

**American Economic History
Reviewing for the Final Exam
Fall, 2010**

Chapters 7 and 8 (Constitution and Westward Expansion)

(Not on the list of key chapters, but many issues raised have important consequences; think about possible essays that start from these issues)

Recall the basic provisions of the Constitution on taxation, money, slavery, commerce clause, “common welfare” clause.

Constitutional cases which become important in 19th century:

(text doesn't mention most of the John Marshall court cases – while you won't be asked the specifics on an exam, you should note the common themes, and might be able to work the details into an essay. Wikipedia is a useful source of information on a topic that the text and lectures strangely neglected. But please note (2010) that this is more for my use next time I offer the course than for your exam):

Marbury v. Madison (1803) establishing judicial review

Fletcher v. Peck (1810) – sanctity of corrupt but formally correct land contract upheld

McCulloch v. Maryland (1819) constitutionality of 2nd Bank of US; state tax struck down.

Dartmouth College case (1819) – property rights (owing to royal charter) upheld against state.

Gibbons v. Ogden (1824) – Fulton's steamboat monopoly struck down.

Charles River Bridge v. Warren Bridge (1837) – monopoly charter struck down.

Note the common themes – powers of court and congress, defense of property rights, hostility to monopoly. They return in the post Civil War period cases (see notes on chapter 17)

What were the major US sources of tax revenue up to the Civil War ?

What was the role of foreign trade in the growth of the US economy?

See graphs 7.2 and 7.3 , 136-7 and the discussion of the work of Claudia Goldin and Frank Lewis, 137-8.

What was the impact of the Embargo of 1807-8 ?

Political background (lecture more than book):

Contrast Hamilton and Jefferson on:

–Bank (see p. 226-8 of chapter 12)

–Tariffs (note my lecture on the Irwin article, “Aftermath of Hamilton's Report on Manufactures”, Journal of Economic History, 3(2004): 800-821.

–Internal improvements (note Gallatin plan of 1808 from lecture)

–Land policy (p. 142-145 of chapter 8)

Discuss the evolution of politics and economic policy, mentioning:

John Quincy Adams, Andrew Jackson, Henry Clay, James Knox Polk, James Buchanan, Abraham Lincoln.

Compare and contrast Democrats, Whigs and Republicans. (again, Wikipedia might help if you didn't get this from lecture)

What were the constitutional provisions on slavery ? 129

What were the Northwest Ordinance provisions on slavery? 145

You might want to look forward here to the evolution of the slavery debate –

Compromises of 1820 and 1850

Importance of the Mexican War

Stephen Douglas and Popular Sovereignty

Dred Scott decision of 1857

Chapter 9. Transportation and Market Growth

What transportation developments reduced freight rates most significantly? See Figure 9.1, p. 163

What was most responsible for productivity improvements in steamboats (168-9) and railroads (175 – note Fishlow's explanation) and ocean travel (180-182)

In steamboating, what was the relation among the steamboat, keelboats, and flatboats ? (169-70)

What were the relative successes and failures of the canals, railways and roads in the antebellum period?

Canals (170-4) Compare and contrast the Erie, Pennsylvania Canal and Chesapeake and Ohio.

Railroads (174-5) problems of integration of gauges, standard time, transfers among Rrs

Roads (176-77) Why was the Gallatin plan blocked? What prevented the turnpikes from turning a profit?

What were “plank roads” ?

What was the pattern of trade assumed by Douglass North's Interregional Growth Hypothesis? (177-178)

Was the South self-sufficient in food according to the hypothesis and later work?

How do Walton and Rockoff measure the degree of market integration? (Economic Insight 179-80, with a nice graph and table comparing wholesale prices)

In ocean travel, how did British and American productivity growth compare? (181-2)

Chapter 10 Market Expansion and Industry

What was the impact of the Erie Canal on home manufactures? (Map 10.1, p. 185).

What are the characteristics that distinguish a factory from craft production? (p. 186)

What did Samuel Slater and Francis Lowell contribute to the early development of the factory (186-7)

Note that the treatment of the Rhode Island and Waltham systems is treated in ch. 11 (206-8)

How did early corporations differ from modern? (189)

Look at the difference between special and general acts of incorporation; just how limited liability was.

What role did the following play in early industry? (192-193)

Interchangeable parts? (Eli Whitney, Simeon North, John Hall, Samuel Colt)

Continuous process (Oliver Evans)

Steam power versus water power

What were the reasons why US production (the “American System”) differed from British? (194-195)

Paradox of why capital-scarce America developed a machine-intensive mode of production.

Text cites Sandberg and Lazonick, and scarcity of skilled labor; Peter Temin stressed raw materials abundance (“Labor Scarcity” in *Journal of Ec. History*, Sept. 1966, 277-98).

What did Goldin and Sokoloff have to say about the role of women and children? (195)

What was the role of tariffs? Note that the “Tariff of Abominations” is labeled in the text the Tariff of 1828. Contrast the position of Whigs, Republicans and Democrats on the tariff in antebellum America.

