ECONOMIC HISTORY OF THE UNITED STATES

ECONOMICS 4524/5424

Professor Carlos
Office Rm 121
Office Hours MW 2.00 - 3.30pm
Or by appointment

Spring 1991

Objectives of the Course

This course examines North America’s past from the perspective of economics. In designing the course, I had two objectives in mind. First, topics have been chosen to provide a comprehensive perspective on the development of the economy since European settlement. Second, this is a course in applied economics. To that end topics have been chosen to illustrate how evidence and theoretical frameworks are combined to further the understanding of particular historical developments. The economist, by his/her training, tends to become expert in the construction and manipulation of theory or of hypothesis. The historian tends to become an expert on evidence, on its sources and reliability. A satisfactory social science should combine both these aspects. Economic history presents a nearly unique opportunity to observe the use of economics as a mode of explanation in a wide range of issues. These issues often have been raised by non-economists and studying them deepens appreciation of how the tools of the economist may be used to understand the evolution of our past.

Requirements and Evaluation

This course will be a combination of lecture material and in-class discussion. Students are expected to have done the specified readings before the class and can be called upon to answer questions or to discuss points raised during the class. You will be informed in advance about which material has to be read for the following class. At the same time you are responsible for all the material on the reading list for the exams.

The written work for the term will consist of a mid-term examination (30% of the final grade), a final examination (40%) and a research paper (30%). The mid-term and final examinations will both be take home exams and you will have roughly a week to answer the questions. The mid-term examination will be handed out Monday, March 11 and due back in class Monday, March 18. The final examination will be handed out Wednesday, May 1 and due back on or before 4.30 pm Friday May 10. All examinations must be handed to me personally. The research paper will be chosen from a list of topics to be handed out. The paper will require that you use primary source material available in the Norlin Library and that you develop the topic using both the primary material and economic theory. There are NO MAKE-UP EXAMINATIONS FOR MISSED EXAMS AND NO LATE PAPERS WILL BE ACCEPTED.
The basic text book being used in the course is *American Economic History*, Third Edition, by Jonathan Hughes. This is available in the book store. We will also be using journal articles and chapters of books, these will be on reserve at the Norlin. One book that we will be using extensively in the section on the Cotton South is *The Political Economy of the Cotton South* by Gavin Wright, you may want to purchase this book also.

Cheating and plagiarism are academic offenses and any student caught cheating or plagiarizing will be sanctioned. If there is any person in the class who is uncertain about what constitutes either cheating or plagiarism, he/she should consult me or p.13 of the University of Colorado Catalog.

**TOPIC OUTLINE AND READINGS.**

1. **Introduction**

   The history of North America should be placed in a long run international context. There are several points to be made in this regard. First, the regular growth of population and per capita income at rates that exceed one percent a year is a very recent phenomenon and represents a fundamental change in man’s relationship to his environment. Therefore, some attention should be devoted to inquiring into the origins of this change. Second, the growth accomplishment is almost certainly primarily the result of technological improvement, broadly defined and we will spend some time considering that process. Third, the history of North America, at least into the twentieth century has involved the geographical extension of the European economy and the exploitation of hitherto unused resources. This interaction will also be studied. The context in which the growth of the US economy took place is well described in

   Hughes Ch. 1

2. **The Colonial Economy**

   **Topic 1.** Here we will examine the development of the colonial economy, examining the motivation of those who settled, the growth of domestic markets and the interaction of the colonial economies with Europe.

   Hughes, Chs 2 and 3

Topic 2. One way of conceptualizing the development of new economies that has been very influential is in


Topic 3. It has been argued that British Imperial Policy was especially harmful to American economic growth. The impact of this imperial policy is a topic that can be examined by economic historian and this analysis has provided some interesting insights into the process of revolution.

