ECONOMIC HISTORY OF THE UNITED STATES

ECONOMICS 4524/5424

Fall 1993

Professor Carlos
Office Rm 121
Office Hours T,R, 11.00 - 12.00
and by appointment

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 detailed 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 across a wide range of issues. Often we study issues which have been raised by non-economists and studying them deepens our appreciation of how the economist's tools 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.

The written work for the term will consist of a mid-term examination (25% of the final grade), a final examination (40%) and a research paper (30%). I will randomly take class attendance and the remaining 5% will be allocated for attendance. The mid-term examination will be given in class and final examinations will be a take home exam which will cover the whole course. You will have roughly a week to answer the take-home examination. The mid-term examination will be held on Thursday, October 14th. The final examination will be handed out Thursday, December 2nd and due back on or before 3.30 pm Thursday December 9th. All examinations must be handed to me personally.

The research paper must be done on a topic pertaining to Colorado, and can be chosen from a list of topics to be handed out. The paper can be done as a piece of co-authored research with two or three other individuals in the class. The paper will require that you use primary source material 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 course is focused around the three following books.


Gavin Wright (1986) Old South New South: Revolutions in the Southern Economy since the Civil War.


These are available in the book store. We will also be using journal articles and chapters of other books, all of which will be on reserve at the Norlin.

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.12 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 starting point for this growth of the US economy is well described in Lebergott, chs. 1, 2, and 3.

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.

John J. McCusker and Russell R. Menard, The Economy of British America, 1607-1789, Ch. 1.

David Galenson, Markets in History, Ch. 2.

Topic 2 One way of conceptualizing the development of new economies that has been very influential the staples thesis, to be found in


**Topic 3** While there are many questions which can be asked about the causes of the American Revolution, one that has been addressed in great detail by economic historians is the extent to which the Navigation Acts and the policies embodied in them led to the Revolution.

Lebergott, Chs. 4, 5.

John J. McCusker and Russell R. Menard, The Economy of British America, 1607-1789, Ch. 4.

3. The Ante-Bellum Economy

The period between the Revolution and the Civil War sees 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, especially the growth of the American South and the development of the American North. For an overview of the whole period, see

Lebergott, Ch. 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 is discussed in

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

**Topic 5** 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.

While the cyclical activity of the late 1830s was generated by external factors, the depression of 1857 was an internal affair. The course of events is well described in

Topic 6  
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.

Lebergott, Chs. 12 - 14.

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 7  
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.


Topic 8  
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. This expansion was greatly aided by the development of different forms of transportation.

Lebergott, Chs 10, 22 and 23.

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


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

Topic 9  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.

Lebergott, Chs. 24 - 28.


Topic 10  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.


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


Topic 11  Indeed, the collapse of the American economy can be thought of also in terms of a collapse of the international economy.

Lebergott, Chs. 30, 33 and 34.

Temin, Old South New South, Ch 7.

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


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

Susan Previdnt Lee and Peter Passell, A New Economic View of American History, Ch. 16

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