***The Panic of 1819***

***An excerpt from “A Nation of Nations” by James West Davidson***

The Panic of 1819 was the first major **economic depression** in the nation’s history and began the **boom and bust cycle** that characterizes a capitalistic economy. From 1815-1818 cotton had commanded truly fabulous prices in foreign markets, reaching 32.5 cents a pound in 1818. In the excitement of economic prosperity, the federal government gave extensive credit to those that wanted to buy land. Many **speculators** were buying extensive tracts of land on credit in the West. The re-chartered National Bank also encouraged merchants and farmers to expand their businesses by borrowing money in order to get in on the economic boom. There was **very little regulation** regarding the loans and as a result, many **risky loans** were given.

But in 1819, the price of cotton collapsed and took the rest of the economy with it. Once the bubble burst, **land values fell 50-75 percent** almost overnight. As the economy went down, so did the demand for western crops and northern industrial goods, pushing the nation into a severe depression.

Because the money economy had spread to new areas, the economic downturn affected not only city folk but rural Americans as well. Many farmers, especially in newly settled areas, had **bought their land on credit** and farmers in established areas had expanded their operations **using credit** as well. When prices crashed, both groups were **unable to pay their debts**. New cotton planters in the Southwest were especially hard hit. People all over the country **lost their land and/or their job**.

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