Chapter 11
Panic and Boom
1837-1845

Another Economic Crisis
• The American economy has regular crises.
• Minimized in retelling of history because it impacted most on the lower classes.
• When economies are healthy the elite’s informational sources (propaganda machine), tells all laws, regulations & taxes are bad.
• All’s fine until a cyclic crisis emerges.

Crisis Fueled by Speculation
• Governments sell Native American lands to speculators who turn quick profit.
• Governments accumulate wealth in gold and silver, pay debts with paper money.
• England’s industrialization results in demand for American cotton; South has boom.
• Much of boom is paid for on speculation, i.e. loans, when money doesn’t come= default.

Government Blamed For Crisis
• Government policy contributed to problem.
• Primary cause of the problem was that there is no internal regulation of the “market.”
• The human suffering of poor & middle classes produced by the abuses & errors of elite are euphemistically called “ market corrections.”
• Those who benefited financially from crisis are not held responsible for it happening.

Economic Crisis Long in Coming
• President Van Buren is associated with the Panic of 1837, but its roots began long before
• Economic collapses, and recoveries, take years, rarely the product of immediate action.
• Rampant speculation followed by poorer than expected profits often produces collapse.
• In short, “the market,” does not regulate itself.

Laissez-faire Economics
• Laissez-faire is short for "laissez faire, laissez passer," a French phrase meaning "let do, let pass." (From Wikipedia ©)
• First used by the eighteenth century Physiocrats as an injunction against government interference with trade, it is now used as a synonym for strict free market economics.
• Popularized in Adam Smith’s Wealth of Nations.

Adam Smith, Philosopher
• Adam Smith (1723-1790), a Scottish political Economist and moral philosopher.
• He wrote Inquiry into the Nature and Causes of the Wealth of Nations. (1776)
• The full formal title more often listed as “Wealth of Nations.”
One of the earliest attempts to study the historical development of industry and commerce in Europe.

Adam Smith, Economist
- Smith’s writings helped to create the modern academic discipline of economics
- One of the best-known intellectual rationales for free trade and capitalism.
- Before “free trade” was redefined by an industrial elite it had democratic meanings.
- Economics, a new study of human behavior.
- The “market place” is simply human conduct.

Adam Smith, Icon
- Adam Smith played a large role in popularizing laissez-faire economic theories in English-speaking countries, though he was critical of a number of aspects of what is currently thought of as laissez-faire. (From Wikipedia ©)
- Such as the absences of any government regulation of business practices.
- The economic elite have altered history’s recollection in subtly changing Smith’s theory.

18th Century Economics
- 18th Century governments were either outright controlled by monarchs or had democracies struggling for control of power with the monarchs and the royal elite.
- 18th century governments favored royalty.
- Preaching against government control when governments were controlled by monarchs was preaching against a corrupt system.

The Election of Van Buren
- Jackson’s Vice President during 2nd term.
- Former U.S. Senator from New York.
- Jackson’s Secretary of State during 1st term.
- Perceived to carry on Jackson’s legacy.
- No charisma like Jackson, urban and heavy.
- The limitations of Jackson’s policies will result in Van Buren having only one term.

Power from Water
- Wheels had been used to harness water power
- Steam emerges as source of energy
- The piston replaces the water wheel
- Steam as a renewable source of energy
- Steam becomes basis for internal power in railroads and boats; hence the term locomotion.
- Inventions change economy, culture, & society.
The Steam Engine

- Thomas Savery (1650-1715) was an English military engineer and inventor who in 1698, patented the first crude steam engine.
- Thomas Newcomen, (1663-1729) an English blacksmith, invented the atmospheric steam engine, an improvement over Slavery's
- James Watt (1736-1819), a Scottish inventor and mechanical engineer, who made significant improvements on the steam engine.

Information Innovations

- The telegraph is developed
- Links remote areas; those areas are changed
- Information can travel in hours instead of days
- Boon to journalism, the use of wires to receive information from entire nation and the eventually the world; the information age.
- News no longer just local; national perspective and culture begin to emerge.

