

Financial upheavals

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Financial Upheavals The economy of any country is to distinct business cycles that lie on the boom-depression continuum. The consequences of any such business cycle may vary from being mild to ruthless depending on its intensity and duration.

The economy of United States too has, in the past, passed through periods of recession, recovery and boom. Three major depressions that have occurred in America can be traced to the years 1837, 1893 and 1929 (Calomiris 2010). The downturns of 1857, 1873, and 1907 also find mention in the history books.

The Panic of 1819, however, is considered to be the first major economic crisis to have affected United States (Rothbard 2002). On the other hand, the Great Recession of 2008 is the most recent economic downturn in country, the pangs of which are being felt even today.

Both these financial upheavals share similarities in terms of their causes and consequences. They led to extensive loan foreclosures, bank failures, high unemployment rates and a slump in manufacturing sector.

The reason for the panic of 1819 can be attributed to the economic system of the United States (Rothbard 2002). It was the panic of 1819 that brought the grand economic expansion following the War of 1812 to an end. Inflation, debtors' relief which was invariably tied with monetary schemes and a protective tariff played a pivotal role in creating the situation of panic in the country at that time.

On the other hand, the onset of the Recession of 2008 can be attributed to complex and interlinked factors. Sub-prime lending, loose monetary policy, global imbalances and lax financial regulation were responsible for the latest financial upheaval that has had the entire world reeling.

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The aforesaid discussion highlights that there was more than one factor that triggered these upheavals. Among others, an expansionary monetary policy played a key role as these crises unfolded.

Proposal is hereby made to write a detailed paper which will compare and contrast these two historic financial upheavals; the earliest and the latest to have rocked the United States of America with special emphasis on the role of the monetary policy in each case.

Works Cited

Calomiris, Charles W. " Banking Crises Yesterday and Today." *Financial History Review* 17. 1 (2010): 3, 3-12. ABI/INFORM Complete. Web. 12 Sep. 2011.

Rothbard, Murray N. " The Panic of 1819: Reactions and Policies." *Mises. org.* Ludwig von Mises Institute. Web 12 Sep. 2011