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An Outline of the Economic Development of the United States

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REVISED EDITION

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INTRODUCTORY NOTE

THE story of the development of the United States from the thirteen colonies to a modern industrial world power is one which loses none of its fascination in the telling. As here outlined, it has been studied by students in New York Chapter of the American Institute of Banking for several years. Teaching experience has demonstrated that the present method of approach is sufficiently satisfactory to require only a few minor changes in the Outline since its original publication in 1921.

In connection with each section of the topical outline the instructor will assign text-book readings. The student who has the time and disposition, however, will find it valuable to read additional material on the subjects of classroom discussion. As an aid in the selection of supplementary readings, suggestions have been appended to each main division of the outline. A list of the books thus cited follows:

West, W. M., History of the American People (1918). Cited as West.

To the student who wishes to acquire a small library dealing with the history of the United States the following books are recommended in addition to those previously cited: D. S. Muzzey, The United States of America, in two volumes (1924); William MacDonald, Three Centuries of American Democracy (1923); Max Farrand, The Development of the United States from Colonies to a World Power (1918). A small series of works on American history is the admirable Riverside History of the United States in four compact volumes.

It is a pleasure to acknowledge the assistance of Dr. Alfred C. Bryan and Mr. L. Brewster Smith in the revision of this outline and to pay tribute to their efficiency and their contagious enthusiasm in their work as instructors in New York Chapter of the American Institute of Banking.

Edward Mead Earle

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An Outline of the Economic Development of the United States

I. THE SCOPE AND IMPORTANCE OF ECONOMIC HISTORY

A. Relationship of economic history to economics.
   1. Definition of economics.
   2. Topics included in economics; problems of production, exchange, consumption, distribution.
   3. History a record of past experiences; the value of considering contemporary problems in relation to their historical background.
   4. Frequent overemphasis upon political and military history at expense of adequate consideration of economic history.

B. The world of to-day compared with the world of Columbus.
   1. Economic organization of the sixteenth century compared with that of the twentieth century.
      Relative importance of agriculture, commerce, industry.
      Business organization and methods.
      Social conditions: the medieval manor and town contrasted with the modern farm and industrial city.
   2. These remarkable changes can be understood and appreciated only by a consideration of how they came about.
   3. The phenomenal development of America since its discovery.

C. Factors in the economic development of the American people.
   1. Natural resources of the land.
      Climate, soil, plant and animal life.
      Mineral wealth.
      Coast line and navigable rivers.
   2. The American people and American institutions.
      Influence of American political institutions.
      The importance of education and social institutions.

D. Outline of the purposes and plan of the course.
   Van Metre, Chap. I; Lippincott, Chap. I:

II. THE EUROPEAN BACKGROUND OF AMERICAN HISTORY

A. European commerce and industry in the later fifteenth century.
   1. Trade with the Orient: its extent and importance.
   2. Problems of transportation: the trade routes to the East.
   3. Industry under the gilds.
B. Economic motives for exploration: the Commercial Revolution.
   1. Aids to exploration.
      a. Progress of geographical knowledge.
      b. Development of navigation: maps and nautical instruments.
      c. Invention of printing.
   2. Desire of the Spaniards and Portuguese for new trade routes.
   3. The era of exploration: "The discovery of America an accident."
   4. Role of the trading companies.
   5. Rise of national monarchies and need of royal revenues.

C. Economic motives for colonization.
   1. Motives of the individual colonist.
      a. The desire for riches and the spirit of adventure.
      b. Relief from pressing economic misery at home: unemployment prevalent after changes in agricultural methods, for example.
      c. Promise of a sure and happy living in a new country rich in opportunities.
   2. Motives of the colonizing nations.
      a. Colonies as a source of supply for the national stock of gold and silver.
      b. As a source of supply for raw materials.
      c. As a market for manufactured articles.
      d. As an outlet for "surplus population."
   3. The economic motives for colonization must not be allowed, however, to obscure the importance of other motives.
      a. Political: national and dynastic rivalries.
      b. Religious.
         1. The missionaries.
         2. Desire to escape religious persecution.

