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Economic History of The United States

By HAROLD UNDERWOOD FAULKNER
Professor of History in Smith College

REVISED EDITION



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TO
ETHEL WEBB FAULKNER

CONTENTS

PREFACE xiii

CHAPTER I 1

Economic Aspects of Colonization

THE COMMERCIAL REVOLUTION—COLONIZATION OF AMERICA—COLONIAL SYSTEMS OF SPAIN, FRANCE AND HOLLAND—THE ENGLISH COLONIZATION—SUGGESTED READINGS.

CHAPTER II 15

Economic Life in the Colonies

GENERAL OBSERVATIONS—LAND TENURE—COLONIAL AGRICULTURE—AGRICULTURE IN NEW ENGLAND AND THE MIDDLE COLONIES—SOUTHERN AGRICULTURE—THE COLONIST AS A FARMER—COLONIAL INDUSTRY—HOUSEHOLD INDUSTRY—FOREST INDUSTRIES—MINERALS—FISHING, WHALING AND HUNTING—COLONIAL LABOR—SLAVERY.

CHAPTER III 37

The Revolution as an Economic Phenomenon

THE OLD COLONIAL SYSTEM—COLONIAL COMMERCE—MERCANTILISM A CAUSE OF THE REVOLUTION—OTHER ECONOMIC CAUSES—FINANCING THE WAR—SOCIAL AND ECONOMIC EFFECTS OF THE REVOLUTION—SUGGESTED READINGS.

CHAPTER IV 54

National Beginnings and Economic Independence

THE "CRITICAL PERIOD"—THE CONSTITUTION—EARLY PROBLEMS OF THE GOVERNMENT—DEVELOPMENT OF FOREIGN COMMERCE AND THE MERCHANT MARINE—FREEDOM OF THE SEAS—THE COMMENCEMENT OF THE INDUSTRIAL REVOLUTION—SUGGESTED READINGS.

CHAPTER V 75

The Westward Movement and Early Agriculture

THE SIGNIFICANCE OF THE WESTWARD MOVEMENT—THE WESTWARD MOVEMENT TO THE END OF THE REVOLUTION—EARLY LAND POLICY—SETTLEMENT OF THE OLD NORTHWEST—SETTLEMENT OF THE OLD SOUTHWEST—INFLUENCE OF THE WESTWARD MOVEMENT ON AGRICULTURE—AGRICULTURE DURING THE PERIOD OF THE EARLY REPUBLIC—SCIENTIFIC FARMING AND LABOR SAVING MACHINERY—SUGGESTED READINGS.

CHAPTER VI 98

Transportation and Communication

SIGNIFICANCE IN AMERICAN HISTORY—EARLY TRANSPORTATION: COAST WISE AND WAGON ROAD—GOVERNMENT AID AND THE NATIONAL ROAD—THE RIVER STEAMBOAT—ERA OF CANAL BUILDING—THE COMING OF RAILROADS—OTHER IMPROVEMENTS IN

COMMUNICATION—EFFECT OF TRANSPORTATION AND COMMUNICATION DEVELOPMENT—SUGGESTED READINGS.

CHAPTER VII 121

Industrial and Commercial Development

GROWTH OF TEXTILE MANUFACTURING—OTHER MANUFACTURING—CHARACTERISTICS AND DISTRIBUTION OF INDUSTRY—EARLY LABOR PROBLEM—GENESIS OF THE LABOR MOVEMENT—EARLY TARIFF HISTORY, 1816–1857—FINANCE AND BANKING—COMMERCIAL DEVELOPMENT—SUGGESTED READINGS.

CHAPTER VIII 147

The Civil War

SLAVERY—THE COTTON KINGDOM—ECONOMIC CAUSES OF THE WAR—EFFECT OF THE WAR ON THE SOUTH—EFFECT OF THE WAR ON THE NORTH—WAR TIME LEGISLATION, 1860–1865—SUGGESTED READINGS.

CHAPTER IX 162

Triumph of the Industrial Revolution

GROWTH OF MANUFACTURING SINCE 1860—CAUSES FOR GROWTH OF MANUFACTURING—CHARACTERISTICS AND LOCATION OF INDUSTRY—TARIFF POLICY SINCE 1860—DEVELOPMENT OF RAILROAD TRANSPORTATION, 1860–1920—THE TRANSCONTINENTAL ROADS—DECLINE OF INLAND WATER

TRANSPORTATION—THE COMING OF ELECTRICITY AND GASOLINE—SUGGESTED READINGS.

CHAPTER X 185

The Rise of Labor

CAUSES FOR THE DEVELOPMENT OF THE LABOR MOVEMENT—CIVIL WAR AND ITS EFFECT ON LABOR—THE KNIGHTS OF LABOR—THE AMERICAN FEDERATION OF LABOR—INDUSTRIAL UNIONISM—RECENT TENDENCIES—SUGGESTED READINGS.

CHAPTER XI 202

The End of the Frontier

OCCUPATION OF THE TRANS-MISSISSIPPI WEST—THE MINING FRONTIER—THE RANCHERS' FRONTIER—THE FARMERS' FRONTIER—AGRARIAN UNREST, 1873–1896—THE MOVEMENT FOR CURRENCY INFLATION—THE PROGRESSIVISM OF THE WEST—THE END OF THE FRONTIER—SUGGESTED READINGS.

CHAPTER XII 223

The Decline of Laissez Faire

THE GOLDEN AGE OF LAISSEZ FAIRE—EARLY RAILROAD CHAOS—EARLY MOVEMENT FOR RAILROAD CONTROL—INTERSTATE COMMERCE ACT OF 1887 AND THE EXTENSION OF GOVERNMENT CONTROL—CONSOLIDATION OF BUSINESS—POOLS AND TRUSTS—THE MUCK-RAKERS AND THE CLAYTON ACT OF 1914—THE REËNTRY OF THE GOVERNMENT INTO THE BANKING BUSINESS—THE HERITAGE OF POPULISM—SUGGESTED READINGS.

CHAPTER XIII 245

The New Imperialism

THE OLD IMPERIALISM—THE NEW IMPERIALISM—THE UNITED STATES BECOMES A CREDITOR NATION—THE NEW FRONTIER—RECENT COMMERCIAL TENDENCIES—SUGGESTED READINGS.

CHAPTER XIV 261

Recent Agricultural Development

TENDENCIES SINCE 1860—THE AGRARIAN REVOLUTION—FARMERS' UNREST—GOVERNMENT AID-EDUCATION AND RESEARCH—GOVERNMENT AID-PROTECTION AGAINST OTHER ECONOMIC GROUPS—RECENT AGRICULTURAL TENDENCIES—SUGGESTED READINGS.

CHAPTER XV 275

The New Century

RÉSUMÉ, 1897–1914—THE REFORM ERA—THE WORLD WAR—THE DEPRESSION OF 1920–1921—THE TWENTIES—BUSINESS CONSOLIDATION.

CHAPTER XVI 292

The Harvest

CAUSES OF THE ECONOMIC COLLAPSE—COURSE OF THE DEPRESSION—THE NEW DEAL—CONCLUSION.

A WORKING LIST OF BOOKS FOR STUDENTS IN AMERICAN ECONOMIC HISTORY . 307

INDEX 313

MAPS

FACING PAGE

Mediæval Trade Routes Between Europe and the East . . . 2
Distribution of Population, 1790 80
Distribution of Population, 1840 87
The Erie Canal 103
The National Pike 103
Railroads in the United States in 1860 114
Per Cent of Increase in Value of All Farm Property, By States: 1860–1870 155
Value of Products, Mining Industries, By States: 1919 . . . 164
Value of Manufactured Products, By States: 1919 168
Railroads in the United States in 1920 175
Per Cent Increase in Value of All Farm Property, By States: 1880–1890 209
Westward Movement of the Center of Population 219
United States in the Caribbean 253
Value of Agricultural Products, By States: 1920 271

PREFACE TO FIRST EDITION

THE necessity of compressing the economic history of the United States into a book of such brevity necessarily obviates a detailed treatment of any topic. This book purports to be merely an introduction to a wide field of study, and an effort to catch the salient features of the tremendous swing of our economic development and to state them simply and in their true perspective. The volume is designed primarily for adult readers who may not have the time and opportunity to pursue the subject in great detail, but it is hoped that it may be useful to younger students as they first turn to the fascinating problems of economic history.

The suggested readings at the end of each chapter have been chosen with a view to their availability in the average public or college library as well as for their intrinsic excellence. In addition, "A Working List of Books for Students in American Economic History" has been appended at the end of the book. This list contains also the titles of the longer textbooks on American economic his-

tory, which have been omitted from the chapter bibliographies but which usually contain a fuller treatment of the subjects herein discussed. Although this volume is appearing in the Workers' Bookshelf, it has seemed inadvisable to emphasize especially the labor movement, owing to the volumes by Mary Beard, David J. Saposs and others in the same series devoted to that subject.

The maps opposite pp. 2, 80, 103, 114, 175, and 219 are used by courtesy of The Macmillan Company and those opposite pp. 87 and 253 with the permission of Harper and Brothers. The others are taken from government publications, in particular the *Statistical Atlas of the United States* (1924), published to accompany the Fourteenth Census. In closing, the author desires to express his appreciation for the encouragement and valuable suggestions rendered him during the writing of this book by Dr. Charles A. Beard, Chairman of the Editorial Committee of The Workers' Bookshelf, and Spencer Miller, Jr., Secretary of the Workers Education Bureau.

HAROLD U. FAULKNER.

Northampton, Mass.
August 1, 1927.

PREFACE TO REVISED EDITION

THE continued use of this little volume has made it seem necessary to bring out a new edition. The revision includes minor changes in the first fourteen chapters, a rewriting of chapter XV, the addition of a new concluding chapter, and an effort to bring up to date the chapter bibliographies and the list of books at the end of the volume. The difficulties confronting an author who attempts to tell a story of epic proportions in a few thousand words are too obvious to need comment, but it is hoped that the changes which have been made in this revision will make the book more usable.

H. U. F.

Northampton, Mass.
January 2, 1937.

Chapter I

Economic Aspects of Colonization

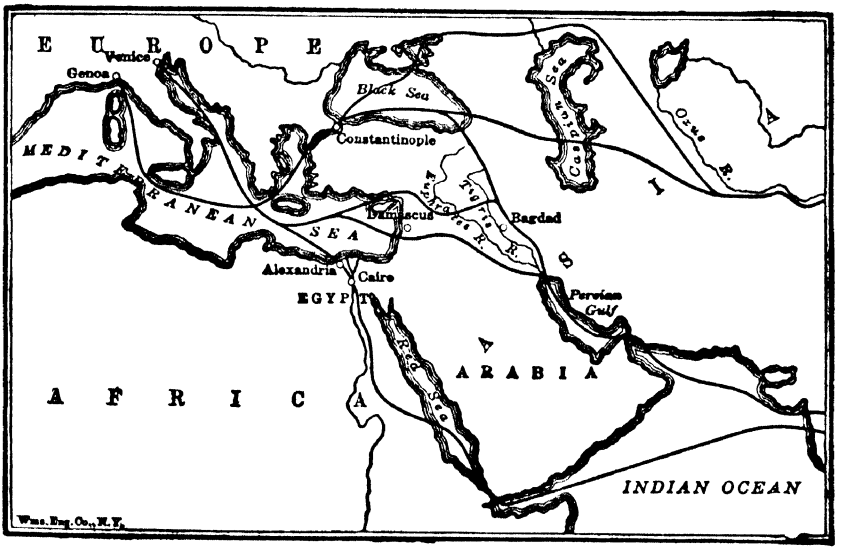
The discovery and colonization of America was a logical outcome of European conditions in the fifteenth and sixteenth centuries. The Renaissance and the invention of the printing press had awakened intellectual activity, while the stories of Marco Polo and other eastern travelers had stimulated the imagination. The compass and the astrolabe had been invented and mariners were becoming bolder. In western Europe the decentralized feudalism of the Middle Ages was giving way to the national state, and with stronger central governments opportunities for trade and communication were increased. The civilization of the Middle Ages seemed to be breaking up and Europe was alive to her finger tips. This intellectual unrest was to find release before many years in the religious revolts of the sixteenth century and in expansion overseas.

Although many factors contributed to the settlement of America, the chief impetus to the actual discovery of the New World was the economic motive of finding a shorter trade route to

The Commercial Revolution

the East. From the earliest times Europe had been dependent upon Asia for most of her luxuries and many of her necessities. Dyes, drugs, precious stones, expensive textiles, cutlery and glassware emanated largely from the Levant or the Far East. Even more important in the mediaeval trade were the spices which lent variety to the monotonous diet and coarse food of the period. In return Europe had only woolen goods and metals to offer. As these were too bulky for the long journeys, the balance of trade was against the West, and the difference was made up by a constant export of gold and silver, a process which drained Europe continually of its precious metals.

Three main trade routes were used in the European-Asiatic trade—the northern leading from the back-doors of China and India to Asia Minor by land, the central across the Indian Ocean to the Persian Gulf, and the southern across the Indian Ocean to the Red Sea and then overland to the Nile and down that river to Alexandria. At the various ports on the eastern Mediterranean the European merchants, chiefly from Italy, purchased the products of the Orient, and then distributed them throughout Europe, either overland through the Alpine passes into central



MEDIAEVAL TRADE ROUTES BETWEEN EUROPE AND THE EAST

From the dawn of history until the time of the Commercial Revolution traffic between East and West flowed over these trade routes. The importance of these arteries of trade declined with the discovery of an all-water route to India but were revived three centuries later by the Suez Canal and in more recent times by the Berlin-Bagdad Railroad.

جامعة عثمانيم

Europe, or by sea through the Straits of Gibraltar to London or Bruges, where the merchants of the Hanseatic League completed the distribution.

The need for eastern products, accentuated as it was by the growing wealth of Europe, by the expense of these long trade routes and by the inability under the circumstances of effecting an even balance of trade, made the discovery of shorter trade routes highly desirable. It is also possible, though unlikely, that there may have been some difficulties thrown in the way of the traders by the Ottoman Turks who had captured Constantinople in 1453 and had extended their conquests by 1517 over all Asia Minor. Primarily it was the desire for quicker and cheaper trade routes combined with motives of religion, conquest and adventure which impelled the early explorers on their voyages of discovery.

Spurred on by the enthusiasm of Prince Henry the Navigator, Portuguese sea captains during the fifteenth century pushed their frail craft gradually down the west coast of Africa until finally in 1487 Bartholomew Diaz rounded the Cape of Good Hope and ten years later Vasco Da Gama sailed up the east coast to India. With the discovery of this new passage to India the economic

and political center of Europe shifted. Merchants deserted the Rialto for the quays of Lisbon and London, and the wealth and power of Europe shifted within a few years from the Mediterranean to the Atlantic seaboard. Thus was brought about the "Commercial Revolution," an economic phenomenon which inaugurated a new era in world history.

The permanency of the Commercial Revolution was insured by the simultaneous discoveries of Columbus. Believing with all educated astronomers of the time that the earth was round, and convinced that India could be reached by sailing due west, Columbus set sail in 1492 and eventually ran into what was probably one of the Bahamas. He thought that he had discovered the outlying islands of the Indies and returned on three voyages to pursue his investigations, but within a few years after the death of the great admiral Europe realized that not Asia, but a new continent had been discovered.

The Spaniards, being the first in the field, pushed their explorations with enthusiasm and persistence, and were rewarded by the discovery of two ancient civilizations and the plunder of Mexico and Peru. Settlements were made in the

West Indies and on the Spanish Main, and as the wealth of America flowed into Europe, merchants awoke to new fields of opportunity. Other nations, in like manner, desiring to participate in whatever America had to offer, sent their expeditions of exploration. Men like Verrazano, Cartier, Frobisher, Davis, Hudson and Raleigh, disappointed by the realization that America was not Asia, nosed along the coast of North America in the constant hope that they might possibly discover an opening which would lead through to India. Except by the Spanish no permanent settlements were made in North America until the seventeenth century, when not only Spain but England, France, Holland and Sweden sent colonists to the region of the present United States.

Motives for Colonization

What were the reasons which led many from every nation in western Europe to embark during the seventeenth century to try their fortunes in an unknown wilderness? The answer is: almost every motive which might influence such an act, with the economic impetus in the long run predominating. After the discoveries of gold in Mexico and Peru the younger sons of the nobility saw a chance of adventure and a possibility of quick wealth, and their ranks were soon augmented by soldiers of

fortune released through the decline of the religious wars. The crusading spirit likewise was strong during the period of the Reformation. Priests accompanied the Spanish and French explorers, and among the prominent arguments advanced by the English for the settlement of America was the opportunity offered to convert the Indians, those "poore and miserable soules wrapt up unto death in almost invincible ignorance". The second permanent English settlement at Plymouth was founded by English Separatists seeking religious freedom, and the more important province of Massachusetts Bay originated from Puritans impelled by the same motive. The religious impetus caused the founding of Rhode Island and was important in the settlement of Connecticut. It was potent in the colonization of Maryland and in the migration of the Palatine Germans into Pennsylvania and New York, and of the North Irish into New England and the Middle Colonies.

It should be remembered, however, that with the religious motive there was the economic,—the hope that in the New World opportunities to live might come, opportunities which were denied under the feudal system of Europe, and that an escape might be found from the devastation and

intolerable conditions brought on by the religious wars. The first settlers might be chiefly motivated by religion, but the succeeding immigrants were likely to be dominated by the hope of economic betterment. The conditions in Germany and in England were particularly bad. In the first country the Thirty Years' war had brought complete demoralization; in the second there was acute distress among the poorer class. The influx of American gold had raised prices in the Old World without a corresponding rise in wages. The allotments of land cultivated by crude methods and heavily taxed by feudal dues now seemed too small to support the peasant population. Many left the farms, a movement accentuated by the enclosures of the land for sheep pasturage. England, said a statute of 1572, "with rogues, vagabonds and sturdy beggars", was "exceedingly pestered", and there were never, according to an eye witness, "more people, less employment; never more idleness, never so much excess". England was thought to be overcrowded, and philanthropists and statesmen combined to advocate emigration. Nor should be forgotten a motive, half political and half economic, emanating from one of the predominating economic theories of the day, that each nation

should be self-sufficing and should encourage the development of such colonies as would supply the mother country with those commodities which she did not raise at home.

Colonial System in America

In addition to the English, the peoples of Spain, France and Holland sought to establish empires in the present United States and left here the imprint of their civilizations. In the case of each one the fundamental theory of colonization was the same, namely the development of an overseas empire for the benefit of the home country. To do this it was believed necessary to regulate carefully the economic life in the colonies. The Spaniards did this by forbidding the colonies to raise certain commodities, such as olives, grapes, tobacco and hemp, by granting monopolies on gunpowder, salt, tobacco and quicksilver, by forbidding their colonists to trade with other nations than Spain, and by requiring all colonial trade to enter one port in Spain. Although the chief export for many years from Spanish America was the precious metals, the great majority of Spaniards lived by ranching and farming. On the great ranches and plantations, called the *encomiendas*, the Indians were reduced to semi-slavery, but with the labor of Indian serfs and of imported negro slaves great

wealth was produced and an advanced civilization achieved before the English settled in North America. The Spaniards converted the Indians, mixed their blood with them, and left a civilization which three hundred years later was essentially the same,—a half breed population reduced to serfdom, and employed on large plantations.

The French, who discovered a great gateway into the New World and by their remarkable explorations added much to the knowledge of America, were handicapped in their development by numerous factors. The harsh climate and stubborn soil of the region first settled discouraged agriculture, the greater profits of the fur trade turned the attention of the French to an unstable source of wealth, while the regulations and methods of the home government were far from wise. Regulation and monopoly, as in New Spain, were carried to extremes, the emigration of Protestants was discouraged, and an effort was made to set up the feudal system in the St. Lawrence valley. As a consequence the French population at the end of the colonial period was barely 80,000, living chiefly on long narrow farms facing some water front, and dividing their time between farming and the gathering of furs. Probably a

third of the population was concerned entirely with the fur business.

The early efforts of the French had been directed by private companies but had been unsuccessful. The activities of the Dutch, however, in the Hudson and Delaware valleys after 1621 were supervised by one of the most powerful corporations in history, and a strong foothold was easily secured. The Dutch West India company had important interests in many places and the fur trade of the Hudson Valley was but a small item in the total. A fort on Manhattan Island and another at the head of navigation near Albany seemed for some years quite sufficient for the necessities of the fur trade. Later (1629) the company offered large blocks of land along the Hudson to members of the company who would bring over fifty families to settle them, and as a result the patroon system with the large landed estates and tenant farmers appeared in the Hudson Valley. Eventually the decline of the New York fur trade threw the interests of the population almost entirely upon agriculture, and various factors, especially the Revolution, contributed to break up the great manors. Driven like a wedge between the English to the north and south, New Netherlands aroused

the antagonism of England and that nation in one of her trade wars with the Dutch (1664) captured it.

As in New France and New Netherlands the first settlements in the English colonies were made by private corporations. The government, unwilling or unable to incur the expense of colonization, turned over the task to groups of private individuals who were willing to risk their own fortunes. As a result companies chartered by the English government secured the first foothold for Great Britain in America. These corporations, in addition to large land grants, were usually given other advantages, such as trading monopolies and preferential tariffs. Like an ordinary commercial company they sold stock, and with the proceeds sent colonists to America. These colonists migrated under various arrangements. Those who went to Jamestown under the London Company were servants of the corporations who in return for transportation and supplies were to work for the company a certain period of time. The Plymouth settlers were also stockholders who migrated with the understanding that the company provide them with necessary supplies for seven years during which time the fruit of their industry was to go

into the general fund and at the end of the stipulated period a division was to be made according to the shares held. The Massachusetts Bay charter, obtained in 1629 for purely commercial purposes, was later taken over by Puritan stockholders, and used to found a Puritan commonwealth, with the stockholders themselves migrating.

The brunt of founding the first settlements in Virginia and New England was thus born by chartered commercial companies. With the preliminary foundations laid it was possible for subsequent expansion to take place without the need of such strong backing. The remainder of the English settlements originated either by (1) migrating groups from the older colonies, as Rhode Island, Connecticut, and parts of Maine, New Hampshire and Vermont or (2) by wealthy proprietors. In the latter case the crown conferred upon some influential personage a large grant of land, and the latter in turn by various methods of granting smaller parcels, sought to entice settlers from Europe or the older colonies. Occupation under proprietors took place in Pennsylvania, in Maryland, and in New Jersey. The Carolinas were given to a company of eight proprietors and Georgia to a group of trustees.

Suggested Readings

An adequate presentation of the story of mediæval trade routes and early chartered companies is E. P. Cheyney, *European Background of American History* (1904) in the American Nation Series, and for the general story of exploration J. N. L. Baker, *History of Geographical Discovery and Exploration* (1932). A good outline of the Commercial Revolution is available in Clive Day, *History of Commerce* (rev. ed., 1923). M. W. Williams, *The People and Politics of Latin America* (1930) is an excellent survey of Latin American history, while an introduction to the Spanish Colonial system may be found in E. G. Bourne, *Spain in America* (1904) American Nation Series, in W. R. Shepherd, *Latin America* (1914) and in H. I. Priestley, *The Coming of the White Man* (1929), the latter in the History of American Life Series. On France in America the various histories of Francis Parkman vividly convey the spirit of the French explorers but shorter accounts are those of R. G. Thwaites, *France in America* (1904) in the American Nation Series, and W. B. Munroe, *Crusaders of New France* (1918) in the Chronicles of America. For a general history of our north-

ern neighbor see Carl Wittke, *A History of Canada* (1931).

On the English colonies the following introductory volumes are suggested: C. L. Andrews, *The Colonial Period* (1912) in the Home University Library; E. B. Greene, *The Foundations of American Nationality* (1922); Carl Becker, *Beginnings of the American People* (1915); O. P. Chitwood, *A History of Colonial America* (1931); and J. T. Adams, *The Founding of New England* (1921). For more detailed study the student is directed to the monumental works of J. A. Doyle, Edward Channing, H. L. Osgood and C. L. Andrews.

For the social history of the English colonies read T. J. Wertenbaker, *The First Americans* (1927) and J. T. Adams, *Provincial America* (1927), both in the History of American Life Series, and for a general interpretation, the early chapters of Charles and Mary Beard's brilliant *Rise of American Civilization* (rev. ed., 1933).

Chapter II

Economic Life in the Colonies

The economic life in the American colonies was primarily agricultural, with more than nine tenths of the people directly engaged in farming. The manufacturing which did exist was chiefly that type of household industry always present in a primitive civilization, or else some form of crude industry by which the products of the forest or soil were prepared for export or home consumption. In picturing the economic life of the American colonies it is necessary to keep two facts in mind: first, that we are dealing with a new country in which crude and raw frontier conditions were ever present; and second, that we are working in a period which antedated the Industrial Revolution. The men of the colonial period worked the soil and the forests, while the women prepared the food and manufactured the clothing. Although most of the necessary commodities were household products, in the towns and larger villages there was usually a saw-mill and grist-mill, and possibly the forge of a blacksmith or the little

shop of a shoemaker or other artisan. The factory system was unknown. As in older societies a certain number of men found occupation in commerce, in fishing, and in the manufacture of ships and naval stores. Fundamentally, however, colonial life rested on agriculture.

Land Tenure

The primary importance of agriculture in the colonial period necessitates a brief consideration of the subject of land tenure. In theory the land belonged to the king, but practical considerations made inevitable treaties with the Indians. The country was granted ordinarily by the king to groups of individuals, as in the case of the chartered companies; to a number of proprietors, as in Carolina; to individuals, as in the case of William Penn or Lord Baltimore; or to existing settlers in the form of charters, as in Rhode Island or Connecticut. In New England, where ownership of land rested under the charters in the hands of the government, it was transferred to the people under the system of township grants. A group, desiring to break away from the settled region and move on to the frontier, petitioned the legislature for a grant of land. If the legislature approved of the petitioners, they were allotted a township, usually of 36 square miles, and these petitioners,

now the proprietors of the new town, would divide the land amongst themselves, reserving, as on the European manor, a common for the use of all, and giving each settler a share in the upland, the meadow land and the marsh land. This system of absolute or "fee simple" ownership of part of the land and communal ownership of the rest gradually gave way as the country became more thickly settled to absolute individual possession.

Outside of New England, (and Georgia, where a philanthropic enterprise was attempted) the crown (as in Virginia) or the individual proprietors (as in Maryland and Pennsylvania) attempted to obtain revenue from the land by transplanting the manorial system of tenure to America. Instead of fee simple grants, land was apportioned to the settlers in return for an annual payment or quit rent. In Europe the quit rent had originated as a money commutation for other services and was looked upon as a boon; in America it was hated as an unjust imposition and generally evaded. The authority of the crown or the proprietor was generally too distant and weak to enforce the payments in the sparsely settled country, and with the Revolution the quit rent system changed to one of individual ownership.

Colonial Agriculture

Colonial agriculture was based both upon what the colonist found growing here and upon the crops and livestock which he imported from Europe. Fortunately for the colonist two new plants were discovered which exerted an enormous influence in the establishment of the settlements, and in the later economic development,—corn, which became a primary food crop in all of the colonies, and tobacco, which became the great staple of the South. The white potato, which has since become such an important food crop, was little used in the colonial period.

Fortunately for the colonist, he also found here some one to introduce him to the possibilities of these two plants and to the methods of cultivating them. The Atlantic coast Indian, with whom the Englishmen first came into contact, was a farmer as well as a hunter. His agriculture was chiefly built around the raising of corn and tobacco, but he also grew many kinds of vegetables in his fields. He had not domesticated animals, but he had grasped the idea of land fertilization, of multiple cropping, and food preservation. The New England farm, cleared by tree girdling, with its rows of corn twined with bean vines, interspersed with squash and pumpkin, and protected by a scarecrow,

was a virtual replica of the Indian field. The Indian's most important contribution to the white man was in agriculture, and to the Indian the settler owed his knowledge of his chief food and principal export.

From Europe the settler brought seeds for the staple European crops and fruits. Some of these were found to thrive here while others, particularly the semi-tropical plants of South Europe, did not, and extensive experimentation was at first necessary. Cattle, sheep and hogs were likewise quickly brought in, some to be domesticated in the settlements but more allowed to roam in a half-wild state on the fringe of civilization.

In New England the stubborn soil and unfavorable climate turned many to other occupations, but agriculture until long after the Revolution was the occupation of the great majority of the people. The soil, the climate, and the scarcity of labor all contributed to make the small, self-sufficing farm the normal economic unit. Here the colonist practiced diversified farming, surrounding his house with fruit trees, raising small crops of the primary grains, and keeping sufficient livestock for his needs. Except for small quantities of salt and iron his farm provided him with practically all that he

needed. From his orchard and fields he obtained food, from his pasture land dairy products and meats, from his sheep and flax plants the materials for his clothing, and from honey and maple syrup sweetening for his food. A part of these products, of course, found their way outside of the farm. Some grain was exported, and some sold to the townsfolk, the fishing fleet and the coast traders. At one time excellent horses were raised for export in the Narragansett region of Rhode Island. Primarily, however, New England agriculture was destined for home consumption on the farm.

In the Middle Colonies the soil was richer, the climate milder, and the crops more nearly resembled those of Europe. With the exception of the Hudson Valley, where the patroon system existed, the farms, in general, were small like those of New England, usually self-sufficing, and characterized by diverse farming. Because of the heterogeneous origin of the population, there was considerable variation in the methods of farming and in the crops. More attention was given to fruit and vegetables than in New England and less to corn, while wheat, barley and oats grew with but little encouragement in the rich virgin soil. So adaptable were cereals to the soil and climate that

the Middle Colonies raised them as a staple, and they became known as the "bread colonies". Whereas the exports of New England during the eighteenth century were chiefly lumber, naval stores, and products of the fisheries, those of New York and Pennsylvania were flour, wheat and other foodstuffs.

While the small farm predominated in the South, in general the agricultural unit tended to be larger than in the North, and along the numerous little rivers of the tidewater there existed many huge plantations. Even more than in the Middle States, the South was devoted to the raising of a staple crop. After it was discovered in 1612 that tobacco could be easily grown and that there was a steady European market, Virginia, the Carolinas and, in a lesser degree, Maryland, turned more and more to tobacco, until that crop became the leading colonial export and the agricultural backbone of the South. The wealth of the South in consequence speedily found its way into the hands of the larger tobacco growers. These men, in control of the political machinery, continually increased their holdings as the old land wore out until they were able to give the tone to the whole civilization. Nature provided no lack of fresh land

to exploit, while indentured servants and slaves furnished the labor.

Tobacco, although the great staple, was not the only southern crop. Rice and indigo plantations throve in South Carolina so that these products became leading crops in certain sections,—South Carolina, for instance, exporting 500,000 pounds of indigo annually in the decade before the Revolution. Experiments with the silk worm, with the sugar cane, with the raising of olives, lemons, almonds and other Mediterranean products were made, but with slight success. Foodstuffs as well as tobacco were grown on the big plantations and to a greater extent upon the small farms, which in point of number, exceeded greatly the large and more famous plantations.

A considerable ranching industry, of which little information has come down to us, also existed in the South. A study of the westward movement of population usually discloses some type of ranchers' frontier on the fringe of civilization. This was notably so in the colonial South where shifting arable land and large plantations made enclosures impracticable. On the unoccupied land beyond the plantations, cattle, horses, and swine roamed at will subsisting on roots and herbage, branded

when possible, and often hunted as wild beasts. The cattle industry on the frontier of Virginia and the Carolinas, with its "cow pens" and its brandings was not unlike that of the more famous cow country of a later century.

Although an agricultural revolution which marked the beginning of modern scientific agriculture was taking place in England during the later half of the eighteenth century, its influence was hardly felt in America. The ignorant and wasteful methods which characterized medieval farming were universal in the colonies. In fact, they were accentuated by the two factors usually prevalent in a new country: (1) abundance of land, and (2) scarcity of labor. The inexhaustible supply of rich fresh soil which yielded abundantly with a minimum of effort was no incentive to the development of scientific farming. Land was cheaper than labor, and to conserve the latter the forests were destroyed and the soil exploited in the most wasteful manner. The Author of *American Husbandry* (1775) maintained that the colonial farmer seemed to have but one object—the plowing up of fresh land. "The case is," he says, "they exhaust the old as fast as possible till it will bear nothing more, and then, not having manure to re-

plenish it, nothing remains but to take up new land in the same manner."

The slovenliness of colonial agriculture was chiefly promoted by lack of labor and the abundance of land, but sheer ignorance and lack of proper utensils contributed. The value of fertilization and crop rotation was vaguely realized, but rarely practiced. Livestock was given but slight attention and soon deteriorated under frontier conditions. "Most of the farmers in this country," said the observer quoted above, "are, in whatever concerns cattle, the most ignorant set of men in the world. Nor do I know of any country in which animals are worse treated. Horses are in general, even valuable ones, worked hard and starved: they plow, cart and ride them to death, at the same time they give very little heed to their food. . . . This bad treatment extends to draft oxen; to their cows, sheep and swine."

Their tools consisted of a heavy wooden plow, which in some cases was used alternately by every farmer in the community, a clumsy wooden fork, a spade, and possibly a crude harrow. Threshing was done by the treading of horses or by means of the hand flail. Agricultural implements had hardly advanced beyond the few rudimentary

tools of primitive times, and scientific agriculture under such conditions was hardly conceivable.

The economic life of the colonist was bound to be primarily agricultural. There was but little capital in the new country to finance manufacturing and but little labor available for such enterprises. Manufacturing was not encouraged by the home country, and for most commodities the market was limited. Agriculture was the logical activity in the new land, for it was the most necessary and the most remunerative.

Colonial Industry

Nevertheless a number of factors contributed to the inevitable development of a certain amount of industrial life. In the first place the poverty of the new immigrant and of the pioneer farmer forced him to supply his own needs. He had little with which to buy from the outside, and it was difficult to purchase from Europe, for his foodstuffs were closed to the English market by high tariff walls. His very poverty forced him to manufacture for himself. Although Great Britain was unfavorable to the development of manufacturing in general, she was anxious for the colonists to produce naval stores, and by means of bounties and other inducements encouraged this type of extractive industry. Later, as commerce developed, the

production of naval stores for home consumption was simultaneously stimulated. The distance from Europe contributed to local manufacturing, but more important than all else was the supply of raw materials of all kinds, as inexhaustible apparently as the supply of fresh land.

As the colonial period developed, a considerable amount of this household manufacturing passed to the small shop and to the mechanic who might devote his whole time to the tanning of leather, the making of candles, the construction of furniture, the molding of bricks, or even the tailoring of clothes. This second stage, however, was generally reached only in the more settled districts and in the later years.

The major portion of colonial manufacturing was done in the home, and no small part by the women and children. This was particularly true of textile manufacturing. The spinning wheel and the loom were among the most important and essential parts of the household equipment and upon them was produced most of the cloth of the time. Increasing wealth in later years made it possible for a minority to import the finer grades of cloth from Europe, but the clothes of the average colonist were made in his home.

Because of the household textile industry the raising of sheep was more universal than at present. But more important than wool to the colonial housewife was linen. Linen served most of the purposes for which cotton is used today, and was the chief colonial textile. Hemp or linen of varying degrees of fineness was mixed with wool to weave the serge, jersey or linsey-woolsey, of which most of the clothing was made. The cultivation of flax and hemp was compulsory in some colonies and encouraged in others. Cotton was not extensively used, but some was grown in the southern states and more imported for mixing with other textiles.

While the women wove the cloth and prepared the food, the men usually manufactured their own tools and other equipment, although in this they might be aided by the local blacksmith. Weaving, spinning, leather dressing, blasksmithing, brewing, soap and candle making, and many other industries, which later found their way to the small shop and the factory, were then chiefly carried on in the household. If work on the farm was slack, the time could be occupied by cutting nails, making barrel staves or other crude manufacturing. Even more than in the older countries, manufac-

turing before the Industrial Revolution was a matter of the home and the hand.

When it was realized in Great Britain that the precious metals were not to be obtained in British North America, the chief economic interest of the mother country in the colonies shifted to the production of naval stores. The theory of national self-sufficiency engendered by the mercantile theory (see Chapter III) combined with England's growing sea power made it necessary for her to have an assured source for lumber, masts, spars, tar, pitch, rosin and turpentine. Royal agents reserved the finest trees for the imperial navy, and acts of Parliament encouraged the manufacture of naval stores by liberal bounties.

The great supplies of easily accessible forest products and the policy of the home country enhanced the possibilities of profit from the lumber industry. This was increased by a developing market at home, and by a growing commerce. Where the rivers penetrated the forests, saw-mills sprang up to meet the constant demand from the West Indies and Europe, and as commerce increased an active shipbuilding industry developed. Owing to the availability of lumber, ships could be constructed in America at from a third to a half

cheaper than in Europe. American artisans were as clever as any in the world, and by 1760 one-third of the tonnage sailing under the English flag was American built.

The cost of importing such necessities as nails, kitchen utensils, firearms and other metal goods and the constant demand for them in the Indian trade forced the rapid development of iron mining and manufacturing. The settlers in Virginia and Massachusetts discovered bog iron almost immediately, and smelting furnaces appeared quite early. Rock ores were mined in the eighteenth century in the uplands of Connecticut, in New York, and especially in Morris County, New Jersey, and in these three colonies copper was also produced. The manufacture of iron, in fact, had made such progress by 1707 that Parliament sought to prohibit the erection of any slitting or rolling mill, plating forge or steel furnace, but at the same time by removing the tariff encouraged the production of pig iron.

In addition to the types of industry described, a certain group of colonists found an occupation in commerce, in fishing and whaling, and in hunting. European fishermen had sailed to the Newfoundland "banks" for decades before the first English-

men settled in America and had dried their fish on the nearby islands. It was realized quite early that these waters were one of the world's richest fishing areas, and it was quite natural that the New Englander, so close to this source of profit, would soon come to see that more wealth might be gained from the sea than from the rocky soil. Catholic Europe and the West Indies provided the market, and the profitable trade which grew up employed by the end of the colonial period a thousand ships and ten thousand men. The "sacred cod" became the natural symbol of Massachusetts. Almost as profitable as the fishing industry was the pursuit of whales. Spermaceti, sperm oil, whale bone and ambergris were in great demand, and for a century and a half after 1700 the New England towns were the center of a prosperous whaling industry.

One of the most lucrative occupations open to the colonist was the fur trade. It not only supplied him with part of his own clothing but with an export commodity in high demand, a commodity which helped him to equalize the unfavorable balance of trade against which he had to contend. He often did some hunting himself, but in most cases depended upon the Indian for his furs. The profits

were large, for the furs were of little value to the Indians unless they could trade them for trinkets, iron utensils, firearms or "fire-water". Colonial legislatures generally forbade the employment of the last two articles in the Indian trade, but a drunken Indian was easier to cheat, and an Indian equipped with a gun would bring back more peltries the next season; hence the laws were generally evaded. As long as the furs lasted they were an important item of export trade, and the intense rivalry of the English and French for the furs of the Champlain Valley and the trans-Alleghany region was no small element in the friction which developed between the English colonists of the Atlantic seaboard and the French settlers of the St. Lawrence valley.

Colonial Labor

The development of colonial agriculture and manufacturing were alike handicapped by the universal scarcity of labor, a situation almost inevitable in a new country. Resources existed in abundance, but the human labor to utilize the raw materials was lacking. To the south the Spaniards had reduced the aborigines to serfdom, but the Atlantic plains Indian preferred war and even extermination to slavery. The ease with which land might be secured by any ambitious young man

practically prevented the growth of a landless proletariat.

The labor scarcity was met in a number of ways. Intense application to work on the part of all was expected and idleness, especially in the North, was almost a crime. Children were expected to work at an early age, and as they were a distinct economic asset, the normal colonial family was a large one. When an extraordinary labor problem occurred in which many hands might be needed, coöperation was universally resorted to. Thus the building of a road, the raising of a house, or the launching of a ship was an opportunity for neighbors both to lend a hand and to enjoy social intercourse.

In the Old World, on the contrary, poverty was wide-spread and the labor market was overcrowded. To meet, on the one hand the need of the colonist and on the other a desire of many to emigrate, the system of indenturing servants was developed. Many Europeans, anxious to get to America, sold themselves to ship masters or emigration brokers for from three to seven years in payment for their passage, and were by them reindentured to some colonial plantation owner or merchant.

These "free willers" were the most important labor source of the period, but their numbers were largely augmented by a second group of indentured servants,—those who came against their will. These involuntary servants were composed of many classes,—children kidnapped on the streets of the cities, drunkards and others enticed aboard ship, and thousands of debtors, vagrants, and petty criminals who had been swept into the jails under the far-reaching criminal code of the day and deported by the courts. This latter class, known as "his majesty's seven-year passengers", were far from being welcome in the colonies, but among the involuntary servants as a whole there were many who made excellent additions to the population.

The importance of the indentured servants or "redemptioners" in the colonial period cannot be overemphasized. Although most of the increase in population during these years came from natural increase, probably half of the actual immigrants of the colonial period landed in America as indentured servants. In some states, as Virginia and Maryland, the proportion was much greater. Under the laws they were entitled to food, clothing, shelter and at the end of their servitude to an

outfit of clothes and sometimes a parcel of land. The times, however, were cruel, their lot in general was hard, and a large proportion failed to survive an ordeal which was but little removed from slavery.

Slavery

White indentured servants supplied most of the imported labor of the seventeenth century, but in the eighteenth century their labor was greatly augmented by the importation of negro slaves. Rounded up by the Arab dealers and imprisoned in slave pens along the west coast of Africa, these negroes were sold to Dutch, English and New England traders and brought to Spanish America and the English colonies. Unpopular at first, slavery came more and more to commend itself to plantation owners. By 1790, when the first census was taken, there were approximately 757,000 negroes in the United States representing 19.3 per cent of the population, of which 698,000 were slaves. Of these 293,000 lived in Virginia with more than 100,000 each in South Carolina, Maryland and North Carolina.

