**Significant Crises, Panics, and Depressions in U.S. History**

**Early recessions and crises**

In 1791, Congress chartered the First Bank of the United States to handle the country's financial needs. The bank had some functions of a modern central bank, although it was responsible for only 20% of the young country's currency. In 1811 the bank's charter lapsed, but it was replaced by the Second Bank of the United States, which lasted from 1816–36.

| **Name** | **Duration** | **Characteristics** |
| --- | --- | --- |
| Panic of 1797 | ~3 years | Just as a **land speculation bubble** was bursting, deflation from the Bank of England (which was facing insolvency because of the cost of Great Britain's involvement in the French Revolutionary Wars) crossed to North America and disrupted commercial and real estate markets in the United States and the Caribbean, and caused a major financial panic. Prosperity continued in the south, but economic activity was stagnant in the north for three years. |
| Depression of 1807 | ~3 years | **The Embargo Act of 1807** was passed by the United States Congress under President Thomas Jefferson as tensions increased with the United Kingdom. Along with trade restrictions imposed by the British, shipping-related industries were hard hit. The Federalists fought the embargo and allowed smuggling to take place in New England. Trade volumes, commodity prices and securities prices all began to fall. **Macon's Bill Number 2** ended the embargoes in May 1810, and a recovery started. |
| 1815–21 depression | ~6 years | Shortly after the **War of 1812** ended on March 23, 1815, the United States entered a period of financial panic as bank notes rapidly depreciated because of inflation following the war. The 1815 panic was followed by several years of mild depression, and then a major financial crisis – the **Panic of 1819**, which featured widespread foreclosures, bank failures, unemployment, a collapse in real estate prices, and a slump in agriculture and manufacturing. |

**Free Banking Era to the Great Depression**

In the 1830s, Andrew Jackson fought to end the Second Bank of the United States. Following the Bank War, the Second Bank lost its charter in 1836. From 1837 to 1862, there was no national presence in banking, but still plenty of state and even local regulation, such as laws against branch banking which prevented diversification. In 1863, in response to financing pressures of the Civil War, Congress passed the National Banking Act, creating nationally chartered banks. There was neither a central bank nor deposit insurance during this era, and thus banking panics were common. Recessions often led to bank panics and financial crises, which in turn worsened the recession.

| **Name** | **Duration** | **Business activity** | **Trade & industrial activity** | **Characteristics** |
| --- | --- | --- | --- | --- |
| **1836–1838 recession** | ~2 years | -32.8% | — | A sharp downturn in the American economy was caused by **bank failures and lack of confidence in the paper currency**. Speculation markets were greatly affected when **American banks stopped payment in specie** (gold and silver coinage).Over **600 banks failed** in this period. In the South, the cotton market completely collapsed. |
| late 1839–late 1843 recession | ~4 years | -34.3% | — | This was **one of the longest and deepest depressions**. It was a period of pronounced deflation and massive default on debt. The Cleveland Trust Company Index showed the economy spent 68 months below its trend and only 9 months above it. The Index declined 34.3% during this depression. |
| **Panic of 1857** | 1 year 6 months | −23.1% | — | Failure of the Ohio Life Insurance and Trust Company burst a European speculative bubble in United States' railroads and caused a loss of confidence in American banks. Over 5,000 businesses failed within the first year of the Panic, and unemployment was accompanied by protest meetings in urban areas. |
| 1865–67 recession | 2 years 8 months | −23.8% | — | The American Civil War ended in April 1865, and the country entered a lengthy period of general deflation that lasted until 1896. The United States occasionally experienced periods of recession during the Reconstruction era. Production increased in the years following the Civil War, but the country still had financial difficulties. The post-war period coincided with a period of some international financial instability. |
| **Panic of 1873:**  **The Long Depression** | 5 years 5 months | −33.6% | — | Economic problems in Europe prompted the failure of Jay Cooke & Company, the largest bank in the United States, which burst the post-Civil War speculative bubble. **The Coinage Act of 1873** also contributed by immediately depressing the price of silver, which hurt North American mining interests. The deflation and wage cuts of the era led to labor turmoil, such as the **Great Railroad Strike of 1877**. In 1879, the United States **returned to the gold standard** with the Specie Payment Resumption Act. This is the longest period of economic contraction recognized by the NBER. The Long Depression is sometimes held to be the entire period from 1873–96 |
| **Panic of 1893** | 1 year 5 months | −37.3% | −29.7% | Failure of the United States Reading Railroad and withdrawal of European investment led to a stock market and banking collapse. This Panic was also precipitated in part **by a run on the gold supply**. The Treasury had to issue bonds to purchase enough gold. Profits, investment and income all fell, **leading to political instability, the height of the U.S. populist movement and the Free Silver movement.** |
| Panic of 1907 | 1 year 1 month | −29.2% | −31.0% | A run on Knickerbocker Trust Company deposits in 1907, set events in motion that would lead to a severe monetary contraction. The fallout from the panic **led to Congress creating the Federal Reserve System** |
| Recession of 1913–1914 | 1 year 11 months | −25.9% | −19.8% | Productions and real income declined during this period and were not offset until the start of World War I increased demand. |
| Post-World War I recession | 7 months | −24.5% | −14.1% | Severe hyperinflation in Europe took place over production in North America. This was a brief but very sharp recession and was caused by the end of wartime production, along with an influx of labor from returning troops. This, in turn, caused high unemployment. |
| **Depression of 1920–21** | 1 year 6 months | −38.1% | −32.7% | The 1921 recession began a mere 10 months after the post-World War I recession, as the economy continued working through the shift to a peacetime economy. The recession was **short, but extremely painful**. The year 1920 was the **single most deflationary year in American history**; production, however, did not fall as much as might be expected from the deflation. GNP may have declined between 2.5 and 7 percent, even as wholesale prices declined by 36.8%. The economy had a **strong recovery** following the recession |