D. The colonization of North America.
   1. Failure of the rivals of England in the appropriation of the New World.
      a. Faulty colonial policy of Spain.
      b. Failure of the Dutch in New Netherlands.
      c. The rise and fall of the French colonial empire.
   2. The success of the English as colonizers.
      a. Reasons for this success.
         1. Attitude of the home government.
         2. Character of the settlers.
         3. Homogeneity and compactness of settlements.
      b. Establishment of the thirteen English colonies.

Van Metre, Chaps. II and III. Thompson, Chaps. I and II; Lip-pincott, Chap. III; Bogart, Chap. I.

III. COLONIAL AMERICA, SOCIAL AND ECONOMIC

A. Predominance of agriculture over all other occupations of the English colonists.
   1. Primitive agricultural methods in the colonies.
      a. Modelled on backward European methods.
      b. Crude implements, showing practically no improvement over those used thousands of years before.
      c. "Earth butchery": failure to preserve qualities of soil by rotation or fertilization.
      d. Indian culture.
2. Experimentation and adaptation.
   a. Successful introduction of European crops.
   b. Native American plants of the utmost importance.
      1. Indian corn, the potato, timothy, pumpkin and squash, etc.
   2. Tobacco.
   c. Other crops successfully grown: rice, cotton, indigo.

      1. Comparatively poorly adapted to agriculture.
         Poor soil and short season for cultivation.
         Required intensive cultivation.
   b. Middle colonies.
      1. Better soil and better supply of labor responsible for
         larger holdings.
   c. The Southern colonies and the plantation system.
   d. Social and economic effects of these sectional differences,
      particularly as regards land tenure and systems of labor.

B. Colonial industries.
   1. Lumbering, shipbuilding, naval stores.
   2. Fishing.
      a. Influence of fishing in development of American sea-going
         commerce.
   3. Fur-trading.
      a. Importance to the colony of New York.
      b. Influence as initial incentive to westward expansion.
   4. The household industries and their importance.
   5. Other industries: textile manufactures, iron, hats, rum.

C. Colonial commerce.
   1. Local trade.
   2. Obstacles to intercolonial trade.
   3. The development of foreign commerce.

D. Colonial money and banking.
   1. Scarcity of money and the reliance upon barter.
   2. Colonial monetary experiments: commodity money.
      a. Wampum and other experiments in New England.
      b. Tobacco and rice as monetary standards in the South.
      c. Furs as money in New York.
   3. The deficiencies of colonial commodity money.
   4. Circulating media in the colonies.
      a. Coins: English coins; the Spanish dollar; "pine tree shilling;" etc.
      b. Paper money: bills of credit, public and private.
   5. Colonial "banking."

E. Colonial labor problems.
   1. Scarcity of hired labor; abundance of free land and consequent
      ability of all but least resourceful to become independent
      farmers.
   2. White servitude in the colonies.
      a. Classes of indentured servants: voluntary and involuntary.
      b. Advantages and disadvantages of indentured servitude.
      a. Growth of the slave trade.
      b. Territorial distribution of negro slaves.
F. Social conditions in the colonies.
   2. Foundation of education in America.
      a. Leadership of the churches: Harvard, Yale, Dartmouth, Columbia, William and Mary, and other colleges founded as religious institutions.
      b. Progress of the idea of compulsory education.
   3. Social institutions.
      a. Social distinctions and aristocracy: contrast between North and South in this respect.
      b. Colonial ideas of "liberty" and "democracy."

Van Metre, Chaps. IV and VI; Lippincott, Chap. IV; Beard, Chaps. II and III; Thompson, Chaps. III and IV; Bogart, Part I.

IV. BRITISH COLONIAL POLICY AND ITS CONSEQUENCES

A. Factors contributing to the development of mercantilism in Europe in the seventeenth and eighteenth centuries.
   1. Political conditions: growth of powerful nations of the Atlantic seaboard; religious, dynastic, colonial wars; dependence of kings upon money rather than feudal dues.
   2. Economic conditions: expansion of commerce and industry; increase in population; more extended use of money and decreasing reliance upon barter.

B. The tenets of mercantilism.
   1. Importance of amassing and maintaining national stock of gold and silver.
   2. Encouragement of national shipping.
      a. For increasing naval strength.
      b. For maintenance of "favorable balance of trade."
   4. Encouragement of manufacturing and export trade.