Suggested Readings

Three scholarly treatments of colonial agriculture have appeared in recent years: Lyman Carrier,

The Beginnings of American Agriculture (1923); P. W. Bidwell and J. I. Falconer, *History of Agriculture in the Northern United States before 1860* (1925) and L. C. Gray, *History of Agriculture in the Southern United States to 1860* (2 vols., 1933), the last two being publications of the Carnegie Institution. A short and popular survey is that of A. H. Sanford, *Story of Agriculture in the United States* (1915). Virginian agriculture is suggestively treated in T. J. Wertenbaker, *The Planters of Colonial Virginia* (1922) and exhaustively in P. A. Bruce, *Economic History of Virginia in the Seventeenth Century* (2 vols., 1895).

The standard treatise on colonial industry is the first volume of V. S. Clark, *History of Manufactures in the United States* (3 vols., 1929). More elementary is R. M. Tryon, *Household Manufacturing in the United States 1640–1860* (1917). For Virginia consult Bruce; and for New England, W. B. Weeden, *Economic and Social History of New England* (2 vols., 1890), the latter a pioneer volume in American economic history, and still a valuable contribution. Much economic history will be found in the first three volumes of the History of American Life Series, those by H. I. Priestly,

T. J. Wertenbaker and J. T. Adams, cited in the bibliography of the last chapter.

On white servitude in the South the monographs by J. S. Bassett, J. C. Ballagh, and E. I. McCormac in the Johns Hopkins Studies should prove adequate. For a shorter account see James Oneal, *The Workers in American Society* (1912). Three histories of the American negro cover the colonial period: U. B. Phillips, *American Negro Slavery* (1918), a scholarly study by a southern historian; Benjamin Brawley, *A Short History of the American Negro* (1919) and a *Social History of the American Negro* (1921), by a negro student.

Chapter III

The Revolution as an Economic Phenomenon

Upon the ruins of declining feudalism there gradually emerged in western Europe stronger central governments, with power not only to control the unruly nobility but also to extend the power of the nation to lands beyond the sea. This expansion of Europe, occurring simultaneously with the rise of nationalism, gave birth to a rather definite commercial policy, and to a system of economic theory, known as mercantilism. In their desire to build up strong self-sufficing national units statesmen sought: (1) to encourage native shipping in order to carry their own commerce and to provide an efficient navy with well-trained seamen; (2) to protect and stimulate home agriculture and industry in order that the nation might be economically independent; and (3) to build up wealth at home by maintaining a favorable balance of trade. By these means, it was believed, wealth and power could be assured and a virile nationalism developed.

Under such a policy colonies were necessarily considered as subsidiary economic units, to be cherished if they increased the power of the mother country, but never to be allowed to come into economic competition. Colonies were to round out the economic life of the homeland, to supply commodities not obtainable at home, and in this way increase the power of the mother country, for whose welfare they primarily existed.

"Old Colonial System"

England like other nations in the seventeenth and eighteenth centuries generally held to the theories of mercantilism, and by various "navigation acts" tried to carry out this policy. The basic features of the old colonial system of England were laid down in the Navigation Acts of 1651 and 1660. The first act, designed to cripple Holland and build up English shipping, provided that all products of Asia, Africa, or America should be imported into England or her dominions only in ships of which the proprietor, master and major part of the mariners were English; while goods imported into England from Europe must be imported only in English ships or in such foreign ships as belonged to the country where the goods were produced or manufactured.

Cromwell's act of 1651 was strengthened in

1660 by a provision that goods carried to and from England must be transported not only in British manned ships but in those built in Great Britain or her colonies. To the monopoly of navigation she sought to add that of commerce and markets. Certain "enumerated articles" such as sugar, tobacco, cotton, wool, indigo, ginger, fustick and dyeing woods must be shipped only to England, a list which was in later years enlarged by the addition of the naval stores, (tar, pitch, turpentine, hemp, masts, yards), by rice, copper, iron ore, furs, hides, molasses, and other commodities. The non-enumerated articles, the most important of which were grain, fish and rum, could be exported anywhere until 1766, but after that were confined to those nations of Europe south of Cape Finisterre. In 1663 an effort was also made to force most of the imports from Europe to the colonies to proceed by way of England.

Although England reserved for herself the enumerated articles, she did not hesitate to debar by high tariffs such commodities as breadstuffs, meat, salt fish, butter, cheese, and whale oil which were basic products of the colonies north of Maryland. Nor did she hesitate to legislate against such infant industries as ventured to compete with Eng-

lish producers. The entire policy was designed primarily to benefit the mother country.

Notwithstanding the British navigation acts and other discouraging factors, commerce developed steadily and became an important factor in the economic life of the colonies. As the colonies were normally interested in agriculture and the rough extractive industries, the legislation of Great Britain against manufacturing was of but slight importance. Furthermore the bounties offered by Great Britain for certain commodities such as indigo and naval stores helped to compensate for the restricted market. England, at any rate, was the normal outlet for most of the "enumerated articles". The Navigation Acts stimulated the building of ships in the colonies, and the limited agricultural opportunities of New England helped to provide seamen.

The most important element, however, in the growth of colonial commerce was the development of a market for their breadstuffs, fish, meat and rum. Debarred from England by the high tariffs, an outlet was found in southern Europe and in the West Indies. In addition to foodstuffs this tropical trade included lumber of various types and in later years, the transportation of slaves.

The entrance of the colonial ship owner into the slave traffic was the origin of the famous "three-cornered trade" which involved New England, Africa and the West Indies. New Englanders traded their grain, fish and lumber with the West Indies for sugar, molasses and currency, distilled the sugar and molasses into rum, traded the rum for slaves in Africa, and then exchanged the slaves for sugar, molasses or coin. The slave trade was but one phase of a commerce which provided New England and the Middle Colonies with an outlet for their products and at the same time furnished the colonies with practically all of the metallic money which they had.

Three-Corner Trade

The West Indian trade was endangered in 1733 by an act of Parliament which placed prohibitive duties on sugar, molasses and rum imported from foreign plantations. This "Molasses Act of 1733" was designed to protect the sugar planters in the British West Indies, and if it had been enforced would have seriously disrupted colonial commerce. Colonial shippers on their part showed no intention of obeying the law and Parliament, fortunately, had little interest in enforcing it. In fact England's policy seemed to be one of "salutary neglect", and some of the navigation laws were

little more than dead letters. Smuggling and evasions of the Navigation Acts among the colonial shippers were widespread, one economist holding that "Nine tenths of their merchants were smugglers."

This smuggling and the winking at it by the British Crown undoubtedly made possible the development of much of the colonial commerce. Nevertheless there were features of the old colonial system which, even if not adequately enforced, were detrimental and irritating to the colonists. Colonial commerce was greatly hampered not only by the mercantile policy of England, but also by the lack of adequate currency. Business had to be carried on chiefly with Spanish and Portuguese money, but in the terminology of pounds, shillings and pence. As the balance of trade was always against the colonies, even this foreign money was never sufficient. In addition to English navigation acts and a chaotic currency there were pirates on the high seas and, even more dangerous, the privateers who infested the Spanish Main during the long period of warfare in which England was engaged almost continuously from 1689 to the close of the French and Indian War in 1763.

With the conclusion of the French and Indian War in 1763 the colonial policy of Great Britain radically changed. The desire to weld the Empire more closely together, a greater realization of the value of the mainland colonies, and a belief that the latter should pay for their own protection, brought a sudden abandonment of the policy of "salutary neglect" and an effort to enforce the Navigation Acts. A Sugar Act was passed in 1764 which cut in half the prohibitive duties of the Molasses Act of 1733, with the expectation that they would now be paid; duties were laid on indigo, coffee, wine, silks and calicoes imported into the colonies, and the list of "enumerated articles" was increased. This was followed in 1765 by the Stamp Act which provided that stamps varying in cost from a half penny to £10 should be affixed to newspapers, almanacs, pamphlets and legal papers.

Causes for War

These acts aroused a storm of protest and a boycotting of British goods. The unpopularity of the laws both in Great Britain and America resulted in the repeal of the Stamp Act and the revision downward of the Sugar Act. The joy which followed the repeal of the Stamp Act was mitigated by the Quartering Act of 1765 which held the Colonists

responsible for the light, lodging and fuel of the British garrisons, and by the enactment in 1767 of the Townshend Acts imposing duties on glass, paper, painters' colors, lead and tea. A second boycott (1768-69), more effective than the first, brought a drop in value of the imports into the New England and Middle Colonies from £1,363,000 in 1768 to £504,000 in 1769, and again the duties were repealed with the exception of 3d. a pound on tea, retained to uphold the right of Great Britain to tax the colonies. Imports jumped from £1,604,000 in 1769 to £4,200,000 in 1771, but a deep-seated opposition to British policy persisted, resulting in the Boston Tea Party of December 16, 1773. In retaliation Great Britain in 1774 (1) closed the port of Boston, (2) revised the Massachusetts Charter to remove certain liberal features, (3) provided for the trial in England of Colonial agents accused of violence in executing their duty, (4) revived the Quartering Act of 1765 and, as part of a wide colonial policy, (5) annexed to Quebec the territory between the Ohio and the Great Lakes. Resentment against these acts spread to the other colonies, a third boycott against English goods was initiated, and rebellion soon broke out.

The enforcement of the mercantile policy of Great Britain was not the only cause of the Revolution, but it was probably the most important. It brought in its wake a disorganization of trade and an economic depression which contributed enormously to the unrest in the colonies. It also quickly uncovered the colonial hatred to taxation. It was not so much the colonists' dislike to "taxation without representation" as their opposition to taxation of any kind that aroused their ire. Living on self-sufficing farms and far removed from the authority of the imperial government, the colonist rarely came in contact with it and rarely felt a need for it. He had no ready money anyway. Why should he be taxed?

He had other economic grievances against England, notably the legislation which prevented the issuing of paper money. With the balance of trade against him, dependent on an inadequate supply of Spanish and Portuguese paper money, he had sought to provide paper currency in various ways. Massachusetts in 1690 and other states by 1711 had issued paper money. Massachusetts had also established "loan banks" to issue money on mortgages and real estate. Parliament in 1741 put an end to these banks and in 1751 forbade the issue of

bills of credit in New England, extending the law in 1764 to the other colonies. Friction had also developed in the South over the hostility of the British government to the efforts of Virginia to end the importation of slaves. There was hostility, likewise, on the part of the frontiersmen over the attempt by Great Britain in the "Proclamation of 1763" to regulate and control the westward movement of population.

The causes of the Revolution are exceedingly complex, and it is impossible to disentangle the purely economic from the social and political. There was little racial homogeneity in the Middle Colonies. Of the 2,750,000 people living here at the outbreak of the Revolution, over one tenth were negroes, over one tenth were of Dutch or German extraction, over one tenth were Ulster or South Irish, and there was a sprinkling of other races. There was little religious connection, and the fear of extending the jurisdiction of the Anglican episcopacy over the Colonies aroused intense opposition. "Salutary neglect" in political as well as economic matters had developed an independent spirit, which frontier conditions and long separation from European ties had emphasized. In New England, where the English racial stock was

predominant, the bulk of the people, as a contemporary historian suggested, "knew little of the Mother country, having only heard of her as a distant kingdom, the rulers of which had, in the preceding century, persecuted and banished their ancestors to the woods of America." Economically the colonists could live without England, and the growth of printing establishments, of schools and colleges had weakened the intellectual dependence. Everywhere there was a weakening of the old ties, and the development of an independent social consciousness.

Financing the War

The Revolution having once started, the difficulties confronting the colonies were soon apparent. Supervisory power rested in the Continental Congress, but its authority was shared by thirteen jealous states, quite willing to work at cross purposes with Congress or one another. A large proportion of people (from one third to one half) were Tories, and these Tories represented, at least in the North, the majority of influential and wealthy inhabitants. The people as a whole were unused to heavy taxation and unwilling to bear it, and their leaders untrained in the art of raising revenue. A close study of the Revolution convinces the historian that the American success was due

as much to the lethargy of the British and the financial aid of the French, as to the efforts of the minority of patriots who struggled against overwhelming odds.

The actual cost of the Revolution, estimated in terms of gold at approximately $104,000,000, was not stupendous, and should have been easily met. Congress, nevertheless, without power to tax, was forced to all sorts of devices to obtain money. Requisitions were made upon the states, but the latter with their own militia to support, seldom honored them. Loans were obtained after 1777 from France, Holland and Spain, and smaller amounts in the form of donations trickled in from abroad. These loans and gifts, amounting as they did to barely $10,000,000, were yet large enough to contribute strongly to an American victory. Domestic loans were floated without great success and certificates of indebtedness were freely issued by quartermasters. Confiscated Tory property was sold by the states and turned into loan office certificates, and smaller amounts were obtained from lotteries and from prize money realized through the sales of captures made by government ships.

Probably the largest amount obtained, however, came from the paper money issued by Congress

and the states. Freed from the hindrance of English legislation and backed by the popular hatred of taxation, fiat money offered the easiest way out. Congress up to 1779 authorized forty-two emissions of paper to the amount of $241,552,000 and the states by the end of the war had issued $209,524,000. Buoyed up by patriotic fervor and French subsidies the continental currency held close to par until 1777, but then rapidly depreciated until it barely brought 2.45 cents on the dollar. "Not worth a continental" became a synonym for worthlessness. The credit of a Revolutionary government was hardly high enough to maintain the value of so much paper and financial chaos reigned supreme.

Results of War

The American Revolution won for the colonies political independence, but in its wake came results which amounted to a social and economic revolution. The exodus of the wealthy and conservative Tories threw the state governments into the hands of the rising middle class, who proceeded to eliminate various features of the feudal system existing in the colonies. Quit rents, entail, and primogeniture were abolished and within a few years after the war the disestablishment of religion had been effected in all of the states. The

power of the proprietors crashed with the rebellion, and many large Tory estates were confiscated and sold in small parcels.

Upon agriculture, the occupation of the majority of the people, the effect of the war was not important. The proportion of able-bodied men in the armies was small, and farming went on much as usual. This was particularly so in New England, where there was but little fighting after the first few weeks. In the Middle Colonies where most of the campaigning took place, French and British gold raised the price of farm products, and stimulated agriculture. In the South the war hit the indigo and rice planters and interfered with tobacco exportation, but in turn stimulated the growth of cotton. The British raids in Virginia and the Carolinas during the years 1778-1781 re-resulted in heavy losses through confiscation of crops and slaves. Probably the southern planter was more detrimentally affected than the farmer of any other section, but there was a certain amount of demoralization everywhere, especially felt during the period of post-war deflation.

Manufacturing was given a definite, although hardly lasting, impetus during the early years of the Revolution. On the one hand the petty

mercantilist restrictions against industrial development were removed, and on the other the interference with normal commerce forced the colonists to depend to a greater degree upon home production. In addition the war itself created special needs which had to be met in the establishment of factories for the manufacture of munitions and camp utensils. State legislatures by bounties and other aids encouraged the erection of little factories, while individuals endeavored to content themselves with substitutes for those finer products of Europe or the sugar of the West Indies. It was, however, the wealthy minority who suffered from the necessity of using home products; the average colonist had always done so.

This artificial stimulus to manufacturing declined as the war progressed, due to the importation of munitions from France and the activities of the privateers. The interference with the fishing fleet and the normal routes of commerce set free thousands of experienced seamen who found an outlet for their energies in privateering. Hundreds of commissions were granted by the New England states, and the rich booty brought into port from the prizes provided the luxuries for a war-time market. The activities of the American

privateers not only increased the unpopularity of the war in England by causing severe damage to British commerce, but it kept alive the maritime interests of the seaboard colonies. Shipbuilding and maritime trading was the first economic interest to recover after the war, and the spectacular development of the early American merchant marine was made possible by the privateering of the Revolution.

Suggested Readings

For a short running account of colonial commerce read Clive Day, *History of Commerce of the United States* (1925) and for a more detailed presentation the cooperative work of E. R. Johnson *et al.*, *History of Domestic and Foreign Commerce of the United States* (2 vols., 1915), a publication of the Carnegie Institution. On mercantilism as applied by Great Britain to America the volumes by George Louis Beer are standard, but his findings are summarized in an unbiased work by the Englishman, H. E. Egerton, *A Short History of British Colonial Policy* (2nd ed., 1909).

No single work has yet adequately brought together the economic and social causes of the Revo-

lution. A. M. Schlesinger has a suggestive chapter (VII) in his *New Viewpoints in American History* (1922), and has exhaustively treated one phase in his *Colonial Merchants and the Revolution* (1918), Columbia University Studies. Two recent sketches are valuable: C. H. Van Tyne, *The Causes of the War of Independence* (1922), mainly political, and H. E. Egerton, *Causes and Character of the American Revolution* (1923). See also the suggestive essays in C. M. Andrews, *The Colonial Background of the American Revolution* (1931). In Louis M. Hacker, "The First American Revolution," *Columbia University Quarterly*, XXVII, No. 3 (September, 1935) the thesis is brilliantly developed that the Revolution resulted from the constricted economic opportunities for colonial merchant capitalism.

On the social and economic effects the most enlightening introduction is that of J. F. Jameson, *The American Revolution Considered as a Social Movement* (1926). D. R. Dewey in his *Financial History of the United States* gives a résumé of the financial aspect. Information on the economic effects can be found in Weeden, in V. S. Clark and in E. R. Johnson *et al.* (see chapter II).

Chapter IV

National Beginnings and Economic Independence

The close of hostilities found the American people confronted with problems quite as serious as had been those of war. In the wake of the Revolution had come political chaos, economic disorganization, and a legacy of foreign debt. In war industries, in privateering, and in army service an outlet for capital and labor had been found, an outlet which was closed with the coming of peace. Furthermore, the importation of cheaper products from England soon snuffed out the infant war industries. Great Britain by Navigation Acts (1783–1787) closed the British West Indies to American merchantmen and placed our traders under the same disadvantages which confronted other foreign nations. The favorable features of the old Navigation Acts were now lost, and a Revolution, which to no small extent had been fought to win greater commercial freedom, had left us in a worse position than before the revolt. France and Spain refused reciprocal com-

mercial treaties, and only Prussia and Sweden recognized us as commercial equals.

The difficulty of reestablishing trade along the old channels seriously retarded the return of prosperity. English manufactured goods were needed in America, but with the most important of the earlier markets cut off it was difficult to obtain specie or credit to pay for them. Retaliation was impossible, for the federal government, constituted under the Articles of Confederation of 1781, was without the power to levy taxes or regulate commerce. The individual states attempted to strike back, but mutual jealousy nullified their effects.

Under the strain of foreign trade restrictions, economic depression, and a central government too impotent to remedy the situation, the bonds which held together the thirteen states seemed ready to snap. The states began to discriminate against one another by tariff walls, and in several instances almost came to blows over boundary line disputes. Hopeless of aid or protection from Congress the western frontiersmen dallied with the idea of secession and played fast and loose with the emissaries of France and Spain.

Within the states the economic and social unrest

found vent in the old demand for an inflated currency. The emissions of the Revolution had demonstrated the danger of unprotected paper money but those who most felt the pinch of the times believed that an expanded currency would stimulate trade and help the debtor lift the crushing burdens under which he struggled. Stay laws were pushed by the debtors through various legislatures and seven states succumbed to the clamor for paper money. In Massachusetts the frontier farmers under Daniel Shays rose in revolt against the conservatives of the seaboard towns, and in New Hampshire and Rhode Island civil war was barely averted.

Humiliated by foreign governments, and with political, economic and social dissolution impending, the conservative elements in all the parts of the country bestirred themselves to save the social order. The movement for a stronger federal government was led not alone by sincere patriots who desired to save the fruits of the Revolution and found a nation which might survive, but by numerous groups whose economic interests were especially endangered. Included among the leaders in the demand for a new constitution were: (1) the holders of federal and state securities, (2) the

speculators in western land, and (3) the owners of capital everywhere. Only a powerful federal government could promote their interests, safeguard their investments and protect them against the onslaughts of the debtor and the radical.

The opposition to the constitution came chiefly from the mechanic and small farmer who instinctively felt that the constitution was designed chiefly for the protection of the wealthy plantation owner, land speculator and merchant. The opposition to ratification was bitter, but the undemocratic franchise regulations of the period prevented the development of its full strength. A powerful and able minority "whose interests knew no state boundaries and were truly national in their scope" won the battle.

With infinite difficulty and innumerable compromises a document had been hammered out which its authors believed might set up a strong federal government and remedy the economic chaos. The hard-headed Fathers had not dallied with the so-called "Rights of Man", and only the demands of the radicals brought the later addition of the first ten amendments. The rights of private property, however, were not lost sight of; and the most important additions to the power of

the federal government were those which enabled it to levy taxes, regulate trade, protect industry and coin money. Certain broad phrases, such as the one which authorized Congress "to pass all laws necessary and proper for carrying into effect" any of the powers placed in its hands, allowed indefinite expansion, while the creation of a supreme court to interpret the constitution assured the development of the federal functions under the most conservative aegis. The constitution was drawn up by the wealthy element in a distinctly commercial and agricultural society and it was not intended to be a democratic document. It did, nevertheless, provide the means for establishing a powerful federal government under which the economic possibilities of the young nation might develop rapidly.

Financial Problems

The most serious problems which first confronted the new government were financial. Fortunately, the first Secretary of the Treasury, Alexander Hamilton, proved to be a financier of extraordinary ability, and under his supervision the foundations of a sound policy were laid. Under the new constitution Congress was given the power to levy customs duties and excises, and immediately a tariff law was passed placing specific

duties on some thirty commodities, and a low ad valorem duty on others. It was primarily for revenue, but gave slight incidental protection to certain interests. Hamilton also advised excise duties not only to obtain revenue but to impress upon all sections the power of the federal government. Opposition to the first excise law was strong in the frontier communities where the grain was marketed by reducing it to whiskey, and the "Whiskey Rebellion" in western Pennsylvania had to be crushed with federal force. Luckily for the new government, trade revived rapidly, and heavy taxation was unnecessary for many years.

To establish the credit of the United States Hamilton advocated not only the payment in full of the foreign and domestic debt but the assumption by the federal government of the state debts. The payment of the foreign debts Congress voted without hesitation, but a bitter controversy arose over the other propositions. The bonds, certificates of indebtedness, and paper money which had depreciated greatly during the war began upon the rumor of redemption to circulate quickly among the speculators. Their payment became a question not of doing justice to those who had made sacrifices for freedom but simply one of establishing

the credit of the government. In the end by the funding act of 1790, the certificates were redeemed at par and most of the paper money at a valuation of one hundred to one. The assumption of state debts was effected by a compromise whereby the opposing Southern states obtained the location of the federal capital on the Potomac.

With respect to the currency Hamilton advised (1) the decimal system of coinage, and (2) the free and unlimited coinage of gold and silver at a ratio of 15-1, the unit to be the dollar of a value as near as possible to the Spanish milled dollar. The simplicity of the decimal system was an undoubted boon to business, but unfortunately the situation prevented the laws from providing an adequate supply of metallic currency. The ratio of 15-1 overvalued silver and under the working of Gresham's law[1] gold disappeared from circulation. The silver dollars likewise disappeared to the West Indies where they were accepted for Spanish milled dollars of greater value. The conduct of business soon came to rest almost entirely upon bank notes.

[1]Bad money will drive out good; that is to say, that when two currencies of the same face value but of different intrinsic worth circulate, the most valuable will be hoarded and the less valuable will remain in use and determine the worth of the circulating medium.

An important element in Hamilton's financial schemes was his advocacy of a national bank modeled somewhat like that of England. Such a bank, he thought, would provide a stable and much needed paper currency and at the same time act as the fiscal agent for the government in its numerous financial operations. Although the bank was opposed by Jefferson and the "strict constructionists", it was chartered in 1791 for twenty years with a capital of $10,000,000, of which the government might subscribe $2,000,000. Under close government supervision it was permitted to issue notes up to the amount of the capitalization, the notes to be receivable in taxes as long as they were redeemable in specie. These bank notes not only provided a sorely needed medium of exchange but they stabilized the paper currency by driving out the notes of non-specie paying banks.

First United States Bank

The essential soundness of the Hamiltonian policies and the confidence in the federal government which they engendered among the commercial and industrial groups was no small factor in the revival of prosperity in the last decade of the century. But another factor of even greater importance was also responsible. The same year that saw the establishment of our new government saw

also the commencement of the French Revolution, an event which brought in its wake a quarter of a century of warfare for Europe, and a period in America of rapidly expanding commerce.

The outlook for the commercial and shipping interests was indeed dark at the end of the Revolution. England had closed her West Indian possessions to United States ships and by high tariffs had limited American imports into the British Isles chiefly to naval stores. France, Holland and Spain had likewise closed their ports to much of our trade, while in the Mediterranean the Tripolitan pirates made the situation well nigh intolerable.

The privateersmen of the Revolution, however, were too resourceful to be easily daunted. Ways were found to elude the British warships in the West Indies and the old clandestine trade began to thrive again. The slave trade revived slowly, but in place of the African traffic, the Yankee trader found a rich field in the Orient. When the *Empress of China* set sail from New York in 1784 and the *Grand Turk* from Salem in 1785, bound for the Far East, the most romantic chapter in American maritime history commenced. While the wealthy mercantile houses of

the seaport towns were trading in silks and teas with the Orient, fishermen and whalers from every little port of New England and Long Island were again turning their prows seaward.

Material aid was afforded this revival of shipping by the laws of the new federal Congress. The first tariff act of Congress passed July 4, 1789, gave real aid to shipping by allowing a reduction of 10 per cent of the duties upon goods imported into this country in ships built and owned by American citizens. The duty on tea imported directly from the Far East in American ships was to be less than half that upon tea imported from Europe. By a subsequent act duties of six cents a ton were levied on American built ships owned by Americans entering our ports, but thirty cents a ton was charged on American built ships owned by foreigners and fifty cents a ton on foreign built and owned ships. Even stiffer discriminations were made to throw the coastwise traffic into American hands. A code of laws on the regulation of seamen, quite enlightened for the time, made clear the legal rights of master and seamen, and were a real aid in the commercial expansion. Furthermore, by 1798 the merchantmen found the federal government quite ready to dispatch its

diminutive navy to make reprisals upon French privateers and Tripolitan pirates.

Effect of European Wars

The revival of shipping was given a further impetus by the European wars which broke out in 1793, and continued with but slight intermission until 1815. England's superior navy soon drove from the seas the ships of her competitors, France and Holland, and increasingly the carrying trade fell into the hands of the American merchants, representing the only remaining neutral of importance. While the contending European nations looked with envy and suspicion upon the rapidly developing shipping interests of the United States and did many things to impede it, the fact that American supplies were so essential to them, engaged as they were in a life and death struggle, made inevitable the growth in our commerce.

During this first great period of prosperity the tonnage in foreign trade jumped from 123,893 in 1789 to 810,163 in 1807; exports from $19,012,000 in 1792 to $108,300,150 in 1807; and imports from $29,200,000 in 1792 to $246,843,000 in 1807. At the same time the proportion of this trade carried in American ships mounted from 23.6 per cent in 1789 to 92 per cent in 1807 and shipbuilders worked feverishly to supply un-

precedented demand both at home and abroad. This was the period when the shipping industry in relation to other economic interests reached its highest point. The energy and capital of the country was not yet being absorbed in western expansion and the Industrial Revolution; those seeking wealth and adventure normally turned to the sea. It was a period when the tonnage of the merchant marine of the United States and the value of its commerce exceeded that of any nation but England, and when proportionately to its population the United States was the first commercial nation of the world.

Freedom of the Seas

This remarkable expansion had not been achieved without opposition and much friction. Hoping to injure both France and this new rival on the sea, Great Britain attempted to enforce the "Rule of 1756" which held that trade not open to neutrals in time of peace should not be open in time of war. This was aimed at the trade between the French West Indies and France, now in control of American ship owners. As American exports were chiefly provisions, and as these were considered contraband, considerable difficulty was also experienced on this score. As irritating as any interference was the claim by England that she

had a right to stop American ships and search them for deserters. Hatred of service on English men of war and the high wages paid on American ships had undoubtedly caused many English sailors to come to America at a time when England was desperately in need of sailors.

The period from 1789 to the outbreak of war with England in 1812 was one of continual friction. France held that under the Treaty of 1778 we were bound to aid her against England, and was aroused to fury by Washington's proclamation of neutrality (1793) and our willingness to negotiate a treaty with Great Britain. Although war was not declared, preparations for hostilities were pushed forward, commercial relations suspended, and actual fighting carried on upon the high seas. Napoleon's accession to power and his desire for peace brought in 1800 a temporary patching of differences.

With England the continued friction led to war. She remained the dominant power on the sea and as the struggle with Napoleon continued her unwillingness to observe the rights of neutrals became increasingly evident. Napoleon with his battle ships destroyed and his merchant marine driven from the sea attempted to enforce his "Continen-

tal System", by cutting off English trade with the continent and by instituting a paper blockade of English ports. England had already (1804) declared the French ports from Ostend to the Seine under blockade and now retaliated (1807) by decreeing that no vessel might trade with France or her allies without first touching an English port and paying duties. Napoleon (1807) declared any vessel sailing to Great Britain or her colonies liable to seizure. While these decrees and "Orders in Council" as far as American ships were concerned were largely gestures by Napoleon and ineffectively enforced by Great Britain, they caused considerable damage to American shippers and aroused the ire of American patriots.

Jefferson, a philosopher and lover of peace, sought to bring the nations to terms by starving them into a recognition of neutral rights. An Embargo Act was passed in 1807 which prohibited American ships from sailing to foreign ports. This caused so much loss and so much opposition that it was repealed in 1809 and a Non-Intercourse Act substituted prohibiting trade only with Great Britain and France and their possessions. Even this was repealed in 1810 and in its place another act (Macon's Bill No. 2) was passed annulling all re-

strictions on commerce but providing that if either France or England withdrew their decrees against our shipping, the Non-Intercourse Act would be revived against the other. Napoleon, who had nothing to lose, repealed his decrees, and the Non-Intercourse Act was revived against England. Jefferson's theory of the "economic boycott" was a sound one, but England did not yield soon enough to avoid war.

War of 1812

Under the circumstances hostilities seemed inevitable and in 1812 Congress declared war, the causes, as stated by Madison, being the violations of our flag on the high seas, the confiscation of our ships, illegal impressment of American sailors, blockade of our ports, the flagrantly illegal orders in Council, and the inciting of Indians against our borders. Although the war was supposedly fought to protect our rights on the sea, it was extremely unpopular in New England. Jefferson had done more to injure the commercial interests than had the combined depredation of official decrees, European privateersmen and Mediterranean pirates. Commerce had increased, and the shippers preferred insults, annoyances, and occasional losses to impoverishment. The war was opposed throughout and a preliminary movement toward secession was

made. It had been the ardently nationalistic younger statesmen of the West, the so-called "War Hawks", who had precipitated the conflict, not those whose interests were concerned.

As in the Revolution, the maritime interests again found vent for their energies and capital in privateering and England suffered most severely in this respect. The treaty of peace quite ignored the rights of seamen and neutrals, but with the cessation of the Napoleonic wars and in view of the showing made by the American navy, it seemed unlikely that these rights would be soon again called into question.

The "Second War of Independence" caused a temporary setback to our growing merchant marine and expanding commerce. On the other hand, it afforded an impetus to manufacturing, which introduced into America the Industrial Revolution and laid the foundations for our subsequent industrial expansion. Few of the small factories which had appeared during the Revolution had survived, and the situation between the two wars offered but slight inducement to manufacturing. Agriculture was still the primary industry, labor was scarce, and the small amount of available capital found more attractive possibili-

ties in opening the trans-Appalachian west, in building turnpikes, or in financing the merchant marine. The ordinary needs of the farmer could still be met by the products of household industry or the labor of the small artizan. The finer grades of textiles and other luxuries, as before, could be advantageously purchased from England.

The ability of Great Britain to manufacture for the world had been enormously increased by the coming first in that country of the Industrial Revolution. John Kay with his fly shuttle (1738), Richard Arkwright, James Hargraves and Samuel Crompton with their "spinning jennys" (1769-1779), and Edmund Cartwright with his power loom (1785) had taken the manufacture of cloth from the spinning wheel and hand loom of the home to the power machinery of the factory. This movement from the hand to the machine and from the home to the factory was enormously speeded by the improved steam engine invented by James Watt, 1769, and by the work of a host of other mechanics and inventors. With accumulated capital, raw materials and an abundance of labor England quickly utilized these inventions, and an Industrial Revolution ensued which ushered in modern civilization.

England's half century start over the rest of the world in factory production and her ability to undersell her competitors, combined with those factors in America tending to discourage manufacturing, made our dependence on England for certain types of manufactured goods a normal condition. The situation, however, was radically changed by the Embargo and Non-Intercourse Acts and by the War of 1812. The shutting off of European imports created a demand for home products, and the release of capital from shipping and commerce provided means for manufacturing. The existence in America of an abundance of fuel, water-power, iron, lumber, cotton and other necessities solved the problem of raw materials while immigration and the work of women and children helped to meet the labor problem.

Birth of American Factory System

America had already made an important contribution to the Industrial Revolution in Eli Whitney's cotton gin and American mechanics such as Oliver Evans, James Rumsay, John Fitch and Robert Fulton had made notable experiments upon steam engines and their adaptation to transportation. Small factories likewise began to appear. English laws forbade the export of the textile machinery, but intelligent mechanics were

induced by courageous capitalists to come to America and set up from memory the spinning jenny and power loom. The most famous of these immigrants was Samuel Slater who erected in 1790 a mill at Pawtucket, Rhode Island, to manufacture cotton thread. Up to 1800, however, these little textile mills had led a precarious existence and had been few in number. They increased slowly until 1807 and then rapidly until 1815. The census of 1810 tabulated 269 cotton mills with 87,000 spindles and the census of 1820 reported 250,000 spindles. The development of woolen manufacturing was less spectacular as was also that of the iron industry and other metals, but manufacturing of all sorts received a lasting impetus from the war.

Suggested Readings

For the economic background of the "critical period" and the early Republic read A. M. Schlesinger, *New Viewpoints in American History* (1922), chap. VIII; Charles and Mary Beard, *Rise of American Civilization*, VII-IX; C. A. Beard, *An Economic Interpretation of the Constitution of the United States* (1913) and *The Economic Origins of the Jeffersonian Democracy*

(1915). In A. J. Nock, *Thomas Jefferson* (1926) the economic aspect of the Jeffersonian democracy is stressed.

Introductions to the financial history are available in D. R. Dewey, *Financial History of the United States* (8th ed., 1922) and F. W. Taussig, *Tariff History of the United States* (7th ed., 1923).

The standard volumes of E. R. Johnson *et al.*, *History of Domestic and Foreign Commerce of the United States* (1915) trace the rise of American commerce while many well written books tell the story of the merchant marine. Of these might be mentioned W. L. Marvin, *The American Merchant Marine* (1902); R. D. Paine, *The Old Merchant Marine* (1919) in the Chronicles of America; S. E. Morison, *Maritime History of Massachusetts 1785–1860* (1921) and E. H. Hohman, *The American Whalemen* (1928).

In J. W. Pratt, *The Expansionists of 1812* (1925), land hunger and the Indian menace are stressed as the fundamental causes of the War of 1812. Probably a sounder interpretation is that of George R. Taylor who points to the agricultural depression as the chief motivating force. See his "Agrarian Discontent in the Mississippi Valley

Preceding the War of 1812," *Journal of Political Economy*, XXXIX, No. 4 (August, 1931).

Certain phases of the American Industrial Revolution are covered in V. S. Clark, *History of Manufactures in the United States 1607–1860* (1916), chapters XI-XXI, and R. M. Tryon, *Household Manufacture in the United States 1640–1860* (1917), chapters VII-VIII. Early labor conditions can be studied in J. R. Commons *et al.*, *History of Labor in the United States* (2 vols., 1918) and in the source material collected in the *Documentary History of American Industrial Society* (10 vols., 1910–11).

In J. B. McMaster, *History of the People of the United States* (8 vols., 1883–1913) there is a mine of information on the economic and social history of the early national period.

Chapter V

The Westward Movement and Early Agriculture

For three centuries the most important factor in American economic history has been the existence of an abundance of unoccupied land. The occupation of this land and its subjugation to the needs of mankind has been the chief problem of the American people and has left an indelible mark upon every phase of our economic and political life. Up to our own day, says Professor Turner, "American history has been to a large degree the history of the colonization of the Great West. The existence of an area of free land, its continuous recession, and the advance of American settlement westward, explain American development."

From the earliest days this movement has been in progress. The fur trader in search of the best hunting grounds and the missionary carrying his gospel to the Indian have usually been the first to bring back news of the interior and information as to the best routes. In their footsteps followed

the cattle raiser, the miner, and the pioneer farmer. After these men had partly reduced the frontier to cultivation, or at least ascertained its resources, they might be followed by farmers of greater means or capitalists intent upon exploitation. In time the log hut of the pioneer gave way to more pretentious houses of wood or brick, and the wilderness trails to broad highways. At cross roads, river ports, or at strategic points close to raw materials, collections of houses, stores and shops soon appeared to form the nucleus of future towns and cities.

There was no regularity about these stages, for in some cases representatives of all of the aforementioned groups landed pell mell in a new region. There was, however, a regularity in the fact that large numbers of American people decade after decade and without cessation have been opening fresh lands to agriculture. This long existence of a frontier and its continued extension, involving as it did a never ceasing conflict with wild beasts, with Indians, and with the forces of nature, left its imprint upon the American character. Only the sternly practical, aggressive, and at the same time buoyant and optimistic spirit could conquer the obstacles. The road was hard, but wealth waited

the hand of the strong man, and success was the reward of the persevering. Thrown together on equal terms and forced to face the same hardships, man was judged for his own worth and democracy normally developed, a tendency which soon reacted on the East. Upon agriculture, manufacturing, transportation and the labor movement the influence of the westward advance was all important, and in subsequent chapters we shall endeavor to point these out.

The first colonists had barely landed before the movement to the west started. In Maryland, Virginia and the colonies to the south the migration was up the innumerable little rivers which penetrated the interior. Along these rivers the small farms and plantations were laid out, and upon them the ships from England could sail to each little plantation wharf to collect the surplus for export. When the river banks were entirely taken up the new settlers filled in between the rivers and later advanced beyond the "fall line"[1] into the piedmont region of the Appalachians. Pennsylvania and New Jersey were settled with the Delaware as the point of departure, but the colo-

[1]The term "fall line" is used to designate that point on the river where the fall is sufficient to stop navigation.

nists, as in Virginia, soon spread inland. Mountains and Indians, on the other hand, held the New Yorkers close to the Hudson and Mohawk. In New England where the harbors were many and the navigable rivers few, the first settlements were at seacoast harbors and the advance inland was made under the township grants from the General Court.

Occupation of Piedmont

By 1720 the population of the colonies hardly numbered more than 200,000, a population still scattered along the seacoast and the little rivers of the tidewater. Hostile Indians and the difficulty of establishing themselves had delayed colonization. In the eighteenth century, however, natural increase and renewed immigration provided an impetus to further expansion. Between 1700 and the opening of the Revolution the piedmont region between the "fall line" and the Alleghanies was occupied and the first settlers began to trickle through the mountain passes. Indentured servants and others from England made up part of the eighteenth century migration, but the most notable groups were the German Palatines and the "Scotch-Irish", who came to escape intolerable religious and economic conditions. With the rich tidewater lands exhausted, these settlers, who came

by the thousands, were pushed into the piedmont. The Germans found homes on the upper Hudson, on the Mohawk and in Pennsylvania, and the "Scotch-Irish" in Western Massachusetts, in New Hampshire, in Maine and in the mountain valleys of Pennsylvania and Virginia. The Germans were inclined to dig into the soil, but the "Scotch-Irish", in search of better lands, pushed down the Appalachian valleys toward the southwest. Met by the westward moving settlers of Virginia, these peerless pioneers on the eve of the Revolution penetrated the Cumberland Gap and entered Kentucky and Tennessee.

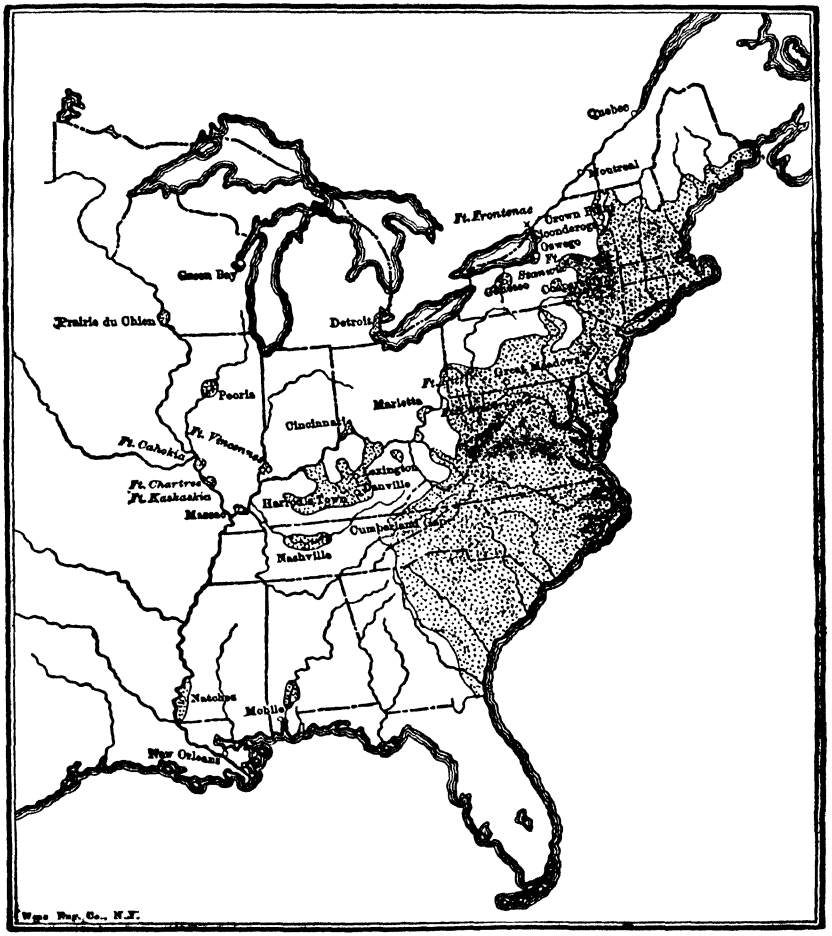
This occupation of the piedmont had not been made without difficulty. Trails had to be cut, Indians destroyed, and the French power broken in a series of wars. Conflicts between the frontiersmen and the conservative eastern legislatures had marked the movement, and finally Great Britain had issued the Proclamation of 1763 forbidding settlement beyond the sources of the rivers flowing into the Atlantic. Quite undismayed James Robertson and John Sevier in 1769 led a group of frontiersmen to the Watauga valley and in 1779 Robertson headed an exodus into Tennessee. In the meantime Daniel Boone, Richard Henderson

and a host of others had laid the foundations of Kentucky. Although the exploits of George Rogers Clark ousted the British from the Ohio valley, frontier warfare delayed the advance during the Revolution.