Industries begin to emerge

- Plans for mills stolen from English factories
- Hostilities with England allowed such theft as being legitimate; part of war effort.
- American factories built on stolen plans
- Myth that merely hard work and fair competition leads to economic success.
- American mythology discounts European inventions and economic advances.

Cotton Becomes King in the South

- Northerner Eli Whitney invents cotton gin
- Short for cotton engine
- Makes processing raw cotton a profitable venture
- Makes slavery more profitable
- No longer dependent upon slave expertise, now slaves just used for picking cotton, that is, common labor.

Cotton Plantations Dominate South

- They emerge as the aristocracy of the South
- The rise of cotton makes them more powerful
- Cotton plantations expand taking up the land of other crops; buy land from smaller farmers.
- Displaced slave owning farmers need to move to regions where land is cheaper or even free.
- More pressure on expanding slavery
- More need for land given to Native Americans.
Public Schools Emerge
- Often the first schools were religious.
- With the fragmentation of Protestantism in America, religious base no longer practical.
- The democratization of American culture results in awareness of education’s value.
- No longer a privilege for the elite’s children.
- Inventions & technology demand complex understandings; culture becoming complex.

Slaves’ Plight Worsens
- The Industrial Revolution in England results in great demand for American cotton.
- Demand for cotton requires more slaves.
- Slavery becomes a trade unto itself, not just a means of production; trading in humans.
- Slave trading centers, like Washington, D.C., thrive for the commerce it produces.

Slave’s Conditions
- Slave plantations will grow enormously
- Conditions for slaves, already bad, worsens when numbers increase and demand for cotton changes pace of production.
- Slaveholders stranglehold on Southern politics is strengthened by increased wealth.
- The desire to expand slavery produces conflict with North and Abolitionists.

The Amistad Case
- 36 Africans being transported on the slave ship Amistad overwhelmed their captors.
- Though slave trade was prohibited, there had been an illegal slave trade continuing.
- Many countries still allowed slavery and underground slave importation continued.
- Slaves thought they were being returned to Africa, but the slave owners were heading for America each night while slaves slept.

The Amistad Trial
- Connecticut judge rules that these Africans were slaves by forged documents.
- Orders President Van Buren to return them to Africa; President appeals to Supreme Ct.
- The slaves were represented by John Quincy Adams, former U.S. President, when the case went before Supreme Court.
- Court rules in Africans’ favor.

Temperance Movement
- Remote life in the frontier and beginning industrialization encourage alcohol abuse.
- Genetic component to alcohol addiction afflicts about 20% of population.
- Religions form around alcohol abstinence.
• Claim scriptural basis to abstinence though evidence suggest alcohol was tolerated in historical era when scripture was written.

Transcendentalism
• Spiritual, or emotional, component of religious experience emphasized over the scriptural and legalistic notion.
• The cultural freedom in America and the absence of trained clergy produce these more democratic views of theology.
• This evolves into a secular and intellectual pursuit separate from strict theology.

Frederick Douglass
• An escaped slave from Chesapeake region.
• His eloquence in support of African American emancipation has an enormous impact on politicians and common people.
• He becomes both an example and a symbol of Black potential; dispelling white bigotry.
• Eventually he befriends President Lincoln impacting upon Lincoln’s view of slaves.

Election of 1840
• President was Van Buren crippled by the Jacksonian economic depression.
• The Whig Party was really only a loose alliance of opponents of Andrew Jackson.
• They nominate Gen. William Henry Harrison.
• Harrison actually campaigns for the office.
• Harrison wins, contracts pneumonia at Inauguration, dies 30 days later; V.P. Tyler assumes the office of President.

Manifest Destiny
• A complex expression of both populist, racist and exploitative views of land ownership.
• Economic opportunity existed in cheap land.
• Anyone could make a living if they invested the time and had good enough land to grow.
• The land was owned & occupied by Indians.
• Land speculators always present driving prices up; ultimately forcing out poor farmers.

Roots of War
• The success of the cotton industry combined with the removal of Native Americans allows slavery to expand; profits increase greatly.
• The Abolitionist were becoming more vocal, more popular and more powerful.
• The South’s exaggerated political power was being threatened by Northern growth.
• Collision course which eventually leads to war