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Chittenago is the home of L. Frank Baum, author of the "Wizard of Oz". It features a yellow brick inlaid sidewalks leading to Aunt Em's and other Oz-themed businesses. Chittenago is the location of an annual Munchkins parade.

## The Panic Of 1837

**I**N 1837, THERE OCCURRED THE FIRST GREAT business panic with which the nation has been visited, and New York was as hard hit as the rest of the country.

Unfortunately no practical measures were at first instituted to relieve the distresses of the working classes, and advantage was taken of the opportunity by politicians and demagogues to inflame the passions of the ignorant and the vicious.

The economic harvest of the Jackson years is the Panic of 1837, with an ensuing depression. During these years cotton production increased in the South, agriculture expanded in the West, cities grew, manufacturing replaced trade as the economic base in the North. These phenomena were accompanied by a rise in the sales of land, and also in the price paid for land. There was a need for internal improvements, roads, canals, etc. and these had to be financed by states and private companies. Inevitably, speculation and inflation accompanied such activities, and President Jackson hoped to curb the unhealthy aspects of a growing economy by extirpating the central bank, which he considered the root of the evil.

But with Federal funds distributed widely in "pet banks" and surplus revenues distributed among the states, the control exercised by the Bank of the United States is replaced by financial anarchy: the number of banks and the number of bank notes increase. In response to the President's Specie Circular issued in 1836, the local banks are faced with a critical situation, and call in their loans. (At the same time, a depression in Great Britain results in withdrawals of British investments and a decline in the demand for cotton.) First the New York City Banks suspend specie payment; then others follow suit. Lacking sufficient hard money, banks fail, enterprises go bankrupt, unemployment spreads. As the depression deepens, President Van Buren continues to follow Jackson's policy, with the ill-advised codicil of a plan to fragment the single treasury into a system of "sub-treasuries."

### Sub-treasury System

The sub-treasury system of the United States is an outgrowth of the panic of 1837. In his special session message to Congress that year President Van Buren strongly recommended such a system (III, 324). Silas Wright of New York, introduced a bill in Congress in accordance with the President's recommendations. It prohibited Government agents from receiving anything but gold and silver. In 1840 the bill became a law and sub-treasuries were established at New York, Boston, Charleston, and St. Louis, the mint at Philadelphia and the branch mint at New Orleans having been also made places of deposit. The law was repealed in 1841 and reenacted in 1846.

### Special Session Message (From the Presidential Papers and Messages)

During the term of Martin Van Buren while in office as President March 4, 1837 to March 4, 1841.

Washington, September 4, 1837

Fellow-Citizens of the Senate and House of Representatives:

**Volume: III Page: 324 (extract)** The act of the 23d of June, 1836, regulating the deposits of the public money and directing the employment of State, District, and Territorial banks for that purpose, made it the duty of the Secretary of the Treasury to discontinue the use of such of them as should at any time refuse to redeem their notes in specie, and to substitute other banks, provided a sufficient number could be obtained to receive the public deposits upon the terms and conditions therein prescribed. The general and almost simultaneous suspension of specie payments by the banks in May last rendered the performance of this duty imperative in respect to those which had been selected under the act, and made it at the same time impracticable to employ the requisite number of others upon the prescribed conditions.

The specific regulations established by Congress for the deposit and safe-keeping of the public moneys having thus unexpectedly become inoperative, I felt it to be my duty to afford you an early opportunity for the exercise of your supervisory powers over the subject. I was also led to apprehend that the suspension of specie payments, increasing the embarrassments before existing in the pecuniary affairs of the country, would so far diminish the public revenue that the accruing receipts into the Treasury would not, with the reserved five millions, be sufficient to defray the unavoidable expenses of the Government until the usual period for the meeting

of Congress, whilst the authority to call upon the States for a portion of the sums deposited with them was too restricted to enable the Department to realize a sufficient amount from that source. These apprehensions have been justified by subsequent results, which render it certain that this deficiency will occur if additional means be not provided by Congress.

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