The cessation of hostilities and the economic distress in the East brought a renewed movement into the regions beyond the mountains. Land speculators and impoverished veterans were pressing for concessions, and Congress hastened to pass regulations for the land north of the Ohio. This was made possible by the agreement among the states to cede their conflicting claims on western lands to Congress, an agreement which had been forced by the states without western land, and an arrangement which not only gave to the Congress under the Articles of Confederation some prestige but also contributed in the movement toward a firmer union.

Early Land Policy

Under an act passed in 1785 Congress provided for a rectangular survey by the government, a division of the land into townships of 36 square miles, each square mile to be a section of 640 acres, with one section of the land reserved for educational purposes. Two years later the more famous Northwest Ordinance of 1787 was passed providing for



DISTRIBUTION OF POPULATION 1790

French settlements along the Mississippi and Illinois and the vanguard of English at Cincinnati and Marietta constituted (with the exception of the region around Pittsburgh) the chief outposts of the white man north of the Ohio. South of that river frontiersmen under Robertson and Donelson had penetrated Tennessee, and Henderson, Boone and others had opened the way into Kentucky. (Compare with population map of a half century later, opposite p. 87.)

the government of the region northwest of the Ohio and the abolition of slavery.

The federal government in its handling of the land problem has been faced by numerous problems. Should the western land be sold for the benefit of the federal government or disposed of at a low price for the benefit of the pioneers? Should it be sold in large or small portions, for credit or for cash? In general the East was opposed to rapid westward expansion on the ground that it made labor scarce, depressed eastern land values and forced the eastern farmer to compete with the cheaper agricultural goods of the West. The westerners, on the other hand, insisted on a liberal land policy, and as the representatives of the West became more numerous in Congress, the laws became more liberal.

The Act of 1785 had provided for the selling of western land in parcels of not less than 640 acres at a dollar an acre. This was obviously too large a parcel for the frontiersman, and in 1800 it was cut down to 320 acres (half section), in 1804 to 160 acres (quarter section), and in 1820 to 80 acres. The credit system was inaugurated in 1796 but it proved so conducive to land speculation and over expansion that it was abolished

(1820) subsequent to the panic of 1819. Although the land had been sold during all of this period at close to the cost of survey, the pressure of the West was unrelenting for two further concessions: (1) the right of preemption, that is, the right to go ahead of the surveyors, pick out land and pay for it later; and (2) the actual donation of land by the federal government. The right of preemption, which had long been in vogue in actual practice, was legally achieved in 1841, and the donation of land by the Homestead Act of 1862. Under this law any settler might acquire 160 acres free of all charges except a minor fee upon filing his claim, his desire to use this land to be proved by a five-year residence which was necessary to insure the title. Special concessions regarding the land laws have usually been made for veterans, and under later acts it has been possible to obtain more than 160 acres, if the land was to be used for dry farming or for other purposes than agriculture.

While Congress was debating the provisions of the Northwest Ordinance (1787) Manassah Cutler, an agent of the Ohio Company, and other prominent speculators were exerting every pressure to secure the sale of 5,000,000 acres of land

north of the Ohio along the Muskingum. In the same year Judge John Cleves Symmes of New Jersey secured a million acres between the Great and Little Miami rivers. A group of Massachusetts settlers founded Marietta (1788) upon the Ohio grant, and settlers from the Middle States founded Cincinnati and Columbia on the Symmes purchase. Both Virginia and Connecticut in the hopes of recouping their losses in the Revolution had reserved lands in the Ohio region, and soon Virginians began to make their way into the bounty lands of the Virginia Military District along the Scioto, and emigrants from Connecticut and western New York into the Connecticut Western Reserve along Lake Erie.

From 1787 on thousands of pioneers each year left the East for the fertile lands of the Ohio valley. The New Englanders reached the Ohio by way of the Mohawk River and Genesee Turnpike or by way of the Catskill Turnpike to the headwaters of the Alleghany. After the Erie canal was built the northern routes became the easiest and most popular. Those from the Middle States struck across Pennsylvania along the road cut by General Forbes in the French and Indian War or along the Turnpike from Baltimore to Cumber-

land. If the pioneer reached the Northwest by the northern route he probably settled on the lake front or struck inland along one of the rivers flowing into it. If he reached the Ohio valley by one of the southern routes he usually embarked at Pittsburgh or some other point and floated down the river until some tributary invited him to enter and pause. Those who came from the South found their way first to Kentucky and Tennessee by the Cumberland Gap or one of the other mountain passes, and then into the Northwest by one of the numerous trails pointing northward.

The predominant strain in the Old Northwest was the backwoodsmen of the South, the pioneers who were too poor to compete with the plantation owner and who were lured into the rich land of the Ohio valley where the plantation system did not flourish. Next in point of numbers came the settlers from the Middle States and then along the northern counties the emigrants from New England. In later years Europeans, particularly Germans, came in large numbers. The Northwest, as a consequence, derived its people and its culture from all sections of the East. Its climate and its physiography inevitably produced the small, self-sufficing farm, and the Old Northwest took on the

appearance of New England or New York. Pioneering in the Ohio valley was in its essentials a duplication of the process as carried on along the north Atlantic seaboard for two centuries.

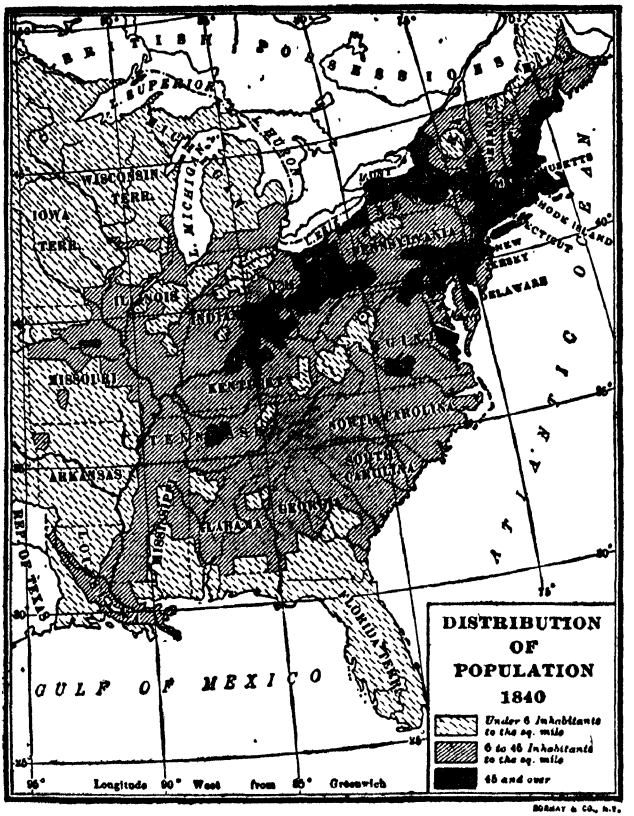
The influx into the Northwest was so rapid that the state of Ohio was carved out of the territory in 1803. The roads were filled with pioneers and the rivers heavy with their flatboats. "Old America seems to be breaking up and moving westward," wrote Morris Birkbeck, a European observer in 1817. "We are seldom out of sight, as we travel this grand track to the Ohio, of family groups behind and before us." The population of the Old Northwest grew from a few thousand in 1787 to 6,900,000 in 1860. Ohio by 1830 had over a million inhabitants, more than Massachusetts and Connecticut combined. Indiana achieved statehood in 1816, Illinois in 1818, Michigan in 1837, and Wisconsin in 1848. This subjugation to white civilization of a mighty inland empire had not been achieved without sacrifice and untold pioneer hardship, without numerous Indian wars and a clash with Great Britain, but it had been rapid and complete. Within a half century after the vanguard of Cutler's company had floated down the Ohio, the pioneers and their descendants had

occupied most of the arable land and discovered minerals of untold wealth.

Even before the frontiersmen had penetrated the land north of the Ohio, Kentucky and Tennessee had been occupied by the backwoodsmen of the mountain valleys of Virginia and the Carolinas. These pioneers and the more prosperous southerners who followed them quickly developed thriving communities on the limestone deposits of the blue grass region, and Kentucky in 1792 and Tennessee in 1796 became states of the Union.

The great migration into the Old Southwest, however, waited upon the invention of the cotton gin and the search for fresh cotton land. The soil of Kentucky and Tennessee was wonderfully rich and it had attracted many of the wealthy tidewater farmers, but these planters turned to hemp, corn, and tobacco rather than cotton. When the search for cotton lands commenced, the land hungry planter deserted with little hesitation his worn out fields in the east and turned toward the rich black loam of southwestern Georgia, Alabama, Mississippi, Louisiana or Arkansas.

The occupation of the Old Southwest commenced in earnest after the second war with England and was consummated with great rapidity.



By a half century after the adoption of the constitution much of the best land east of the Mississippi had been occupied and the frontier in Louisiana and Missouri had crossed the river. All of the region east of the Mississippi except Wisconsin and Florida were sufficiently populated to achieve statehood. Population was thickest along the routes of travel and commerce, in manufacturing centers and where the land was most fertile. Thus the greatest density is seen along the New England coast, and in the valleys of the Hudson, Delaware and Ohio. The importance of these rivers was, of course, augmented by such tributary canals as the Erie, the Pennsylvania and the Ohio. (Compare with map opposite p. 80).

Its speed was accentuated by the migration not only of the usual restless and impoverished frontiersmen, but also by the exodus of many large planters who had pulled up stakes and with their household goods and retinues of slaves were seeking their fortunes in the New West. With representatives of all groups in this migration and the predominating motive the search for more cotton lands, it was natural that the civilization of the Old South would be reproduced. Unable to compete with the large planter in the acquisition of good land and with slave labor in the cultivation of cotton, the poor white was quickly pushed on to the inferior soil or forced to move again north of the Ohio or west of the Mississippi. Upon the fertile bottom lands the rich planter established himself, and proceeded to exploit the soil. A civilization of large plantations worked by slave labor and owned and supervised by a comparatively few whites appeared, an emphasized reproduction of the cotton region of the seaboard states.

This rapid filling up of the Southwest shifted the center of cotton cultivation from the seacoast states to those in the Mississippi valley, and with this shift went that of wealth and political power. It brought in its wake the removal of the Creeks

and Cherokees to reservations west of the Mississippi, and inevitably the ejection of Spain from Florida and Texas. With the admission to statehood of Louisiana in 1812, Mississippi in 1817 and Alabama in 1819 the political and economic power of the "cotton kingdom" became the predominant factor in our national life and remained so until it was destroyed by the Civil War.

West and Agriculture

Inasmuch as agriculture was the chief economic interest of the United States during the period of the most rapid occupation of the West, and inasmuch as this migration was primarily to extend the amount of land under cultivation, the influence of the westward movement on agriculture was bound to be potent. The existence of this reservoir of unoccupied land, has, in fact, been the most powerful influence in determining the trend of American agriculture. The abundance of land and the scarcity of labor early made the American farmer the most wasteful of agriculturists. "In Europe," said Jefferson, "the object is to make the most of their land, labor being abundant: here it is to make the most of our labor, land being abundant." Land apparently was inexhaustible and easily obtained; the normal procedure was to use it up as rapidly as possible and pass on to fresh

land, a tendency accentuated by the scarcity of labor. Labor, it was believed, must be conserved, but land might be wasted, a point of view which greatly retarded the introduction of scientific farming. At the same time this situation stimulated interest in the invention and adoption of labor saving machinery, and the early and enthusiastic use of these machines has been a characteristic of American farming.

In another way the plethora of free land has worked injury to agricultural methods. Our rapid expansion in the past century and a half has made land speculation one of the chief interests of the American people. The typical frontiersman was a land speculator first and a farmer afterward. His chief interest was to pick a likely looking spot and there squat with a minimum amount of farming until the land increased in value sufficiently for him to sell out at a profit. Fundamentally it was speculating on the progress of the country and it reacted upon the eastern farmer as well. The latter also caught the spirit, and he too was willing to sell out, if he could find a buyer, and open up a new plot. If the primary purpose of the farmer was to sell his property rather than improve it for his own permanent use, the effect upon methods of

farming can be easily imagined. Wastefulness, exploitation, speculation, all these have been characteristic of American farming, and all have been the result of free and abundant land.

In specific localities agriculture has been powerfully affected by the opening of the West. As soon as the development of transportation facilities brought the eastern farmer into competition with the West, he was forced to forego the raising of wheat and corn and take to that of dairying and fruit growing. So important was the influence in New England that large areas were thrown out of cultivation. To a lesser degree this was true of the South where the fresh tobacco and cotton fields beyond the mountains put the eastern farmer at a disadvantage and in many cases eliminated him.

Rise of Cotton

During the colonial period the large planters in the South had devoted themselves chiefly to the staples, tobacco, rice and indigo, while the small farmers divided their energies between these staples and foodstuffs. This situation continued during the first half of the nineteenth century except that cotton took the place of tobacco as the principal product. The decline of indigo production and the exhaustion of the tobacco fields made

the southerner receptive to a new crop, and at this opportune moment there appeared a market for cotton. The new textile machinery of the Industrial Revolution consumed the raw cotton with an insatiable hunger and the planter turned his attention more and more to this crop. In this change he was aided by the introduction of the short fibered variety, which could be cultivated in the upland regions, and by the presence of large numbers of slaves whose labor could be expended upon a crop, the production of which was simple enough to be suitable for slave labor.

One difficulty remained,—the separation of the seeds from the short fibered cotton with sufficient rapidity to make the production profitable. This difficulty was solved by Eli Whitney, a Connecticut Yankee, who had gone South to teach school, and who invented a crude but efficient cotton gin. Whitney's simple machine revolutionized southern agriculture. The tendency toward cotton production, which had already started, gained momentum until cotton became the greatest commercial crop of the South and the largest single export of the nation. The production mounted from 4,000 bales of 500 pounds in 1790 to 3,841,000 bales in 1860. Not only did cotton become the

chief economic interest in the South but it exerted a tremendous influence upon our history in other ways. It greatly increased the speed of the westward advance and at the same time fastened slavery upon the South. It hastened the purchase of Florida, the annexation of Texas, and the war with Mexico, and made inevitable a clash between a free and slave economy.

While cotton production was expanding in the South, tobacco was declining relatively and absolutely. The embargo, the War of 1812 and foreign competition ruined the market, and it was not until 1840 that exports equalled the figure of 1790. After that date the introduction of new species, of improved methods of curing, and the opening of fresh lands in Kentucky and Tennessee helped in a revival which brought a steady increase in exportation. By the Civil War the United States was again the greatest tobacco producing region in the world. Rice continued to be grown and its production increased steadily until 1850 when a decline set in. Other commercial crops such as sugar cane in Louisiana and hemp in Kentucky had considerable local importance. While the big planters were primarily interested in these commercial staples, tens of thousands of

smaller farmers were raising cereals, hogs and cattle. Nevertheless, the South at the height of the cotton expansion was forced to import foodstuffs from the states north of the Ohio.

The development of agriculture during this period north of the Ohio was not so spectacular as that of the South, but quite as important. The pioneers found the physiography of the region much like that which they had left and their energies were devoted to livestock and cereals. The former assumed an immediate importance, for cattle and hogs could be marketed by being driven east on the hoof. Later with the development of river and canal transportation it was possible to export both meat and cereals, especially after the southern market was developed. When it was subsequently discovered that the tough prairie sod covered soil of great fertility, the corn and wheat acreage quickly expanded. The potential resources of the Old Northwest as a food-producing area were enormous, but its latent possibilities were not called forth until canals and railroads opened to them an eastern and European market.

While cotton afforded the South a new prosperity and while a tide of migration flooded the Old Northwest, eastern agriculture was in a pre-

carious state. Wasteful methods had worn out the lands of the tidewater South and planters were deserting the farms for the fresh soil of the West. Some maintained a hand to mouth existence, and others, as in Virginia, were forced into the business of raising slaves for the southern market. Travelers constantly noted the appearance of decay which had spread like a blight over many regions. In the Middle States high soil fertility, more intelligent farming, and the nearness to city markets saved the farmer. In New England, however, where the land was less fertile, the western competition was ruinous. Although much land was thrown out of cultivation, the rapid growth of urban population brought about by the factory system provided a market which saved the wide awake farmer who was quick enough to shift his interests to dairying or produce.

Scientific Farming

Although there were few inducements during the early period in America for scientific farming, some advance was made. Practical farmers like Washington and scientifically-minded men like Jefferson and Livingston, dominated by the agrarian economics of the pre-revolutionary French philosophers, acquainted themselves with the latest European methods in fertilization and crop

rotation and imported better breeds of livestock. Their prestige gave publicity to their experiments and many of the wealthier farmers hastened to profit from their efforts. The knowledge of better methods and superior breeds was disseminated through agricultural societies, county fairs, farm papers, agricultural schools, and government aid, all of which got their start during this period. In particular the numerous agricultural societies with their annual fairs became an important feature of American agricultural progress. Their efforts in promoting the farmers' interests were seconded by the farm periodicals which appeared after 1819, the emergence of the agricultural colleges by the middle of the century, and the increasing interest of the state and federal governments.

While scientific methods have been introduced slowly, the American farmer has usually had a keen interest in labor saving machinery. Scarcity of farm labor and at the same time a growing market for foodstuffs explains his attitude. Until well into the nineteenth century the farmer was still dependent upon wooden plows, hand scythes and cradles, and a few other elementary tools. The efforts of Newbold, Lane, Deere, Oliver and others covering two generations finally produced

the chilled steel plow and converted the farmer to their use. William Manning (1831), Obed Hussey (1833) and Cyrus McCormick (1844) all secured patents for mowers and reapers, but the McCormick machines, which were the most practical, were not introduced on a wide scale until the time of the Civil War. Simultaneously with the invention of mowers and reapers came the substitution of the threshing machine for the old-fashioned hand flail, and by the middle of the century the threshing machine propelled by horse or steam power was in wide use.

Suggested Readings

The westward movement should be approached through the suggestive essays of F. J. Turner, some of the best of which have been collected in *The Frontier in American History* (1921). An attempt to summarize a part of the story has been made by F. L. Paxson, *History of the American Frontier 1763–1893* (1924), a Pulitzer Prize book. E. E. Sparks, *The Expansion of the American People* (1900) will be found fascinating for its illustrations. Special phases are dealt with in B. H. Hibbard, *A History of the Public Land Policies* (1924), in L. K. Mathews, *The Expansion of*

New England (1909), in Beverley W. Bond, Jr., *The Civilization of the Old Northwest* (1934), in Katharine Coman, *Economic Beginnings of the Far West* (2 vols., 1912), in C. Goodwin, *The Trans-Mississippi West* (1922), in M. R. Werner, *Brigham Young* (1925) and in W. P. Webb, *The Great Plains* (1931), the latter an original and significant approach. For special chapters in general histories see Edward Channing, Vol. V, chap. 2, and J. B. McMaster, Vol. II, p. 144ff., III, pp. 100-142, 459-496; IV, pp. 381-428, and V, pp. 160ff.

The standard agricultural study of this period for the North is that of P. W. Bidwell and J. I. Falconer, *History of Agriculture in the Northern United States 1620–1860* (1925), and for the South, L. C. Gray, *History of Agriculture in the Southern United States to 1860* (2 vols., 1933). For a brief account read A. H. Sanford, *The Story of Agriculture in the United States* (1915). See also N. S. B. Gras, *A History of Agriculture in Europe and America* (1925).

Chapter VI

Transportation and Communication

From the settlement of America to the present day the providing of adequate transportation facilities has been one of the chief problems confronting the American people. The necessity of keeping in touch with Europe and the difficulty of cutting roads through the virgin forests held the first settlers to the seacoasts and the river banks. When the westward push began in earnest, however, the frontiersmen, ceaselessly searching for the line of least resistance, inevitably followed the river basins through the mountain gaps, where usually were to be found the trails of wild animals and Indian hunters. These trails of the aborigines, later followed by the pioneers, in turn indicated to engineers the logical routes for the construction of turnpikes, canals and railroads. They also determined to no small extent the location of towns and cities, and the regions of greatest population density.

The expansion of population into the trans-

Appalachian west was not wholly dependent upon adequate highways and steam cars, for the first settlers had found their way into the Ohio valley along wilderness paths by pack train and flat boat. But the rapid migration waited upon better facilities of transportation, and the prosperity of the New West rested upon the ability to market surplus products. Without a market for this surplus, the pioneer indeed could subsist in comfort, but the accumulation of wealth through rising land values and large scale farming was bound to be slow. The prosperity and development of the West was dependent upon immigration and a sure market, and for these roads, canals and railroads were necessary. Consequently the insistent demand of the West for better transportation facilities was quite to be expected, and was a clamor soon augmented by eastern merchants and manufacturers.

The earliest communication in America was carried on by the small ships of the colonial period which sailed along the coasts and up many of the rivers running into the Atlantic. This proved adequate while the settlements hugged the seacoast and river fronts, but this water transportation had to be supplemented by wagon roads as population spread inland. As early as 1639 the Massachusetts

General Court ordered each town to construct a highway to connect with the adjoining town, and eventually most of the settlements were linked with some sort of highway. By 1775 a traveler could find his way by land from Portsmouth, New Hampshire to Charleston, South Carolina over what passed for roads.

Communication, nevertheless, until long after the Revolution was chiefly confined to water, and the first roads were supplementary to the water routes,—simply connections between river and sea ports. The building of these roads was delayed not alone because it was possible to travel by water, but also because of the cost of construction and the fact that comparatively few wheeled vehicles existed. The colonists had little surplus time or capital to expend in road building, and without wheeled vehicles elaborate roads were unnecessary. The colonist stayed at home and found little cause to move about either for pleasure or business. If he did have to make a journey the misery of travel over unpaved roadways, of fording treacherous streams and of submitting to abominable tavern accommodations made the venture an outstanding episode in his life. So much demand, however, had developed by 1775 for communication between

the principal ports that regular stages were in operation between Portsmouth and Boston, between Boston and Providence and between New York and Philadelphia. Over the last route the "Flying Machine" succeeded in reducing the time of the ninety-mile journey to two days.

With the movement of population towards the west this situation changed. The inland settlers demanded access to the coast and coast towns wanted the produce of the interior. The development of American transportation has always been delayed by lack of capital, but when the need was sufficiently pressing the means in some manner has been found. So it was during the period 1790–1820 which witnessed an extraordinary amount of road building. This was done chiefly by private capital invested in turnpike companies which built roads open to the public on the payment of tolls.

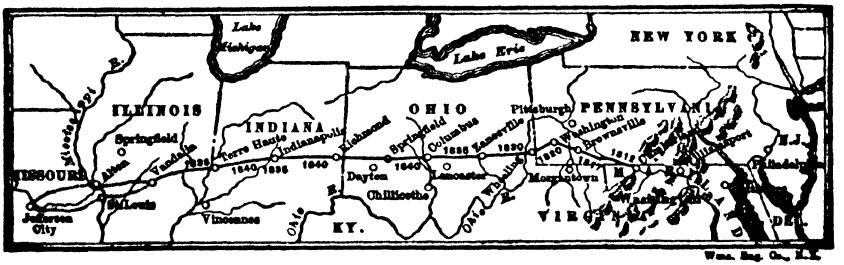
The "turnpike era" was inaugurated by the construction between 1792 and 1794 of an excellent macadamized pike (one of the earliest of that type in the world) between Philadelphia and Lancaster. The success of this road to the investors was so immediate and its usefulness to the inhabitants of the section through which it ran so great that it was followed by a veritable mania of road build-

ing. Scores of turnpike companies were chartered during the next thirty years by the various states —120 in New England by 1820—and several thousand miles of highways built. An impetus to the building of turnpikes was given not only by farmers, land speculators and capitalists seeking big profits, but also by the rivalry of seacoast towns seeking western produce, a phase of American transportation history appearing this early.

The building of turnpikes was followed by the construction of toll bridges, an untold boon in bettering transportation. The turnpike era furnished the eastern section with more and better roads than had existed before, but it did not solve the problem of transportation. Travel was of course easier and the transportation of small and valuable commodities was facilitated. Toll charges and other costs, however, still prevented the movement of bulky freight over long distances. Although the movement of emigrants to the west was speeded, an easy access to a market for western products was not yet found.

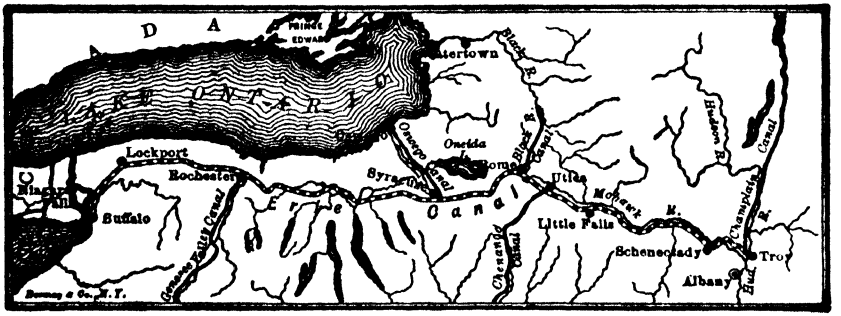
Gallatin's Plan

While private companies were building turnpikes, advocates of internal improvements, particularly in the West, were bringing pressure to bear on the federal government. It was believed



THE NATIONAL PIKE

With the exception of the Panama Canal the "National Pike" was the most significant transportation project ever undertaken by the federal government. Construction went on for over a quarter of a century and the road for decades provided a leading route to the Ohio valley.



THE ERIE CANAL

The first and most significant of the great American canals of the pre-Civil War period, the Erie not only furnished a gateway through which emigrants poured and commerce flowed, but it increased the rapidity of the occupation of western New York and northern Ohio. (Note the population map opposite p. 87.)

that under Article I, Section 8, sufficient power was granted in the Constitution for government participation in these enterprises. Under the influence of this group Secretary Gallatin presented in 1808 an elaborate scheme for internal improvements on a national scale, the cost of $20,000,000 to be borne by the sale of public lands. He advocated among other things (1) that canals be cut across the various peninsulas jutting into the Atlantic so that coastwise traffic might be shortened and protected, (2) that a great highway be built from Maine to Georgia and (3) that the East and West be joined by a series of roads and canals which would connect the rivers of the Atlantic seaboard with those running into the Mississippi.

Most of Gallatin's plans were eventually carried out, but not by the federal government. The chief result of this agitation for government aid was the building of the Cumberland Road or "National Pike" (1811–1852) between Cumberland, Maryland and Vandalia, Illinois. This road, which ran to Wheeling, West Virginia, and then through Zanesville, Columbus and Springfield, Ohio; Indianapolis and Terre Haute, Indiana, to Vandalia, at its completion was 834 miles long and had cost the federal government $6,821,000.

The importance of the "National Pike" was out of all proportion to its cost. For years it remained a leading highway to the west, and maintained its position in spite of the rivalry of the canals. Over it dashed the Great Western Mail, and the express coaches of rival transportation companies. But more important was the never ending stream of westward bound emigrants, the caravans of livestock moving back and forth, and the Conestoga wagons, heavily laden with merchandise for the Ohio valley. The "National Pike" brought prosperity to the region along its route and stimulated the New West. It also encouraged the activity of those who favored further government help, a hope frustrated by the attitude of President Jackson and the panic of 1837.

Invention of Steam-[boat

While turnpikes were being constructed with feverish haste experiments were being made with the steam engine which were destined to give a renewed importance and a longer life to river traffic. The possibility of driving a boat with steam had long occupied the attention of engineers on both sides of the Atlantic, but it was given to the American, Robert Fulton, to construct the first practical steamboat to catch the attention of the

world. When Fulton in 1807 took the side-wheeler Claremont over the 150 miles between New York and Albany in thirty-two hours he inaugurated a revolution, not only in river traffic, but in ocean commerce.

It was not in the East, however, that the river steamboat was destined to play its great role, but upon the western waters. The pioneers of the Ohio and Mississippi valleys were almost entirely dependent upon the rivers to market their produce, and upon the river barges the cotton of the lower Mississippi planters, and the wheat, flour, corn, pork and bacon of the northwestern farmers were floated southward to a market. This commerce was unsatisfactory, for it was costly, it was chiefly in one direction, and to a glutted market. A river barge could float from Louisville to New Orleans in thirty days, but it required ninety days of arduous labor to bring it back. As a consequence the boat was often sold and the crew found their way home as best they could.

Notwithstanding the disadvantageous features of this commerce hundreds of flat boats were plying on the western rivers when Fulton in 1811 launched his first steamboat on the Ohio. The monopoly granted by Louisiana to Fulton delayed

the rapid development of the steamboat, but when the Supreme Court (Gibbons *vs.* Ogden, 1824) finally broke the steamboat monopoly, the traffic by river steamboat grew by leaps and bounds. By 1825, 125 steamboats were sailing the western waters and by 1840 four-fifths of the traffic of the Mississippi basin was carried on steam propelled craft. The period from 1830 to 1860 marked the golden age of the river steamboat, a time when the speed and gorgeous decorations of these flat-bottomed two deckers amazed travelers and brought pride to the natives. Although the river steamboat reached its highest development on the Mississippi, its romance and usefulness was not confined to the West. Steamboats became a leading facility for transportation in the East where they puffed their way into every little river, and it was with river steamboats that the early transportation magnates, men of the type of Vanderbilt and Drew, first began their operations.

Notwithstanding the building of railroads and the fact that much of the produce of the Northwest was now drained east by canal and railroad, the western river traffic held its own until the Civil War. Within a decade after the large scale employment of steamboats the freight rates from

Cincinnati to New Orleans had been cut from six or nine cents a pound to less than one half cent. To no small extent steamboats were responsible for the Mississippi valley commerce which developed from almost nothing in 1790 to close to half a billion dollars in 1860, a traffic which provided a business to tax the capacities of both steamboats and the new railroads.

The problem of river traffic was met by the steamboat, but that of transportation for the country as a whole was not yet solved. River traffic was predominatingly from north to south; no adequate means had yet been found to provide an easy movement from east to west to connect the Mississippi valley with the Atlantic tidewaters. The turnpikes had helped, but they furnished no real solution, and when their limitations were clearly realized, merchants, land speculators and others interested in trade routes turned with increasing interest to canals.

Era of Canal Building

The possibilities in canal transportation had always appealed to Americans. The early Puritans had dreamed of cutting Cape Cod; Washington, intensely interested as he was in western land speculation, had headed a project to open the Potomac to navigation; and during the first years

of the century numerous surveys had been made and short canals opened to commerce.

The great era of canal building, however, which extended roughly over the two decades 1817–1837 waited upon the building of the Erie Canal. A waterway to connect the head of navigation of the Hudson with the great lakes had long been a pet project of far-seeing statesmen. Elkanah Watson in 1788 had clearly pointed out its possibilities, and a state commission had been appointed to consider the matter in 1798. Nevertheless it was not until 1817 that Governor Clinton succeeded in getting actual construction under way. "Clinton's ditch" was finally completed in 1825, and in October of that year the Seneca Chief headed a procession of vessels over the entire route from Buffalo to New York. The Erie Canal, as originally built, was 362 miles long, its route following the Mohawk to Rome and thence westward through the present cities of Syracuse, Rochester and Lockport to Buffalo. Tremendously successful from the start, its tolls during the first nine years exceeding the initial cost (approximately $7,000,000), and it was soon supplemented by many tributary canals, until New York had 906 miles of artificial waterways.

The effect of the Erie Canal was immediate and tremendous. It provided the first all water route to the West, tying up the commerce of the Great Lakes with the Atlantic Ocean. It gave the northwestern farmers an opportunity for an eastern market, and stimulated immensely that region. Upon the country bordering the canal the effect was magical. Not only was western New York quickly occupied but emigrants followed the canal in large numbers to the West, for the weary weeks of hard travel between the seaboard and Great Lakes was now reduced to four and a half days. As the products of western New York and the Erie basin began to stream along the canal to New York, that city jumped quickly into the leadership of the seaport towns, its population increasing from 124,000 in 1820 to 313,000 in 1840. The fact that New York was the first of the Atlantic ports to tap the resources of the West contributed as much as anything to her subsequent greatness.

The success of the Erie started a mania for canal building, an enthusiasm which was fed by the desire of other seaport cities to get their share of the western trade. The most important of the eastern projects was the Pennsylvania canal constructed (1826–1834) between Philadelphia and

Pittsburgh. It covered a distance of 394 miles, and between Hollidaysburg and Johnstown, where the boats were transferred to a portage railway, it surmounted an altitude of 2,300 feet. A more difficult project than the Erie and not so satisfactory, it served the purpose of carrying a share of the Ohio trade to Philadelphia. Baltimore in her efforts to emulate her northern competitors was less successful. Her project to build a canal along the Potomac and through the mountains to the west took shape in the Chesapeake and Ohio canal, but delay in starting, discouraging setbacks, and competition with the Baltimore and Ohio railroad which built simultaneously over the same route, prevented the canal ever getting beyond Cumberland. Other eastern canals of temporary importance were those designed like the Morris Canal between Phillipsburg on the Delaware and Jersey City on the Hudson to bring the anthracite coal to the tidewater. The Delaware and Raritan canal (opened 1838) gave an inland water route between New York and Philadelphia and continued to be of importance after other canals had declined.

The success of the Erie in like manner aroused the settlers of the Old Northwest to action. Pro-

jects to connect the Ohio River with Lake Erie were voted by the legislature, and two canals, one from Portsmouth on the Ohio to Cleveland, and one from Cincinnati to Toledo, were constructed. Indiana linked Lake Erie with the Ohio by the Wabash and Erie; Illinois joined Lake Michigan with the Mississippi by a canal from Chicago to LaSalle on the Illinois, and Wisconsin accomplished the same result by a canal between the Fox and Wisconsin Rivers. By 1850 the Northeast was in easy water connection with many points in the upper Mississippi valley, a fact of great economic and social significance.

Canal building, which had been pushed with intense activity and boundless optimism, was brought to a halt by the panic of 1837. This panic, like most of those in our history, was the result of over-expansion in the building of transportation facilities and the land speculation attendant thereon. States, towns, and individuals had stretched their credit beyond all reasonable limits, and when the crash came the states had no money to continue construction or even pay their debts. When recovery set in some of the uncompleted canals were finished, others controlled by the states were turned over to private companies, and the states

more and more retired from the transportation business. The over building of canals and the resulting business depression dealt a severe blow to what might have been a normal development of state owned transportation.

Beginning of Railroads

While the country was gripped with a craze for artificial waterways the first experiments were being made in a new type of transportation which was destined before many decades largely to supplant the canals. For years wheeled vehicles had been drawn over wooden or iron tracks, and during the early years of the century Trevethick and Stephenson in England, Oliver Evans and John Stevens in this country had been trying to harness the steam engine to propel vehicles. When Stephenson in 1827 proved beyond doubt the practicability of this new method of locomotion, the nation embarked on a career of railroad building which lasted with but little intermission from the early thirties until the first decade of the twentieth century.

The superiority of railroads over canals was quickly evident. They were cheaper to build, they were not affected to such an extent as canals by drought or freezing, and they could more easily be constructed over mountains. Furthermore, cer-

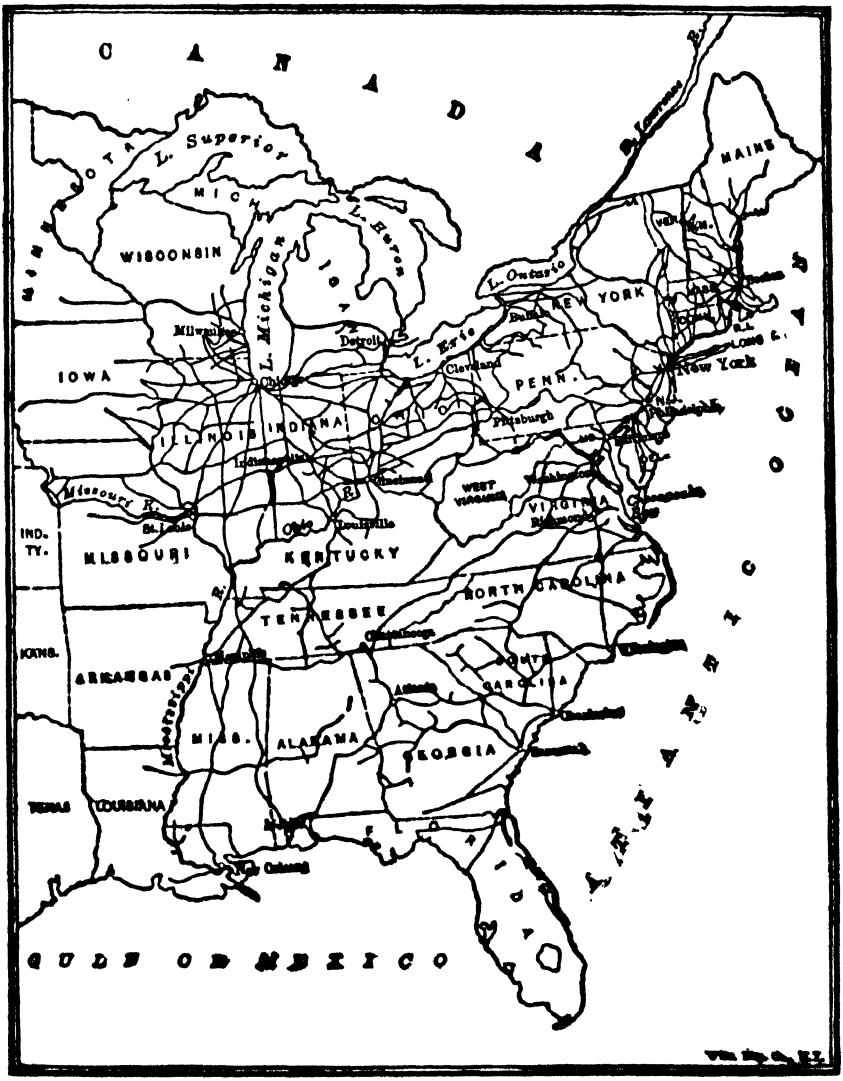
tain factors in the American situation made them particularly adaptable to conditions here: (1) the labor cost of construction was less than that of canals; (2) they provided more rapid transportation, an important element in a country of great distances, and (3) the abundance of raw materials to be found here was enough to counteract other factors which favored canals.

The many who believed in canals, including those who had invested their money in such enterprises, opposed the introduction of railroads, but their antagonism was futile. Construction on the Baltimore and Ohio was started in 1828, but it was not until Peter Cooper's engine, *Tom Thumb*, (1831) made the thirteen miles from Baltimore to Ellicott's mills in an hour, that the company determined to use steam engines rather than horse power. In 1829 and in the early thirties short lines of track were laid in many parts of the country and steam railroad transportation became an accomplished fact. It was, for instance, in 1830 that the *Best Friend of Charleston*, the first locomotive made in America for practical and regular use, attained thirty miles an hour on the new railroad being built from Charleston to Hamburg, South Carolina, and in 1831 that the *DeWitt Clinton* on

its trial trip did the seventeen miles from Albany to Schenectady in an hour.

Just as the first canals were built to link up river traffic, so the early railroads were constructed as feeders to canals and rivers, but it was soon realized that railroads were destined to play a greater role, and engineers began to lay out routes for longer trunk lines. Those seaboard towns, like Boston, Baltimore, Charleston, and Savannah, which had lost in the race for western trade because they lacked canal connections, saw a chance through railroads of regaining their declining prestige. Gradually the short lines stretched out until in the early fifties the primary passes of the Alleghanies had been penetrated, and the little lines of the Ohio and Mississippi valleys had met those from the east. Each decade from 1830 to 1860 saw an increasing mileage laid down, until by the latter year over 30,000 miles of railroad had been constructed.

By the opening of the Civil War the region east of the Alleghanies was equipped with a skeleton railroad system, and the routes later followed by the great trunk lines were generally laid with tracks. The chief seaboard cities had connections with the West, which were becoming more valu-



RAILROADS IN THE UNITED STATES IN 1860

able as railroad construction was rapidly pushed beyond the mountains. The decade of the fifties saw 8,000 miles built in the region between the Ohio and the Gulf, and the Northwest displayed similar activity.

This period of early railroad construction in its general characteristics was much like that of canals. Capital had been obtained from private investors, from European capitalists, from state loans of money and gifts of land. The states, however, after their experience with canals, had preferred to encourage rather than to assume responsibility of construction. The building was rapid, and in many cases unwise, for too much dependence was put on the future development of the country and the large amount of capital, thrown into projects which in the sparsely settled country were bound for some time to be non-producing, contributed to the panic of 1857, just as similar over-expansion in canals had brought the panic of 1837.

