

Tim W. Wood's

# Cycles News & Views

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The financial panic of 1837 was a startling result of the unbounded speculation, and the executive experiments on the finances, of the preceding epoch. The first era of bank-expansion in the United States was due to the abrogation of the charter of the National Bank in 1811, and to the business activity which followed the close of the second war with Great Britain. A second National Bank was instituted in 1817. The undue extension of banking facilities which existed during this period was followed in 1819 by a necessary contraction. The bank circulation fell from \$110,000,000 in 1816 to \$65,000,000 in 1819. Financial distress and a general depression of industry succeeded, from which the country did not fully recover for several years.

When Jackson became President, in 1829, he very quickly manifested an enmity to the National Bank, which he declared to be corrupt, dangerous, and unconstitutional. His first hostile measure was to remove from it the government deposits, which he distributed among the State banks. This measure produced a storm of opposition, greatly disturbed the conditions of business, and caused general distress in the industrial community. But Jackson was unyieldingly obstinate in his opinions, and his hostility to the bank was next displayed in a veto of the bill to renew its charter, which would expire on March 3, 1836. The State banks took advantage of this condition of affairs to expand greatly their discounts, new banks came rapidly into existence, and the banking facilities were enormously increased, the discounts augmenting from \$200,000,000 in 1830 to \$525,000,000 eight years afterwards.

A series of wild speculations attended this expansion: foreign goods were heavily imported, and enormous operations took place in government lands, in payment for which paper money poured profusely into the treasury. Such was the state of affairs at midsummer of 1836. To check these operations a "specie circular" was issued by the Secretary of the Treasury, which required payment for government lands to be made in gold and silver after August 15, 1836. The effect of this series of executive actions, and of the fever of speculation which existed, was disastrous. The species which was expected to flow into the treasury in payment for public lands failed to appear. The banks refused discount and called in their loans. Property was everywhere sacrificed, and prices generally declined. Then, like an avalanche suddenly falling upon the land, came the business crash and panic of 1837, which caused the financial ruin of thousands. During the first three weeks of April two hundred and fifty business houses failed in New York. Within two months the failures in that city alone aggregated nearly one hundred millions of dollars. Throughout the whole country the mercantile interests

went down with a general crash, involving the mechanic, the farmer even the humblest laborer, in the ruinous consequences of the disaster. Bankruptcy everywhere prevailed, forced sacrifice for valuable merchandise was the order of the day, on less than eight of the States partially or wholly failed, even the general government could not pay its debts, trade stood still, business confidence vanished, and ruin stalked unchecked over the land.

The panic of 1837 was not due solely to the causes above enumerated. Many influences converged to produce this result, and to give rise to the fever of speculation which was its immediate predecessor. As one of its results the banking system of the country suffered a general collapse. Out of eight hundred and fifty banks, three hundred and forty-three closed entirely, sixty-two failed partially, and the system of State banks received a shock from which it never fully recovered. The compromise tariff of 1833, though which the tariff was to be annually reduced until it should reach a general twenty per cent. level in 1842 added to the distress, and recovery only fairly took place after 1842 in which year a few tariff bill was passed, imposing a thirty per cent. ad-valorem rate on all imported goods except in certain special cases. In 1846 a low tariff bill was again passed, which continued in force until 1860 when in the Morrill tariff bill was resumed the protective principle which has been ever since maintained.