Hughes ch. 4

Susan Previant Lee and Peter Passell, A New Economic View of American History ch.2

Angela Redish "Why was Specie Scarce in Colonial Economies? An Analysis of the Canadian Currency, 1796-1820" Journal of Economic History. 19

3. The Ante-Bellum Economy

The period between the Revolution and the Civil War see the expansion and development of the American Economy. We are going to focus on a just a few of the features of economic development during this period. For an overview of the institutional and political setting see

Hughes, Chs. 5 and 7

Topic 4. Often this is seen as a period in which the Cotton South dominates trade with the rest of the international economy. Yet this is also the period of industrial growth for the northern states. The relationship between cotton, the South and the international economy are discussed in

Gavin Wright, The Political Economy of the Cotton South, Chs. 1,2,3,4, and 5

Hughes, Ch. 12.

The cyclical behaviour of the antebellum economy was most pronounced during the 1830s with a boom accompanying an expansion of cotton cultivation and a depression associated with the decline in cotton prices. For an explanation with particular emphasis on monetary factors

Peter Temin, The Jacksonian Economy, Chs. 1,3 and 4.
**Topic 5.** At the same time as the South was developing on the basis of interaction with the world economy, the North was developing an industrial sector on the basis of a protective tariff and isolation from the rest of the world.

Hughes, Ch 8

Given the strong American position in the world market for cotton, any commercial policy will have some market power. An attempt to analyse this is found in

John James, "The Optimal Tariff in the Antebellum United States", *AER* Sept 1981

For an alternate view of the process see


**Topic 6.** When one looks at the way industrial production developed in the United States, the methods of production with an emphasis on modern mass production technology.

Lee and Passell, Ch. 5

The choice of techniques is not a trivial in real world situations. For a recent general equilibrium approach to this issue see


**Topic 7.** Railroads have long been seen as a key element in the transformation of the nineteenth century economy. But railroads were only one form of transportation improvements experienced by the economy but the development of the railroad network is both a pre- and post-civil war phenomenon.

Hughes, Chs. 9 and 14

One of the classic works of the new economic history is

For a criticism of this see


One of the aspects of the timing of railroad construction which has received much attention is the extent to which railroads were built ahead of demand. Did railroads cause settlement or did settlement cause railroad construction. For an interesting analysis of this see


Another is that railroad construction has very often been subsidized. For a discussion of the issues involved here


On the question of how profitable were the railroads which were subsidized by land grants

Lloyd Mercer, Railroads and Land Grant Policy 1982 Chs. 3 and 4

One a railroad is in place, that line can exert some monopoly power over the freight rates charged. For an empirical investigation of the impact of such power see


4. Post Civil War Period

The Civil War wrought many changes on the economy. It meant the end of slavery and a new beginning for the south; it saw the expansion of the frontier and the greater integration of those new agricultural lands into not only the American but also the international economy; and it saw the growth of 'big business' and of government.

Topic 8 Obviously, the area of the country most affected by the outcome of the Civil War was the South. The century following this is usually characterized by a divergence between the South and the rest of the United States. This divergence is well discussed in the following recent work

Gavin Wright Old South, New South, Chs 1-6.

Gavin Wright, "The Economic Revolution in the American South" The Journal of
**Economic Perspectives, Summer 1987.**

**Topic 9** Much of the economic history of North America in the late nineteenth century involved the expansion of settlement into the farming interior of the West.

Hughes, ch. 15


**Topic 10** By the end of the nineteenth century the 'big' industrial firm had emerged. Out of what economic context did this take place and what was the response of the government to the changes.

Hughes, chs 17, 18 and 21


**Topic 11** The successful nature or otherwise an economy depends on many different factors, one of which is the financial arrangements under which that economy must operate. We can think both of the internal banking arrangements and the international ones, which in the late nineteenth century meant the Gold Standard.

Hughes, chs. 19 and 20


The growth of the international system before 1930 is well presented in


An interesting piece on the role of deposit insurance is

Charles Calomiris, "Is Deposit Insurance Necessary?" *Journal of Economic History* June 1990
Topic 12  Indeed, the collapse of the American economy can be though of also in terms of a collapse of the international economy.

Hughes, chs. 23, 24, and 25

A good summary of the various ways in which economists have thought about the depression and its causes can be found in

Susan Previant Lee and Peter Passell, A New Economic View of American History, ch. 16

There can be no doubt that the American monetary system performed disastrously during the early 1930s. This may have been the instrument that changed a recession into the Great Depression. This indictment is made in


If time permits, other topics of interest can be added.