With little experience upon which to work, engineers not only had to invent improvements upon their equipment as they went along, but to solve innumerable problems of construction. It is no wonder that the early conditions on the rail-

roads were chaotic, that travel was uncomfortable and that accidents were frequent. When the difficulties confronting these early railroad builders are appreciated, their accomplishment in the period 1830–1860 seems amazing, and is a remarkable tribute to the optimism and resourcefulness of the young nation. The chief explanation lies in the universal realization of the necessity of transportation development, and the willingness of all to lend a hand.

Postage and Express

With the development of railroad transportation came the extension of the postal service. Although free delivery and other refinements of the postal system waited upon the impetus of the Civil War, the government after the coming of railroads was able in 1845 to reduce the charge on letters of one half ounce going not over 300 miles to five cents, and in 1851 again to reduce the cost to three cents for letters going not over 3,000 miles. While the government was introducing cheap postage, private concerns were developing the idea of rapid and safe transportation of valuable documents and small commodities. The express business began with the trips of Francis Harndon who carried his first express in a handbag between New York and Boston (1839) and

Alvin Adams who established a rival company over the same route. The express service, curiously enough, achieved its greatest triumph within a decade of its birth, when Wells, Fargo and Company on the west coast carried the mail and the gold of the forty-niners, and where, according to Samuel Bowles, "The first three establishments set up in a new mining town" were "a restaurant, a billiard saloon, and a Wells and Fargo office."

Teleg-raphy

While railroads were still in their infancy, a contribution to communication quite as epoch-making was effected by the invention between 1832 and 1837 of the electro-magnetic telegraph. Apparently the people cared less about the transmitting of messages than the transporting of produce, and the inventor, Samuel F. B. Morse, was forced to wait until Congress in 1843 reluctantly appropriated $30,000 for a line between Baltimore and Washington. When this line proved the practicability of the telegraph, capital was speedily organized by Ezra Cornell and many companies began to build lines. As these lines followed the railroads, telegraphy became closely allied with railroading, and by 1850 the telegraph was widely used for train dispatching. By 1861 many of the small lines had been consoli-

dated into the Western Union, 50,000 miles of telegraph had been built, and the greatest triumph of early telegraphy had been achieved,— the completion of a line to the Pacific coast almost a decade before the building of the first trans-continental railroad.

The development of these various methods of transportation and communication was important primarily in its effect on the growth of the West. Over the turnpikes, the canals and the railroads emigration flowed in an unending stream, its size increasing with the ease of transportation. The West was filling up, and with the accession of population came heightened activity and mounting land values. But the canals and railroads in the same manner influenced the East. While agriculture was detrimentally affected by western produce, manufactures were stimulated by the growing market beyond the Alleghanies, and this notwithstanding the lure of western land to eastern labor.

Important likewise was the shift in trade routes. More and more the food products of the Northwest were drained eastward rather than south, until by 1850 three-fifths of the western surplus reached the tidewater by way of the Erie Canal.

Commerce tended gradually to leave the rivers for the canals and railroads, and the Mississippi river trade became more and more concerned in cotton and sugar. The shift in trade routes started by canals was clinched by the railroads, and the normal movement became east and west rather than north and south. The strips of iron over which the west marketed her surplus bound her firmly to the Northeast and these bands were too strong for a Civil War to snap.

Suggested Readings

The two most valuable histories of early American transportation are C. E. MacGill, *History of Transportation in the United States Before 1860* (1917), a scholarly product of the Carnegie Institution, and Seymour Dunbar, *History of Travel in America* (4 vols., 1915), interestingly written and especially valuable for the remarkable collection of rare prints which it contains. A shorter account is that of A. B. Hulbert, *Paths of Inland Commerce* (1920) in the Chronicles of America, the work of a life-long student of early transportation. His *Historic Highways* (15 vols., 1902-1905) deals specifically with many of the early trade routes. Delightful pictures of early river

life are given in Mark Twain, *Life on the Mississippi* (1883) and more recently in F. E. Dayton, *Steamboat Days* (1925) and G. L. Eskew, *The Pageant of the Packets* (1929). Popular accounts of canals, the mail service and express companies are in books of A. F. Harlow, *Old Towpaths* (1926), *Old Postbags* (1928) and *Old Waybills* (1934). Early railroad history is also popularly told in C. F. Carter, *When Railroads Were New* (1909) and in Agnes C. Laut, *Romance of Rails* (2 vols., 1929). More scholarly and specialized studies are U. B. Phillips, *History of Transportation in the Eastern Cotton Belt to 1860* (1908), C. H. Ambler, *A History of Transportation in the Ohio Valley* (1932) and P. W. Gates, *The Illinois Central Railroad and Its Colonization Work* (1934).

Chapter VII

Industrial and Commercial Development

The development of the factory system which had been rapid during the years of 1807–1815 was temporarily checked by the conclusion of peace. The inundation of the American market by the pent-up goods of England ruined many manufacturers, and few survived. New mills, however, soon rose on the ruins of the old, and a new period of manufacturing expansion ensued. The revival of manufacturing and the development of the Industrial Revolution was due to many causes, among which may be mentioned: (1) the protective tariffs of 1816 and 1818, (2) the abundance at home of fuel and cheap raw materials, (3) the introduction of labor saving machinery, such as the turbine water wheel and the ring spinner, which helped to overcome some of the chief early deterrents, (4) the willingness of capitalists to shift some of their scanty wealth into manufacturing, (5) the revival of a world-wide prosperity and (6) an ever increasing home market. These and other factors

saved the American producer from the competition of the cheaper and in many cases superior products of Europe.

The Industrial Revolution had come to America in the erection of mills for the spinning of cotton and woolen thread. These factories were now augmented by others to weave the thread into cloth. It was in 1814 that Francis C. Lowell, with the backing of Boston capitalists, erected his Waltham factories in which he set up not only spinning machinery but also power looms for weaving.

Textiles

The success of the Waltham mills led to the erection of similar factories at Lowell, Nashua, Manchester and Lawrence on the Merrimac and upon scores of smaller streams throughout New England. Providence was already an important cotton center and New Bedford and Fall River were soon to become so. At the same time New England emigrants were carrying the new manufacturing into the Hudson and Mohawk valleys. The spindles for cotton spinning increased from 250,000 in 1820 to over 5,000,000 in 1860 and the average annual consumption of cotton from 10,000,000 pounds to over 500,000,000.

The factory production of woolen goods grew more slowly than did that of cotton. This was due

among other factors to (1) the greater distribution of wool among the farmers and the consequent greater ease in manufacturing it on the farms, (2) the greater cheapness and abundance of cotton after factory production had started, and (3) the superiority of English woolens and the long-continued policy of the British government to discourage manufacturing in the colonies. The introduction of merino sheep in this country and the War of 1812 helped to overcome these handicaps, and the industry got a firm foothold during the war. Notwithstanding the post-war depression, the incomplete census returns of 1820 listed over 100 factories with 700 looms, and by 1860 the woolen industry boasted of almost 2,000 factories, with 49,000 employees and an annual production valued at $69,000,000. Notwithstanding this increase of factory production, household industry was not displaced, and the hand looms of the farm houses until the middle of the century probably turned out more woolen cloth than did the power driven machinery.

The wider use of cotton and wool, due not alone to the factory system but also to the change in the styles of men's clothing, gradually displaced flax as the chief raw material for textiles. Factories for

the turning out of specialized flax products, such as cordage, sail-cloth and bagging, of course, persisted, the latter industry in particular reaching large dimensions in the Ohio valley. With the failure of the colonists to produce silk worms in large numbers, the silk industry disappeared until in the forties of the nineteenth century. In that decade John Ryle established silk mills at Paterson, New Jersey, and the Cheney brothers at South Manchester, Connecticut, and around these centers the silk industry developed, the early factories spinning their thread from imported raw material. The foundation of the Industrial Revolution in America rested at the beginning upon English inventions, but the improvement and adaptation of them to conditions here took place at once and greatly helped the development of the factory system.

Metals

There had been iron manufacturing from the earliest colonial period, and some production of other metals such as copper and lead, but the great development of the production and manufacture of metals waited upon the Industrial Revolution and the demands of a rapidly increasing population. It also waited upon improved methods of smelting and refining. The old method of refin-

ing by repeated heatings gave way after 1817 to the puddling and rolling process introduced from England; fifteen years later manufacturers had discovered how to use anthracite coal for refining and were turning from charcoal, and in 1851 William Kelly of Kentucky independently discovered the Bessemer principle of decarbonizing molten metal by forcing air through it.

The demand for iron products more than kept pace with improved methods of refining, and factories for casting and forging appeared everywhere in the iron producing regions and in the industrial centers. In addition to the increasing need for household metal utensils probably the greatest impetus to the iron industry came from the introduction of iron and later steel rails on the railroads, the substitution of iron stoves for the old-fashioned fire place, and the increasing use of new machinery. The development of the stove industry in particular, had been notable. By 1850 factories existed in most of the principal northern cities and four hundred thousand stoves were annually manufactured.

As the Industrial Revolution increased in momentum the people turned more and more from hand to factory production and from wooden to

metal utensils. The patent office which issued on an average of 77 patents annually from 1790 to 1811 recorded 28,000 in the decade 1850–1860. Many of these patents were for machines requiring iron, steel or other metals in their manufacturing, and among the most important should be mentioned the sewing machine of Elias Howe and the new farm machinery of McCormick and others. This increase in the production of metal goods was naturally stimulated by the development of automatic machinery, by which innumerable pieces of uniform shape and size could be cast, by the standardization of sizes and by the principle of interchangeable parts whereby a wornout part might be replaced by a similar one fitting as well as the original. The latter principle had been introduced by Eli Whitney in the manufacture of firearms, and it soon became a leading characteristic of American manufacturing.

Inven-
[tions

The introduction of power machinery in textile manufacturing and of new devices for the refining and manufacture of iron ware were undoubtedly the most striking aspects of the early years of the Industrial Revolution in America, but almost as important was the simultaneous expansion of those cruder forms of industry closely

dependent upon agriculture. As the population increased and expanded westward flour mills sprang up wherever a wheat area appeared, and if no water power was at hand their wheels were turned with steam. Meat packing had always been carried on in the eastern cities, but packing as a large scale industry came after the Ohio valley was settled and the farmers sent their surplus to Cincinnati, or "Porkopolis", to be prepared for a distant market. The center of this industry in later years shifted westward to Chicago, Kansas City and Omaha, but it has always been a leading industry of the Middle West. The lumber industry likewise pressed after the advancing population to supply their varied needs. With improved machinery, lumber became cheaper, and with a greater demand, the manufacture of furniture and other wooden products shifted from the little shop where individual pieces were made to order to the larger factory.

The manufacture of shoes and leather goods developed in a different manner. The cheapness of hides and of tanning supplies had always given Americans the home market. The expanding market of the first half of the century was met, however, not by the introduction and invention of new

machinery but by the expansion of the old methods. New shoe machinery did not come in until after 1860; in the meantime the little hand shops increased in size until it became necessary to introduce a more minute division of labor. Then in the shoe centers of New England were to be found the main "factory" where the cutting, packing, and shipping were done, and many little "factories" about the town where specialized operations such as binding, stitching, soling and lasting were carried on. The making of shoes was an example of a primitive industry expanding to meet changed conditions without new machinery.

American manufacturing in its earlier stages was influenced chiefly by (1) scarcity of labor and (2) the predominance of agriculture in our economic system. On the one hand labor scarcity delayed the growth of the factory system, but on the other it encouraged the invention of labor saving devices and the manufacture of labor saving machinery. The predominance of agriculture as an occupation and of agricultural goods in the export trade meant that a large part of early manufacturing would be the preparation of agricultural products for the market in such industries as flour milling, meat packing and leather tanning.

While the products of this elementary type of manufacture might be prepared for export, the finer type of factory products were almost sure to be destined for the home market. The predominance of agriculture also meant that the manufacture of farming implements would be an important feature of early manufacturing. As the decades passed, of course, the demands of the rapidly expanding railroads for various kinds of metal ware gave a distinct trend to manufacturing, and presaged a different type of market.

The Industrial Revolution rose first in New England. Here the country was older, capital produced by commercial enterprises was available, water power was abundant, the population was resourceful, and a labor supply of farm girls was obtainable. Although textile manufacturing spread to points along the Mohawk, the Hudson, the Delaware and elsewhere, as late as 1860 two-thirds of the production remained in New England. That section also specialized in the type of metal goods requiring much labor and intelligent workmanship, such as textile machinery, clocks, firearms, cutlery, bronze castings, machine tools, brass and tinware.

Manufacturing involving more bulky products

and less skilled labor followed the source of supply. Thus the center for the refining and forging of iron moved into Pennsylvania. At the same time the manufacture of farm machinery and farm vehicles followed the advancing farmer and the fresh hickory forest; the milling of flour followed wheat production to the Genesee valley of New York and then into the Middle West, and the packing of meat to Cincinnati and Chicago. As transportation facilities developed, economic specialization become more and more possible. Thus the Northeast turned increasingly to manufacturing, the Northwest to the raising of foodstuffs and to manufacturing the products of the farm, and the South to the raising of cotton. The play of these economic sections upon our political life makes evident to the most superficial student that the nation was becoming a union of sections rather than of states.

Labor Problem

The American laboring class at the opening of the century, believed Henry Adams, "enjoyed an ample supply of the necessaries of life." Although this was undoubtedly true, the average workman of this period labored from sunrise to sunset and his standard of living was low. The wages of skilled labor ranged from one dollar to two dollars a day

and that of unskilled at half that amount. A half a century later the wage scale had hardly changed, but the standard of living had measurably improved. The scarcity of labor and the abundance of western land kept wages reasonably high, and most of the early strikes were for shorter hours rather than higher pay. If conditions became too hard there was always an escape to the West, and factory work for able bodied men was optional. An optimistic and at the same time a reasonably fair picture of the situation is given by Thomas Mooney, an Irish traveler in 1850: "The lowest wages going in the United States for a labourer's day's work is seventy cents, or about three English shillings British money. This would be eighteen shillings for a week; and you can obtain good board, lodging, and washing for a little less than ten British shillings, or two and a half dollars a week. So that you will be able to save seven or eight shillings a week to buy the farm, which farm you can buy for five shillings an acre. . . . Remember that if you please, you can, as soon as you get into a regular employment, save the price of an acre and a half of the finest land in the world every week, and in less than a year you will have money enough to start for the west, and take up

an eighty acre farm which will be your own forever."

The coming of the factories did not at first affect greatly the hours or wage scale of the men; it simply made factory hands of them. Nor did the workers in the textile mills sink into the almost unbelievable depths of misery which overtook the English workmen after the Industrial Revolution. When Lowell and his partners started their mills there was no plethora of labor or large supply of hands. It was necessary to go into the surrounding country and enlist young women from the farms to come into the towns to work the bobbins and spindles. These girls were usually quite glad to come, for the factory offered an escape from the monotony and futility of rural life. The exodus of men to the cities and to the West eliminated for many the career of housewives and mothers, while the agricultural reorganization in New England and declining household industry closed to them other fields of labor. Furthermore, some of the founders of the Waltham and Lowell mills were men of humanitarian instincts. Partly from desire and partly from necessity they made efforts to provide adequate boarding houses, where their workers might live under the proper

moral safeguards, and in some cases even voted money for churches and libraries. To the early operative the factory was an opportunity and not a last desperate expedient. The high calibre of these factory girls and the comfortable surroundings enjoyed under this early paternalism struck Europeans with astonishment. Even Anthony Trollope spoke of Lowell as "the realization of a commercial Utopia" and said that the operatives were "taken in, as it were, to a philanthropic manufacturing college, and then looked over and regulated more as girls and lads at a great seminary, than as hands by whose industry profit is to be made out of capital."

There was unfortunately another side to the story. The early mills with their small windows and lack of sanitary appliances were unhealthy places in which to work and the twelve to fourteen hour days taxed the strength even of a farm girl to the limit. The paternalism would be considered intolerable today. At the height of the system the girls not only worked in the company mills, but they lived in company houses, spent their earnings in company stores, worshipped in company churches, and submitted to an excessive interference in their private life.

Nor were the mills in other towns on a par with those of Lowell and Waltham. Not only were conditions not so good but child labor was widely prevalent. An appreciable proportion of the labor in the textile mills was composed of children under sixteen who worked, according to a Massachusetts investigation (1825), "generally twelve or thirteen hours each day." Investigators in Paterson, New Jersey, in 1835 believed that at least 600 children under sixteen years of age worked in that city from sunrise to sunset, with half an hour allowed for breakfast between October 1 and March 15, and three quarters of an hour for dinner the year around. The weekly wage for children in Paterson ranged from fifty cents to $2.12 a week.

Early Unions

The American labor movement began with the formation of local craft unions in the seaboard cities which attempted to regulate hours and conditions of labor, and to administer sick and funeral benefits. Strikes were rare, for the leaders were often arrested and tried for conspiracy. By the middle twenties concentration of population had progressed far enough in the larger centers for the formation of associations of city craft unions and the founding of national trade unions. A strike

of carpenters in Philadelphia in 1827 resulted in the forming of a "city wide union of unions" known as the "Mechanics Union of Trade Associations". This organization was the predecessor of similar city craft associations and of at least four national unions during the next ten years.

The decade 1827-1837 inaugurated the first real labor movement in our history, a movement which was characterized not only by union organization and extension but by political agitation. Labor parties were formed in at least fifteen states and many labor papers were started to carry on the agitation. Numerous were the reforms demanded, —the ten hour day, free schools, abolition of imprisonment for debt, mechanics lien laws, and more equitable taxation.

Probably labor overreached itself in the buoyant years preceding the panic of 1837. When the crash came the incipient labor movement largely went to smash. The energy and idealism of labor was then joined with that of reformers of all types and was expended in furthering their old demands, in attempts at cooperation and communistic experiments, and in the anti-slavery agitation. The depression after 1837 did not, however, end the political activity of labor or the organiza-

tion of workers. The hand of labor was seen in the ten hour legislation of the forties and fifties, while in the decade preceding the Civil War the rising cost of living and other factors led to a revival of strictly trade union activities.

Tariff System

An abundance of raw materials and an expanding home market would inevitably have produced large manufacturing enterprises in the United States without the aid of a protective tariff. The tariff system, nevertheless, has been important in our economic history for it has increased the rapidity of the industrial development, influenced the cost of living, and accentuated sectional differences. Although Hamilton in his *Report on Manufactures* had strongly advocated a protective tariff, the tariffs up to 1816 had been primarily for revenue affording only incidental protection.

It was the rapid expansion of manufacturing during the War of 1812, and the setback which it experienced from European competition during the post-war period that aroused agitation for the protective tariff of 1816. Moreover, it was the same group of nationalistic "War Hawks" who had brought on the conflict that supported the tariff. Led by Henry Clay, who advocated his "American system", these nationalists believed

that a protective tariff by aiding manufacturing would create industrial cities, which would provide a market for agricultural products and thus the prosperity of the whole country would be stimulated.

All sections, including the South where there was some manufacturing, supported the Tariff of 1816 which gave special protection to cottons, woolens and irons. Likewise there was little difficulty in passing the tariffs of 1818 and 1824 which extended and increased this protection. Already, however, the nationalism of the war period was dying down and sectional differences were beginning to solidify. The Middle Atlantic and Ohio river states were the center of the early agitation and continued to favor protection. New England, torn between the desires of the ship owners and merchants on the one hand and the manufacturers on the other, split her vote until about 1830 when she swung over to protection. The South, which had supported the first protective tariffs, about faced and bitterly fought the succeeding efforts for a protective system.

The desire on the part of manufacturers for more protection was again keen in 1828 and Congress acquiesced, but the Tariff of 1828 became

so entangled with the politics of the next presidential election, that it satisfied no one and was dubbed the "Tariff of Abominations". Most of the abominations were repealed in the Tariff of 1832, but the South was so aroused against the whole system that South Carolina issued her famous Nullification Ordinance. Jackson's firm stand prevented rebellion, and the Compromise Tariff of 1833 which provided for a continued reduction over a period of ten years until the uniform rate was 20 per cent helped to mollify the free traders. Although the Whigs in 1842 raised the duties again almost to the scale of 1832, the downward trend continued until the Civil War. The Democrats by the Walker Tariff of 1845 speedily undid the work of the Whigs and in 1857, impelled by an over-flowing treasury, still further reduced the duties. Nevertheless the principle of protection was never relinquished, and the early tariffs had materially aided newly organized American industries.

While the protective tariffs undoubtedly helped the infant industries, the same cannot be said of the uncertain and shifting policy of the federal government regarding currency and banking. The financial policy under Hamilton and Gallatin had

in general been sound and both the First and Second United States Banks had provided a safe paper currency and exercised a salutary check upon the operations of the state and private banks.

United States Banks

The First United States Bank came to an end in 1811, when Congress, under the influence of southern and western inflationists, refused to recharter it. Financial disorganization, caused by the revival of wild cat banking and the strain of the war, led Congress in 1816 to charter the Second United States Bank for a period of twenty years under arrangements similar to the earlier institution. The Second United States Bank served its purpose well, but it existed at a time when western expansion was exceedingly rapid, and its restraining influence aroused the bitterest opposition. Although Marshall defended its constitutionality against the attacks of the states in ringing decisions, its doom was sealed when Jackson turned against it. Dominated by the general western hostility toward the bank and firmly convinced that it was a dangerous monopoly and a source of political corruption, Jackson determined to destroy it. The friends of the bank foolishly allowed its existence to become involved as an issue in the campaign of 1832, and the victory of Jack-

son made a recharter impossible. After a short experience of dividing its funds among the so-called "pet banks" the government in 1840 broke away from the state banks, established an independent treasury system, and through its sub-treasuries collected its revenues and made its disbursements.

The first panic and severe depression after the formation of the federal government came in 1819 and was due to the abnormal growth of industry during the War of 1812, to over-speculation in western land, to the collapse of the European market and foreign competition at the end of the war, and to the development of wild cat banking after the disappearance of the First United States Bank. With the exception of the war influence most of these elements played a part likewise in the disastrous panic of 1837. The chief causes then were the over-building of roads and canals and over-speculation in western land. Jackson, interestingly enough, helped both to inflate the bubble and then to prick it. The speculation in western land which had been rampant during the early thirties, aided as it was by the credit system of buying from the government, was now further spurred on by the destruction of the

Second United States Bank. Bank notes of questionable soundness were loaned freely to speculators who paid them to government land agents, and as Jackson observed, were "immediately returned to the banks, to be lent out again and again, being mere instruments to transfer to speculators the most valuable public lands and pay the government by credit on the books of the bank."

To put an end to this Jackson in 1836 issued his famous "Specie Circular", an order directing that future payments for public land be in specie. This order of 1835 and other factors which presaged the end of a business cycle precipitated the panic. The depression which ensued was severe and lasted for a number of years. During the forties recovery, stimulated by California gold, set in, and a new period of industrial expansion, western land development, and railroad building followed, to be temporarily restrained again by the panic of 1857.

The opening of the West, the building of canals and railroads, and the growth of manufacturing stimulated mightily the development of inland commerce and at the same time shifted the trade routes. These factors also were influential in increasing the volume of foreign commerce,

largely carried on in an American merchant marine which grew *pari passu* with the economic life of the nation.

The rise of the American merchant marine is one of the most romantic and stirring episodes in our economic history, and at the same time most curious. At a time when the chief energies and wealth of the people were absorbed in the opening of the West and in the building of canals, railroads and factories, capital and men could still be found to build and man the merchant ships. The impetus of an early start, the skill of American shipwrights and sailors, an expanding commerce and high profits,—all these tended to counteract the working of normal economic laws, laws which eventually were destined to bring a decline.

American ship masters had helped to save themselves during the War of 1812 by privateering. After the war a revival of commerce and a series of reciprocity treaties between this country and foreign nations aided in the reëstablishment of the shipping industry. The decades from 1820-1840 represent in many respects the most flourishing period in our mercantile history. In 1826 we were carrying 92.5 per cent of American goods trans-

Merchant Marine

ported on the high seas and participating heavily in the carrying trade of other nations. We were building the strongest and fastest vessels afloat and selling many ships abroad; we were practically monopolizing the whaling industry and we were entering actively into the trans-Atlantic packet service.

While the American merchant marine was at the height of its prosperity, certain factors were presaging its downfall. More and more aggressive youths with adventure in their blood turned from the sea to the New West and capitalists saw greater profits in factories, in railroads and in land speculation. At the same time, while American shipwrights were building the finest sailing ships afloat, the wooden sailing vessel was doomed. When the *Sirius* and *Great Western*, equipped with side wheels and steam engines, successfully crossed the ocean in 1838 in faster time than the most rapid sailing packet, the far-seeing turned to steam. The American builder, nevertheless, hesitated to adopt steam and continued to build faster sailing vessels. During the clipper ship period after 1845 it was not unusual for a clipper to sail over 300 miles a day and given a fair wind a clipper often outdistanced a steamboat.

After 1840 the Cunard and other English companies, subsidized and encouraged by the British Government, turned definitely to steam and iron ships. It was not, however, the greater willingness of the British to recognize the trend of the future that brought the decline in America so much as the greater profits in other industries to be obtained here and the Civil War. American tonnage registered in foreign trade declined from 2,497,000 in 1861 to 1,518,000 in 1865 and the percentage of imports and exports carried in American ships from 66.5 to 27.7. Some of this tonnage was destroyed by Confederate cruisers but much more (around 750,000 tons) was sold abroad. Confederate captures, high insurance rates, decline in profits and the cessation of cotton shipments hastened the selling abroad. At the same time the increasing use of mineral oil brought a decline in the whaling industry. Although the World War artificially stimulated the merchant marine to new life, the Civil War dealt it a blow from which it has never recovered.

Suggested Readings

The standard history of manufacturing during this period is that of V. S. Clark, *History of Manu-*

factures in the United States 1607–1860 (1916) published by the Carnegie Institution. There is a mine of information in the old book of A. S. Bolles, *Industrial History of the United States* (1878). Also consult R. M. Tryon, *Household Manufacture in the United States 1640–1860* (1917), chapters VII and VIII and Malcolm Keir, *Manufacturing* (1928), a book which intelligently traces the history of the more important American industries. On labor read the short résumé of Mary Beard or the longer account by J. R. Commons and others, *History of Labour in the United States* (2 vols., 1918), the latter especially full on this early period. One of the most valuable studies on this period is that of Norman Ware, *The Industrial Worker, 1840–1860* (1924). Any history of labor should be supplemented by the use of the *Documentary History of American Industrial Society* (10 vols., 1910–1911) a set of sources gathered together by Professor Commons and associates.

Probably the most satisfactory account of the tariff is that of F. W. Taussig, *Tariff History of the United States* (7th ed., 1923), and of the general financial history that of D. R. Dewey, *Financial History of the United States* (5th ed., 1922). Useful on currency is A. B. Hepburn, *History of Coin-*

age and Currency in the United States (rev. ed., 1915) and on banking, Charles A Conant, *History of a Modern Banks of Issue* (rev. ed., 1915).

The standard history of American commerce is the coöperative work of E. R. Johnson and others, *History of Domestic and Foreign Commerce of the United States* (2 vols. 1915). Two excellent histories of the American Merchant Marine are those of J. B. Soley in Vol. I of N. S. Shaler (ed.), *The United States of America* (1897) and in W. L. Marvin, *The American Merchant Marine* (1902). On special phases the following are valuable: S. E. Morison, *Maritime History of Massachusetts 1783–1860* (1921) and A. H. Clark, *The Clipper Ship Era 1843–1869* (1911), E. O. Hohman, *The American Whalemen* (1928) and F. R. Dulles, *The Old China Trade* (1930).

Chapter VIII

The Civil War

The conflicting economic interests of two great sections precipitated the Civil War. Although these divergent interests were numerous, the fact that the conflict eventually centered upon the question of the preservation and extension of slavery necessitates a close consideration of that system. The first negro slaves, it will be recalled, were brought to Jamestown in 1619 but the wide use of slave labor did not come until the eighteenth century. The institution flourished on the rice, indigo and tobacco plantations of the pre-Revolutionary South, but was distinctly on the decline during the last two decades of the eighteenth century. The worn out tobacco fields of the southern tidewater checked the demand for labor, and the slaves became almost a burden rather than an asset. Southern statesmen like Washington and humanitarian philosophers like Jefferson strongly condemned the system and looked forward to its early extinction.

The institution was saved by the invention of

Whitney's cotton gin which enabled the southerner to employ his slaves upon a new crop. Cotton seemed peculiarly adaptable to the ignorant and crude labor of negro slaves. It was easy to raise, the processes of its cultivation were simple, the tools were few, production extended over a large part of the year, and men, women and children could be used. The slaves in working could be compactly massed under the watchful eye of the director, an important factor because of the expense of first class overseers. Moreover, in the mild southern climate the needs of the slave were few, the average annual cost of his subsistence (food and clothing) being around twenty dollars. If slave labor could be profitable anywhere, it seemed as if it must be so on a cotton plantation.

Growth of Slavery

The expanding market and the invention of the cotton gin resulted in the opening of fresh land to cultivation and a rapid movement into the Southwest. As a consequence the demand for slaves during the first half of the century was greater than the supply. The importation of negroes from Africa was forbidden after 1808 but the illegal traffic was kept up during the whole period. The market, however, was chiefly supplied by the natural increase and by the border states of Vir-

ginia, Maryland and Kentucky who sold their surplus negroes to the slave dealers for the southern market. In this way all sections of the South became interested in the preservation of the system —the border states because they were breeders, and the new states in the Southwest because they needed negroes to open up and cultivate fresh fields. The cost of slaves increased steadily; the average value in 1798 has been estimated at $200 and in 1860 at $700. At the latter date prime field hands were selling for as high as $2,000. Slave property, in fact, was the only property that seemed to rise steadily in value. The price of cotton declined as more of it was thrown on the market, and the freshness of the land was soon destroyed under the antiquated agriculture and wasteful labor of the negroes, but the price of slaves continued to mount. It is hardly to be wondered at that the southern planter became wedded to the institution of slavery, and fought to extend it.

The average person thinks of the pre-war South only in terms of cotton and slavery. Certainly it is true that cotton was the great southern staple and that the wealth and prosperity of that section was chiefly dependent on it. It is likewise true that

the 4,000,000 slaves of 1860 represented approximately one-third of the southern population. Nevertheless, it should be remembered that in 1860 the negroes were owned by only 384,000 whites of whom but 108,000 possessed more than ten, and that at least 6,000,000 southern whites had no direct interest in slavery. The average southerner was not a plantation owner or slave proprietor, but a small farmer, who might or might not raise cotton.

Furthermore the idyllic picture which literature has supplied us of a pre-war South in which a cultured aristocracy reigned benevolently over happy and contented negroes is far from accurate. A civilization based upon a labor system of ignorant and degraded slaves was bound to be of a low order. Its blighting effect was universally felt. Upon the aristocracy the psychological and moral effects of slave ownership were deleterious, and the southern slave owner excelled chiefly as a politician. Upon the small farmer the effect was worse. Unable or unwilling to compete with slave labor and unable to compete with his wealthier neighbor for good land, he was pushed upon the less fertile soil where existence was precarious. While the slave owning aristocracy dwelt in a crude and

slip-shod plenty, the poor white, cursed with illiteracy and poverty, lived miserably on the margin of existence.

The economic effect of slavery was as bad as the social. After the war it was discovered that the efficiency of free black labor was greater and its cost less. The effect of the system of wasteful land exploitation under crude slave labor was actually devastating. In the East the worn out fields gave the impression of a decaying civilization and in the West the rawness of frontier conditions had hardly been surmounted when the land began to deteriorate. Dickens asserted in 1842 that the soil between Fredericksburg and Richmond had been "exhausted by the system of employing a great amount of slave-labor in forcing crops, without strengthening the land; and it is now little better than a sandy desert overgrown with trees" and that "in this district as in all others where slavery sits brooding . . . there is an air of ruin and decay abroad which is inseparable from the system." Dickens was undoubtedly biased in his attitude toward slavery, but Olmsted, the most accurate observer of the pre-war South, noted these same evidences of waste and ruin from Virginia to Texas. The wealth of the South and the flush

times of the forties came in spite of slavery rather than because of it.

Growth of Sectionalism

The economic sectionalism which differentiated the North from the South was symbolized by slavery, but the desire to perpetuate that institution was only one cause of the conflict. As the South turned definitely to agriculture and the Northeast to the development of manufacturing they came to differ radically on the question of a protective tariff. In 1832 South Carolina threatened nullification, and the success of the South in keeping the tariff low alone prevented further trouble. On other fundamental problems such as expansion and the public land policy the two sections differed. Cotton profits under the slave system depended primarily upon the continued exploitation of virgin soil, and profits in slaves depended upon a continued demand,—hence the desire of the South for expansion and for easy land laws, a demand in which the West cooperated. The Northeast on the other hand, was neither enthusiastic for the acquisition of territory or for a policy of free land. The South was uneasy over the growing economic power of the North, she resented the attacks of the abolitionists, and she became convinced that the policies of northern

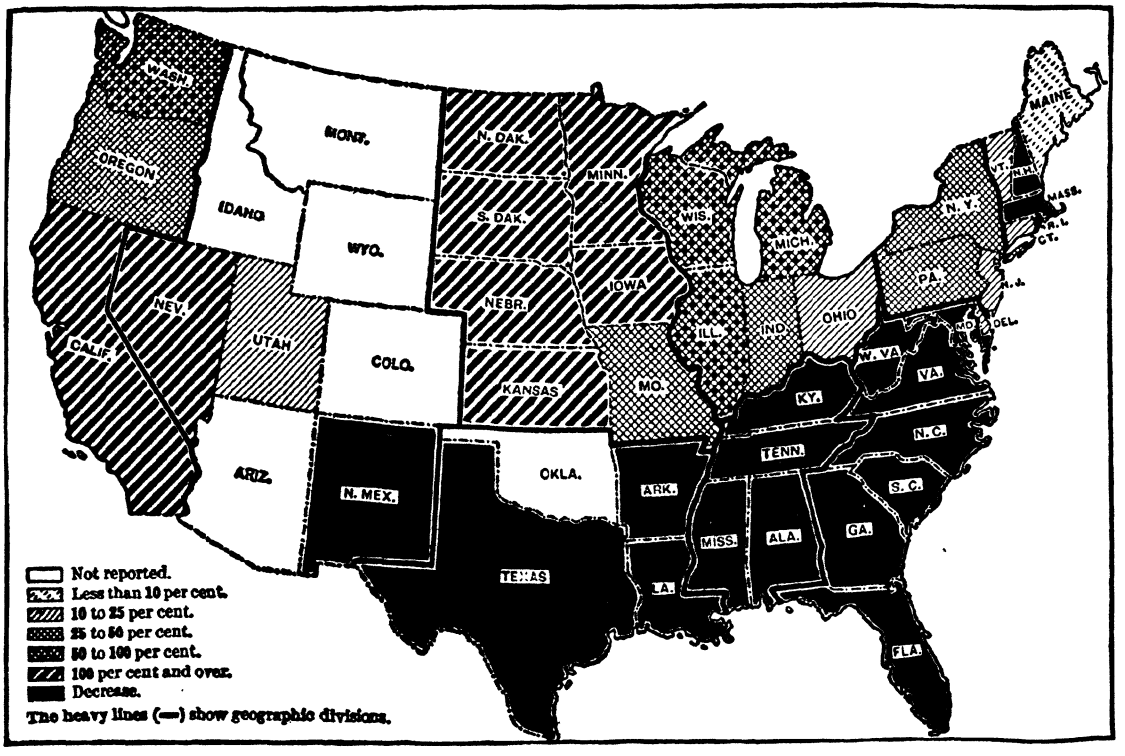
statesmen would destroy her economic prosperity. As long as her representatives controlled the federal government, the situation might be tolerated, but when her political power inevitably slipped from her in 1860, her leaders felt that the hour for armed resistance had struck.

The South was tempted into rebellion because of her exaggerated belief in the world's need for cotton. Not only was cotton expected to finance the rebellion, but to bring acquiescence from the North and aid from Europe. "Without firing a gun, without drawing a sword," asserted Senator Hammond, "we could bring the whole world to our feet." Her hopes were shattered by four factors: (1) European importers were over stocked at the opening of the rebellion and were able to get along for some time without new shipments; (2) Europe needed northern wheat as badly as southern cotton; (3) there was a strong anti-slavery group of northern sympathizers in England, and (4) the economic blockade of the South prevented the use of cotton to finance the war. The strategy of the North was to throw an iron ring around the South, establish an economic blockade, and then smash her armies in the field. It took four years to crush the military strength of the Con-

federacy and almost that long to establish an effective blockade. The North had to risk interference from Europe, but such a blockade was necessary, and in the end it was largely successful in cutting off the sinews of war.

Although confederate blockade runners helped to supply the needs of the embattled South, the effect of the war was to bring a temporary economic revolution. Manufactured goods, which before the war had been almost entirely imported, now had to be manufactured. Household industry quickly revived and small factories for the manufacture of munitions were established by the government and private individuals. On the plantations the collapse of the cotton market and the need of supplying the armies tended to shift production from cotton to foodstuffs, a change which was not easy to effect with slave labor. At the same time the difficulty of marketing the food became greater as the transportation system rapidly deteriorated under war conditions.

The economic loss occasioned by the blockade, by the four year suspension of normal activity and by the destruction of property owing to the fact that the war was largely fought on her soil, is difficult to compute, but it was enormous. With



PER CENT OF INCREASE IN VALUE OF ALL FARM PROPERTY, BY STATES: 1860-1870

This map illustrates both the agricultural set-back sustained by the South during the Civil War, and also the rapidity of the westward movement during the decade of the sixties.

little surplus capital before the war, it was decades before the South recovered from the blow. The two most important economic effects, however, were the destruction of slavery and the end of the plantation system. Southern wealth had been chiefly tied up in land and slaves, and the latter, whose value to their owners has been estimated at three billion dollars, were now free. While this loss was staggering to the planter aristocracy, the negroes, of course, still remained, and continued to furnish the labor force for the section. The land owners at the end of the war without capital to buy equipment or hire labor were forced to break up their plantations and rent small plots of land to their former slaves. Cotton continued to be the staple, but it was now raised under a system of tenant farming approaching serfdom. The economic chaos in the South was perpetuated by the unfortunate and unnecessary "reconstruction" policy of Congress, a policy which not only delayed recovery but intensified the bitterness of the war.

While the South was slowly strangled into submission, the North was stimulated to greater productivity by the needs of war. The chief effect of the Civil War upon the North was to speed up the

development of the Industrial Revolution. With the exception of cotton manufacturing and shipbuilding, practically all lines of industry were spurred to intense activity. In particular, the manufacture of woolens, of leather goods, of munitions and of farm machinery increased rapidly. At the same time there was little cessation in the building of telegraph lines and railroads. The mining of metals was, of course, stimulated while the discovery of oil in Pennsylvania in 1859 introduced a new but important industry during the war. Although the whole story of Civil War business development is clouded by the usual activities of the war profiteers, it is an astonishing exhibition of an industrial group rising quickly to meet an emergency. The conflict was costly to the North, but wealth seemed to be created more rapidly than it was destroyed. The Civil War did not produce the Industrial Revolution in America, but it so accentuated the speed of the manufacturing development that it may be said to have inaugurated a new era. Certainly the political control of the government shifted during the war from the agricultural interests to the industrial, and there it has remained.

The agricultural development during the war

was almost as remarkable as was that of manufacturing. Poor harvests abroad, an increased domestic market for foodstuffs, the clamor of the factories for raw materials and the resulting high prices supplied the impetus. The problem of greater production was solved by bringing new land under cultivation, a method made possible by the Homestead Act of 1862 and the large immigration during the war, and by the wide introduction of labor saving machinery. It was the Civil War that acquainted the farmers with mowers, reapers, threshers and other new machinery.

The rapid expansion of our economic processes was due in part to high prices, the latter caused chiefly by increased demand for commodities and by currency inflation. With high prices went high profits. The rapid piling up of wealth through big dividends made capital self-conscious and aggressive, and its energy was displayed in the tendency toward business consolidation, in the building of new railroads, and in its pressure upon legislatures for new franchises. While capital increased in power during the war, labor barely held its own. The cost of living increased rapidly, but higher wages came more slowly. The demand for labor was great, but only by organizing more effectively

was labor able to regain the position held at the opening of the conflict. Wages increased almost 60 per cent but the cost of living rose even more. While capital increased in power and the wage earners barely held their own, the salaried group, as is usual in a period of mounting prices, suffered severely and felt the war to a greater degree than any other class.

War-time Legislation

In many other ways the war left its imprint upon our economic history. The federal government financed the war chiefly by increased direct and indirect taxation, by currency inflation and by bond issues. Excise taxes were made higher and were widely extended, but more important for subsequent history was the enthusiastic embarkation upon a system of high protective tariffs, a policy which has been consistently maintained ever since. An income tax, which was later repealed, was also levied during the war. It was not forgotten, however, and when a second income tax was declared unconstitutional in 1895, its advocates were not content until the sixteenth amendment made it legal.

To provide further funds Congress resorted to the printing of legal tender paper money, known as Greenbacks, which was printed to the extent of

$450,000,000. Without metallic backing the value of this currency fluctuated, dropping at one time as low as 43 cents on the dollar, and it inaugurated a movement for inflation which was continuous until 1896. Even the issuing of bonds left important legislation in its wake. To better regulate the currency and provide a market Congress in 1863 passed a National Bank Act authorizing the establishment of National Banks to which it would issue bank notes upon deposit with the treasurer of the United States the bonds of the federal government. Nor should be forgotten the famous Homestead Act of 1862 (see p. 208) which marked the end of a long agitation for free land and laid down the policy under which the last frontier was settled.

