




Economic crisis of 1857

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-  Back to "Economic crisis"

Page modified: Friday, June 23, 2006 21:06:15

The economic crisis of 1857 was the first world economic crisis. It began on 24 August 1857 in New York, as a bank, which had to adjust Ohio Life Insurance company, their payments. From there outgoing, the crisis spread in high speed over the entire world. The financial centers of Europe and America were particularly strongly concerned, in addition, in the colonies the effects of the crisis were to be felt.

Economic crisis in the USA

The economic crisis began in the United States of America. Their consequences affected the policy of the government considerably.

American economy before the crisis

The American economy can be assigned into the 1850ern three regions. In each of these areas a certain restaurant form prevailed forwards, although naturally also different industries were present to small extent. Thus a network of economic relations developed among themselves, which was for the economic crisis of importance. The south produced tobacco, rice, sugar and above all cotton, which were sold to large extent to Europe. In the northwest above all the agricultural products wheat, corn and Schweinefleisch were manufactured. The northeast had progressed with many factories furthest in the industrialization, besides were many dealers and banker there resident.

The south needed the banks and dealers in the northeast, by far more importantly for the prosperity of the south was however England, since there most products were sold. The northwest was closely connected with the northeast. Many railway lines brought the food from the west into the east, of where them were continued to sell often to Europe. The east again could sell many finished goods into the west.

As starting situation for the crisis by the Dictionary OF American is indicated history the strong speculation: After the Mexican-American war growth of the industry, enlargement of the wheat belt ("□ Grain Belt" □ became wild) in building of railways, and country speculated. It is particularly important that the financial market of the northeast speculated on high prices in the west opened again by railways and on a high freight arising of the there railways.

Process of the economic crisis

The economic crisis 1857 proceeded from the banks. Only by the failure of the banks also different substantial branches of the American economy were damaged, so that it came to a depression.

The banks in the economic crisis

For the failure of the banks different reasons can be found.

When starting from 1856 far less humans than before into the west pulled, probably due to political uncertainties in Kansas, the land prices sank because of smaller demand. Besides the share prices of the railway companies fell, since there was a smaller transport volume. Thus the speculating banks fewer moneys had available. C.W. Calomiris and L. Schweikart see this as direct reason for the bank crisis.

24 August 1857 is regarded as beginning of the economic crisis. On the day Charles Stetson, the president Ohio Life Insurance company explained: The bank had invested too much into speculative loans for railway companies. New Yorker offices Ohio Life are some errors occur, possibly was also fraud in the play.

Since many banks had given new Yorks Ohio Life Insurance company credit, the banks recalled their loans of other smaller banks and enterprises. Thus many of these small banks and enterprises became insolvent. This again led to fear with the creditors of these banks, which thereupon from the banks money took off, so that the banks had to reclaim further loans.

This downward spiral was favoured still by the following factors, which placed the reliability of the banks far infrage: First of all British creditors money decided to take off from the American banks. Secondly a ship, the SS cent ral America, with approximately 3 tons of gold, sank of which by the gold mines California to the New Yorker banks should be supplied.

Many hoped at the end of of Septembers still the fact that the farmers of the south and the west would sell their harvest and thus could improve the general state of business. However the wheat prices sank, probably there Europe now, since the Krimkrieg was to end, again large quantities wheat made of Russia at favourable prices than made of America to clearly import could. With the low wheat prices many farmers of the west refused selling their commodity, therefore they could not pay back also their debts to the fastened banks.

Many banks could resist the unfavorable circumstances not for a long time, which had to stop small and soon also the larger banks the payment, in order not to have to announce bankruptcy. Thus also the particularly important Philadelphia's bank OF Pennsylvania could disburse on 25 September no more money to its customers, further small banks followed. The most important banks in New York and Boston remained for the time being further open, however also they could lend no more money at entrepreneurs. After on 13 October a mobilization with more than 20,000 humans money wanted to take off, also the New Yorker banks could disburse no more money, most remaining banks in America placed thereupon also their disbursements in.

Two months later had been able to disburse the first banks sufficient large reserves over again money. The bank crisis was very short thereby, but for the remaining industry extremely painfully. More than 5000 enterprises could to end 1857 their financial obligations not follow and had close.

American economy after the bank crisis

The farmers in the northwest of the United States could not sell also their grain to 1858 at higher prices, since the before important export market was together broken to Europe. The economy of the northeast depended however on the market in the west. There the consumer goods before the economic crisis were sold. Since however the farmers were highly indebted, they could buy hardly something from the northeast. The year 1858 was regarded to the worst therefore of contemporaries in the north states as one.

The economy could sell fewer goods, due to which small demand became thousands workers to dismiss. For many remaining workers the wages were shortened around often more than ten per cent. When bread LINES formed themselves consequence, in which for food lined up to arms. Numerous strikes with demands for trade unions and higher wages took place. The largest of these strikes began on 22 February 1860, when the shoemakers in Lynn laid down their work. In March generally speaking Federal State more than 35,000 workers struck, however the strike dissolved, when the strikers did not have any longer sufficient money for own supply.

Completely different the situation was in the south. Effects of the bank crisis were to be felt also there, however the products of the south, in particular cotton, could be already sold to 1858 again at good prices to Europe. Thus it came in the south to no bad crisis. Also the railways there could disburse good dividends contrary to the northern railways of far.






Since the enterprises of the northeast could sell their products hardly still in the northwest, they looked for new sales markets. Since the financial power of humans was larger in the south, the northeast in the course of the crisis sold ever more to the south. Thus the north became altogether dependent on the economy of the south.

The economy in the northeast recovered again slow starting from the spring 1859. However the upswing came in the north only in the summer 1860, when Europe bought up again the sevenfold quantity in the previous years of exported wheat. Thus the farmers earned like the railways in the northwest again well, so that also again money was present, in order to buy the products of the industries in the east. The production of the industry reached again a level, how it was usual before the crisis. Thus the economic crisis of 1857 was through-confessed in the summer 1860.

Financial crisis of the American government

By the economic crisis the government came into a serious financial need. Since 1817 the government obtained the largest part of its income by tariffs and the sales of the country. The incomes from both sources decreased/went back however under the crisis strongly. First of all many goods before the economic crisis from industrialized Europe were imported. By the economic crisis however the demand for European goods had strongly sunk in America. Therefore also the government could take only little money by tariffs on the import of goods. Secondly also the in the west could hardly be sold during the economic crisis, since humans and enterprises did not have money remaining, in order to buy their own farm or speculate over in country. Besides the farmers, who had already acquired but yet had not paid their farm, often could not furnish their debt service. Normally the country was then auctioneered, however this was politically not interspersable in times of the crisis, so that the land sales were occasionally suspended.

In order to meet the financial crisis, the government had to save. Besides the congress permitted to take up further loans. This happened at several meetings, at other compromises could not the congress however not struggle through itself, since they would have favoured either the north or the south. Of 1.7.1857 up to 1.7.1860 had more than doubled themselves the debts from \$28 millions to \$64 millions.

-  [Printer Friendly Format](#)
-  [Back to top](#)
-  [Back to "Economic crisis"](#)
-  [Back to top](#)
-  [Back to "Economic crisis"](#)