The Transatlantic Financial Crisis of 1837

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Summary and Keywords

The Transatlantic Financial Crisis of 1837 produced a global depression that lasted until the mid-1840s. Falling cotton prices, a collapsing land bubble, and fiscal and monetary policies pursued by individual actors and financial institutions in the United States and Great Britain were all responsible. A comprehensive understanding of the panic must take into account the global movements of gold and silver that linked Mexico, China, the United States, and Great Britain in complex networks of credit and debt. In the United States, businesses, banks, and individuals declared bankruptcy; states defaulted on their debts; commodity prices dropped; credit instruments lost their value; and unemployment rose amid a general atmosphere of pessimism and an erosion of confidence. The severity of the panic prompted politicians and financial theorists to reevaluate their ideological assumptions regarding the proper role of governmental regulation in an economy. In a larger sense, the panic demonstrated how the expansion of slavery in the United States, British imperialism, financial speculation, and recurring cycles of boom and bust were emerging as defining features of modern capitalism.

Keywords: international trade, specie, Mexican silver, history of capitalism, bank war, Nicholas Biddle, Baring Brothers, Bank of England, cotton, domestic slave trade

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