**Great Depression onward**

Following the end of World War II and the large adjustment as the economy adjusted from wartime to peacetime in 1945, the collection of many economic indicators, such as unemployment and GDP, became standardized. Recessions after World War II may be compared to each other much more easily than previous recessions because of these available data.

| **Name** | **Duration (months)** | **Peak unemploy­ment** | **GDP decline (peak to trough)** | **Characteristics** |
| --- | --- | --- | --- | --- |
| **Great Depression** | 3 years 7 months | 24.9% (1933) | −26.7% | Stock markets crashed worldwide. A banking collapse took place in the United States. Extensive new tariffs and other factors contributed to an extremely deep depression. The United States did remain in a depression until World War II. In 1936, unemployment fell to 16.9%, but later returned to 19% in 1938 (near 1933 levels). |
| **Recession of 1937–1938** | 1 year 1 month | 19.0% (1938) | −18.2% | The Recession of 1937 is only considered minor when compared to the Great Depression, but is otherwise **among the worst recessions of the 20th century.** Three explanations are offered for the recession: that tight fiscal policy from an attempt to balance the budget after the expansion of the New Deal caused recession, that tight monetary policy from the Federal Reserve caused the recession, or that declining profits for businesses led to a reduction in investment. |
| Recession of 1958 | 8 months | 7.5% (July 1958) | −3.7% | Monetary policy was tightened during the two years preceding 1957, followed by an easing of policy at the end of 1957. The budget balance resulted in a change in budget surplus of 0.8% of GDP in 1957 to a budget deficit of 0.6% of GDP in 1958, and then to 2.6% of GDP in 1959. |
| Recession of 1960–61 | 10 months | 7.1% (May 1961) | −1.6% | Another primarily monetary recession occurred after the Federal Reserve began raising interest rates in 1959. The government switched from deficit (or 2.6% in 1959) to surplus (of 0.1% in 1960). When the economy emerged from this short recession, it began the second-longest period of growth in NBER history. The Dow Jones Industrial Average (Dow) finally reached its lowest point on Feb. 20, 1961, about 4 weeks after President Kennedy was inaugurated. |
| **1973–75 recession** | 1 year 4 months | 9.0% (May 1975) | −3.2% | A **quadrupling of oil prices by OPEC** coupled with high government spending because of the **Vietnam War** led to stagflation in the United States. The period was also marked by the 1973 oil crisis and the 1973–1974 stock market crash. The period is remarkable for rising unemployment coinciding with rising inflation. |
| Early 1980s recession | 1 year 4 months | 10.8% (Nov 1982) | −2.7% | The **Iranian Revolution** sharply increased the price of oil around the world in 1979, causing the 1979 **energy crisis**. This was caused by the new regime in power in Iran, which exported oil at inconsistent intervals and at a lower volume, forcing prices up. **Tight monetary policy** in the United States to control inflation led to another recession. The changes were made largely because of inflation carried over from the previous decade because of the 1973 oil crisis and the 1979 energy crisis. |