 led to the Nullification Crisis of 1832.