



Review US Economy

Why has our economy grown?

- A large Market
- Supportive government for business
 - Laissez-faire, no gov't interference in the economy except to maintain law and order
- Enormous natural resources (timber, coal, iron, and oil)
- Entrepreneurial spirit
- Constant labor force of immigrants

Colonial times

- Early colonies were business ventures, charter, or joint-stock companies.
 - The overall goal was to make money by sending raw materials back to England.
 - The colonies generally did not show a profit, and the English investors turned over their colonial charters to the settlers.

Sectional interests

- New England- shipbuilding and sailing, trading, fishing and small family farms.
- Chesapeake- plantations to grow tobacco (indentures, then slave labor).
- Carolinas- plantations to grow rice and indigo (slave labor).
- Middle colonies of NY, PA, NJ, DE- trading and middle size farms for general crops and furs.
- Mercantilism → Navigation Acts

American Revolution

- Confederation Congress had no control or regulation of economy and no ability to tax.
 - Massive Inflation
 - French loans
- Massive Revolutionary war debts by states

Federal Period

- Washington's Sec. of the Treasury was Hamilton
 - In the *Report on Public Credit*, Hamilton proposed that the federal government assume state debts incurred during the Revolution.
 - In the *Report on Manufactures*, he reasoned that the US needed to encourage manufacturing by subsidizing industry and adding a tariff.
- Supported formation of the 1st National Bank

Tariffs are a Sectional Debate

- Tariffs were the largest source of federal revenue from the 1790s to the eve of World War I, when they were surpassed by income taxes.

Republican Era

- Jeffersonian democracy- agrarian, small farmers as "the most valuable citizens"
 - Jefferson did not change Hamilton's basic policies
- Madison let the bank charter expire, but the War of 1812 proved the need for a national bank and Madison reversed positions.
 - The 2nd Bank of the United States was established in 1816, with a 20 year charter

The American System

- A economic plan that was based on the ideas of Hamilton
 1. A tariff to protect and promote American industry
 2. A national bank to foster commerce
 3. Federal subsidies for roads, canals, and other 'internal improvements' (not adopted, Jackson vetoed the Maysville Road project"
- Authored by Henry Clay and the Whigs

Tariff of Abominations

- Tariff of 1828 tried to protect U.S. industry by taxing imports.
 - Despised by the South, particularly in SC, who had to pay higher prices for imports and received lower profits on their exports.
 - \$Led to the Nullification Crisis of 1832
 - \$Calhoun argued for nullification
 - \$One of the highest tariffs in our history

Jackson 2nd Bank of the U.S.

- Jackson felt it favored the interests of rich.
- He blocked the renewal of the bank's charter
 - \$ He opposed paper money and demanded the government be paid in gold and silver coins, (specie circular)
 - \$ The Panic of 1837 stopped business growth for three years

Transportation and Industrial Revolution

- Transportation Revolution
 - The National Road, 1818
 - Steam
 - \$ Fulton was the first to operate steamboats commercially
 - Canals, Erie Canal, 1825
 - \$ Cut transport costs by about 95%
 - Railroads
- The Industrial Revolution was transforming the Northeast by the 1840s with growing commercial centers, or hubs in Boston, New York City, and Philadelphia.
 - Textiles, clothing, some machinery
 - Lowell and Waltham systems then immigrants

Civil War

- The Morrill Tariff was passed in 1861, it was a protectionist tariff.
- With the low-tariff southerners gone, the Republican-controlled Congress doubled and tripled the rates on European goods, which topped out at 49 percent in 1868.

Gilded Era Tariffs

- The McKinley Tariff, 1890 raised the tariff to 50% to protect domestic industries from foreign competition.
 - This started a series of bitter battles over the tariff and sectional interests between the West and the East.
- Wilson lowered tariffs with the 1913 Underwood Tariff.
 - After WW1, tariffs will no longer be a main source of revenue.

Gilded Era- 2nd Industrial Revolution

- The Gilded Age saw the greatest period of economic growth in American history.
- By 1890, the USA leaped ahead of Britain for first place in manufacturing output.
 - Steel and Railroads
 - Robber Barons
 - Vanderbilt, Carnegie, Gould, Rockefeller, Morgan, etc.
 - Innovations and inventions
 - Telephone, phonograph, typewriter, electric light, yada, yada, yada

Progressive Era → trustbusters

- 1887 → Interstate Commerce Act – to regulate the railroads
 - Created the Interstate Commerce Commission.
- 1890 → Sherman Antitrust Act – to prevent one corporation from controlling an industry
 - First federal law prohibiting trusts
- 1914 → Clayton Antitrust Act
 - Federal Trade Commission formed
- Wilson
 - The 16th Amendment was ratified-income tax
 - Created the Federal Reserve

1920s-Great Depression

- The Roaring 20s and the end of Progressivism
 - Sec of the Treasury Mellon raised the tariff and cut taxes
- Automobile industry, construction, radios
- Farmers never recovered from the wartime bubble in land prices
- the stock market crash of October 1929
- Great Depression
 - Unemployment reached 25%
 - Undermined corporate control and labor made major gains with the Wagner Act.
 - Smoot-Hawley Tariff (highest ever)
 - FDR and his New Deal- reform the economic institutions that caused the Great Depression

WW2-Post War Prosperity of the 1950s

- WW2 spending- War Production Board
 - "arsenal of democracy"
 - Office of Price Administration controlled prices, inflation, and rationing.
 - Rosie the Riveter- women in the workforce
- The G.I. Bill financed college educations, a new well-educated workforce
 - This leads to a shift from blue collar to white collar jobs
- The middle class swelled
- Labor union membership peaked
- Military-industrial complex

1960s-70s

- Start of deindustrialization in the late 1950s
- Spending on Vietnam and the Great Society will lead to inflation and a poor economy in the 1970s.
 - Nixon takes the U.S. off of the gold standard
 - The growing influx of imported goods, such as automobiles and electronics
 - The 1973 oil crisis
 - Stagflation
 - Interest rates reached 20% by 1981

1980s-today

- Reaganomics- supply side economics
 - The removal of some New Deal regulation will lead to the Savings and Loan crisis which cost the gov't -\$160B
- 1990s economy was based on low unemployment and the Dot.com stock market boom
- 2008 economic crises was caused by inflated real estate and lack of regulation.

Globalization

- Bretton Woods
 - International Monetary Fund
 - World Bank
- 1994- the North American Free Trade Agreement (NAFTA)
- 1995- the World Trade Organization (WTO)