Suggested Readings

A short but vivid picture of the ante-bellum South is that of W. E. Dodd, *The Cotton Kingdom* (1919) in the Chronicles of America. Very satisfactory also is A. B. Hart, *Slavery and Abolition* (1906) in the American Nation Series. The standard histories contain excellent brief sketches —e. g., J. F. Rhodes, *History of the United States*, Vol. I, Chap. 4, and Vol. III, Chap. I; J.

B. McMaster, *History of the People of the United States*, Vol. VII, chap. 76, and Edward Channing, *History of the United States*, Vol. V, chap. 5. The history of the American Negro has been handled in scholarly fashion by the southerner, Ulrich B. Phillips, *American Negro Slavery* (1918). No student of this period should miss the splendid study of southern civilization by Professor Phillips, *Life and Labor in the Old South* (1929).

There is much contemporary material on slavery, but a large proportion of it is strongly biased. Perhaps the best study of both southern agriculture and slavery is L. C. Gray, *History of Agriculture in the Southern United States to 1860* (2 vols., 1933). Professor Phillips has collected valuable documents in the first two volumes of Commons *et al.*, *Documentary History of American Industrial Society* (1910) and excellent sources are given in Callender's *Readings*. Especially to be recommended are the volumes of observations made by Frederick Law Olmsted, an unbiased and keen northerner who travelled widely in the South. In Hinton R. Helper, *The Impending Crisis of the South* (1857) will be found a bitter denunciation of the system by an anti-slavery southerner.

There is little digested material dealing with the

economic effects of the Civil War. In John C. Schwab, *The Confederate States of America* (1901) there is a study of the financial and industrial South during the war and in Emerson D. Fite, *Social and Industrial Conditions in the North during the Civil War* (1910) there is a better rounded picture of the North. In A. C. Cole, *The Irrepressible Conflict* (1930) will be found much social and economic history. James A. B. Scherer, *Cotton as a World Power, a Study in the Economic Interpretation of History* (1916) deals with the rôle of cotton in the struggle; F. B. C. Bradlee, *Blockade Running during the Civil War and the Effect of Land and Water Transportation on the Confederacy* (1925) is the best study of this phase; F. L. Owsley, *King Cotton Diplomacy* (1931) gives adequate attention to the economic aspects of diplomacy and D. R. Dewey traces the financial history of the North.

Chapter IX

Triumph of the Industrial Revolution

The outstanding feature of American economic development since the Civil War has been the growth of manufacturing. The factory system, born during the second war with England, grew gradually until 1860, when under the impetus of the Civil War it expanded rapidly, and has continued since then to develop with increasing momentum. As late as 1850 the bulk of the general manufacturing was carried on in the shop or household by the labor of the family or individual proprietors, and as late as 1880 agriculture was still the principal source of wealth. The decade of the eighties was one of rapid industrialization; by 1890 the factory made product was universally used and the value of manufactured goods far exceeded those of the farm. While the population and the value of agricultural products tripled between 1850 and 1900 the value of manufactured products increased elevenfold. This tremendous growth was both actual and relative.

The United States by the turn of the century

had become primarily a manufacturing nation. In the value of her manufactured products she ranked first among the nations of the world, producing twice as much as England and half as much as all Europe. But the statistics of capital invested, of wages paid and of the value of products of the nineteenth century almost pale into insignificance before the advance of the first two decades of the twentieth. By the opening of the World War we were able not only to furnish our own capital but to supply our own needs for manufactured goods. We were then as nearly economically self-suffic-

ECONOMIC GROWTH 1859–1929

Year	Population	Gross Income from Farm Production	Value of Mfg. Products
		Dollars	Dollars
1859	31,443,000		1,886,000,000
1879	50,155,000		5,370,000,000
1899	75,994,000	16,035,000,000	11,407,000,000
1929	122,775,000	11,918,000,000	70,435,000,000

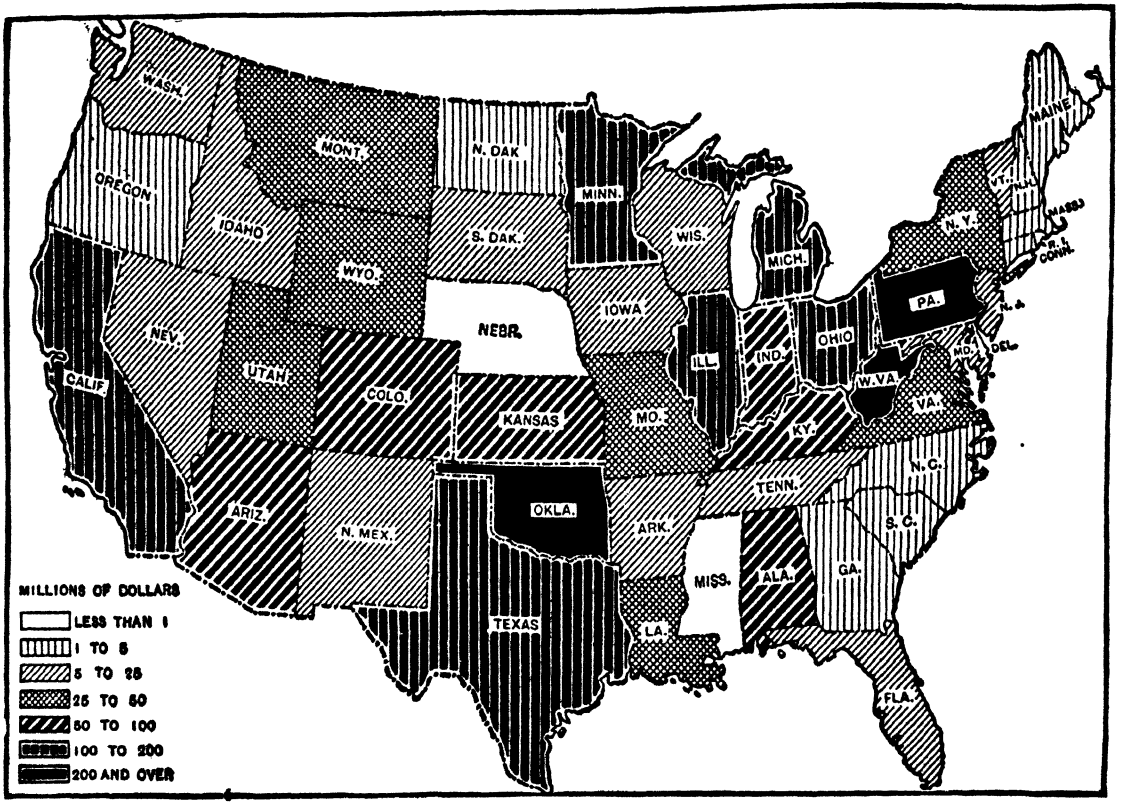
Year	Capital Invested	Wages Paid	Wage Earners
	Dollars	Dollars	
1859	1,111,000,000	378,879,000	1,311,000
1879	2,790,000,000	948,000,000	2,733,000
1899	8,975,000,000	2,008,000,000	4,713,000
1929		11,621,000,000	8,839,000

ing as any modern nation ever has been, our chief dependence on the outside world being for raw rubber and certain tropical foodstuffs such as coffee and sugar.

The causes for this rapid industrialization of America have been chiefly those which in the first place enabled the factory system to get a foothold. Primarily it has been based upon the existence here of an abundance of raw materials and of power resources. The vast forests and broad prairies supplied those raw materials based upon wood and agriculture, while all of the primary metals were discovered in large quantities. The known iron resources of the United States are nearly equal to those of the rest of the world, and today this nation is producing approximately two-thirds of the world's copper and one-third of the lead.

Causes of Growth

Almost as important as the raw materials is the existence of power resources. In the early days when manufacturing was carried on principally by water the many rivers descending from the Alleghanies to the Atlantic supplied an abundance of power, and a century later these same streams with others throughout the nation are used to produce the electric power to turn the wheels of industry. When steam engines were first used in



VALUE OF PRODUCTS, MINING INDUSTRIES, BY STATES: 1919.

America they were usually stoked with wood, but coal was soon substituted. Although anthracite is largely concentrated in northeastern Pennsylvania, the bituminous deposits are widely diffused, covering as they do approximately 500,000 square miles or 13 per cent of the area of the country. Almost as widely distributed is petroleum, and the declining oil resources of the United States can for a long time be augmented from the rich and easily accessible fields of Mexico. Petroleum, to be sure, is but slightly used in direct manufacturing, but its importance as a distributor of manufactured products is great and it has helped to make possible the automobile industry.

Among other influences should be mentioned the growth of a labor force which has been the result of natural population increase and of large immigration. Free land, cheap food and the ease of obtaining a livelihood has until recent years been conducive to large families. At the same time between 1860 and 1920 close to 28,500,000 aliens migrated to America. Not only did these immigrants furnish a large proportion of the labor supply, but they notably augmented the market for manufactured goods.

The growth of manufacturing was made pos-

sible by a similar development of transportation facilities. It was also aided by the high tariff walls which protected industry from the outside, and by the freedom of interstate commerce within. While the government protected industry from outside aggression, it interfered but little internally to regulate its growth. This era of unrestrained freedom tended to chaotic development but at the same time to rapid growth. The evolution of the factory system was aided by the mobility and resourcefulness of American labor, by the genius of inventors, and by the aggressiveness of entrepreneurs, but more important than these factors has been the great wealth of the nation which has enabled it to purchase liberally of the staple manufactured products and to adopt quickly the results of new inventions.

If one influence more than another has been potent in determining the type of American industry, it has been the scarcity of labor. Inevitably this has directed the inventive genius of the nation to the creation of labor saving machinery and it has also forced the early development of the standardization of machinery and parts. It has, moreover, determined that American products are to be primarily machine made, and has been a factor

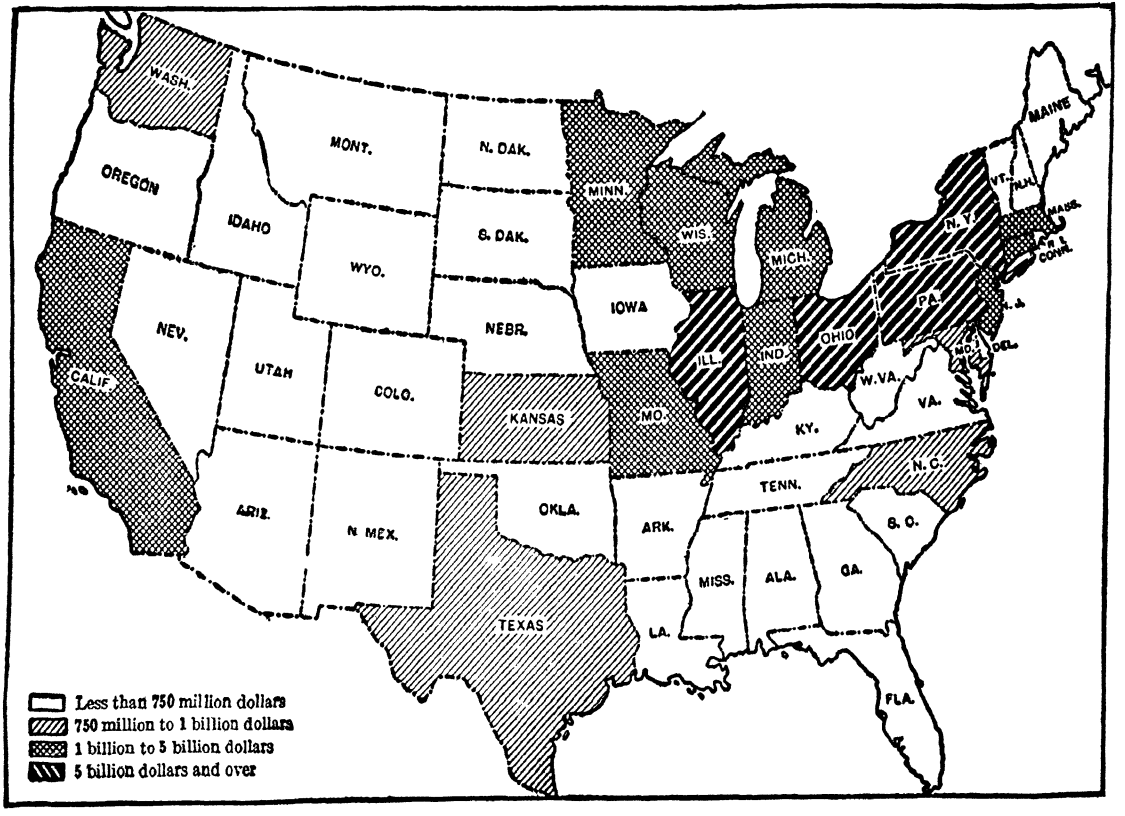
in the tendency toward large scale production. These tendencies have also been encouraged by the fact that American industry has been free from tradition. Unhampered by inherited ideas and mediaeval legislation both capital and labor have been unusually receptive to new methods and to new fields of endeavor. American industry has been anything but static.

Industry in America more than in most countries has been dependent on the products of agriculture. Of the twelve great groups of manufactures summarized in the Statistical Abstract, seven are directly based upon the farm or forest—food, textiles, lumber, leather, paper, liquors, tobacco. The same was true in 1860 of the first four industries in point of value—flour and meal, cotton goods, lumber, boots and shoes. Although this tendency has declined, as late as 1919 slaughtering and meat packing headed the list of American products with cotton goods fifth and flour and grist mill products sixth. This type of manufacturing is characterized by the relatively small proportion which manufacture adds to the total value of the product and by the comparatively few workmen in the industry.

Manufacturing has been static neither in its

processes nor in its location. Like population it has continuously been on the move toward the West. In 1850 the center of American manufacturing was 41 miles northwest of Harrisburg; by 1900 it had almost reached central Ohio. Concentration of capital in the East and the scarcity of labor in the West retarded this movement but the growth of population and the desirability of being close to the raw materials made it inevitable. Practically every major industry, with the exception of the spinning and weaving of cotton (which has moved southward), has gravitated toward the West.

The twelfth census has suggested the following general causes for the localization of industry: (1) nearness to materials, (2) nearness to markets, (3) nearness to water power, (4) a favorable climate, (5) supply of labor, (6) capital available for investment in manufactures and (7) the momentum of an early start. Of these probably the first two are the most powerful and they are the influences which have helped to move the iron, agricultural implement, leather, flour and meat packing industries westward and the cotton mills southward. The nearness to markets, on the other hand, has helped to overcome the scarcity of raw materials and has kept many industries in the



VALUE OF MANUFACTURED PRODUCTS, BY STATES: 1919.

Northeast. Thus four of the seven states ranking highest in the value of manufactured goods—New York, Pennsylvania, Illinois, Michigan, Ohio, New Jersey and Massachusetts—are in the Northeast. Nearness to water power, a favorable climate and a supply of labor were all important in the location of early industry and are still active. Hydroelectric development has reëmphasized water power; climate will always mitigate against southern manufacturing and capital will always have to seek labor. Local accumulations of capital, although an early factor, are becoming of less importance as the world becomes smaller and as capital becomes more mobile. The impetus of an early start has helped to preserve the glove industry in Gloversville, the jewelry industry in Providence, and the shoe and cotton industries in New England, and has done so despite the fact that the raw materials for these industries have to be imported from a distance. Both skilled labor and capital prefer to move toward an established center rather than to a new region.

Practically all of these seven factors have contributed to make the Northeast the most important manufacturing region. Her proportion of the total in 1929 in point of value was 39.4 per cent.

New England specialized in textiles, boots and shoes, cutlery, tools and other small metal products including copper and brass ware and jewelry. New York specialized in the manufacture of clothing, in sugar refining and in meat packing; New Jersey in petroleum refining, copper refining and silk goods; and Pennsylvania in iron and steel, and in foundry and machine shops products. The Middle West, resting upon vast agricultural resources and great deposits of bituminous coal and iron, divided its manufacturing energies between the preparation of foodstuffs and the metal products. Thus the leading industry of Illinois, Wisconsin, Missouri and Iowa was slaughtering and meat packing, while Ohio, Michigan and Indiana all numbered iron and steel works or factories dependent upon them as their leading industries. In the mountain states, with the exception of Arizona and Utah, the chief industry was either the preparation of foodstuffs or the construction and repair of railroad cars. The manufacturing of the Pacific states rests chiefly on the preparation of lumber and foodstuffs. The most notable industrial development of recent years has undoubtedly been in the South where the existence of iron and coal, the nearness to the cotton supply, and the

availability of cheap labor has enticed much northern capital.

The chief artificial stimulation to manufacturing has come from the system of high protective tariffs which has existed continuously since the Civil War. Tariffs which gave some protection had been on the statute books since the foundation of the Republic, but the tendency from 1832 to the Civil War had been to lower the rates. With the Civil War there was a complete change. The income from tariffs had always been the principal support of the federal government, and it was quite natural to turn first to this source to finance the war. Later when war industries appeared and when it became necessary to increase manufacturing costs by high internal taxes, there were other arguments for increasing the rates. At all odds the duties were raised quite indiscriminately but withal enthusiastically at every session of Congress until the average level of duties had been increased from 19 per cent in 1851 to 47 per cent by the act of 1864.

Tariff Since Civil War

This high tariff policy inaugurated by the Civil War has proved impregnable to attacks. The liberal Republicans of the seventies denounced the war tariffs as unscientific and urged a downward

revision, but the depression after the panic of 1873 prevented serious change. President Arthur in 1882 pointed out to Congress the treasury surplus and suggested a lowering of rates. The question of the tariff, however, did not become a serious one after the Civil War until Cleveland devoted his entire message of 1887 to it and fought the Campaign of 1888 on that issue. Although Cleveland got the greater number of popular votes, Harrison captured the electoral college and the Republicans passed the McKinley bill of 1890. This bill, which up to that time marked the climax of protection, raised the average level to 49.5 per cent. The McKinley tariff was anything but popular and the people replied by sweeping the Democrats into possession of the House in 1890 and returning Cleveland to the presidency in 1892. Cleveland tried hard to force a low tariff through his Democratic Congress but the Wilson-Gorman Act of 1894 was such a fiasco that he allowed it to become a law without his signature.

With the return of the Republicans in 1896 a special session of Congress wiped the Wilson-Gorman bill from the statute books and substituted the Dingley Act. The Dingley Act, with its average level of 57 per cent, was so extreme that the Re-

publican platform of 1908 promised a "revision of the tariff". This "revision" resulted in the Payne-Aldrich bill of 1909 which effected no essential change, but helped to split the Republican party and prepare the way for the Progressive movement of 1912. The split of 1912 enabled the Democratic party to capture the election, and as a downward revision of the tariff had been one of their demands since the time of Cleveland, they proceeded to pass the Underwood-Simmons bill of 1913. This bill was a serious effort to reduce the schedules, but it still left the whole tariff system highly protectionist. The Underwood rates, nevertheless, were not high enough in the minds of the Republicans to protect the war industries and the farmers from post-war depression and the Fordney-McCumber tariff of 1922 scaled the schedules upward.

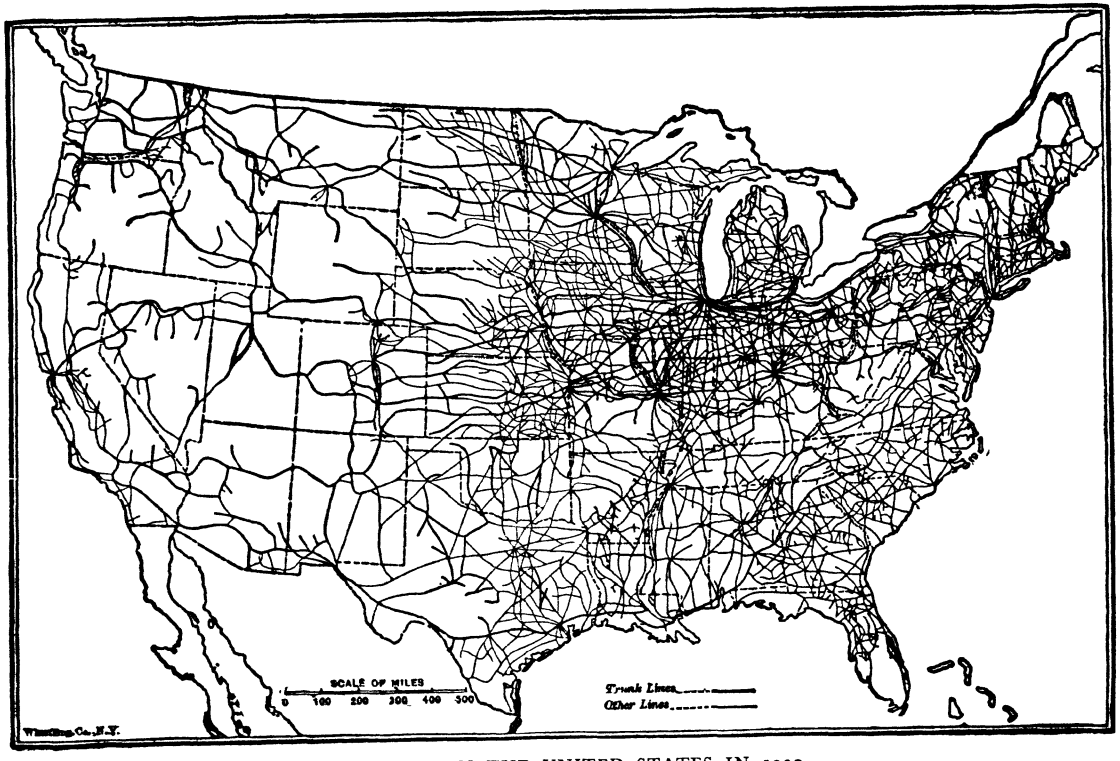
The system of high protection, which was inaugurated by the Civil War, has come to be a permanent feature of our financial and economic policy. Although opposed in general by the South and the agrarian West and by large minorities, it has persisted. The control of the federal government by the industrial group, the active lobbying of the protectionists, the appeal that the American

workingman must be saved from the "pauper labor of Europe", and the great increase in wealth and prosperity in America have all helped to save it and make it popular. The fact, also, that it has become entangled in politics has practically made it impossible for the people as a whole to register a clean cut decision regarding it.

The phenomenal industrial development which has characterized the period since 1860 has been a principal influence in stimulating a similar expansion in the facilities of transportation. This has taken the form first of railroad building and secondly in the creation of the automobile industry and the subsequent movement for better roads. Although the Civil War destroyed much of the mileage and rolling stock of the Southern railroads, it greatly stimulated the development in the North and West. Important lines were laid during the war, and partly as a war measure the first transcontinental railroad was commenced.

The Railroad Epoch

From 1860 until 1914 railroad building proceeded apace. The 30,000 miles of road in 1860 grew to 53,000 miles by 1870. A temporary setback was experienced by the panic of 1873, which itself was primarily caused by over-expansion in railroads and was precipitated by the undue opti-



RAILROADS IN THE UNITED STATES IN 1920.

mism of Jay Cooke and Company in pushing the Northern Pacific. Over-building of railroads was also a cause of the panic of 1893 when 30,000 miles of railroad were thrown into bankruptcy, but despite these blows the mileage grew to 93,000 in 1880, to 167,000 in 1890, to 199,000 in 1900, to 250,000 in 1910 and 253,000 in 1920. During the whole period from 1860 to 1910 railroad construction had averaged over 4,000 miles a year, and at the end of this epoch of railroad building the United States boasted of more mileage than Europe and one-third that of the world. At that time the railroads furnished employment to 1,700,000 persons (4.4 per cent of those gainfully employed) and represented probably about one-tenth of the estimated wealth of the nation.

The growth of railroads had been relatively more rapid than population, and the scramble for franchises, land grants and other government aid as well as the exaggerated optimism of railroad builders had led to unwise construction. Competing and unnecessary lines often connected two points, and many sections had been penetrated which could not support the service. This epoch of enthusiastic railroad building which had lasted for more than fifty years came to a sudden halt with

the World War. It was not, however, the need of war time retrenchment which caused this cessation; it was rather the precarious financial situation of the railroads, the fact that the country was overbuilt and a saturation point had been reached, and finally, the competition of motor vehicle traffic. While a large proportion of American railroads because of over-expansion and mismanagement lived on the ragged edge of financial solvency, they were forced to face the increasing competition of motor traffic for the short haul freight and passenger business. Since 1916 more mileage has been abandoned than built. The building of a new railroad is now an event, but the petitions of the railroad companies to discontinue portions of their service is a frequent occurrence.

Railroad building since the Civil War has been chiefly concerned with expanding the skeleton system already existing and the construction of transcontinental roads. The agitation for a transcontinental line began in the forties with Asa Whitney who said "I have undertaken this mighty work because I know someone's whole life must be sacrificed to it." The demand became insistent in the fifties when the settlement of Oregon and the California gold rush took thousands to the

Pacific coast. It was obvious that such an undertaking could be carried on only by government subsidies, but the sectional jealousies aroused by the slavery controversy prevented anything from being done until the South seceded. By an act of 1862, amended in 1864, Congress created the Union Pacific Railroad Company and authorized it to build west from Nebraska to connect with the Central Pacific building eastward from California. Both roads were to receive ten sections of land per mile on each side of the road and loans of from sixteen thousand to forty-eight thousand dollars per mile depending on the nature of the land.

The construction of the Union Pacific and Central Pacific is an epoch in railroad building. Uninhabited deserts, snow-capped mountains and hostile Indians stood in the way, but spurred on by government subsidies, the armies of Chinese coolies, Irish immigrants and Civil War veterans brought the two roads together at Promontory Point, Utah, on May 10, 1869. The significance of the event was felt throughout the world; the continent was at last welded together, and the end of the American frontier could not be far off.

Other transcontinental roads were already in sight. The Northern Pacific, chartered by Con-

gress in 1864 and likewise subsidized with land grants, had laid five hundred miles of track when Jay Cooke and Company failed and precipitated the panic of 1873. With the aid of German capital Henry Villard, some years later, resumed construction, and the road was completed in 1883. The Atchison, Topeka and Santa Fé, following the old Santa Fé trail, effected a southern connection with California in 1884 and during the same decade James J. Hill was organizing the Great Northern system. By 1890 the trans-Mississippi West was supplied with railroads, and the last pioneers entered the country in railroad coaches rather than in covered wagons.

The period which saw the rapid development of railroads marked the decline of inland water transportation. There are over 26,000 miles of navigable streams in the United States and 2,000 miles of canals, but relatively they are little used. The Mississippi river traffic, for instance, reached high water mark in 1880, but in comparison to other forms of transportation it had declined since the Civil War. Only on the Ohio where large shipments of coal are made has the river traffic continued to be important. The same is true of canals. Of the 4,633 miles built before 1909, 2,444, or

more than half, have been abandoned. This tendency has continued notwithstanding the aid of Congress through the annual Rivers and Harbors Bill by which over half a billion dollars has been appropriated to improve water navigation.

The causes for this decline are numerous. In the first place the river system in general runs north and south whereas the principal freight movement is east and west. The greater speed of the railroads and the fact that they have been designed to carry bulky freight over long distances has enabled them to reduce rates almost to the level of water transportation. Where they have been unable to do this by fair means, they have gained control of the canals and steamship companies, and either operated or discontinued them. The cost of transshipment over water routes, the seasonal interferences to water traffic and the wide extension of the railroads with numerous other factors have thrown the traffic into the hands of the railroads.

The last two decades, however, have seen a revival of interest in water transportation. Increasing commerce has taxed every facility and the possibilities of water have again been considered. The building of the Panama Canal and the Report of President Roosevelt's Inland Waterways Commis-

sion in 1908 helped. The most tangible results of the new interest have been the building of several small canals, such as the one across Cape Cod, and the attempt of New York state to widen and deepen the Erie, Oswego and Champlain Canals. The results of the large sums spent on the New York Barge canal have so far been disappointing, but instead of discouraging the movement for better water routes between the Atlantic and the Middle West it has served to sharpen the demand. An attempt to connect the Great Lakes with the ocean by way of the St. Lawrence seems to be only a question of time.

The last phase of railroad development has been the substitution of electricity for steam power on parts of the large systems and the building of electric railways for street and interurban service. There were numerous street railways before 1890 but their motive power was furnished chiefly by steam or horses. The first overhead trolley line was built in Kansas City in 1884, and in the decade of the nineties thousands of miles of electric railways were built. "Trolleys" at the opening of the century seemed to be the last word in transportation, and capitalists were constructing them with the same rapidity and enthusiasm that they

had turnpikes, canals and railroads in an earlier era.

Hardly had the electric railways covered the cities and their suburbs before they were challenged by the gasoline driven motor car. After a century of experimentation practical vehicles were produced in the early nineties, and during the next decade hundreds of mechanics all over the country were experimenting with all sorts of models propelled by steam, electricity and gasoline. For a decade automobiles were chiefly the plaything of the wealthy but by the opening of the World War their use had become general. In 1904 21,692 were manufactured, in 1924, 4,325,000, and the number registered in that year was over 20,000,000. In the value of the finished product the automobile ranks first among American manufactures.

What the effect of the motor car has been upon the social and economic life of America it is impossible to gauge. The contribution of the trolleys in linking the city with the country and breaking down rural isolation, and the contribution of the railroads in eliminating provincialism has been outdistanced by that of the automobile. Although the motor car probably more than any other factor has checked the development of steam and

street railways, it has lubricated the channels of intercourse by absorbing much of the short haul passenger and freight traffic.

The needs of a nation on wheels have been met by a renaissance of road building quite reminiscent of the earlier turnpike era. Through the aid of the county, state and federal authorities a system of paved roads has within twenty years been laid down which extends into all parts of the nation. If the new textile machinery of the eighteenth century produced an Industrial Revolution, the motor car has increased its momentum as have few other inventions, and at the same time created a social revolution almost as significant.

Suggested Readings

Among the chief sources on industry are the volumes on manufactures in the various census reports. Particularly good is the summary given in Vol. VII of the *Twelfth Census*. Most important of the general secondary accounts is V. S. Clark, *History of Manufactures in the United States* (1929 ed.), Vols. II and III. Short sketches of various industries can be found in C. M. Depew, ed., *One Hundred Years of American Commerce* (2 vols., 1895); Malcolm Keir, *Manufacturing*

(1928), and E. L. Bogart and C. E. Landon, *Modern Industry* (1927). There are numerous histories of specific industries, some of the best of which are to be found in the Harvard Economic Studies. The most recent of our great industries is studied in R. C. Epstein, *The Automobile Industry* (1928).

On inventions read Waldemar Kaempffert, *A Popular History of American Invention* (2 vols., 1924) and on the tariff, F. W. Taussig, *Tariff History of the United States* (7th ed., 1923), Part II.

The development of railways can be traced in Seymour Dunbar, *History of Travel in America* (4 vols., 1915); in E. R. Johnson and T. W. Van Metre, *Principles of Railway Transportation* (1922), and in F. Cleveland and F. W. Powell, *Railroad Promotion and Capitalization* (1909). A brief but enlightening sketch by an expert is the volume by John Moody, *The Railway Builders* (1919) in the Chronicles of America. Two studies of railroads during the war are those of Frank H. Dixon, *Railroads and Government, Their Relations in the United States 1910–1921* and W. J. Cunningham, *American Railroads: Government Control and Reconstruction* (1922). Histories of several of the railroads have been well written—e. g., H. S. Mott, *Story of the Erie* (1900); E. V.

Smalley, *History of the Northern Pacific* (1883); Stuart Daggett, *Chapters in the History of the Southern Pacific* (1922); Nelson Trottman, *History of the Union Pacific* (1923) and Edward Hungerford, *The Story of the Baltimore and Ohio Railroad, 1827–1928* (2 vols., 1928). The lives of such railroad builders as J. M. Forbes, Jay Cooke, J. J. Hill, and Henry Villard have been written. W. Z. Ripley, *Railroad Problems* (rev. ed., 1912) contains source material.

H. G. Moulton, *Waterways vs. Railways* (1912) is a standard study, as is H. G. Moulton and Associates, *The American Transportation Problem* (1933). G. R. Chatburn, *Highways and Highway Transportation* (1923) tells of the rebirth of highways.

Chapter X

The Rise of Labor

The rise of organized labor in America as in Europe waited upon the development of the Industrial Revolution. The factory system acted like a magnet in drawing the workers from the home and small shop, and huddling them within factory walls. It tended to substitute the labor of women for men, and of children for both. It tended, furthermore, to separate society into two groups of capitalists and laborers,—those, on the one hand, who owned the factories and the new machines, and those, on the other, who operated them. The new machinery turned out the finished product more quickly than did hand labor, and thus created wealth with great rapidity, but the new wealth gravitated chiefly into the hands of the owners of the machinery rather than into those of the operators. The first effect of the Industrial Revolution was to exalt capital and degrade labor.

While the early effect of the factory system was to reduce the worker to industrial serfdom it carried with it the chances of his salvation. The production of greater wealth made a larger popu-

lation possible, and this rapidly increasing population was drawn to the factory towns and commercial centers. In the United States, for instance, but 3.3 per cent of the people in 1790 lived in cities of 8,000 inhabitants or over, whereas in 1930 49.1 per cent of the population were living in such towns. The Industrial Revolution created an urban world. This concentration of workers made it possible for them to exchange views, organize unions and agitate for better conditions. The development of better facilities for transportation and communication enabled such organizations to become national in scope and to be welded together by a labor press.

The rise of the labor movement in the United States was delayed (1) because of the existence of unoccupied western land which made escape from the factory system possible, (2) because of the typical American psychology of optimism resulting from the unbounded opportunities of a new country, and (3) because the early factory conditions and wages, measured by the standards of the time, were not intolerable. It was not until the decade 1827-1837, it will be recalled, that there was a strong movement toward organization, but this early movement was chiefly concerned with

the formation of city trades associations and with efforts to bring about general reforms through political pressure. The collapse of this first movement during the panic of 1837 and the subsequent dissipation of efforts in various humanitarian agitations delayed the growth of strict unionism. The prosperity of the fifties, however, saw a new awakening of labor, and by 1860 more than twenty trades had national organizations.

The effect of the Civil War upon organized labor was at first detrimental. The cost of living increased more rapidly than wages, leaving the worker in a weakened position. At the same time the rapid increase of manufacturing and the development of railway facilities brought large numbers of unorganized workers into competition with union labor.[1] To obtain needed labor and at the same time further weaken the position of American workmen, Congress in 1864 passed the alien contract immigration law authorizing the importation of laborers from foreign countries under contracts whereby the immigrants could pay for their passage out of future wages.

To meet the new conditions and the rising

[1] Workers in industrial establishments increased during the decade of the sixties from 1,311,246 to 2,053,896, an advance of 56.6 per cent.

power of capital, labor turned with renewed interest to organization. Numerous local unions and at least ten national unions were formed during the Civil War; by 1870 thirty powerful national unions were in existence and every important city had its city trades assembly, its workingmen's library and its labor press. Increased wages helped to catch up with the rising cost of living, and although labor was worse off at the end of the war than at the beginning, the situation changed during the succeeding thirty years when prices were on the decline.

So far had organization gone during the Civil War that labor leaders began to dream of a great national body which would include all of the unions. W. H. Sylvis of the iron moulders union succeeded in establishing a National Labor Union in Baltimore in 1866 which held seven annual conventions and contained at the height of its power some 600,000 members. The National Labor Union was weakened by the fact that it was organized upon the basis of city assemblies of trade unions who were more interested in local problems and politics than in the national affairs. Its energies were likewise dissipated by unsuccessful coöperative enterprises and political agitation.

The National Labor Union like the Knights of St. Crispin and other notable labor developments of the sixties came to wreck in the panic of 1873, a panic which inaugurated two decades of industrial chaos and economic unrest. While the "Mollie Maguires" terrorized the anthracite region of Pennsylvania and Dennis Kearney led the movement in California for Chinese exclusion, other leaders and organizations flirted with Greenbackers, with Grangers and with Socialists. Labor seemed to be at sea; yet it was during this chaotic period that the two most powerful national labor organizations which have been formed in America appeared.

Knights of Labor

It was in 1869 that Uriah Smith Stevens and six fellow garment makers organized the Noble Order of the Knights of Labor. Convinced that open and public discussion had failed and that it was necessary to "imitate the example of capital" the founders at first made the society secret. Even its name was unknown; it was designated by five asterisks and usually spoken of as the "Five Stars". Its growth at first was slow. There were but eighty assemblies in 1875 when the first national convention was held and a membership of but 52,000 in 1883, but the next three years saw a phenome-

nal growth to over 700,000. This expansion was due partly to the abolition of secrecy in 1881 but chiefly to the fact that the organization seemed to offer the greatest immediate hope for an amelioration of conditions.

The Knights of Labor resembled a "grand national union of industrial workers" rather than a federation of craft unions. All workers—skilled and unskilled, men and women, white and black—without distinction of trade or craft were welcomed in the assemblies, the only exceptions being liquor dealers, lawyers, bankers, professional gamblers and stockbrokers. The opening of the order to almost everyone gives a hint of the purposes and high idealism of the founders. "That is the most perfect government", affirmed its motto, "in which an injury to one is the concern of all." The speeches and writings of Stevens, the first grand master, and Terence V. Powderly, his successor, are dominated by a realization of the deleterious effects upon workers of the Industrial Revolution, and of the necessity of saving labor through organization. "We mean no conflict with legitimate enterprise, no antagonism to necessary capital," affirmed their ritual, "but men, in their haste and greed, blinded by self interests, over-

look the interests of others, and sometimes violate the rights of those they deem helpless. We mean to uphold the dignity of labor, to affirm the nobility of all who earn their bread by the sweat of their brows. We mean to create a healthy public opinion on the subject of labor (the only creator of values) and the justice of receiving a full, just share of the values or capital it has created. We shall, with all our strength, support laws made to harmonize the interests of labor and capital, and those laws which tend to lighten the exhaustiveness of toil."

Specifically the Knights favored an eight-hour day, income and inheritance taxes, postal savings banks, workingmen's compensation, coöperative institutions and the government ownership of public utilities. These were to be gained by "agitation, education and organization". "Without organization," asserted Powderly, "we cannot accomplish anything; through it we hope to forever banish that curse of modern civilization—wage slavery." But gains through education and organization were bound to be slow and the order was soon involved in numerous strikes, the most important being that of 1885 on the Gould Railway system of the Southwest where labor after a

bitter struggle wrung concessions from the most powerful capitalist of the day. Officially the Order believed that strikes were "deplorable in their effect and contrary to the best interests of the order" and that they "should be avoided whenever possible" but the leaders quite lost control during the expansion of the middle eighties.

The Knights of Labor declined as rapidly as it had developed. The appearance of internal factions due in part to the heterogeneous membership, the antagonism of the public, the failure of strikes in which it was interested, its inability to win the coöperation of strictly craft unionism and the opposition of the rising American Federation of Labor, all contributed to its downfall. The Knights in their brief career, nevertheless, had accomplished something. Many weak unions had been reorganized, a Bureau of Labor had been created by Congress in 1883 and an anti-contract labor law passed in 1885, while at the same time much state labor legislation was enacted.

The career of the Knights of Labor marked the end of an era in the history of the American Labor Movement. Its decline and the subsequent success of the American Federation of Labor proved that the next step was to be the development and fed-

eration of the craft unions. The origin of the American Federation of Labor is usually placed in 1881 when the Knights of Industry, an organization strong in the Middle West, and the Amalgamated Labor Union, an offshoot of the Knights of Labor, called a convention to consider the state of the labor movement. This convention called a second one which met in the same year at Pittsburgh and founded the Federation of Organized Trades and Labor Unions of the United States and Canada. This body was reorganized at Columbus in 1886 as the American Federation of Labor with Samuel Gompers as its first president.

The A. F. of L.

The first keynote of the new movement was federation. "We have numberless trades' unions, trades' assemblies or councils, Knights of Labor, and various other local, national, and international labor unions, all engaged in the noble task of elevating and improving the condition of the working classes," said the call to the Pittsburgh convention of 1881, "but great as has been the work done by these bodies, there is vastly more that can be done by a combination of all these organizations in a federation of trades' and labor unions." Not only was federation stressed, but federation on the basis of national craft or trade

unions. It was the emphasis upon the craft unions and upon the integration of the labor movement through them that marks the chief difference between the American Federation of Labor and the old Knights of Labor.

Fortunately the A. F. of L. has been guided from the start by hard headed and practical men, whose experience in the rough school of labor politics has led them to make haste slowly. Gompers, who with the exception of one year was president from 1886 to 1924, once asserted that he believed, "with the most advanced thinkers as to ultimate ends, including the abolition of the wage system" but he did not let any dreams of the millennium interfere with what small gains might be made at the moment. "We are all practical men," said Adolph Strasser, president of the Cigar Makers' Union before a Senate Committee in 1883. "We have no ultimate ends. We are going on from day to day. We are fighting for immediate objects—objects which can be realized in a few years."

Within the organization Gompers insisted upon a strict adherence to craft unionism, upon a frugal but sound financial policy including benevolent and protective features, and upon the avoidance of

radical economic theories. While willing to cooperate with non-labor groups, such as the National Civic Federation, and standing firmly for the theory of collective bargaining, the Federation has not hesitated to invoke the boycott, the strike and other weapons to protect its members from the onslaughts of capital. In general the organization has avoided direct political action, but by indirect influence has worked for the eight-hour day, the restriction of immigration and alien contract labor, for federal and state child-labor legislation, for workingmen's compensation and other laws benefiting labor. Primarily the individual unions have been interested in wages, hours, and conditions of work and to the separate craft union the burden has been placed of bettering its own position with, of course, the aid and encouragement of the Federation as a whole.

