

The Panic of 1837

by [Michael E. Marotta](#)

For much of our history, the dollar has been as good as gold, but it certainly wasn't true 158 years ago on May 10, 1837. On this day in that year, banks suspended the payment of hard money as the country plunged into an economic depression.

The Panic of 1837 was the result of complex events going back several years. Andrew Jackson was elected president in 1828 and he was a staunch opponent of the Bank of the United States. President Jackson ordered the withdrawal of all federal funds from the Bank. The Bank of the United States was doomed and when it closed, credit collapsed.

Meanwhile, the US Treasury held a surplus of 16 million dollars. It eventually grew to 28 million and there was no national debt or federal deficit. (Imagine that!) So, the excess money was given to the states to be used for education and other public improvements. To ensure that the Treasury would always be full, Jackson's "Specie Circular" of July 1836 required that all federal lands be sold only for gold coin and not for shakey paper money from dubious banks. America's westward march stopped dead in its tracks.

While all of this was going on, the English were having their own troubles and in March of 1837, a panic struck the London stock exchange. The ripples reached our shores a few weeks later. America recovered from the Panic of 1837, but the date of May 10 shows up on many privately-struck tokens from this era.

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