C. The implications of mercantilism.
   1. Colonies exist for the benefit of the mother country.
   2. Colonies therefore obliged to regulate their economic activities in the interest of self-sufficiency and economic power of mother country.

D. The operation of mercantilism in the English colonies in America.
   1. Effects on colonial shipping and commerce.
      b. Interference with intercolonial trade.
      c. Limitations on foreign commerce: "enumerated" and "non-enumerated articles."
      d. The Molasses Act of 1733.
      e. Summary of effect on colonial commerce. Help or hindrance?
   2. Colonial agriculture and the mercantilist system.
   3. Mercantilist restrictions on colonial manufacturing.
      a. Discouragement and prohibition of industries likely to compete with English goods in the colonial market or abroad.
      b. Bounties and preferential tariffs on certain products considered essential to mother country.
      c. Estimate of the extent to which these restrictions constituted an economic hardship to the colonists.
E. The mercantilist system paves the way for the American Revolution.
1. Accession of George III (1760) and his attitude toward colonial government and "salutary neglect."
2. Effects of the French and Indian War (1754-1763). The problem of taxation.

V. ECONOMIC PHASES OF THE AMERICAN REVOLUTION

A. A consideration of the economic causes of the Revolution.
1. Colonial resistance to the enforcement of the mercantilist regulations.
   a. The Stamp Act, 1765, and the powerful interests it affected—newspaper publishers, lawyers, merchants, bankers.
   b. The cry of "Taxation without Representation"; the non-importation agreements.
   c. Increasing agitation against enforcement.
2. Extent to which political factors increased colonial discontent.
4. Outbreak of the Revolution. "Taxation without Representation" or "No Taxation?"

B. Fiscal history of the Revolutionary period.
1. Financial chaos at the outbreak of hostilities.
2. Methods of financing the war.
   a. "The Continentals."
   b. State requisitions and taxation.
   c. Domestic and foreign loans.
   d. Futile attempts to secure national taxes.
3. Robert Morris, financier and statesman.
   a. Services of Robert Morris as Superintendent of Finance, 1781-1784.

C. Industrial conditions during the war.
1. Isolation as an encouragement to agriculture and manufacturing.
2. Commerce and "privateering."
3. General economic conditions unsatisfactory because of unstable currency.

D. Unsatisfactory character of the Confederation a handicap to economic progress.
   *Van Metre*, Chap. VIII; *Thompson*, Chap. VII; *Beard*, Chap. V.

VI. THE NEW NATION AND ITS PROBLEMS

A. Economic and political readjustment during the critical period 1783-1789.
1. Defects of the Articles of Confederation.
ECONOMIC DEVELOPMENT OF UNITED STATES

a. Impotence of Congress and excess power of states in matters of finance, commerce, industry, foreign affairs.
b. Inherent defects of organization; consequent governmental inefficiency.

2. Economic conditions making imperative the adoption of a new constitution.
a. Collapse of the national credit.
b. Depreciation of the currency; the question of "hard" versus "soft" money; Shay's Rebellion.
c. Question of protection to American commerce and industry.
d. Interstate trade restrictions hampering economic development.

3. The adoption of a new Constitution.
b. The framing of the Constitution and its adoption by the States.

a. Far-reaching powers of Congress in the regulation of finance, industry, interstate and foreign commerce.
b. Significant limitations on the powers of the states.

B. Certain outstanding facts of the economic situation in 1789.
1. Population.
a. Total number about 4,000,000 of whom 1/6 were negroes.
b. Distribution. Relative position of North and South and West. The cities: only 6 with a population in excess of 7,500; New York largest with 33,000.

2. Agriculture still the basic industry, occupying some 90% of the population.

3. Hamilton's reports as indicating the character of the problems facing the new government.

C. Governmental protection to American shipping.

2. Effects of this legislation.

D. Protection and stimulation of American industries.
1. American market flooded with foreign goods after the war.
2. Protective features of the tariff of 1789.

E. Problems of public finance and their solution.
1. Establishing the national credit.
a. Funding and redemption of the domestic and foreign debt.
b. Solution of the problem of certificates of indebtedness and bills of credit.


3. Provision of a national revenue.
b. Excise duties and direct taxes. Unpopularity of these taxes: the Whiskey Tax, 1791, and the Whiskey Rebellion, 1794.