The generally conservative policy of Gompers and his associates has led to a sound if not spectacular growth. The membership numbered but 100,000 in 1890, 548,000 in 1900 and 1,562,-112 in 1910. Its greatest membership was 4,078,-740 at the height of the war boom in 1920, and its paid membership in 1932 numbered 2,532,-261. Although the Federation has stood for slight

modifications rather than an overthrow of the capitalistic system, its mild policies have not saved it from the bitterest opposition. The fact that labor during the past three decades of advancing prices has been able to hold its own, has been due in a large degree to the dogged pertinacity with which its leaders have held steadily but aggressively to an advocacy of attainable objects and of slow but sure progress. The American Federation of Labor with its 107 national and international unions, with its state federations, with its 850 city central bodies and its 31,000 local unions dominates today the labor movement of America.

Although the A. F. of L. is the outstanding labor organization, it does not entirely preëmpt the field. The four great railway brotherhoods—the locomotive engineers (1863), the railway conductors (1868), the locomotive firemen and engine men (1873) and the order of railway trainmen (1883), organized primarily for insurance protection have grown powerful and wealthy outside of the Federation and have consistently refused to join. With their 500,000 members and their great resources they exercise an influence in the labor world second only to that of the A. F. of L. Outside of the large organization for a time

was the powerful Amalgamated Clothing Workers which broke from the United Garment Workers of America in 1914 (returned to the A. F. of L., 1933) and has rapidly extended its control over the men's ready-made clothing industry.

Craft unionism has undoubtedly been in the ascendent since the decade of the nineties, but it has not entirely dominated the labor world. In certain industries where there are a small number of workmen in many trades, or in an industry like mining, which may be isolated from the great centers, there is a field for it. Thus industrial unionism has persisted in such an organization as the United Mine Workers of America where all the workers from braker boy to engineer fall under the jurisdiction of a single body. The tendency toward industrial unionism is strong notwithstanding the somewhat critical attitude of the Federation leaders.

New interest in industrial unionism has been aroused in recent years by the fact that the most radical of the American labor groups have advocated this form of organization as a means through which labor might gain control of industry. Radical labor agitation and militant unionism had never entirely died out after the disintegration of

the Knights of Labor. Stirred to action again by the vitalizing philosophy of Daniel DeLeon and the persuasive sincerity of Eugene V. Debs, various radical labor groups met in conventions at Chicago in 1905 and formed the Industrial Workers of the World. "Its general administration", declared the manifesto of the organization, "must be conducted in harmony with the recognition of the irrepressible conflict between the capitalist class and the working class" and its aim was the formation of "one great industrial union, embracing all industries, providing for craft autonomy locally, industrial autonomy internationally and wage class unity generally."

The I. W. W.

The I. W. W. at the height of its power probably had fewer than 75,000 members, but the ardour of its members and the revolutionary policy of its doctrines gave it much publicity. Its most spectacular activities were in connection with the Lawrence Strike of 1912 and the Paterson strike of 1913, but its doctrines were most appealing to the unskilled workers, particularly the migratory harvest hands and lumbermen of the West. Because of its revolutionary propaganda the organization was bitterly attacked during the war and its activities greatly curtailed.

Recent Tendencies

The rise of organized labor during the past half century and the history of its efforts towards economic and social betterment is a remarkable story. Of the vast wealth created during this period labor has failed to obtain its fair share, and experts are at variance as to whether it has relatively held its own. No one, however, would question an absolute advance in the standard of living and in working conditions. Labor legislation has improved the sanitation of factories, provided workingmen's compensation, regulated the labor of women and children, and in many ways advanced the position of wage earners. A rising humanitarianism has helped in this, but fundamentally it has been organization and political pressure.

The growing power of labor has been accomplished against the bitterest opposition of capital and the suspicion of other groups. It has been accomplished by workingmen ignorant oftentimes of the best method to pursue and too ready to fall into factional quarrels. It has been accomplished in spite of the prevailing economic theory of *laissez faire*[1] and in the face of a hostile judiciary. The

[1] From the maxim of the eighteenth century economists—*laissez faire, laissez passer*, that is, let things alone, let them take their course. The term *laissez faire* is commonly used to represent the theory that best results are obtained by a minimum of governmental interference. The function of government, ac-

odds have been enormous and the fight relentless, but the progress has been encouraging, and the foundations laid for further advance.

Suggested Readings

A detailed history of the labor movement representing the best of recent scholarship is that of J. R. Commons and Associates, *History of Labour in the United States* (2 vols., 1918) to which were added in 1935 two volumes covering the story from 1896 to 1932. Vol. III contains a study of "Working Conditions" by D. L. Lescohier and of "Labor Legislation" by Elizabeth Brandeis and Vol. IV a study of "Labor Movements" by Selig Perlman and Philip Taft. Among the excellent textbooks are G. C. Groat, *Organized Labor in America* (rev. ed., 1926) and G. S. Watkins, *An Introduction to the Study of Labor Problems* (1922). Briefer studies are those of Mary Beard, *A Short History of the American Labor Movement* (rev. ed., 1924) and Selig Perlman, *A History of Trade Unionism in the United States* (1922). The volume by N. J.

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cording to the exponents of this theory, is not to regulate business, but by protecting life, liberty and property, to provide a condition in which the economic life of the nation can function normally without state direction. This doctrine developed partly as a reaction against the excessive regulation of the mercantilism of the sixteenth and seventeenth centuries (see chapter III).

Ware, *The Labor Movement in the United States* is a study of the Knights of Labor. Fortunately Lewis L. Lorwin, *The American Federation of Labor* (1933) is a first class study of that organization. No study of the American labor movement would be complete without a reading of Samuel Gompers, *Seventy Years of Life and Labor: an Autobiography* (1925).

It is impossible to suggest more than a few of the many excellent books on specific phases. Leo Wolman, *Growth of American Trade Unions 1880–1923* (1924) is a sound study. On the more radical movements P. F. Brissenden, *The I. W. W., A Study of American Syndicalism* (1919); J. S. Gambs, *The Decline of the I. W. W.* (1932) and C. H. Parker, *The Casual Laborer and Other Essays* (1920) will be found valuable. See also Anthony Bimba, *A History of the American Working Class* (1927) and Nathan Fine, *Labor and Farmer Parties in the United States 1828–1928* (1928). A thorough understanding of psychological and economic background is shown in John A. Fitch, *The Causes of Industrial Unrest* (1924).

Chapter XI

The End of the Frontier

The larger part of the region between the Mississippi and the Rockies had been purchased from France for $15,000,000 in 1803, not because anyone at the time believed the land was needed for settlement, but to control the river outlets for western farm products. Only two centers of white population of any importance then existed west of the Mississippi,—New Orleans, at the mouth, and St. Louis, the entrepot of the fur trade of the Missouri. Sufficient population had entered the lower Missouri valley by 1820 to create a new state, but it was not until the decade of the forties that migration into the far west became large enough to be significant in the development of the nation.

Enough American cattlemen and cotton planters, however, had entered Texas in the thirties to stage a successful revolution against Mexico (1836) and to petition for annexation to the United States. The granting of this petition (1845) led almost immediately to war with

Mexico (1846-1848) and the wresting from that nation of the great Southwest. In 1846 the Oregon boundary was fixed by treaty with England at 49°; in 1853 the Gadsden Purchase from Mexico settled disputes arising from the recent war, and insured an easy route for a trans-continental railroad. Thus was rounded out our present continental area.

While the Mexican war was still in progress Brigham Young was leading his buffeted followers to the promised land, and the first covered wagons were painfully creaking their way to the fertile regions of Oregon. Migration to the Columbia valley, owing to the distance, was bound to be slow, but Utah under the skillful direction of Young soon became a land of plenty. By the efforts of Mormon missionaries and by means of a "Perpetual Emigration Fund" Utah was soon peopled with converts from Europe and the eastern states. The Mormons had barely established themselves in Utah before gold was discovered (1848) in the American river in California. Along the overland trails, around the Horn, and across the Isthmus of Panama, war veterans and adventurers of all types flocked during the spring and summer of 1849 until the population of Cali-

fornia by 1850 numbered close to one hundred thousand.

The discovery of gold covered the western slopes of the Sierras with numerous mining camps, but it had little effect in settling the great prairies west of the 95th degree. The effort to save Kansas from slavery led to an influx of free emigrants in the late fifties and to bitter feuds between them and the pro-slavery raiders from Missouri, but the widespread occupation of this region waited upon the stimulation of the Homestead Act of 1862, the increased migration from Europe, and the building of the transcontinental railroads. The last named factor, in particular, aided this migration. "Conditions of emigration have changed," said Benjamin Harrison in a debate on the admission of Dakota in 1884. "The emigrant who is seeking a home in the West does not now use as his vehicle a pack train, a Conestoga wagon, or even a broad horn. The great bulk of the people who have gone into Dakota have gone upon the steam car, many of them within sight of the home which they were to take up . . . whereas in the case of the state of Indiana it was thirty years after the admission of the state into the union before a single line of railway was built into the country."

Mineral Frontier

For two decades the chief interest in the far west was in the search for the precious metals. Gold attracted thousands to California but comparatively few made fortunes. The placer beds were soon exhausted, and more than a pick axe and a "rocker" was needed to extract the gold from the quartz. The gold excitement in California had barely subsided before the mining camps were ripe with rumors of discoveries elsewhere. When the news reached the East in 1859 that pay dirt had been discovered near the confluence of the South Platte and Cherry Creek, "fifty-niners" with the motto "Pike's Peak or Bust" to the number of 100,000 rushed to the Colorado regions. The Colorado deposits, embedded in quartz, needed capital and much machinery to exploit, and half of the emigrants returned "Busted! By Gosh!" Enough remained, nevertheless, to organize the Territory of Jefferson (1859), later reorganized into the Territory of Colorado (1861).

While the exodus to Colorado was in progress the richest deposits of silver in the west were discovered in the extreme western part of the territory of Utah. The Comstock Lode not only brought enough people to create the state of Nevada in 1864, but was the economic backbone of

the region for several decades. South of Nevada, in what is now Arizona, there was gold excitement during the Civil War and the economic foundations of that state were laid, but Indian disturbances and war unrest prevented immediate development. To the northward, discoveries of gold (1860) near the juncture of the Clearwater and Snake and in the surrounding region, in a similar manner laid the economic foundations of Idaho and Montana.

Much romance has been built up around the mining towns of the mineral frontier, but in reality the life was raw and unwholesome. The shifting gold seekers who chased the rumors from one camp to another and the gamblers, prostitutes and other parasites who followed them seemed unpromising material upon which to build states. Nevertheless it was the better element of the gold seekers, who in many cases turned their attention to lumber and agriculture, who formed the nucleus upon which the mountain states were created.

Ranchers' Frontier

The frontier of 1850, which had run from eastern Minnesota southward through eastern Nebraska and Kansas and then cut through Arkansas to Texas had under the impetus of gold and silver

discoveries jumped a thousand miles to the Pacific coast. The story of the last frontier is chiefly the history of how ranchers and farmers filled in the intervening space. The vanguard of the frontier movement has usually been characterized by a fringe of cattlemen, but never in our history has the ranchers' frontier been so important or the business conducted on such a large scale as during the two decades from 1866 to 1886.

It was accidentally discovered in 1866 that cattle could survive the severe winters of northern Nebraska and thrive upon the pasturage afforded on the vast plains east of the Rockies. Almost simultaneously a chance of marketing the cattle was provided by the first transcontinental railroads which were pushing into the prairies. The Texas ranchers saw their opportunity, and each spring at the round-up separated the yearling steers and sent them under the guidance of cowboys over the long trail to a northern railway point. Here they were fattened on the sweet northern grass or shipped immediately to the packers of the middle western cities.

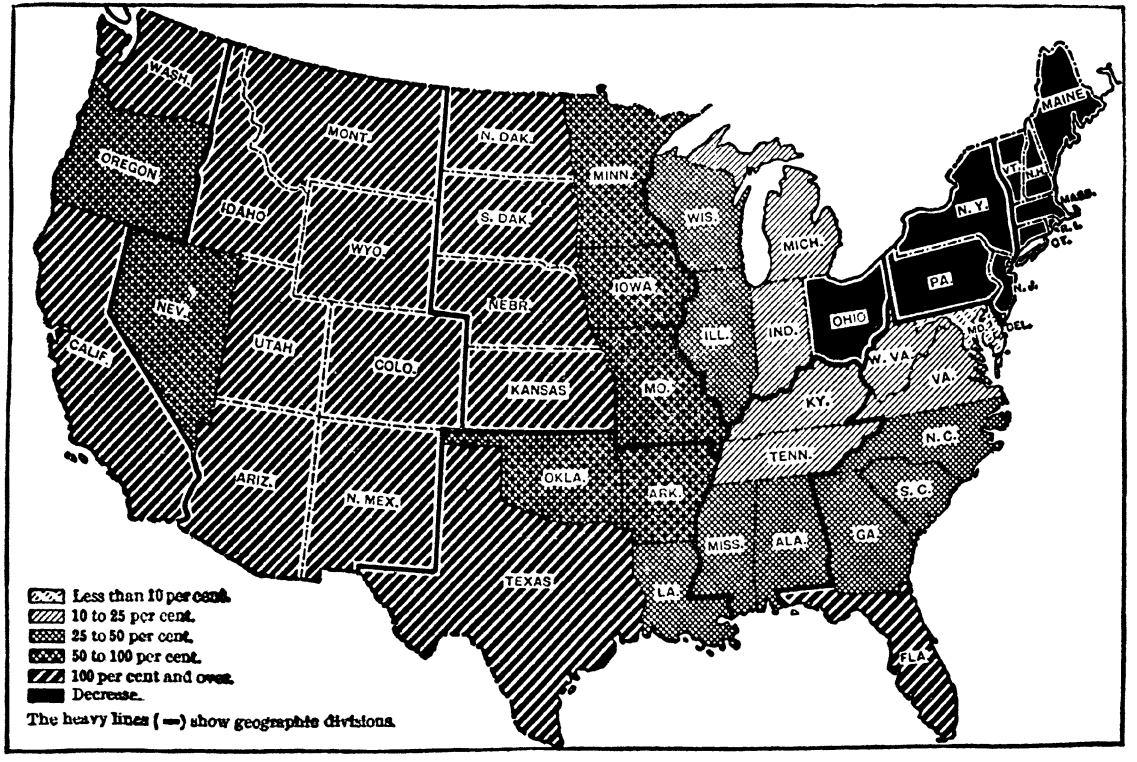
Rapidly the ranching industry spread northward, the strain of the stock was improved, eastern capital was introduced, and the industry

assumed large proportions. But the ranchers' frontier, characterized as it was by the long drive and the exploitation of free grass, was doomed by the same agency which had made it possible. The railroads were bringing numerous farmers who took up land under the Homestead Act. Other ranchers inclosed land illegally, and northern cattlemen quarantined their section against the Texas fever. The enclosure movement was aided by the invention of barbed wire, which the competition of the early wire manufacturers made very cheap.

The advancing frontier of the farmers and enclosure of land ended the long drives, but the ranchers' frontier contributed more than material for artists and novelists. The ranching interests were the first to exploit large sections of the country, and were the first to occupy it. The cattle industry may have changed in its methods, but it remained, and the conflicts between the cattlemen on the one hand and the railroads and packers on the other for the profits of the industry were important elements in the agrarian unrest which surged through the West from 1873 to 1896.

Farmers' Frontier

Close on the heels of the cattlemen pressed the farmers. The Homestead Act of 1862 granted 160 acres to *bona fide* settlers, the chief require-



PER CENT INCREASE IN VALUE OF ALL FARM PROPERTY, BY STATES: 1880-1890.

ment being a residence of five years. Even this requirement was later waived for Civil War veterans, and subsequent laws made it possible to secure larger amounts of arid land. Treaties with the Indians and, in particular, the Dawes Act of 1887 which aimed to abolish tribal ownership and settle each Indian family upon a quarter section, opened much new land to cultivation. The land policy of the government was wasteful in that it opened the way to fraud and permitted the passing into private hands of valuable mineral deposits and water rights, but it undoubtedly increased the rapidity of the westward movement. The agitation for conservation which came after 1900 was chiefly an eastern phenomenon; the West had little interest in it.

As suggested in an earlier section the newly built railroads contributed almost as much as free land to the last farmers' frontier. Anxious to dispose of their huge land grants and to build up the territory which they served, the railroads scoured the eastern states and Europe for prospective emigrants and carried them to their new homes. Over sixty-five million acres were preempted between 1862 and 1880 under the homestead acts and in addition large areas were sold by the railroads.

The frontier (technically a region of more than two and less than six people per square mile) had virtually disappeared by 1890. "Up to and including 1880," said the Superintendent of Census in 1890, "the country had a frontier of settlement, but at present the unsettled area has been so broken into by isolated bodies of settlement that there can hardly be said to be a frontier line. In the discussion of its extent, its westward movement, etc., it can not therefore have a place in the census reports." With the passing of the frontier the most important influence upon the political and economic development of the United States was removed.

The last phases of the frontier movement were marked by an economic unrest which found vent in political agitation and economic legislation. The expanding markets and rising prices of the Civil War boom in connection with the Homestead Act and the new railroads had stimulated the occupation of land during the decade of the sixties and early seventies. Most of this expansion had been undertaken on borrowed money loaned at high rates of interest. All went well until the panic of 1873 pricked the bubble of over expansion, and the period of declining prices which ensued made

it increasingly difficult for the farmer to meet his obligations.

The chief causes for the decline in prices were over-production of agricultural and manufactured products and currency deflation. Westward expansion had progressed more rapidly than had the demand for agricultural products and the market was glutted. At the same time money was more difficult to obtain. Specie payment had been suspended during the Civil War and the currency of the country had been supplied chiefly by national bank notes, issued upon the deposit of government bonds, and by legal tender money (greenbacks) issued upon the credit of the government, but without metallic backing. Both the bank notes and the greenbacks were so much extra money, a factor in itself tending to inflate prices. In addition the greenbacks declined in value, a paper dollar in November 1864 measured in terms of gold being worth but 43 cents. Under the workings of Gresham's law (see note, p. 60) prices were set by greenbacks, and when the farmer borrowed he secured money which based on gold might be worth but fifty cents.

At the conclusion of the war the policy of the government appeared to be one of deflation, and

steps were taken looking to the elimination of the greenbacks and the resumption of specie payment. At the same time the expanding needs of the country called for more money. The farmer who had borrowed on a fifty cent dollar and was forced to meet his interest payments and principal upon an eighty or ninety cent dollar, especially while prices were declining, found himself in a well nigh desperate situation.

To add to his woe were the difficulty of obtaining loans to tide over the period of depression and the high interest rates exacted upon the money which he borrowed. Not only was the farmer in the grip of the eastern loan shark but he seemed to be helpless against the exactions of eastern monopolies. He was forced to accept what the packers, the millers, and the produce merchants paid him for his crops, and to submit to the inefficiency and the exactions of the railroad companies.

The farmers who pioneered the trans-Mississippi west were not the type to submit tamely to the injustices of the prevailing economic system. They struck repeatedly at the bankers, the railroads and the foodstuff monopolies, and they agitated for various measures which they believed would solve the problem of low prices and high

interest rates. The movements against the monopolies of various kinds will be discussed in the following chapter; it will be sufficient here to point out the efforts toward currency inflation which were continuous from the end of the Civil War to the Campaign of 1896.

Green-back Movement

To counteract the decline in prices which set in at the end of the war and to halt the Republicans' program of calling in the greenbacks, the inflationists urged the printing of more greenbacks. The western democrats forced into their platform of 1868 the "Ohio Idea", a plan to redeem all Civil War bonds in paper, except where there was a definite agreement to the contrary. Their defeat in this campaign prevented an increase in the amount of greenbacks in circulation, but the fight against further contraction was waged for a decade with little cessation until 1878, when the inflationists stopped the contraction at $346,081,000, the amount of greenbacks circulating today. The fight for paper money was aided by the formation of the Greenback Party which reached its height in 1878 when the congressional candidates polled over a million votes. The Greenback Party also opposed the resumption of specie payment, but was unable to prevent the passing of the act of

1875 which called for resumption on January 1, 1879.

The greenback controversy was but a curtain raiser to the more important drama which was enacted during the next twenty years—the effort to inflate the currency by reëstablishing the free and unlimited coinage of silver at a ratio of 16 to 1. Free and unlimited coinage of silver had existed from the first currency law in 1792 to 1873, and the ratio from 1834 to 1873 had been approximately at 16 to 1, that is, the gold dollar was to contain 23.22 grains and the silver dollar 371.25. Under this ratio gold had been so over-valued that silver had been driven from circulation. This situation was recognized by Congress in 1873 when the coinage of the silver dollar was discontinued.

16 to 1

Simultaneously with the act of 1873 there was a world wide decline in the market value of silver due to the discovery of new deposits and to the adoption of the gold standard by Germany, Holland and the Scandinavian Peninsula in 1875 and the limitation of silver coinage (1873) by the Latin Monetary Union. As the inflationists saw the value of silver decline they realized that if free and unlimited coinage at the old ratio could be reestablished, gold would be driven from circulation,

the silver dollar would become the standard, and the value of the dollar would go down with the value of silver. The demonetization of silver was now denounced as the "Crime of 1873", and the representatives of the silver states coöperated with the debtor West in the agitation "to do something for silver."

The free and unlimited coinage at a 16 to 1 ratio was never reëstablished, but before the demand for it died down two great monetary acts were passed and the most important campaign since the Civil War was fought upon the issue. The Bland-Allison Act of 1878 ordered the Secretary of the Treasury to buy not less than $2,000,000 and not more than $4,000,000 of silver to be coined into silver dollars at 16 to 1, and the Sherman Silver Purchase Act of 1890, which superseded it, called for the purchase of 4,500,000 ounces of silver per month for which treasury notes were to be issued, legal tender for all debts.

As the Campaign of 1896 approached the monetary battle drew to a climax. The Bland act failed to drive out gold, for the increasing demand of the country for money absorbed the silver without eliminating the gold. The act of 1890, however, bid fair to accomplish the purpose of the inflation-

ists; but when the country was plunged into the panic of 1893, Cleveland, a gold Democrat, convinced Congress that the act should be repealed. Hot with wrath the western and southern Democrats ousted Cleveland and his group from control in 1896 and nominated William Jennings Bryan on a platform of 16 to 1.

In this campaign they were joined by the Populists who during their brief career had made currency inflation the leading plank in their platform, and had denounced the demonetization of silver as "the vast conspiracy against mankind." The campaign of 1896 concentrated on the question of the currency, but it was in reality the culmination of a long period of economic unrest, and as Professor Muzzey crisply describes it, "a bitter battle between the Western plowholder and the Eastern bondholder." Twelve years before in prefacing their platform of 1884 the Greenbackers had asserted that "Never in our history have the banks, the land grant railroads, and other monopolies been more insolent in their demands for further privileges—still more class legislation. In this emergency the dominant parties are arrayed against the people and are the abject tools of the corporate monopolies." The same feeling was enunciated by

Bryan in his "cross-of-gold" speech and reiterated throughout the campaign: "Mr. Carlisle said in 1878 that this was a struggle between the idle holders of idle capital and the struggling masses who produce wealth and pay the taxes of the country; and, my friends, it is simply a question upon which side shall the Democratic party fight? Upon the idle holders of idle capital, or upon the side of the struggling masses?"

The agrarian unrest was not limited to a desire to inflate the currency. The Greenbackers and the Farmers' Alliances had looked askance at the railroads and other monopolies, and the Populists who flourished from 1890-1896 demanded a graduated income tax, government ownership of railroads and telegraphs, a shorter work day for urban laborers, direct election of United States senators, and the initiative and referendum. Primarily the so-called radical movement before 1896 looked toward economic reforms, and the Populists were chiefly responsible for American socialism.

Nor did the desire to effect far-reaching reforms end with the campaign of 1896. The rising prosperity after the Spanish-American War and the flood of gold from the Alaskan mines put a quietus upon the agitation to inflate the currency,

and the progressive movement during the first decade of the new century swung to efforts to change the political and judicial machinery. The new movement wrote the sixteenth, the seventeenth and nineteenth amendments in the constitution and reached its highest wave in the progressive campaign of 1912. The platform upon which Roosevelt stood in that year supported direct primaries, including preferential presidential primaries, the short ballot, the initiative, the referendum, the recall of both elected officials and judicial decisions, and woman suffrage.

The split of the Republicans in 1912 allowed the Democrats to win, and the underlying economic drive in the whole movement is to be seen in legislation passed under the Wilsonian democracy: (1) the Underwood tariff, which reduced the rates; (2) the Clayton Anti-Trust act, which sought more effectively to control monopolies; (3) the Federal Reserve act, which made the currency more elastic, and (4) the Federal Farm Loan act, which was designed to provide better credit facilities for the farmers.

This legislation was of some aid, but it proved of little avail in saving the farmer from the effects of post-war deflation. Just as after the Civil War,



WESTWARD MOVEMENT OF THE CENTER OF POPULATION

"The Atlantic frontier was composed of fisherman, fur trader, miner, cattle-raiser, and farmer. Excepting the fisherman, each type of industry was on the march to the west, impelled by an irresistible attraction." Turner, F. J., *The Frontier in American History*, p. 12.

the western farmer was again stirred to action. The Non-Partisan movement in the Northwest, the Farmer-Labor Party of 1920 and later, and the Progressive campaign of 1924 represent their efforts to secure economic salvation through political channels. The instruments by which they would achieve this are demonstrated in the agrarian legislation advocated by the "Farm-Bloc," and in the state socialism attempted by the Non-Partisan leaders in North Dakota after 1915.

End of the Frontier

The disappearance of free land and the end of the frontier closes one epoch in American history and opens another. More than any other factor it was the boundless area of unoccupied territory which differentiated the underlying economic conditions in the United States from those of Europe. It was the ever advancing frontier that allowed population to expand, that absorbed the ever increasing immigration, that kept foodstuffs cheap, that determined the predominance of the extractive industries and that shaped the content and direction of foreign trade. It was the unlimited opportunities of free land that delayed the rise of organized labor, but at the same time insured the victory of democracy. It was the frontier that left its indelible mark upon the monetary system, upon

the banking system, and upon the transportation system. And it was the expanse of free land and the opportunities which it afforded that has been the chief influence in moulding American psychology and American philosophy.

The frontier has passed away. What that will mean to the future of the nation it is difficult to predict, but it will bring fundamental economic changes. The chaotic expansion of agriculture has ceased, and the future should see a more stabilized farming economy and certainly more intensive methods. Already we have become primarily an industrial nation and whether this trend increases or not, the tendency of manufacturing to depend less and less upon cheap raw material from the farm and more and more upon mineral products and skilled workmen seems likely to continue. By the same token the foreign export trade will be less concerned with the exportation of foodstuffs and raw materials, and more and more with that of manufactured goods. As time goes on the tendency in the United States is to become more like the western European nations, England and Germany —industrial and imperialistic, importers of raw materials and foodstuffs, and exporters of manufactured goods and capital.

The frontier has been the nursery of individualism, and of economic, political and social democracy. The first battles for the "rights of man" were fought on the frontier just as were the first skirmishes against entrenched monopoly. The first effect of the passing of the individualistic and democratic frontier would seem to be the solidification of classes and the decline of democracy, but what the ultimate results will be it is fatuous to predict. Just as the existence for three centuries of a frontier set the mould of our civilization, so the disappearance of that frontier will eventually force a recasting of the whole form.

Suggested Readings

The occupation of the trans-Mississippi West is summarized in Katharine Coman, *Economic Beginnings of the Far West* (2 vols., 1912); F. L. Paxson, *The Last American Frontier* (1910); Cardinal Goodwin, *The Trans-Mississippi West* (1922) and F. L. Paxson, *History of the American Frontier* (1924). Two brief and popularly written volumes in the Chronicles of America also cover the ground: S. E. White, *The Forty-Niners* (1920) and Emerson Hough, *The Passing of the Frontier* (1918).

The ablest interpretative work on the West since Turner is that of W. P. Webb, *The Great Plains* (1931). On the ranchers' frontier read E. S. Osgood, *The Day of the Cattlemen* (1929) and E. E. Dale, *The Range Cattle Industry* (1930).

The best accounts of the farmers' movements are S. J. Buck, *The Granger Movement* (1913); S. J. Buck, *The Agrarian Crusade* (1920) in the Chronicle of America; F. E. Haynes, *Social Politics in the United States* (1924) and J. D. Hicks, *The Populist Revolt* (1931). On the influence of the public lands and railroads the following will be helpful: B. H. Hibbard, *A History of the Public Land Policies* (1924), J. B. Hedges, *Henry Villard and the Railways of the Northwest* (1930) and P. W. Gates, *The Illinois Central and Its Colonization Work* (1934).

Chapter XII

The Decline of Laissez Faire

The wholesale regulation and widespread interference on the part of the government in all phases of life, which had characterized the Middle Ages, passed away in America, as it did in Europe, with the advent of the Industrial Revolution. The *laissez faire* theories of Adam Smith and the classical economists were enthusiastically endorsed by the rising capitalists and they were strengthened by the frontier individualism of a new nation. The economic development of America was carried on with but slight interference on the part of the government. Only in the system of the protective tariff was there any notable departure from this policy, and in this case the most ardent exponents of *laissez faire* were those who supported the tariffs.

There was a sufficiency for all in the vast resources of the nation, but in the mad scramble for wealth victory went to the strongest and most unscrupulous. In this golden age of unbridled competition the laws were evaded, legislatures bribed,

and the weak ruthlessly crushed. By the time the nation had commenced to question the beneficence of absolute economic liberty the government was firmly in the hands of the advocates of *laissez faire*, the Fourteenth Amendment of the Constitution had been interpreted to protect them, and the most valuable of the oil, lumber and mineral lands had passed into the private possession of comparatively few individuals.

It was in the matter of railroad legislation that the first inroad was made upon the almost sacred policy of *laissez faire*. The railroads were of primary importance to the nation in the days following the Civil War, for they enabled the farmer to market his surplus, and they were the chief factor in the determination of western land values. The whole economic life of the nation hinged on the railroads, and their advent had been hailed with unmingled joy. Legislatures, capitalists and the average citizen had encouraged and supported them in every possible way.

This enthusiastic support changed in the seventies and eighties to criticism and hostility. The people had contributed public and private wealth with a lavish hand; in return they received but slight consideration. The counts against the rail-

roads were many: (1) high rates, (2) inefficient service, (3) discrimination between individuals, (4) crooked financing, (5) utter disregard of the rights of the public, (6) monopolistic tendencies and (7) the corruption of the political machinery. The alleged remark of Cornelius Vanderbilt that "The public be damned" was taken as typical of the attitude of railroad magnates.

Even if the railroads had desired to serve the nation well, they were not always in a position to do so. Chaotic and unwise building had resulted in much unnecessary mileage. When more than one railroad connected two points the competition for business was so extreme that goods were often carried at a loss. To save themselves the railroads resorted to pooling the available business, and to charging the shippers at non-competitive points higher rates to make up for the low tariffs offered to the shippers at the towns where competition existed. The railroads had been too long the playthings of railroad magnates who had used them to build up their personal power rather than to promote the interests of the public or improve the property. In the words of Charles Francis Adams, Jr., a student of railroad problems and himself a railroad president, "The system was, indeed,

fairly honeycombed with jobbery and corruption."

The farmer, quite at the mercy of the railroads, probably suffered more from the chaotic situation than any other group, and it was quite natural that the movement for government regulation of railroads should rise as a part of the agrarian unrest. The third parties of the post-bellum period with hardly an exception urged railroad legislation. The Labor Reformers in 1872 demanded fair rates and no discriminations, the Prohibitionists in 1876 called for fair rates, the Greenbackers of the eighties denounced the railroads and urged laws to prohibit pooling, stock-watering and discrimination, and finally the Populists advocated government ownership. Even the Republicans in 1884 were impelled to promise legislation.

Granger Movement

The most important influence, however, in the movement for early railroad control appears to have emanated not from the third parties but from the farmers' organizations, particularly the Patrons of Husbandry, or the "Grange", as it was called. So obvious is this that the early attempt to extend the public control over railroads and other utilities is known as the "Granger Movement" and the legal cases arising therefrom as the "Granger Cases".

The Patrons of Husbandry was founded in 1867 by Oliver Hudson Kelley, a government clerk, who had become convinced after a trip through the South that only through such an organization could the farmers advance their interests. Designed at first for intellectual and social stimulation the Granges soon became primarily interested in railroad legislation. Kelley had struggled hard to establish the first few Granges, but the organization so profited from the unrest engendered by the panic of 1873 that by 1874 there were some 19,000 granges in existence with possibly 1,500,000 members. The decline of the organization was as spectacular as its rise, but during the brief period of its power it was chiefly instrumental in placing upon the statute books the first state railroad laws designed to regulate transportation.

The Granger Movement was particularly strong in the Middle West, and if the Iowa and Wisconsin laws of 1874 are to be taken as examples the "Granger Acts" as a whole sought (1) to establish, either by direct legislation or through a commission, schedules of maximum rates, (2) to prohibit a greater charge for a short haul than a long one, (3) to preserve competition by forbidding the

consolidation of parallel lines, and (4) to put an end to the evil of granting free passes to public officials. Legislation seeking to achieve one or all of these points was passed during the period in most of the states.

Inter-state Commerce Act

Obviously the Granger laws were bitterly opposed by the railroads. Sheltering themselves behind the Fourteenth Amendment they held that the fixing of rates deprived the owners of the power to establish higher rates and thus deprived them of their property without due process of law. On this point they were unsuccessful in convincing the courts, but their contention that state regulation was an infringement of interstate commerce (and so unconstitutional) as most of the freight traffic crosses state boundaries, was in the end upheld. The legal decisions which deprived the state legislatures of jurisdiction over inter-state commerce shifted the demand for railroad regulation from the state to the federal government. The result was the Interstate Commerce Act of 1887 and its amendments.

From the time that President Grant in 1872 recommended a committee investigation of the railroad situation until the first federal regulation act was finally passed in 1887 the demand for legisla-

tion had been continuous. The Interstate Commerce Act of that year sought to eliminate the principal abuses and thus became the basis for subsequent legislation. It (1) provided that all charges should be just and reasonable, (2) forbade personal discriminations in the form of special rates, rebates or otherwise, (3) forbade a greater charge for a short haul than a long, (4) prohibited pooling, and (5) ordered the printing and public posting of all rates and fares, and forbade any advance except after ten days' notice. The law was to be administered by a commission of five members whose duty it was to institute proceedings in the federal courts, if the law was violated.

The Interstate Commerce Act was hailed by its friends as a great victory and denounced by the railroads as an unjust and crushing blow. Neither party was correct. What little power the commission enjoyed under the act was speedily removed from it by Supreme Court decisions, and it became little more than a body to collect and publish statistics. On the other hand, it marked a real step in advance for it inaugurated the policy of government control which has continued and been steadily enlarged.

The impotence of the Commission under the

act of 1887 and the continued disregard by the railroads of the laws and the rights of the public led to a revival of railroad legislation during the Roosevelt administration. The Elkins Act of 1903 aimed to clarify the law regarding rebates; the Expediting Act of the same year gave preference in the circuit courts to cases arising under the Interstate Commerce Act of 1887 and the Sherman Anti-Trust Act of 1890; the Hepburn Act of 1906 greatly enlarged the jurisdiction of the Commission, gave it the right to prescribe methods of bookkeeping for the transportation companies, and among other things empowered it to determine just and reasonable rates which must be adhered to by the carriers. The Hepburn Act made the Commission a responsible and powerful body, but it did not solve the railroad problem. In 1910 it was found necessary by the Mann-Elkins Act to further clarify the earlier legislation and to set up a special Commerce Court (lapsed in 1912) to try railroad cases. In 1913 the Commission was empowered to make a valuation of railroad property, and in the same year opportunity for the voluntary settlement of railroad labor disputes was provided by the Newlands Act.

The movement for government control which

had been progressing steadily since the eighties was given a fresh impetus by the World War. The advance in commodity prices necessitated a reconsideration of hours and wage scales, and when in 1916 a general strike impended, the federal government stepped in and met the demands of labor by passing the Adamson Eight-hour Act. The general position of the railroads was none too strong in 1914 and the increased strain brought upon them by the European conflict taxed their resources to the limit. When the United States entered the war the roads under private operation were on the verge of collapse, and the government hastened in March 1918 to take over their management under an act providing for rent, upkeep and other safeguards to private property.

Government operation during war time was necessary. It saved the railroads and materially helped in the successful prosecution of the war, but at the end of the conflict it presented one of the leading problems of reconstruction. Director-General McAdoo advised continued government operation; railroad labor advocated the Plumb Plan which called for government purchase of the railroads and their operation under a board of directors upon which labor, management and the

general public should be represented; the railroad owners on their part carried on an extensive propaganda for immediate return of their property under as favorable a law as possible. In the wave of reaction following the war the nation was unprepared for government operation or ownership, and under the Esch-Cummins Act of 1920 the roads were returned to private operation but with extended powers to the Interstate Commerce Commission. The Commission was authorized to divide the country into districts, to prescribe rates which would give a "fair return upon the aggregate value of the railroad property," and was given considerable jurisdiction in the regulation of railroad capitalization. To handle the question of labor disputes, Congress in a half-hearted way set up a Railroad Labor Board, but gave it so little power that it lapsed in 1926.

The policy of *laissez faire* as regards transportation companies passed with the Granger Movement of the seventies and it has since never been seriously considered by the great majority of the people. In the states and cities government control has been extended from transportation facilities to other public utilities such as gas, electricity and water power. In the nineties and the early years of

the present century there was a strong movement toward state socialism when many municipalities took over their own public utilities. This movement, however, has declined and the general policy since the war has been to extend government supervision only when absolutely necessary.

Undoubtedly the most important cause in the decline of *laissez faire* was the realization that the public must be protected from the inefficiency of unregulated business and the dangers of monopoly. Theoretically *laissez faire* should produce business efficiency, competition, and low prices. In reality it produced a condition amounting almost to economic chaos which was followed by consolidations and monopoly prices. At both stages protection was needed, and it was both the inefficiency of the railroads and the monopolistic features connected with them which, as we have seen, brought government regulation.

Business Consolidation

In like manner the need of controlling other types of business was felt. The tendency of American industry, as that of other nations since the Industrial Revolution, has been to combine into larger units. Many causes have contributed, but probably the most important have been the desire to escape the losses of unrestricted competition and

the desire through monopolies to secure greater profits. The bitterness of competition in the seventies and eighties was well nigh ruinous and self preservation demanded consolidation. The movement was aided by the corporate form of business organization which facilitated the raising of large amounts of money, by the lax corporation laws in many of the states, and by the sympathetic attitude of the federal government.

Early consolidation usually took the form of pools. A pool is an organization of business units which have come together for the purpose of apportioning the available business between them and thus controlling prices. It was particularly popular among the railroads in the disastrous years following the panic of 1873, but has been used since then by other types of business. Railroad pooling early aroused the ire of the nation and it was declared illegal by the Interstate Commerce Act of 1887 and by subsequent court decisions.

With the illegality of pools established, consolidation shifted to the trust form which flourished from 1887 to 1897. A trust is a form of organization by which stockholders deposit their certificates with a board of trustees who furnish trust certificates in return, and by means of the stock

deposited in their care control a number of industries. The Standard Oil popularized the trust form by demonstrating its possibilities, and the Standard Oil Trust was followed by the formation of numerous similar organizations. An inherent fear of monopoly combined with the utter disregard by these "trusts" of the public welfare again aroused the people to action. Men like Henry Demarest Lloyd in his *Wealth Against Commonwealth* (1894) pointed out the extent to which resources of the nation had fallen into the hands of a few, and the current feeling of dissatisfaction was undoubtedly well expressed by the court in the Diamond Match case when it asserted that "Indeed, it is doubtful if free government can long exist in a country where such amounts of money are allowed to be accumulated in the vaults of corporations, to be used in controlling the property and business of the country against the interest of the public and that of the people, for the personal gain and aggrandizement of a few individuals."

Sherman Anti-Trust Act

The antagonism toward monopoly exhibited itself for some time in the platforms of the minor parties but it was not until 1890 that sufficient strength had accumulated to pass the Sherman Anti-Trust Act. This act declared illegal "every

contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states or with foreign nations." Like the Interstate Commerce Act passed three years before the Sherman act proved of little avail. It eventually caused the discarding of the trust, but consolidation of business proceeded under various other forms.

The greatest period of business unification in the history of the country occurred in the prosperous period from 1897 to 1904 when under the favorable aegis of the McKinley Republicans consolidation went merrily on. The courts had emasculated the Sherman Act and there was nothing to fear from the government. A slight change in the methods of unification overcame the illegality of the trust form—instead of a board of trustees a holding company would be organized which could "hold" a majority of the stock of numerous organizations and in that way control many normally competing industries. Most of the large industrial corporations of the present time were organized during this period.

The excess of consolidation followed, as it was, by the most flagrant of monopolistic abuses, brought a natural reaction. Journalists and novel-

ists, later characterized by Roosevelt as "muckrakers", painted in lurid colors the lawlessness and iniquities of "big business", and stirred the government to action. The Northern Securities Company, a New Jersey holding corporation which controlled the stock of the three great northwestern railroads, was dissolved, and suits under the Sherman Act were pressed against the Standard Oil, the American Tobacco Company and other monopolistic organizations.

Clayton Act

The dissolution of the last named companies marked but little change in the progress of consolidation. If a holding company should be declared illegal, the same end would be accomplished by a "community of interest" which might involve interlocking directorates or simply stock ownership by the same person in a number of theoretically competing companies. The Democrats since 1896 had fulminated against the "trusts" and their victory in 1912 presaged legislation. Wilson, the new leader of the party, had talked much during the campaign of reestablishing competition and equal opportunities for all, and held that the futility of the Sherman Act was due chiefly to its indefiniteness. The Clayton Anti-Trust Act of 1914 as a consequence specifically forbade (1) discrim-

inations in price between purchasers when such discrimination tended to create a monopoly, (2) "tying agreements" whereby the manufacturer unduly controlled the activities of the retailer, (3) acquirement of stock by one concern in another except for investment, (4) interlocking directorates in large concerns, including banks, doing interstate business. Labor unions and farmers' organizations, on the other hand, were specifically declared not to be conspiracies in restraint of trade. As an aid in enforcement a Federal Trade Commission of five members was set up to investigate persons or corporations (except interstate carriers and banks) subject to the anti-trust laws, and report on their activities.

