Economic History Association January 2020

The Panic of 1819: The First Great Depression

Author(s): Browning, Andrew H.
Reviewer(s): Haulman, Clyde A.

Published by EH.Net (January 2020)

Andrew H. Browning, *The Panic of 1819: The First Great Depression*. Columbia, MO: University of Missouri Press, 2019. x + 439 pp. $45 (hardcover), ISBN: 978-0-8262-2183-4.

Reviewed for EH.Net by Clyde A. Haulman, Department of Economics, College of William and Mary.

Andrew H. Browning chronicles the events and unfolds the complexities of the U.S. economy at the end of the second decade of the nineteenth century in his excellently researched and insightful book, *The Panic of 1819*. Most often, historians and economists have looked at this period as a typical post-war boom and bust while focusing attention on the political and social changes that were driving the young nation. Browning digs deeper and in doing so makes a strong case that the Panic of 1819 was more than the usual post-war cycle.

Beginning with an overview of the years leading up to the crisis, Browning looks at Napoleon's decision to sell the Louisiana Territory, Mr. Jefferson's embargo, and Mr. Madison's war as critical elements in setting the stage for the westward expansion that would dominate the American economy for decades. Although much has been written about the Market and Transportation Revolutions that began during this period and helped shape the nature of economic relationships in the new nation, Browning adds insights about the Corporate Revolution, "a distinctly American surge in limited-liability joint-stock companies" (p. 66). It is this innovation that ensured capital for the interdependent growth in markets and transportation. He concludes setting the stage for the panic with a discussion of the impact of unusually cold temperatures in the middle of the decade (exacerbated by the explosion of the Tambora volcano in 1815). The resulting summer snow and drought in the Northern Hemisphere drove up grain prices and encouraged many Americans to move westward.

Even when grain prices leveled off (although cotton prices continued rising), demand for western land, particularly in Alabama, Ohio, Indiana, and Illinois, continued to accelerate. The sale of land in Alabama increased over twenty times between 1816 and 1818. Encouraged by easy loan terms and funded by the new Second Bank of the United States and the numerous state banks that had sprung up in the years following the demise of the First Bank, a full-blown speculative bubble erupted. Browning covers in detail the well-known role of the Second Bank in the expansion and ensuing contraction. He emphasizes the importance Treasury officials and the Second Bank's management attached to the 1818-1819 maturation of Louisiana bonds requiring payment in specie, mostly to foreign holders.

With the collapse in full swing, Browning deftly uses a wide range of contemporary sources, especially newspapers and periodicals representing all parts of the country as well as government documents and records, to chronicle the progress of the downturn. Reporting on falling prices, declines in output, and high levels of unemployment, Browning first looks at the eastern part of the nation and then the west. Details provided by the stories of particular individuals enhance the description of the hard times with its rapid increase in bankruptcies and legal actions for debt.

Browning concludes his study with three chapters considering the impact of the Panic. The first discusses the range of relief efforts enacted in many states including restructuring of poor assistance, the use of minimum appraisal and stay laws, and restrictions on bank charters. Increased cost of poor relief in the wake of the Panic along with the Second Great Awakening's moral views led to changes in public attitudes toward the poor and to reductions in funding that set the tone for much of the next century. The next chapter highlights increased democratic participation stemming from relief efforts and a focus on political corruption that stimulated growth in organized political factions. Browning's final chapter links the effects of the Panic and the role of the Second Bank in heightening sectionalism to the growing factional politics and the focus on states' rights of the Jacksonian era.

A question for economists left unanswered by Browning's work is the disconnect between contemporary reports of significant declines in output and severe unemployment and the findings of empirical work by Joseph H. Davis (*Quarterly Journal of Economics*, 119:4 (2004), pp. 1177-215.) and Vadim Khramov and John Ridings Lee (*IMF Working Paper*, 13/214, 2013). Davis uses 43 output series to develop an index of industrial production for the period 1790-1915. For the Panic years (1819-1821), 27 series are available and show an increase of 9.6 percent in industrial output derived from increasing demand in the broader economy. Similarly, creating an index using inflation, unemployment, the budget deficit, and changes in real GDP, Khramov and Lee find the Panic of 1819 to be the second mildest downturn of the nineteenth century.

Now that Browning has catalogued the extensive contemporary reports on output and unemployment during the Panic of 1819, what might those who study the period do to improve empirical measures of the early nineteenth century economy and to reconcile those data with contemporary perceptions about the Panic and its economic impact?

Until that work is completed, Andrew Browning has given us a masterful study of an often overlooked economic crisis and has rightfully subtitled his work "The First Great Depression."

Clyde Haulman is the author of *Virginia and the Panic of 1819: The First Great Depression and the Commonwealth* (2008).