In closing the discussion of the anti-trust laws the futility of this legislation should again be pointed out. As Professor Jenks, a leading authority, in commenting upon the Sherman act aptly puts it, "a study of these statutes and of the decisions of our courts of last resort which have been made under them will show that they have had comparatively little, practically no effect, as regards the trend of our industrial development." In the light of the last twenty years no qualification need be made in this statement. The laws have

been virtually dead letters. Consolidation has gone on uninterruptedly, and has been evident, of course, not only in industrial concerns, but in accumulations of bankers and capitalists. The Pujo committee, reporting in 1913, pointed out that the concentration of money and credit had gone so far as to constitute a "money trust". The last ten years have also witnessed extension of business consolidation from the field of manufacturing to that of retailing. The chain store has almost eliminated the old fashioned grocery and has made strong inroads in the retailing of tobacco, drugs and other commodities.

Govern-[ment Banking

The decline of *laissez faire* is well illustrated by the reëntry of the government into the banking business. From the dissolution of the Second United States Bank in 1836 until the National Bank act of 1863 the federal government kept its hands strictly off. The law of 1863 was designed rather to market Civil War bonds and provide an adequate currency than to control or direct private banking. The Populist platform of 1892 had urged postal savings banks and after a long agitation the government in 1910 definitely embarked in the banking business by an act creating postal savings banks. Designed primarily to safeguard

the earnings of the poor, they were branded by private bankers as socialistic. Up to the present time the amount of money deposited in this agency has been comparatively small and they have exercised but slight influence on the banking structure of the nation.

Of more immediate importance was the decision of the government to revamp the federal banking laws. The national banks had served their purpose, but they were inadequate to the needs of the growing nation. Currency and credit were inelastic and they seemed unable to function efficiently either in periods of prosperity or depression. The Federal Reserve Act of 1913 established federal reserve banks in twelve districts, not to act as private banks, but as clearing houses and "bankers banks" for the member banks of the federal reserve system. Every national bank was required and other banks encouraged to join the federal reserve system by subscribing to the capital stock of the Federal Reserve bank of their district. The Federal Reserve bank issues two types of money, Federal Reserve bank notes on the deposit of government bonds and Federal Reserve notes on the basis of commercial paper. The latter are expected to expand and contract with the needs of

business. Over the whole system is a board of eight members, including the Secretary of the Treasury, the Comptroller of the Currency and six others appointed by the president.

Criticism of the existing order and the inevitable needs of a more complicated civilization have brought other examples of government interference. By the Pure Food and Drug Act of 1906 and later measures the government laid its supervising hand upon the manufacture of foodstuffs and medicines, and by the establishment of the parcel post system in 1912 entered definitely into the transportation business as a competitor of the express companies. As a result of the war it has entered the field of insurance. With the passing years the government by its various bureaus has been inclined to hold out a helping hand to business, agriculture and labor, and whatever economic interest happened at the time to be most powerful politically has usually secured subsidies without great difficulty.

The state legislatures have gone farther than the federal in experiments with social legislation. Under the leadership of Wisconsin the police power of the state has been extended by labor laws and other forms of social legislation while in-

equalities in wealth have been attacked through income and inheritance taxes. "It was apparent", says Dr. Beard, "from an examination of the legislation of the first decade of the twentieth century, that they [the states] were well in the paths of nations like Germany, England and Australia . . . Eminent economists turned aside from free trade and *laissez faire* to consider some of the grievances of the working class, and many abandoned the time honored discussions of 'economic theories' in favor of legislative programs embracing the principles of state socialism, to which countries like Germany and England were already committed".

Progress toward state socialism has been slower with the federal government, due primarily to the hostility of the courts. A constitutional amendment was necessary to achieve an income tax and another one appears to be necessary to secure child labor legislation. The breakdown of *laissez faire*, however, has been quite evident during the last two decades, and it is doubtful if the conservative reaction following the war will long stay the tendency.

Suggested Readings

On the earliest phase of railroad legislation con-

sult the scholarly study of S. J. Buck, *The Granger Movement* (1913) and on the later phase F. H. Dixon, *Railroads and Government: Their Relations in the United States 1910–1921* (1922).

Good general surveys of business consolidation include those of J. W. Jenks and W. E. Clark, *The Trust Problem* (rev. ed., 1917) and H. R. Seager and C. A. Gulick, Jr., *Trust and Corporation Problems* (1929). Enlightening are the two books by the financial expert, John Moody, *The Truth about the Trusts* (1904), a statistical summary, and *The Masters of Capital* (1919) in the Chronicles of America. The bitterest denunciation of the monopolistic movement is H. D. Lloyd, *Wealth against Commonwealth* (1894). Perhaps the most famous study of the rise of a specific monopoly is that of Ida M. Tarbell, *History of the Standard Oil Company* (1904), but a better rounded account of the oil industry is found in J. T. Flynn, *God's Gold* (1931).

On the reform movement of the early years of the century see C. C. Regier, *The Era of the Muckrakers* (1932) and H. U. Faulkner, *The Quest for Social Justice* (1931).

A simple description of the Federal Reserve is E. W. Kemmerer, *The A B C of the Federal Re-*

serve System (1916), and a more technical discussion, P. M. Warburg, *The Federal Reserve System* (2 vols., 1930) or W. E. Spahr, *The Federal Reserve System and the Control of Credit* (1931). In addition to the Flynn book on Rockefeller cited above, the following biographies will throw light on this period: B. J. Hendrick, *Life of Andrew Carnegie* (2 vols., 1932); Lewis Corey, *The House of Morgan* (1930) and Harvey O'Connor, *Mellon's Millions* (1933).

Chapter XIII

The New Imperialism

From the conclusion of the second war with England to the opening of the new century, the energies of the American people had been concerned almost entirely with internal development. Stirred by a rising consciousness of national power and impelled by the opportunities of the great west, American pioneers, reinforced by a constant stream of European immigrants, had pushed westward until the outposts of the new nation had been placed upon the Pacific. An insatiable land hunger had characterized this westward expansion, a hunger which had ruthlessly appropriated the hunting grounds of the Indian and impatiently brushed aside the claims of Spain, Mexico and England.

This truculent imperialism of the mid-century Americans had its justification. It was at least a bona fide occupation of the land by a group sufficiently energetic and capable to make some use of it. It was a process by which an aggressive race wrested a large area of comparatively unused land

from the weak hands of its nominal owners. As such it resembled the Old Imperialism—the imperialism of the sixteenth, seventeenth and eighteenth centuries, when Europe had sent out not only her wealth but her inhabitants to people the continents beyond the sea.

The Old Imperialism had been influenced by the theory of mercantilism. The newly planted colonies were expected to economically complement the mother country and make her self sufficing; they were to produce raw materials and provide her with a market. But whatever were the motives which led to this remarkable expansion of Europe, it resulted in the planting of trading posts all over the world and the establishment of European colonies in Siberia, in Australia, in Africa and in North and South America. With the founding of colonies went the inevitable spread of European civilization to the four corners of the world.

The Old Imperialism, as far as Europe was concerned, was largely spent by the opening of the nineteenth century. The American Revolution had cooled the ardor of the expansionists, and *laissez faire* economists were questioning the soundness of the whole policy of imperialism. Al-

though thousands of emigrants left Europe for America during the middle decades of the century, the governments were but little interested in territorial expansion.

In the decade of the seventies, however, the situation radically changed. Disraeli, with his purchase of the controlling interest in the Suez Canal, started England on an aggressive foreign policy. France, seeking compensation abroad for her humiliation in Europe, cast covetous eyes upon foreign land, and Germany, reluctant at first, was soon drawn by her merchants into the imperialistic scramble. Between 1870 and 1900 Great Britain added 5,000,000 square miles to her possessions, France 3,500,000, and Germany 1,000,000, while the lesser nations gathered what crumbs they could from the "Great African hunt" and the despoiling of Asia.

The chief cause for this new outburst of imperialism was the Industrial Revolution. The new machinery could produce manufactured goods without limit. The problem of mere production had been solved; it was now a question of obtaining raw materials with which to manufacture and a market for the finished product. Eventually manufacturers were forced to look abroad for

either their raw materials or their market, and in some cases, as in textiles, for both. It was then that explorers began to investigate the economic resources of distant parts of the world, and machine made products to batter down the Chinese walls of primitive handicraft manufacture.

The Industrial Revolution created not only a demand for raw materials and a market for manufactured goods but also a demand for more lucrative fields of investment. As the increased production of manufactured goods rapidly created new wealth, the surplus capital began to overflow the national boundary lines into the less developed regions. France was estimated in 1912 to have loaned abroad over $8,000,000,000; Germany between $7,500,000,000 and $8,500,000,000, and England at the opening of the World War approximately $20,000,000,000.

The New Imperialism quite obviously does not involve an expansion of population. It is primarily the development of foreign resources and foreign markets, and the exploitation of less economically advanced regions by the capital of the more advanced. This New Imperialism is sometimes called "the white man's burden", or "manifest destiny", but whatever the name, in reality it is

the same,—economic exploitation in some form or other.

The economic history of the United States has been typical of that of a new land. For two centuries the primary interest was in the production of raw materials and in exchanging them for manufactured products. Capital and labor were scarce and manufacturing was chiefly limited to the cruder forms. As time went on numerous favorable factors led to the growth of manufacturing, and with the development of industry surplus wealth was more rapidly created which could be used for the development of similar manufacturing projects.

Although much wealth was being constantly created here, our economic development went on so rapidly that it was financed to no small extent from abroad. European investments in America were estimated at approximately 150 million dollars in 1839, at 400 million in 1860, at 1,500 million in 1873 and 3,300 million by the end of the century, the larger proportion in railroad securities. Although the United States after 1900 was rapidly becoming economically independent, the flow of capital from abroad continued until the opening of the World War. At that time the

foreign investments here amounted to between five and six billion dollars.

By the opening of the century the situation had changed. We were no longer a new nation forced to seek loans in Europe, but a highly organized economic unit largely financing our own development and ourselves loaning freely abroad. American foreign investments at the opening of the World War certainly amounted to over 2,500 million dollars, of which over 1,000 million was in Mexico, 750 million in Canada and 350 million in Europe. The inflow from abroad, nevertheless, had been so large that we were still in 1914 a debtor nation to the sum of approximately two and one-half billion dollars.

Financial Revolution

The World War effected a financial revolution. Europe not only used up her surplus wealth but borrowed heavily from the United States. By private and government loans this country practically financed the last two years of the war and has contributed large amounts to reconstruction. As a result our foreign loans of 2,500 million in 1914 amounted to nearly 9,000 million by 1919 and over 19,000 million by 1924. At the same time foreign holdings in America had been substantially reduced. From a debtor nation in 1914 we

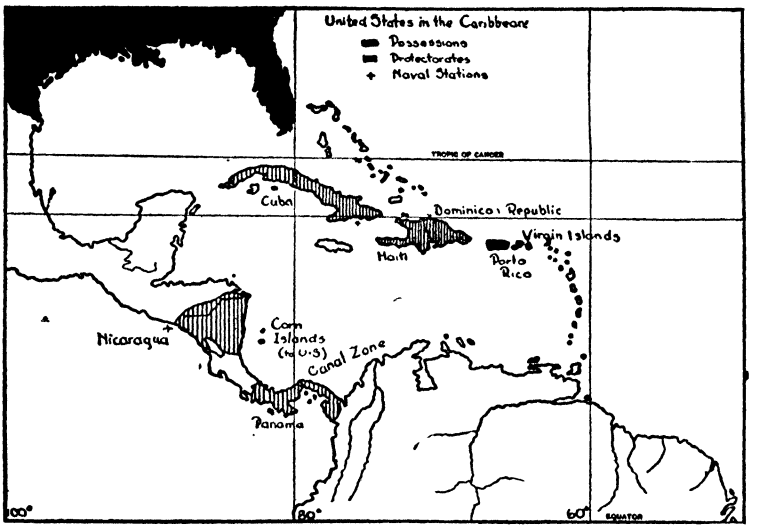
had become within a brief period of ten years the chief creditor nation of the world. The world's financial capital, as a result of the war, had shifted from London to New York.

The investment of 19 billion dollars abroad, one half of which is in Europe, has contributed much to break down the erstwhile provincialism of the United States. Whether we will or no, we have been forced to look beyond our own boundaries and to realize that a new economic frontier has been created. As American manufacturers, plantation owners, oil men, mine operators and investment bankers have extended their operations abroad, they have in turn forced upon the State Department a new conception of its purposes.

The United States, moreover, has not been content with merely investing abroad. Simultaneously with the appearance of the United States as a creditor nation, there has come a willingness to extend its political as well as economic power. This, of course, has been quite natural, for there is an inevitable tendency for the flag to follow the investments, especially when the latter are made in a weaker or more backward region. The habit of land acquisition, furthermore, was not new to the American people, but as John Bassett Moore sug-

gests, was "a habit which has characterized our entire national existence." The phase since 1898 differs from the previous land acquisition in that it was outside of our continental boundaries and was undertaken primarily to protect or promote investments.

The new imperialism of the United States has been chiefly concerned with Latin America and the Far East. Our interest in Latin America goes back to the promulgation of the Monroe Doctrine in 1823, but this early concern in the land to the south came either from the desire to protect ourselves from the monarchical institutions of Europe or to carve out new slave states to maintain our political equilibrium. By the end of the century, however, American trade and investments in Cuba had made the conditions of that unhappy island of importance to us and undoubtedly hastened our interference in 1898. The Spanish-American War left us with Porto Rico as a colony and Cuba as a protectorate. It also emphasized the need of a canal across the Isthmus of Panama. The reluctance of Colombia to grant land for this project precipitated a revolution on the Isthmus and the creation of the Republic of Panama under the protection of the United States. The building of



UNITED STATES IN THE CARIBBEAN, 1917–1934

Although the United States by 1917 had acquired ownership of only Puerto Rico, the Virgin Islands, the Canal strip, and a few small islands used as coaling stations, she had extended her authority in the form of protectorates over five republics—Cuba, Haiti, Santo Domingo, Nicaragua and Panama. Of these Cuba and Panama were virtually created by the United States. The abrogation of the Platt Amendment by a treaty between Cuba and the United States in 1934 technically ended the status of Cuba as a protectorate. Negotiations for a new basic treaty with Panama during 1935 and 1936 presage a similar freedom for Panama.

(This map is drawn on a McKinley Outline map and used with the permission of the McKinley Publishing Company.)

the canal clinched American occupation in the region of the Caribbean. Political unrest soon gave the opportunity, and danger to American investments the excuse, for an extension of protectorates over Nicaragua, Haiti and Santo Domingo. To protect an important route to the canal the Virgin Islands were purchased in 1917 from Denmark. The Caribbean had become an American lake.

While the United States was extending her political sway in the Caribbean, American bankers were extending their economic domination into all parts of Latin America. In Mexico, especially, was American influence felt. At the rate of $100,000,000 a year American silver miners, ranchers, and oil drillers, were pouring wealth into Mexico. The revolutions which have succeeded one another in Mexico since the Madero outbreak in 1910 have not been entirely an agrarian outbreak on the part of an oppressed peasantry; they have been complicated by the conflicting ambitions of English and American imperialists who have played one candidate against another in their desire to acquire a lion's share of the Mexican wealth. American investments in Mexico are today a leading factor in the economic and political situation of that nation and

dominate the attitude of our State Department toward her.

The interest of the United States in the Far East goes back to the voyages of the New England merchantmen in the early days of the Republic. It is seen in Commodore Perry's famous voyage to Japan in 1854 and later in our appearance in the Samoan Islands. It received a new awakening after the annexation of the Hawaiian Islands in 1898 as the result of a revolution instigated by American sugar men, and after the conquest of the Philippines during the war with Spain. Once ensconced in the Far East our policy was quick in ripening. Taking advantage of the opportunity afforded by the Boxer Rebellion, Secretary of State John Hay halted the territorial disintegration of China by demanding an "open door policy"; that is, an equality of trading opportunities for all nations. American far eastern policy may quite correctly be called "dollar diplomacy", but it has had the good effect of helping to save China from the clutches of the foreigner. This "open door policy" was reaffirmed by Secretary Hughes at the Washington Conference in 1921 where an effort was made to halt the attempted monopoly by the Japanese of Chinese trade.

Although American influence as a result of the new imperialism has been potent in the Far East, the actual investments in Canada and Europe have been much larger. Their significance, however, may not be so great. Canada, with a people essentially like our own and with a purely artificial boundary line, provides the possibility for a normal extension of our economic frontier without necessarily involving political complications. The invasion of Europe by American capital is, of course, of immense importance, but it may be but temporary, and at all odds is quite unlikely to be followed by political domination. Government estimates place American private investments abroad at the end of 1930 in millions of dollars approximately as follows :

	1930	per cent
Canada and Newfoundland	3942	25
Europe	4929	32
Latin America and West Indies	5244	34
Asia and Oceanica	1142	9

While billions of dollars' worth of capital have during the first quarter of the century overflowed the national boundary lines in search of more profitable outlets, American commerce has under-

gone significant transformations. Chiefly should be noted the changes in amount, in composition, and in the destination of American products. The unparalleled economic development of the United States since the Civil War has piled up here both wealth to purchase from abroad and commodities to sell. Exports of specie and merchandise have increased from approximately $400,000,000 in 1860 to over $8,600,000,000 in 1920 and imports from $360,000,000 to $5,780,000,000. Exports between these dates have increased twenty-four fold and imports fourteen fold, the per capita increase of imports being three fold and of exports seven fold. In 1850 there was an excess of imports over exports amounting to $20,000,000; in 1920 the excess of exports over imports was $2,870,000,000. The commercial interests of the United States were relatively increasing with the passing years and the export trade was becoming the most important part.

Trend of Commerce

With this enormous increase in the value and bulk of the trade has gone a change in its composition. "Seventy years ago or thereabouts," according to Nearing and Freeman, "nearly two-thirds of all United States exports were crude materials for use in manufacturing, and more than four-

fifths of the exports were crude materials and foodstuffs. Manufactures ready for consumption comprise only a little more than one-tenth of the total exports of the period.

"By the end of the century, manufactures ready for consumption had increased to nearly one-sixth of the total, while crude materials for use in manufacturing had diminished to about one-third of the whole. From 1910 onward, the change was comparatively rapid. Crude materials and crude foodstuffs combined constitute less than two-fifths of the exports, while foodstuffs partly or wholly manufactured, manufactures for use in further manufacturing, and manufactures ready for consumption now comprise more than three-fifths of all United States exports." In other words, the United States has ceased to be chiefly a source of raw materials for Europe but has herself become an exporter of manufactured goods and is herself scouring the world for raw materials to manufacture. The percentages of imports show a simultaneous increase in the amount of raw materials brought into the country.

While the United States was exporting foodstuffs and raw materials the logical destination was Europe. As our exports changed more and

more to manufactured goods the destination has also shifted. In 1870 Europe received 79.35 per cent of our exports, North America 13.03, South America 4.09, Asia 2.07, Oceanica 3.11 and Africa 1.79; in 1920 the percentage was Europe 54.27, North America 23.45, Asia 9.38, South America 7.58, Oceanica 3.30 and Africa 2.02. Europe is still the chief market for American products, but relatively her position has declined, while other parts of the world, especially Canada and Asia, have become increasingly important markets.

The tremendous increase in American commerce has been due above all other factors to the great development of American resources. This development has been helped by loans from abroad, by the accession of a labor force of thirty million emigrants, and by innumerable mechanical inventions which have speeded the avenues of trade. Like an avalanche, the developing wealth and pent up resources of a great nation have burst their bonds and penetrated to all parts of the world. This has taken place, moreover, without the aid of a merchant marine and for a long period without a definite policy of government aid.

With the new century the nation became alive

to her commercial interests. The Department of Commerce and Labor was split in 1913 into two executive divisions, and to the numerous bureaus interested in safety in navigation there was added (1912) the Bureau of Foreign and Domestic Commerce to collect and distribute data for the purpose of developing "the various manufacturing industries of the United States and markets for their products at home and abroad." The needs of the World War brought likewise an artificial resuscitation of the merchant marine. Increasingly the federal government in its various departments has become sensitive to the expansion of American imperialism, and increasingly it has shown its willingness to serve it.

Suggested Readings

As a background for this chapter B. H. Williams, *Economic Foreign Policy of the United States* (1929), J. H. Latane, *American Foreign Policy* (1927) and J. B. Moore, *Four Phases of American Development—Federalism—Democracy—Imperialism—Expansion* (1912) will be found valuable. A more specific introduction to financial imperialism is in Scott Nearing and Joseph Freeman, *Dollar Diplomacy* (1925), R. W. Dunn,

American Foreign Investments (1926) and Max Winkler, *Foreign Bonds, an Autopsy* (1933).

Specialized case studies which explain in detail the process and technique of imperialism are J. H. Rippy, *The United States and Mexico* (1926) and his *The Capitalists and Colombia* (1931); L. H. Jenks, *Our Cuban Colony* (1928); M. A. Marsh, *The Bankers in Bolivia* (1928); M. M. Knight, *The Americans in Santo Domingo* (1928); B. W. and J. F. Diffie, *Porto Rico: A Broken Pledge* (1931) and C. D. Kepner and J. H. Soothill, *The Banana Empire* (1935).

Chapter XIV

Recent Agricultural Development

While the Civil War dealt a severe blow to southern agriculture, it spurred on the farmers of the North and West to greater activity. Tendencies already in evidence before the conflict were given greater momentum. Aided by the Homestead Act and by large scale immigration, the westward movement was continued rapidly until the arid land at the foothills of the Rockies was reached. To aid in the rapid occupation of the West there appeared many different types of agricultural machinery, and the farmers, contrary to their reputed conservatism, eagerly adopted these labor saving devices.

About midway between 1860 and the present time the frontier movement came to an end. By that time almost all of the easily arable land was taken up, and, as a consequence, increased production has been achieved since then chiefly by more intensive farming, by improved methods, and by bringing larger areas under cultivation through drainage or irrigation. Notwithstanding the fact

that greater areas have been reduced to the plow and improved methods widely adopted, there has been a relative decline in agriculture and in rural population. This has taken place, it should be noted, at a time when labor saving machinery, better roads, automobiles, radios and many other factors have contributed to make the lot of the agricultural population infinitely easier and their life more interesting.

In two respects the period since 1860 may be said to mark an agrarian revolution: (1) in the wide adoption of new agricultural machinery, and (2) in the development of scientific farming. The abundance of land and the scarcity of labor more than any other factors account for the American farmer's appreciation of the new machinery and his willingness to adopt it. Scientific farming, on the other hand, has come more slowly. Until the disappearance of the frontier there was little interest in it, and only through the constant propaganda of government scientists and the more intelligent farmers has it made much progress.

Farm Machinery

The first great improvements in the plow, reaper and thresher were made before the Civil War, but it was not until the years of the conflict and thereafter that they were perfected and

widely adopted. The "Marsh harvester", patented in 1858, doubled the amount of grain which could be harvested in a given time, but John F. Appleby's "twine binder", patented in 1878, increased eight fold the speed in harvesting, and more than any other factor enabled the country to increase its production of grain. Wheat, like many other agricultural products, is limited in production by the amount possible of harvesting after the grain is ripe and before it spoils. With machine harvesters, binders and threshers, in some cases concentrated in one monster machine, no limit was placed upon the size of the farm. The result was "bonanza" farming where immense tracts of land were brought under cultivation and the soil ruthlessly mined for what it would immediately return.

The intricate machinery for grain harvesting was but the most spectacular example of the new devices offered to the farmer. All along the line from planting to harvesting and for almost every kind of product, machines of various types have been invented. As important as the machinery itself has been the change in the power used, from man or horse power, to steam and then to gasoline and electricity. Farming today is quite a different matter than it was a half century ago. Not only in

farming, but in the manufacture of flour and in the packing and refrigeration of meat has there been epoch making improvement.

The effects of the new machinery on agriculture are not easy to analyze with exactness, but some of the more obvious results may be enumerated. The new machines have undoubtedly made possible larger farms, greater production per capita, and in all probability a saving to the consumer. They have made the labor of the farmer less arduous and raised his standard of living. On the other hand, the cost of equipment and farm operation has so increased that it is more difficult for a farmer without capital to make a start or compete with his more favored neighbor. In the cereal states, especially, where expensive machinery is the order of the day, the man with capital is obviously at an advantage, and here the percentage of increase for agricultural laborers has been relatively much more rapid than that of owners or tenants. Up-to-date farming has become more and more a business proposition, depending on capital as well as on brawn and intelligence.

Many factors have contributed to the introduction of scientific farming: (1) the disappearance of virgin land, (2) the application of science to

agriculture, and (3) the dissemination of the scientific discoveries through government agencies, farmers' organizations and farm periodicals. For some the severe competition so reduced the margin of profit as to necessitate improved methods; for others the rising prices of the last two decades have made possible a shifting to more scientific processes. Probably the most influential factor has been the experimentation and education carried on by the government.

Government interest in agriculture has been chiefly the result of the agrarian unrest which was a leading factor in the economic and political history of the period from 1873-1896. As already pointed out (Chapter XI) the debtor West was caught in the deflation following the Civil War and the panic of 1873. The currency deflation in itself made it difficult for the farmer to meet the interest on his loans, but the situation was accentuated by the fall in prices produced by over-production. Caught in the vise of an unescapable economic catastrophe, the farmer sought to save himself by political activity. Through third parties and by pressure upon the two major organizations, the farmers advocated many things: currency inflation, railroad and anti-trust legislation, govern-

ment aid in agricultural education and research, and more recently, government aid in providing better loan facilities for agriculture. Efforts greatly to inflate the currency (until 1933) and to prevent the growth of monopolies have been unsuccessful, but much has been done along the other lines advocated by the agrarian interests.

Government Aid

Under the pressure of the agrarian discontent, the government has interfered in behalf of the farmer in two ways: (1) to help him help himself, and (2) to protect him from other powerful economic groups. The farmer has been helped first of all by experimentation in scientific farming and by the extension of agricultural education. Government aid to agriculture began in 1839, but it was not until 1862 that a separate bureau of agriculture was established. In that year the famous Morrill Act was passed which provided that 30,000 acres of public land be given to each state for each senator and representative in Congress, the funds from the sale of the land to be accumulated and the interest used to help support at least one college in each state where, without excluding other studies, agriculture and the mechanic arts were to be taught. This act, which gave birth to the so-called "land grant colleges", was undoubt-

edly the greatest single piece of legislation ever passed in the interests of agricultural education. Today there are sixty-eight land grant colleges teaching agriculture and conducting agricultural experiments.

The Morrill Act has been extended by subsequent legislation to provide for additional appropriations. In the Hatch Act of 1887 the government went farther by providing funds for experiment stations in the various colleges and this turned the attention of these schools to scientific investigation as well as teaching. By the Lever Extension Act of 1914 Congress sought by various means to extend the activities of the agricultural colleges to the very doors of the farmer.

Not only has the federal government subsidized state research and education, but itself carries on investigations, and through various bureaus and publications seeks to coördinate and disseminate whatever information appears to be valuable. The agricultural activities of the government were raised to the rank of a separate cabinet department in 1889 and since then the work of the Department of Agriculture has been divided into numerous bureaus. The Weather Bureau from its various observation points collects data by which weather

is forecast; the Bureau of Animal Industry has charge of meat inspection and quarantine; the Bureau of Plant Industry is interested in combating plant diseases, in plant acclimatization and seed distribution; the Bureau of Plant Entomology studies the relationships of insects to plants; the Bureau of Biological Survey studies wild animal life; the Bureau of Soils investigates the properties of soils and studies fertilizers; the Bureau of Chemistry conducts research on foodstuffs and enforces the Food and Drug Act; the Bureau of Crop Estimates gathers and publishes statistics on crops and livestock. Through these and other "Bureaus" and "Offices", valuable discoveries are made, information gathered and made known through innumerable bulletins and regular publications. A mere recitation of the bureaus of the Department of Agriculture gives an excellent idea of the wide spread of scientific activities of the federal government.

American railroad legislation has been chiefly the result of the demands of the farmer. Especially open to railroad abuses, the farmers through the Granger Movement of the seventies, inaugurated state control of public utilities and when that control was weakened by judicial decisions, trans-

ferred their activities to the federal government. The Interstate Commerce Act of 1887 and the subsequent railroad legislation brought the farmers reasonably fair railroad rates, but it was far from solving the agrarian unrest.

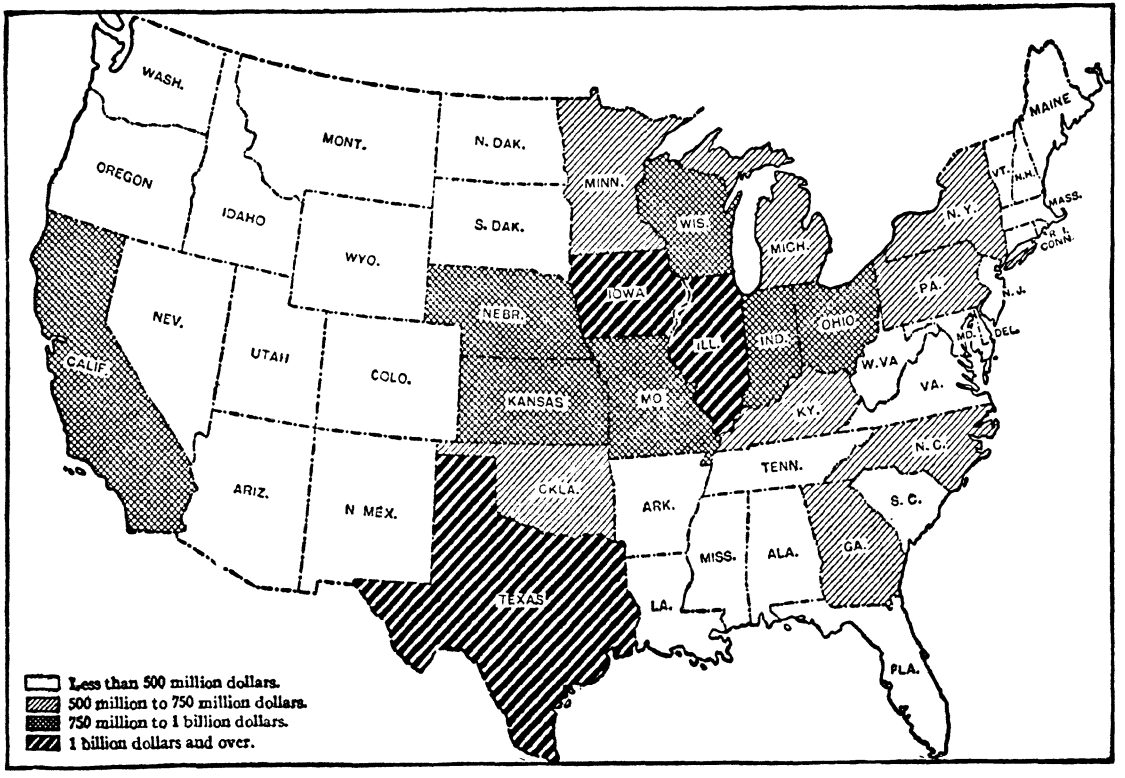
One of the chief difficulties which the farmer has always had to face has been that of obtaining loans at a reasonable rate of interest. Forced to develop a new country with borrowed money, the pioneer easily fell victim to the extortions of the eastern loan shark. There was a crying need for some type of banking institution which understood the peculiar borrowing needs of the farmer and could advance credit at reasonable rates of interest. It was not, however, until 1916 that the federal government summoned up sufficient courage to enter the agricultural banking business. The Federal Farm Loan Act of that year established Federal Land Banks in twelve cities which were to loan money to associations of farmers (National Farm Loan Associations) on the security of farm mortgages, the money for the loans to be obtained from the sale of bonds secured by these mortgages. Joint Stock Land Banks were also authorized to deal directly with the farmer rather than through associations. Although the

machinery established for borrowing was somewhat complicated, the Federal Farm Loan system was successfully established, and by means of the Agricultural Credits Act of 1923 and other legislation, its activities were gradually extended.

Recent Tendencies

Since 1910 the agricultural situation in the United States has radically changed. The decades of the seventies and eighties saw enormous areas of lands opened to cultivation, a glut of foodstuffs, and a period of declining prices. By the opening of the new century the arable land was exhausted and new land could only be put under cultivation by reclamation, irrigation, dry farming and more intensive methods. While the farm area increased by 15,000,000 acres annually for the thirty years previous to 1900, the increase for 1900 to 1910 was but 4,000,000 acres a year.

While the extension of the agricultural domain was gradually slackening, there was no stop in the industrial development of the country nor in the increasing population. Agricultural wealth which had been 56 per cent of the total in 1850 had declined to 21.8 per cent of the total in 1912. As late as 1910 the majority of the population was rural; in 1920 the urban population amounted to 51.4 per cent of the whole. During the decade 1910 to



VALUE OF AGRICULTURAL PRODUCTS, BY STATES: 1920.

1920 the population of the nation increased 13,000,000, but of this increase the cities obtained 11,000,000. At the same time the per capita acreage of improved land was growing less. Relatively, agriculture was declining.

The more rapid growth of urban population and urban needs brought a revolution in the prices of foodstuffs. The poverty stricken farmer of the seventies and eighties found himself growing prosperous. The price of agricultural products increased 46 per cent between 1900 and 1910 and the reaction upon the value of farm land was immediate. During that decade farm land jumped in value 100.5 per cent, more than during our entire previous history, and during the period 1910-1920 another 90.1 per cent.

The increased demand for foodstuffs with the attendant rise in prices of farm products and land values has led inevitably to more intensive and more scientific farming and to greater specialization. The farmer has been more open to suggestions as to better methods and more willing to experiment with scientific farming. In New England the competition of the West literally eliminated large areas from cultivation and forced the remaining farmers to devote themselves chiefly to

dairying and to the raising of fruit and produce for the nearby city markets. In the South the crops have remained much as they were before the Civil War. Cotton continues to be far and away the principal crop, but the old plantations have been broken up and turned over to the negroes, who as tenant farmers cultivate small patches of cotton land. Tobacco remains the second great export crop; while sweet potatoes, peanuts and semi-tropical fruits are raised in large quantities. The Middle West is chiefly concerned in the raising of corn, livestock and wheat with a growing tendency to turn to dairying and mixed farming. The fertile Pacific Coast with its variety of climate has made possible the production of a great variety of agricultural products, with fruit the chief export.

The agricultural tendencies evident during the period 1900-1914 were accentuated during the World War. The rising war time prices stirred the farmer to renewed activity, and more extensive operations. With the close of the war and the inevitable deflation, the farmer found himself in a position not so different from that after the Civil War. The coalition of the agricultural interests into the "Farm Bloc" and the various efforts toward relief legislation during the 'twenties and

'thirties were the result of a situation in which a decline of the market brought over-production and in its wake, ruin to many farmers.

Suggested Readings

The chief sources for the study of agriculture are, of course, the census reports of the government, the annual reports of the Department of Agriculture, and the special studies made by its various bureaus. A popular account is that of A. H. Sanford, *The Story of Agriculture in the United States* (1916), and the more recent survey in N. S. B. Gras, *History of Agriculture in Europe and America* (1924). On the more recent years see the National Industrial Conference Board, *The Agricultural Problem in the United States* (1926); J. D. Black, *Agricultural Reform in the United States* (1929); Wilson Gee, *Place of Agriculture in Our Life* (1930) and the chapter on agriculture by E. G. Nourse in *Recent Economic Changes* (1929). Of the various books of agricultural readings probably L. B. Schmidt and E. D. Ross, *Readings in the Economic History of American Agriculture* (1925) is the best from the point of view

of economic history. On the important pioneering effort to extend farm credit see A. C. Wiprud, *The Federal Farm Loan System in Operation* (1921).

Chapter XV

The New Century

Some indication has been given in the last six chapters of the general trend of our economic development between the close of the Civil War and the end of the century. From 1897 to the collapse in 1929, with the exception of brief periods in 1907 and 1914, the nation enjoyed an era of almost uninterrupted prosperity. At the same time the economic tendencies apparent in the 'nineties continued without abatement as the nation swung into the new century. With the end of the frontier the nation as never before realized its potential resources and strove to meet the needs of a rapidly expanding market.

Résumé 1897–1914

America's chief economic interests in the nineteenth century had been the expansion of agriculture and the development of adequate transportation facilities. In the twentieth century, on the other hand, the nation increasingly turned its energy and wealth to the development of industry. The emergence of manufacturing as the primary occupation was made possible not only by the avail-

ability of almost every type of raw material, agricultural and mineral, but also by the fact that wealth was now being created in large quantities for further manufacturing expansion, and an adequate supply of labor was at hand to man the factories. This labor force was largely due to the tide of immigration which rose during the period, 1900–1914, to an average of almost a million a year. Relative to the population already here, immigration in the 1840's was larger, but in actual numbers the deluge of immigration in the first decade of the present century reached the highest point. Although the advertisements of steamship companies, land grant railroads and other private concerns helped to stimulate this great exodus to America, the primary cause was undoubtedly the great prosperity existing here.

The development of manufacturing was accompanied by a relative decline in agriculture. This relative decline was apparent despite the unusual prosperity which agriculture enjoyed up to the conclusion of the World War, a prosperity evidenced by an increased market for foodstuffs, a rise in the price of farm products, and a mounting value of rural lands. The decline was even more striking during the post-war agricultural depression from

which it has not yet (1937) recovered. The exodus from the rural districts to the cities which had begun many years before likewise continued. The new immigrants finding fewer opportunities in agriculture than in industry coalesced chiefly in the large centers. The nation was not only becoming industrialized, but also urbanized.

For organized labor the period from 1897 to 1929 was one of varying fortune. Real wages declined slightly from the beginning of the century to 1914 and then under the impetus of the war and the post-war boom increased substantially until the middle 'twenties. Membership increased rapidly from 1898 to 1904, then slowly until 1914; then came a second period of rapid advance from 1914 to 1920,[1] followed by a period of decline until 1933. During the first years of rapid advance organized labor proved successful in extending its sway over the highly skilled crafts, but except for the garment industry and the mining of coal, failed to absorb the millions of newly arrived immigrants. It represented in 1914 the aristocracy of labor and represented in the history of American labor the apex of "old line unionism."

As the world under a capitalist economy ex-

[1]Above, p. 195.

periences alternating cycles of prosperity and depression so in the realm of human relations there is an alternating swing from reaction to liberalism. In American history there have been three great periods of reform,—during the decade of the 1830's and 1840's, again during the first fifteen years of the present century, and the last during the early years of the administration of Franklin D. Roosevelt. The spirit of reform which swept the nation in the early years of the present century was undoubtedly a normal reaction from the ruthless competition and rampant materialism which had dominated American civilization since the Civil War. The grip of big business on the nation evidenced by the development of consolidation, by the exploitation of labor and the consumer and by the inequitable division of wealth stirred many to action. The distress of millions in the panics of 1873 and 1893 and the bitter economic battles of the 'eighties and 'nineties over trusts, railroads, tariffs and currency had perhaps shaken the naïve faith of the masses in the perfectability of American institutions. Perhaps the end of the frontier likewise had its influence.

Reform Era

Whatever the causes, there arose rather suddenly a vast literature of protest which opened to

public view the iniquities of the existing social, political and economic systems.[1] Before the "era of the muckrake" came to an end, the public was fully cognizant of the widespread corruption in city, state and federal governments and in the ruthless and illegal conduct of big business. In view of the wide protest, the results may seem meagre, but the reforms of these years are not without significance. In politics the change was seen in the establishment of new forms of municipal governments, in the widespread adoption of the initiative and referendum and in two amendments to the Constitution calling for direct election of United States senators and women suffrage. There was a speeding of social legislation and a gradual change in the attitude of the courts toward it. Besides the better protection of women and children, labor obtained other important legislation, notably the wide adoption of workmen's compensation laws. More effective control of business, which started with railroad legislation in Wisconsin and anti-trust laws in other states and which reached the federal government in the passage of the Pure Food and Drug Acts, was climaxed under the Wilson Administration by the Clayton Act, the Federal Trade Commission

[1] Above, chapter XII.

Act, new banking legislation and the Adamson Eight Hour Act for labor on interstate railroads. Even the tariff was lowered in 1913. Undeniably America was a better place in which to live in 1914 than it had been in 1900.

World War

Into this crescendo of social legislation accompanied by an era of economic prosperity, came the World War, a catastrophe destined to leave its effect upon every phase of our social and economic life. The European market was temporarily cut off and a short period of depression and uncertainty ensued. As one European nation after another, however, was drawn into the war, the United States, as the most important neutral, was called upon for an ever greater amount of agricultural and manufactured goods and enjoyed a period of prosperity resembling that during the Napoleonic Wars. Our own entrance into the war in 1917 increased further the demand for raw and finished products. Profits and patriotism spurred farmers to enlarge the areas of cultivation and manufacturers to expand their facilities. Exports of domestic merchandise increased almost fourfold between 1914–20. Under the same impetus, new elements were drawn into the ranks of labor to supply the greater need and fill the gaps made by

enlistment. Speeded by government control and integration of our economic life, the nation bent its greatest efforts toward increased production.

While agriculture and industry were thus responding to war-time needs, the transportation system labored like an unwieldy giant to meet the enlarged demands made upon it. Its activities were finally coördinated under government control, and to help supply the greater demand, motor transportation was resorted to for short hauls. To ensure the delivery of American products in Europe, and counteract the results of German submarine warfare, the government took up the task of constructing a new merchant marine. More than one billion dollars was spent in this project during the war with the result that the registered tonnage in foreign trade increased from 782,517 tons in 1910 to 9,924,694 in 1920 and the proportion of imports and exports carried in American vessels during the same years from 8.7 per cent to 43.0.

After our entrance into the war the financial task of carrying on the struggle was largely assumed by the United States. Including the nine and a half billion dollars loaned to our allies, the direct cost of the war to the government was about $35,000,000,000. Approximately one-third of

this was raised by taxation and about two-thirds by loans. The taxation took the form of increased income taxes, additional excise taxes, excess profits taxes, levies on luxuries and amusements and taxes on instruments and documents. Nothing could more strikingly demonstrate the reserve of wealth than the ease with which this enormous sum was raised.

Depression, 1920–1921

The abnormal war-time prosperity induced by enlarged European markets had been augmented by an increase of spending at home. Unprecedented wages and profits widened the demand not only for the necessities of life but for the luxuries as well. Such a situation obviously could not last long, and the end of the war brought a period of deflation and industrial stagnation. Europe, impoverished by the struggle, could no longer purchase from America; production declined, wages fell, and the home market in turn was sharply contracted. The depression of 1920 and 1921 did not assume the proportions of a panic, but the results were as far-reaching. The business concerns with little capital which had expanded too rapidly under the favoring influence of war demands were in many cases seriously affected or thrown into bankruptcy. More than any other group, the farmers, as in the

Civil War period, had extended their operations and were now caught in the inevitable deflation.

Certain sections of the country and certain industries have never recovered from the depression of 1920 and 1921. Agriculture, over-expanded during the war, was depressed by curtailment of world markets and by world-wide deflation of agricultural prices at a time when there was no corresponding decline in the wages of farm labor or in the price of commodities which farmers must buy. While the price of farm commodities declined, his taxes increased. There was some recovery in agricultural prices from 1923 to 1926 but the decline again set in only to be accelerated by the collapse of 1929. The agricultural depression was most keenly felt by the producers of basic foodstuffs in the Middle West.

Over-expanded and harassed by changes in styles, the textile industry, particularly cottons and woolens, likewise failed to recover. The same was true of the leather industry. Greatly over-expanded, the soft coal industry experienced the worst period in its history, while the hard coal miners, forced to compete with a widening use of fuel oil, saw their industry steadily decline. To millions of workers, the vaunted prosperity of the

The Twenties

'twenties was only a myth. Furthermore there was little progress made during the 'twenties in solving the existing economic ills. Having repeatedly vetoed price-fixing farm relief legislation sponsored by the agricultural interests, the Republicans under Hoover finally passed the famous Co-operative Marketing Act of 1929 which aimed to stabilize prices by promoting coöperatives and by government purchase of agricultural commodities. The Act failed miserably to accomplish its purpose. The Esch-Cummins Act of 1920 which returned the railroads to their private owners marked a step forward in recognizing the necessity of consolidation and in giving the Interstate Commerce Commission power to regulate the capitalization of railroads, but the machinery which it set up to rehabilitate the weaker roads by "recapturing" the excess profits of the stronger roads failed and for ten years little progress was made toward consolidation. It was soon evident that the Esch-Cummins Act was no permanent solution. Little progress was likewise made during the war in adjusting the relations of capital and labor, and the bitter industrial strife of the post-war years occasioned by the effort of capital to

deflate wages and prevent unionization illustrate but too clearly the chaos of our economic life.

While New England suffered from the textile depression and the South, Middle West and Mountain sections from the decline in agricultural prices, the Middle Atlantic states, the East North Central and the Pacific states enjoyed during the post-war years an unusual prosperity. Some of this was undoubtedly a carry-over from the war period but essentially it was based upon the great development of the automobile industry during the decade and a half from 1914 to 1929 which carried with it a country-wide expansion of road building. Nearly four million jobs, it is estimated, were directly or indirectly created by the automobile which probably support from sixteen to twenty million people. In other words, the automobile took care of the increase of population during the years of its greatest development. In addition to the stimulation provided to basic industries by the automobile, there was a phenomenal boom in city building which soon jagged the skyline of large and small cities alike with new office buildings and apartment houses.

The 'twenties also saw a phenomenal expansion

of the radio and of various types of electrical household equipment. High wages increased the demand for commodities and the market was stimulated by installment buying. The business prosperity was also helped by favorable trade balances which piled up gold in America and induced credit expansion. Large loans abroad, a good proportion of which were spent in this country, likewise contributed.

Business Consolidation

As in the prosperous years following the Spanish American War, the decade of the 'twenties was characterized by a revival of business consolidation. A number of reasons help to account for this: the appearance of new industries not yet consolidated, such as the automobile, chemical, moving picture, electric power and radio, (2) an appreciation of the futility of the anti-trust legislation and the inevitability of consolidation in a capitalist economy and (3) the rising standard of living which made the masses less keen to oppose the trend toward monopolization. When the Supreme Court in 1920 refused to dissolve the United States Steel Corporation, asserting that neither mere size nor the possession of potential power to restrain trade was a violation of the Sherman Act, the lid was off. With little or no

hesitancy bankers and industrial leaders proceeded to the wholesale consolidation of the new industries which had grown up since the last wave of consolidation and to the reorganization of many older concerns.

Although consolidations were affected in many lines of industry and important strides were made in the consolidation of retailing, the most notable development in the post-war years was in the field of electric utilities. A report of the Federal Power Commission in the spring of 1936 showed that 90 per cent of this industry, which served 25,000,000 customers and has a gross income of some $2,000,000,000, was controlled directly or through subsidiaries by 57 systems. Of these 57 systems twelve controlled 49.7 per cent of the nation's generating capacity, and one of the twelve, the Electric Bond and Share group, controlled 11.5 per cent. The result of the consolidations in this and other fields has been, as Dr. Laidler points out, "combinations and trusts—vertical, horizontal and circular—with vaster ramifications, with greater resources than any combinations that have hitherto appeared."

It should be pointed out that industrial consolidations are partly the cause and partly the result

of a similar integration and consolidation of capital. Many who were concerned in 1913 over the report of the Pujo Committee found an even more amazing consolidation of capital in the late 'twenties. Throughout that decade there had been a rapid merging of banks until by 1930 about 1 per cent of the banks directly controlled more than 46 per cent of the total banking resources of the country while 24 New York banks, or less than one-tenth of one per cent, controlled 15 per cent of the total resources. More amazing was the concentration of capital in industry. By 1930, according to a notable study by Berle and Means, the 200 largest corporations controlled nearly half of all non-banking corporate wealth (about 38 per cent of all business wealth), received 43.2 per cent of the income of all non-banking corporations and were controlled by approximately 2,000 individuals.

Despite the fact that concentration of wealth continued unabated during the decade and that all available evidence pointed to the fact that a disproportionately large share of the wealth created went to capital rather than labor, there are plenty of statistics to show that labor also benefited. Great as was the lure of the automobile, the radio

and other new inventions, accompanied as it was by high pressure salesmanship and installment buying, an amazingly large proportion of income went into savings. Between 1915 and 1930 deposits in savings banks increased from $3,541,000,000 to $11,176,000,000, life insurance policies from $22,784,000,000 to $107,948,000,000, the assets of Building and Loan Associations from $1,484,000,000 to $8,824,000,000, while the members holding shares in such associations increased from 3,335,000 to 12,337,000. A certain proportion of these savings came from labor.

Although millions had not shared in it, the first thirty years of the century had witnessed a general material advance. Unfortunately for America, however, there had been a spiritual decline. The reform era of the first fifteen years utterly collapsed as the nation turned its energies during the war to destruction. Civil liberties, the most precious of American traditions, were ruthlessly crushed during the war and never fully regained during the succeeding years. The ideal of social justice, which had dominated the earlier years, was succeeded by racial hatred, rampant nationalism and *laissez-faire* economics. Even the vaunted prosperity, which some economists believed would

last indefinitely, remained but a few brief years. In 1929 the upward swing of the cycle ended as the boom era of the 'twenties collapsed like a house of cards.

Suggested Readings

On American life and the reform movement during the early years of the century see H. U. Faulkner, *The Quest for Social Justice* (1931), John Chamberlain, *Farewell to Reform* (1932) and C. C. Regier, *The Era of the Muckrakers* (1932).

Among the most important books of American economic life during the 'twenties are *Recent Economic Changes* (2 vols., 1927) and *Recent Social Trends* (2 vols., 1933), both appearing as reports of Presidential committees. Most important on recent consolidation are H. W. Laidler, *Concentration in American Industry* (1931) and A. A. Berle, Jr., and G. C. Means, *The Modern Corporation and Private Property* (1932) and on wages, P. H. Douglas, *Real Wages in the United States 1890–1926* (1930). On labor see L. L. Lorwin, *The American Federation of Labor* (1933); on transportation, H. G. Moulton and

Associates, *The American Transportation Problem* (1933), and on agriculture, J. D. Black, *Agricultural Reform in the United States* (1929). For further bibliography consult the "Suggested Readings" for the last six chapters.

Chapter XVI

The Harvest

The downward swing of business cycles accompanied by panics and depressions have been largely caused in America by over-expansion in the construction of transportation facilities and over-speculation in real estate. Just as the boom days which preceded the collapse of 1837, 1857, 1873 and 1893 were promoted up by an over-building of canals or railroads, so the collapse of 1929 was preceded by a tremendous development in the building of automobiles and roads, and as earlier panics were preceded by speculation in western land so the recent depression was preceded by a tremendous speculation in city real estate.

Economic Collapse

To attribute the economic collapse of 1929 and the half dozen years of depression which followed to these two factors alone would be to over-simplify greatly a complicated phenomenon. The failure of certain basic industries to revive after the deflation of 1920 and 1921 was also a factor. Particularly was this true of agriculture, the for-

eign markets of which had been greatly curtailed through the impoverishment of the European people and through the high tariffs which had come in with the revival of nationalism. More fundamental than this was the basic fact that there was an increase in the proportion of total wealth going into profits (including those left in business) and a corresponding decrease in the relative proportion going into wages and salaries. The obvious result of this was to concentrate wealth in the hands of those who would use it for investment or the further extension of industrial units rather in the hands of the mass of consumers who would spend it to keep the existing industrial units functioning. Also to be noted was the significant fact that there was no upward swing in employment to match the growth in population. We find, as a consequence, an over-expansion in some industries and a depression in others with the decade characterized by a maldistribution of the profits of industry and more unemployment than is usual in a boom period.

Forgetful of past experiences many business men and economists allowed themselves to be so dazzled by the prosperity as to predict its indefinite continuation. Not only were most of the fac-

tors present which had brought earlier depressions, but in addition there had been a long drawn out depression in western Europe which could not help but have its effect upon the rest of the world. As long as the United States could continue to loan billions to Europe, the inevitable effects of the post-war European depression on America were softened, but this situation could not go on indefinitely. After a year of the most frenzied stock speculation that the nation had ever seen, the end of the boom came on October 29, 1929, with the crash on the New York Stock Exchange.

Course of the Depression

The stock market crash of October which inaugurated a decline which eventually sent stocks down to an average of one-sixth of their 1929 prices, was indicative of the general economic collapse. Index numbers compiled by the United States Bureau of Labor statistics using 1926 as a base year with an index number of 100 showed that wholesale prices had dropped from an average of 95.3 in 1929 to 65.9 in 1933; employment showed a drop from 97.5 to 64.6 and payrolls from 100.5 to 44. Unemployment estimates of the American Federation of Labor, which were not far from the truth, put the unemployed in October 1930 at 4,639,000 and early in 1933 at

over 13,000,000. By 1935 the number of unemployed and their dependents on some kind of public relief was admitted by federal government officials to be in the neighborhood of 22,000,000. Various estimates in 1932 put the nation's production at about 50 per cent of normal. Most striking, perhaps, was the decline in foreign trade. Exports dropped from $5,241,000,000 in 1929 to $1,611,000,000 in 1932 and imports from $4,399,000,000 to $1,323,000,000.

Economic theorists who had optimistically maintained that depressions were becoming shorter and less severe were confronted with the most severe collapse in American history. While there is no unanimous agreement as the causes for the length and severity of this depression, several factors are obvious. In the first place an extraordinarily large amount of wealth had been invested during the preceding years in such durable commodities as automobiles whose replacement could be delayed for a considerable time. In the second place, the tremendous advance in technological improvements cut down opportunities for reëmployment just at the time when the situation was most acute. Another factor was the high tariff system culminating in the Hawley-Smoot Act

which stimulated foreign nations to raise their own tariffs and led American manufacturers to develop plants abroad. A series of credit crises due to the weakness of the American banking system also contributed to lengthen the depression. This was particularly acute in 1931 after Great Britain went off the gold standard and again in 1933 when American banking utterly collapsed.

In earlier depressions little had been done by government officials to stay the devastation except to maintain, if possible, the credit of the government. During the depression of the 'thirties, however, three schools of thought developed. The first believed that nothing should be done, holding to the theory that the quicker and more complete the deflation, the sooner recovery would be achieved. The second held that, if possible, the deflation should be cushioned, while the third believed that the government should make an aggressive effort not only to ease the depression but also to start the economic cycle upwards again before deflation had run its course.

However the economists may have thought, few politicians held to the first theory. The second theory, that the deflation be cushioned, was eventually followed by the Hoover administra-

tion. After hopefully waiting for the prosperity which did not return and impelled by the coming elections, the administration was stirred to action. Already before the collapse the Republican administration had sponsored the Coöperative Marketing Act of 1929 to help the farmers out of their long depression. In 1932 the Reconstruction Finance Corporation was established with a capital of $500,000,000 and power to incur debts to three times that amount to aid in the financing of agriculture, commerce and industry and its power was soon enlarged to enable it to lend $1,800,000,000 to states, cities and other governmental agencies for self-liquidating public projects and for direct relief. Large appropriations were voted the federal government for public works and twelve banks were created with a government subsidy to promote the building of homes.

New Deal

Whether this plan of cushioning the depression could be successful, it is impossible to judge. It was undertaken too late and in any case it was inadequate. In the end the third method, that of priming the pump, was resorted to. The utter collapse of the nation's economic life symbolized by the bank holidays which accompanied the inauguration of President Roosevelt in March, 1933

called for strenuous action. The result was a program of legislation passed during the next four years which touched practically every phase of American economic life. Some of it was obviously of a temporary nature passed to stay the deflation and bring back better times; some of it was long range and involved reforms much needed and long overdue.

In the space here available it is, of course, impossible to deal in detail with the large amount of legislation passed during the first four years of the Roosevelt administration. The program of agricultural legislation provided for a curtailment of production of the chief commercial crops in order to raise prices, the cost to be paid for by processing taxes. Other acts provided for a moratorium on farm foreclosures, an improvement of agricultural credit facilities and a rehabilitation of a large area in the Tennessee valley. Tied up primarily with the effort to raise agricultural income was a radical program of currency and price inflation. Under the Farm Relief and Inflation Act the President was given power to inflate in almost any way he saw fit. The chief methods actually used were the suspension of specie payment by calling in gold currency and

cancelling the gold clause in the payment of public and private debts, the reduction of the gold content of the dollar to 59.06 per cent of its former value and the inflation of bank credit in various ways.

In an effort to stabilize industry and reëmploy labor the National Industrial Recovery Act attempted through codes of fair competition to curtail over-production, increase wages, shorten hours of labor and raise prices. It aimed toward industrial coöperation rather than unlimited competition. As the codes generally banned the labor of children under sixteen years of age, there was a distinct gain for labor here, while Section 7 (a) of this act guaranteeing the right of labor to organize and to be represented by persons of their own choosing was an encouragement to organized labor which was quickly reflected in the rise of membership of the American Federation of Labor. By the Social Security Act of 1935 the federal government inaugurated a system of old age pensions and sought to encourage the development of a Federal-State system of unemployment insurance.

Railroad transportation was aided by legislation which repealed the recapture clause of the

1920 act and set up a Railroad Coördinator to effect savings through greater efficiency. Foreign trade was aided by the Reciprocal Tariff Act of 1934 which allowed the President to raise or lower tariff duties by 50 per cent, and under this authorization some thirteen reciprocal tariffs were signed during the first two years of the operation of this Act. Much needed banking legislation in 1933 and 1935 separated security affiliates from banks, introduced an insurance scheme to protect small depositors, and established new machinery to expand or control credit as needed. Scandals connected with the marketing and speculation in securities were attacked in legislation which introduced federal regulation of stock and commodity exchanges while federal regulation of public utility holding companies was attempted in the Utility Holding Company Act of 1935. Throughout these years the federal government promoted welfare projects and all sorts of schemes of "made work" to take the unemployed off the bread lines and prime the pump of prosperity.

Despite the fact that most economic groups appeared to be aided by the "New Deal" legislation, it was bitterly attacked as unconstitutional by believers in *laissez-faire* economics. The govern-

ment had passed much of the legislation under the belief that it was valid under the power of Congress to levy taxes for the general welfare and to regulate interstate commerce. The Supreme Court, or the majority of its members, however, thought otherwise. Except for the currency operations of the government, the Court has invalidated some of the most important of the New Deal legislation on the ground that Congress had delegated legislative powers to the President unconstitutionally, had misused the taxing power and had sought to regulate commerce which was not interstate. How much of the remaining legislation may fall under the ban of the court, only time can tell.

Whatever the constitutionality of the New Deal legislation may be, there can be no doubt that it extended the activity of the government in the supervision and regulation of the economic life. It was in line with a world-wide tendency, and was America's way of attacking the depression. In this it was far less drastic than that of certain other nations. That the New Deal implied an economic revolution as many critics asserted, is hardly warranted by the facts. It was, in the first place, a continuation of a long tendency. Furthermore much of the legislation was simply

designed to correct existing abuses. The charge that it was socialistic is even less sound. There was no effort to attack the validity of private ownership or the profit system and but slight extension of government ownership. Its main objective appeared to be to maintain capitalism by reforming it. It recognized that the economic machinery had run down and was attempting to rehabilitate it and set it running again in a way which would protect the interests of all. The idea of the President was, in his own words, to bring a "balance in our economic system—balance between agriculture and industry, and balance between the wage earner, the employer and the consumer." How difficult the accomplishment of any such ideal is, the history of the past few years has made only too evident.

Conclusion

To bring to a conclusion this brief survey of American economic history, and at the same time to maintain a true perspective after six years of the severest depression that the United States has ever seen, is not at all easy. At such a time the student is more inclined to view our economic development as a series of opportunities missed, rather than objectives gained, and to feel that the efforts of our forebears have resulted in failure rather than success. We have tried, nevertheless, in re-

viewing the economic history of the three hundred years since the first permanent English settlements were made on the James, to preserve the spirit of a great epoch in economic development. We have seen how the handful of immigrants of 1607 grew in numbers and wealth until they were able not only to displace the Indians and wrest the land from the French, Dutch and Spaniards, but to win their independence from Great Britain. We have seen these immigrants, continually replenished with fresh recruits from Europe, push ceaselessly to the west until a large part of the arable land had been subjected to the plow. While the employment of the majority was agriculture, we have seen how others, although handicapped by scarcity of labor and capital, opened up the vast mineral resources and laid the foundations for a great manufacturing development. The task was a mighty one, but the boundless enthusiasm with which it has been accomplished has made it an inspiring spectacle. Slow at first, the occupation of America developed after the Industrial Revolution with cumulative momentum. The rapidity of the development, the lack of experience and the ruthless competition which accompanied it, meant that the progress was chaotic and the

methods crude. Ruthless exploitation and wholesale waste have been the chief characteristics—nothing was to stand in the way of the pioneer.

With the end of the frontier and the greater pressure upon land and other natural resources, a reaction against the thoughtless waste of the earlier years has taken place. A strong movement toward conservation has developed, and a tendency has appeared to view more critically our economic, social and political institutions. The energy of generations of pioneers directed to the exploitation of unrivalled natural resources has created a nation whose resources and wealth place it among the great powers of the world, but the problems of the future bid fair to be quite as important and probably more difficult to meet than those of the past. The nation still possesses boundless wealth and the possibility of the brightest future, but what that future will be depends to no small extent upon a proper understanding of our past history and an intelligent program for the years to come.

Suggested Readings

Among the ablest of the recent studies of business cycles are J. M. Clark, *Strategic Factors in*

Business Cycles (1934) and W. C. Schluter, *Economic Cycles and Crises* (1933). Perhaps the most satisfactory history of the first year and a half of the Roosevelt administration is Louis M. Hacker, *A Short History of the New Deal* (1934). Important also are C. A. Beard and G. H. E. Smith, *The Future Comes* (1933) and C. A. Beard, *The Open Door at Home* (1935).

Some background to enable one to understand the necessity of reform legislation may be obtained from H. W. Laidler, *Concentration in American Industry* (1931); A. A. Berle, Jr., and G. C. Means, *The Modern Corporation and Private Property* (1932); Lewis Corey, *The Decline of American Capitalism* (1934); Norman Thomas, *The Choice before Us* (1934) and *Human Exploitation* (1934).

A perusal of H. W. Laidler's *A Program for Modern America* (1936) will make clear how far the New Deal legislation falls short of achieving either social security or an economic revolution.

A Working List of Books for Students in American Economic History

A working library in American economic history should contain one of the larger textbooks in the following list:

Bogart, E. L., *Economic History of the American People* (rev. ed., 1935).

Faulkner, H. U., *American Economic History* (rev. ed., 1935).

Humphrey, E. F., *Economic History of the United States* (1931).

Jennings, W. W., *A History of the Economic Progress of the United States* (1926).

Kirkland, E. C., *A History of American Economic Life* (1932).

Lippincott, Isaac, *Economic Development of the United States* (rev. ed., 1927).

Shannon, Fred A., *Economic History of the People of the United States* (1934).

As important as a textbook is also a source book, of which there are now three available to students:

Bogart, E. L. and Thompson, C. M., *Readings on the Economic History of the United States* (1916).

Callender, G. S., *Selections from the Economic History of the United States 1756–1860* (1909).

Flügel, Felix and Faulkner, H. U., *Readings in the Economic and Social History of the United States* (1929).

The appended list contains thirty-five standard works which are suggested as a nucleus for a library on American economic history.

Beard, Charles A., *An Economic Interpretation of the Constitution of the United States* (1913).

Beard, Mary, *A Short History of the American Labor Movement* (rev. ed., 1924).

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Morison, Samuel E., *Maritime History of Massachusetts 1785–1860* (1921).

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Paxson, F. L., *History of the American Frontier* (1924).

Phillips, Ulrich B., *American Negro Slavery* (1918).

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Report of the Committee on Recent Economic Changes of the President's Conference on Unemployment, *Recent Economic Changes* (2 vols., 1927).

Seager, H. R., and Gulick, C. A. Jr., *Trust and Corporation Problems* (1929).

Tarbell, Ida M., *History of the Standard Oil Company* (1904).

Taussig, F. W., *Tariff History of the United States* (7th ed., 1923).

Turner, F. J., *The Frontier in American History* (1921).

Ware, N. J., *The Labor Movement in the United States* (1929).

Webb, Walter P., *The Great Plains* (1931).

Williams, B. H., *Economic Foreign Policy of the United States* (1929).

The student's attention is also called to the many excellent articles on various phases of economic history in the new *Encyclopedia of the Social Sciences* (15 vols., 1930–1935).

INDEX

A

Adams, Alvin, 117
Adams, Charles F., quoted, 225
Adams, Henry, quoted, 130
Adamson Eight-hour Act, 231, 280
Agricultural Credits Act, 270
Agriculture, Indian, 18. Colonial, in New England, 19, 20; in Middle Colonies, 20, 21; in South, 21ff.; land tenure, 16, 17; ranching, 22; tropical products, 22; tools, 24; wasteful methods, 23, 24; during Revolution, 50; from Revolution to 1860, 88ff.; scientific, 94ff.; Civil War, 154ff.; after Civil War, 261ff.; farm machinery, 262ff.; scientific farming, 264ff.; government aid, 266ff.; recent tendencies, 270ff.; during World War, 280ff.; after war, 283, 284, 297; *see also*, cotton; tobacco; indigo; etc.
Amalgamated Clothing Workers, 197
Amendments to Constitution, fourteenth, 224; sixteenth, 218; seventeenth, 218; nineteenth, 218
American Federation of Labor, 192ff., 277, 297, 299
American Husbandry, quoted, 23, 24
"American System," 136, 137
American Tobacco Company, 237
Appleby, John F., 263
Arizona, settlement of, 206
Arkwright, Richard, 70
Arthur, Chester A., 172
Articles of Confederation, 55
Atchison, Topeka and Santa Fé, 178
Automobiles, 181, 285

B

Baltimore, Lord, 16
Beard, Charles A., quoted, 242
Bessemer process, 125
Best Friend of Charleston, 113
Birkbeck, Morris, quoted, 85
Bland-Allison Act, 215
Blockade, southern, 154
Boone, Daniel, 79
Boston Tea Party, 44
Bowles, Samuel, quoted, 117
Brotherhood of Locomotive Engineers, 285
Bureau of Foreign and Domestic Commerce, 259
Bureau of Labor, 192, 299

C

Canals, Cape Cod, 107, 180; Erie, 108ff., 180; Pennsylvania, 109; Chesapeake and Ohio, 110; Morris, 110; Delaware and Raritan, 110; Western canals, 110ff.; decline after Civil War, 178ff.; New York Barge, 180; Panama, 179
Cape Cod Canal, 107, 180
Cartwright, Edmund, 70
Central Pacific Railroad, 177
Chartered companies, 12, 16
Cheney brothers, 124
Chesapeake and Ohio Canal, 110
Civil liberties, 289
Civil War; effect on Merchant Marine, 144; causes, 147ff.; economic effect on South, 154ff.; economic effect on North, 155ff.; influence on industry, 156; influence on mining, 156; in-

fluence on agriculture, 156ff.; influence on labor, 157ff.; influence on currency, 158, 159
Claremont, 105
Clark, George Rogers, 80
Clay, Henry, "American system," 136
Clayton Anti-Trust Act, 218, 237, 238
Cleveland, Grover; on tariff, 172; on currency, 216
Clinton, De Witt, 108
Coal, 165, 283
Colonial system; of Spain, 8, 9; of France, 9; of Holland, 10, 11; of England, 11ff.
Colonization; economic aspects of, Chap. I; motive for, 5ff.; religious influence, 6
Colorado, settlement of, 205
Columbus, 4
Commerce Court, 230
Commercial Revolution, 1ff.
Communication; postage, 116; telegraphy, 117, 156, 284, 285, 292, 299; *see* transportation; railroads; merchant marine
Comstock Lode, 205
Conestoga Wagons, 104
Consolidation of business; pools, 234; trusts, 234; opposition to, 235ff.; legislation against, 235ff.; money trust, 239, 288; after World War, 287, 288
Constitution, movement for, 56; opposition to, 57; "Rights of Man," 57, 221
Continental system, 66, 67
Cooper, Peter, 113
Coöperative Marketing Act, 284, 297
Cornell, Ezra, 117
Cost of living, 287
Cotton, colonial, 27; rise of, 90ff.; early manufacture, 122ff.; role in Civil War, 153; after Civil War, 167; after World War, 283
Cotton gin, 71, 91
Cotton Kingdom, 88
"Crime of 1873," 215
Crompton, Samuel, 70
Cumberland Gap, 79, 84
Cumberland Road, 103
Cunard line, 144
Cutler, Manassah, 82

D

Da Gama, Vasco, 3
Dawes Act, 209
Debs, Eugene V., 198
Decimal system, 60
Delaware and Raritan Canal, 110
De Leon, Daniel, 198
Department of Agriculture, 267ff.
Department of Commerce and Labor, 259
Diamond Match case, 235
Diaz, Bartholomew, 3
Dickens, Charles, quoted, 151
Dingley Tariff, 172
Disraeli, Benjamin, 247
Drew, Daniel, 106
Dutch West India Company, 10

E

Eastern trade routes, 1ff.
Elkins Act, 230
Embargo Act, 67, 71, 92
Empress of China, 62
Encomiendas, 8
"Enumerated Articles," 39
Erie Canal, 108ff.
Esch-Cummins Act, 232, 284
Evans, Oliver, 71, 112
Exploration in America, 5

F

"Fall line," 77
"Farm-Bloc," 219, 272
Farmer Labor party, 219
Farmers' Alliances, 217
Farm Relief and Inflation Act, 298

Federal Farm Loan Act, 218, 269
Federal Farm Loan Associations, 269
Federal Land Banks, 269
Federal Power Commission, 287
Federal Reserve Act, 218, 240
Federal Trade Commission, 238, 279
Federation of Organized Trades and Labor Unions of the United States and Canada, 193
"Fifty-niners," 205
First United States Bank, 61, 139
Fishing, colonial, 30
Fitch, John, 71
Flour milling, 127, 167
"Flying Machine," 101
Fordney-McCumber Tariff, 173
France, colonial system of, 9, in Revolution, 48ff.; Treaty of 1778, 66; westward movement, 79; purchase of Louisiana, 202
Freeman, Joseph, quoted, 256
"Free-willer," 33
French Revolution, effect on America, 62ff.
Frontier, miners', 205ff.; ranchers', 206ff.; farmers', 208ff.; end of, 219ff.; *see* westward movement
Fulton, Robert, 71, 104
Fur trade, 9, 30, 31, 75

G

Gadsden Purchase, 203
Gallatin, Albert, plan for internal improvements, 102, 103, 138
Gibbons v. Ogden, 1824, 106
Gold, discovery of, 141, 203, 205, 206
Gompers, Samuel, 195ff.
Grand Turk, 62
Granger Acts, 227ff., 268
Granger Cases, 226ff.
Grant, U. S., 228
Great Northern Railroad, 178
Great Western, 143
Greenback party, 213, 217, 226
Greenbacks, 158, 159, 211ff.
Gresham's Law, 60, 211ff.

H

Hamilton, Alexander, tariff, 59, 136; excise, 59; payment of debt, 59; currency, 60; First U. S. Bank, 61, 139
Hammond, Senator, quoted, 153
Hargreaves, James, 70
Harndon, Francis, 116
Harrison, Benjamin, quoted, 204
Hatch Act, 267
Hawaiian Islands, annexed, 254
Hay, John, 254
Henderson, Richard, 79
Hepburn Act, 230
Hill, James J., 178
Homestead Act of 1862, 82, 157, 159, 208, 210, 261
Hoover, Herbert, 284, 296
Howe, Elias, 126
Hughes, C. E., 254
Hussey, Obed, 96

I

Idaho, settlement of, 206
Imperialism in America, old imperialism, 246ff.; new imperialism, 248ff.; financial revolution, 250ff.; in Latin America, 252ff.; in Far East, 254; effect on commerce, 256ff.
Income tax, Civil War, 158
Indians, as agriculturists, 18; as laborers, 31; Dawes Act, 209
Indigo, colonial, 22; decline, 90
Industrial Revolution in America, 121ff., 156; triumph of, 163ff.; effect on labor, 185ff.; business consolidation, 233; imperialism, 247ff.
Industrial Workers of the World, 198
Industry, colonial, causes, 25; household, 27, 154; fishing, 30; fur trade, 30, 31; metals, 29; naval

stores, 28; shipbuilding, 28; stages of, 26; textiles, 27; whaling, 30; during Revolution, 50, 51; from Revolution to 1860, 121ff.; textiles, 122ff.; metals, 124ff.; inventions, 126; movement westward, 127; Civil War, in South, 154, 155; in North, 155ff.; after Civil War, 162ff.; causes of growth, 164ff.; westward movement, 168; localization, 168ff.; consolidation, 233ff., 286ff.
Inland Waterways Commission, 179
Interstate Commerce Act, 228ff., 234, 269
Irish in America, 6, 46, 79

J

Jackson, Andrew, 104, 139, 141
Jamestown, 11, 147
Jay Cooke and Co., 175, 177
Jefferson, Thomas, opposes U. S. Bank, 61; economic boycott, 67, 68; quoted on agriculture, 88; agriculturist, 94; on slavery, 147
Jenks, J. W., quoted, 238

K

Kansas, settlement of, 204
Kay, John, 70
Kearney, Dennis, 189
Kelley, O. H., 227
Kelly, William, 125
Kentucky, settlement of, 79ff.
Knights of Industry, 193
Knights of Labor, 189ff.
Knights of St. Crispin, 189

L

Labor, colonial, Indian, 31; child, 32; indentured servants, 33; slaves, 34; in agriculture, 88; saving machinery, 95ff.; scarcity of, for manufacturing, 128; after Revolution, 130ff.; in New England Mills, 131ff.; in Paterson, 134; early unions, 134ff.; slavery, 147; Civil War, 157, 158, 187; after Civil War, growth of labor force, 165; National Labor Union, 188; Knights of Labor, 189ff.; A. F. of L., 192ff.; railroad brotherhoods, 196; Amalgamated Clothing Workers, 197; United Mine Workers, 197; I. W. W., 198; recent tendencies, 198, 276ff.
Labor Reformers, 226
Labor unions, early, 134ff., 186; effect of panic of 1837, 135; influence of Civil War, 157ff., 187; after Civil War, 185ff., 276ff., 299
Laidler, H. W., quoted, 287
Laissez-faire, decline of, 223
Land grant colleges, 266
Land policy, Act of 1785, 81; Northwest Ordinance, 80; credit system, 81; preëmption, 82; Homestead Act, 82, 157, 159; Dawes Act, 209
Land tenure, 16, 17, 80ff., 157, 159
Latin Monetary Union, 214
Lawrence strike, 198
Lever Extension Act, 267
Livingston, Robert, 94
Lloyd, Henry D., 235
London Company, 11
Lowell, Francis C., 122, 132
Lowell Mills, 132ff.
Lumber industry, 127

M

McAdoo, W. G., 231
McCormick, Cyrus, 96, 126
McKinley tariff, 173
Macon's Bill No. 2, 67
Madison, James, 68
Manning, William, 96
Marsh harvester, 263
Marshall, John, 139

Massachusetts Bay, 6, 12
Meat packing, 127
Mechanics Union of Trade Associations, 135
Mercantilism, 37ff.
Merchant Marine, first laws regarding, 63; early growth, 64ff.; privateering, 1812–1815, 142; decades, 1820–1840, 142ff.; effect of Civil War, 144; effect of World War, 281
Merino sheep, 123
Metals, manufacture of, colonial, 29; after Revolution, 124; Civil War, 156
Mexico, war with, 203; investments in, 253
Mining, colonial, 29; after Revolution, 124; Civil War, 156; after Civil War, 127, 205ff.
Mississippi valley, commerce, 105ff.
Molasses Act of 1733, 41, 43
"Mollie Maguires," 189
"Money trust," 239
Monroe Doctrine, 252
Montana, settlement of, 206
Mooney, Thomas, quoted, 131
Moore, John B., quoted, 252
Mormons, 203
Morrill Act, 266, 267
Morris Canal, 110
Morse, Samuel F. B., 117
Muzzey, D. S., quoted, 216

N

Napoleon, relations with U. S., 66ff.; Continental System, 66ff.; Wars, 280
National Bank Act, 119, 239
National Civic Federation, 195
National Industrial Recovery Act, 299
National Labor Union, 188
Navigation, Acts of 1651, 38; of 1660, 39; of 1663, 39; 1783–1787, 54
Nearing, Scott, quoted, 256
New Deal, 297ff.
Newlands Acts, 230
New Netherlands, 10
New York Barge Canal, 180
Non-Intercourse Act, 67, 68, 71
Non-Partizan movement, 219
Northern Pacific railroad, 177
Northern Securities Company, 237
Northwestern Ordinance, 80, 82

O

Ohio Canal, 111
Ohio Company, 82
"Ohio Idea," 213
"Old Colonial System," 38ff.
Olmsted, F. L., 151
"Open door policy," 254
Orders in Council, 67
Oriental trade, 62ff.
Ottoman Turks, conquests of, 3

P

Palatine Germans, 6, 46, 79
Panama Canal, 180
Panics, of 1819, 82, 140; of 1837, 135, 140, 141; of 1873, 210, 234, 265; of 1893, 216; of 1921, 282ff.; of 1929, 292ff.
Paper money cause of Revolution, 45; in Revolution, 48, 49; after Revolution, 56, 59; Civil War Greenbacks, 158, 159, 211ff.; National Bank Notes, 159
Patent office, 176
Paterson strike of 1913, 198
Patrons of Husbandry, 226ff.
Patroon system, 20
Payne-Aldrich tariff, 173
Penn, William, 16
Pennsylvania Canal, 109
Perpetual Emigration Fund, 203
Perry, Commodore, 254
Piedmont, occupation of, 78
Plymouth, 6

Populist party, 217, 226
"Porkopolis," 127
Postal service, 116
Potato, white, 18
Powderly, Terence V., 190, 191
Primogeniture, 49
Prince Henry, the Navigator, 3
Privateers, in Revolution, 51, 52, 54
Proprietary system, 16, 17
Pujo Committee, 288
Pure Food and Drug Act, 241

Q

Quartering Act of 1765, 43, 44
Quit rent, 17, 49

R

Railroads, early, 112ff.; Civil War, 156, 174; after Civil War, 174ff., 224ff., 284, 299, 300; electric, 180
Railway brotherhoods, 196
Ranching, colonial, 22, 23; last phase, 206ff.
Reciprocal Tariff Act, 300
Reconstruction Finance Corporation, 297
"Redemptioners," 33
Report on Manufactures, 136
Revolution, Chap. III; causes, 43ff.; financing, 47ff.; results, 49ff.
Rivers and Harbors Bill, 179
Robertson, James, 79
Roosevelt, F. D., 277, 298ff.
Roosevelt, Theodore, political reform, 218; railroads, 230; trusts, 237
Rule of 1756, 65
Rumsay, James, 71
Ryle, John, 124

S

"Salutary neglect," 41, 46
Savings, 289
Scientific farming, 264ff.
Second United States Bank, 139ff., 239
Sectionalism, growth of, 152; after Civil War, 211ff.
Shays, Daniel, 56
Sherman Anti-Trust Act, 230, 235ff., 286
Sherman Silver Purchase Act, 215
Shipbuilding, colonial, 31
Shoe and leather industry, 127, 167
Silk manufacture, 124
Silver, coinage of, 214ff.
Sirius, 143
Slater, Samuel, 72
Slavery, colonial, 33; Old Southwest 86ff.; cause of Civil War, 147ff., growth of, 148ff.; social effect, 150; economic effect, 151; promotes sectionalism, 152; effect of Civil War, 155
Smith, Adam, 223
Social legislation, 241, 283
Social Security Act, 299
Spain in America, 4ff.
"Specie Circular," 141
Stage travel, 100, 101
Stamp Act, 43
Standard Oil Company, 235, 237
Stephenson, George, 112
Stevens, John, 112
Stevens, Uriah S., 189
Suez Canal, 247
Sugar Act of 1764, 43
Sylvis, W. H., 188
Symmes, Judge John Cleves, 83

T

"Tariff of Abomination," 138
Tariffs, state, 55; first U. S., 59; before Civil War, 136ff.; American system, 136; of 1818, 137; of 1824, 137; of 1828, 137, 138; of 1832, 138; of 1833, 138; of 1842, 138; of 1845, 138; Civil War, 158,

171; McKinley bill, 172; Wilson-Gorman, 172; Dingley, 172, 173; Payne-Aldrich, 173; Underwood-Simmons, 173, 218; Fordney-McCumber, 173; reciprocal, 300
Tennessee, settlement of, 79
Texas, annexation, 202
Textile manufacturing, 27, 283
"Three-cornered trade," 41
Tobacco, colonial, 18ff.; after Revolution, 92
Tom Thumb, 113
Tories, 47
Townships, New England, 16, 17
Trade routes, 118
Transportation, colonial, 99, 100; turnpikes, 101ff.; steamboats, 104ff.; canals, 108ff.; railroads, 112ff., 224ff.; express, 116, 117; Civil War, 156; after Civil War, 224ff.; government control, 224ff., 268, 269, 284, 300
Trolleys, 180, 181
Trollope, Anthony, 133ff.
Turner, F. J., quoted, 75, 219
Turnpikes, Genesee, 83; Catskill, 83; turnpike era, 101ff.; Gallatin's Plan, 102; National Pike, 103; new era, 182

U

Underwood-Simmons tariff, 173, 218
Union Pacific Railroad Company, 177
United Garment Workers, 197
United States Steel Corporation, 286
Utah, 203
Utility Holding Act, 286

V

Vanderbilt, Cornelius, 106
Villard, Henry, 178
Virginia Military District, 83

W

Walker Tariff, 138
"War Hawks," 69, 136
War of 1812, 68ff., 92, 142
Washington conference, 254
Washington, George, proclamation of neutrality, 16; agriculturist, 94; Potomac navigation, 107; on slavery, 147
Watauga valley, 79
Watson, Elkanah, 108
Watt, James, 70
Wealth against Commonwealth, 235
Wells, Fargo and Company, 117
Western Reserve, 83
Western Union Telegraph Company, 118
Westward movement, significance of, 75; stages, 76; in colonies, 77ff.; during Revolution, 79, 80; routes, 83; in Old Northwest, 82ff.; into Old Southwest, 86ff.; effect on agriculture, 88ff.
Whaling, colonial, 30
Whiskey Rebellion, 59
Whitney, Asa, 176
Whitney, Eli, 71, 91, 126, 148
Wilson-Gorman tariff, 173
Wilson, Woodrow, on trusts, 237
Wool, early manufacture, 122, 123; in Civil War, 156
World War, railroads, 231, 278, 281; financial revolution, 250ff.; agriculture, 272, 280ff.; commerce, 280ff.; manufacturing, 280ff.; taxation, 282; cost of living, 277; cost of war, 281; post war problems, 283ff.

Y

Young, Brigham, 203