What was Henry Clay's “American system” (distinguish from the industrial “American system”)

Chapter 11 – Labor during the Early Industrial Period

How did the female/male wage ratio in agriculture shape the factory system, according to Claudia Goldin and Kenneth Sokoloff? (206-7)

How did male wages in manufacturing develop over time? Note:

- overall growth: compare 1820-1860 real wages and real wage growth; table 11.4, p. 209
- growth by time (what happened after 1832? after 1850?)
- urban / rural workers?
- skilled / unskilled wage ratios (compare machine makers, laborers in US and England, table 11.5)

How did the early union movement develop? 213-219) Note especially:

- Pittsburgh Cordwainers (1815)
- Commonwealth v. Hunt (1842)
- size of unions and decline in 1830s
- gains in suffrage, education, debt legislation (jail, mechanics' lien laws)
- ten-hour day

Chapter 12. – Money and Banking in the Developing Economy

What were the problems with the bimetallic standard? (223-4)

Was silver over or undervalued against gold?

How does Gresham's law explain what happened as a result of the misvaluation?

What were the objections to the First Bank of the US? (226-8)

What was the relation of the First BUS to state banks? To the Treasury?

Why did the charter of the first BUS lapse? What problems resulted?

What were the roles of the Second BUS?

Specifically, how did it differ from the first?

Roles as:

- lender of last resort
- check on overissue by state chartered banks
- in foreign and domestic exchange
- in determining the money supply.

Why did Nicholas Biddle and Andrew Jackson disagree?

What were the consequences of the Bank War? (230-234)

Is the traditional picture of the inflation of the mid 1830s valid?

What does Peter Temin attribute it to? Discuss the roles of

Jackson's Specie Circular and the Opium Wars in the Panic of 1837.

What specific provisions were made in state banking systems?

- Suffolk System
- Safety Fund
- Free Banking
- Forstall System

Chapter 13 – The Entrenchment of Slavery and Regional Conflict

What were the main destinations of African slaves? (241-2, Figure 13.1)

Who bore the cost of early emancipations in the North? (owners, taxpayers or slaves? Explain your answer) (244-45)

Was the forced labor of slaves inefficient, as Cairnes and Olmstead held? (246)

Compare the efficiency of large slave plantations to free farms in the North. (248-9; note table 13.4 on productivity and farm size).

How should the economically relevant price of a slave be calculated? How does this calculation bear on the debate between Ulrich Phillips and Conrad and Meyer? (Insight 12.1)

How did Richard Vedder (and me in lecture) adapt the formula given in Insight 12.1 to measure economic exploitation? Why the adaptation? How did Vedder use this in comparison with exploitation of factory workers?

Pre-Civil War politics. Note (and be prepared to give a brief narrative if need be)

the following events and their significance for the debate on slavery:

the Louisiana Purchase, the Missouri Compromise of 1820, the Mexican War, the Compromise of 1850, the Kansas-Nebraska Act, Popular Sovereignty, the growth of the Republican party.

Chapter 14. War, Recovery and Regional Divergence

How did the Union and Confederacy raise the money needed to finance the war?

Start from the Government Budget Constraint and explain what reliance was placed on each element by the Union and the Confederacy.

My lecture organized this around the Republican economic platform, with economic inspiration from Henry Carey and Francis Wayland:

1. Tariffs and taxes – Morrill tariff, income tax.
2. Bond policy – Samuel Chase, Jay Cooke
3. Greenbacks and the National Banking System
4. Land policy – Homestead Act, Land Grant Colleges
5. Transcontinental railroad – land grants, Union Pacific and Credit Mobilier

What were the costs of the war according to Goldin and Lewis? (269)

Charles Beard and Louis Hacker thesis (269) – what evidence is there for it, and what against?

Note Table 14.1 with growth rates of the economy and of manufacturing.

Wesley Mitchell and wage lag during the Civil War (274) How was it supposed to have furthered industrialization? What arguments were presented by Kessel and Alchian? By De Canio and Mokyr?

Aftermath of war:

Why was the Deep South the most hard-hit area? (272-3)

Why could plantations not be established with free labor?

Contrast Ransom and Sutch and Reid on sharecropping, debt peonage and crop liens (277-79)

What was the impact of the boll weevil? (280-81)

What did Margo conclude about educational discrimination in the independent south? (282)

Chapter 15 (omitted)

Chapter 16. Railroads and Economic Change

Note the text summary of the main issues on the opening page of the chapter:
you should be able to write a brief essay on any of the following:

1. Were RRs built “ahead of demand” (Schumpeter, Fishlow, Fogel/Mercer, 312-3)
2. How did the builders get their capital? (314-315)
3. What was the role of government support? (313-314)
4. What was the impact on the overall growth of the economy? (Fishlow and Fogel, 321-323)

Specific issues of importance include:

Contrast the relative size of RRs and manufacturing in 1860 (\$ 500,000 versus \$ 20,000,000 for capital of large manufacturing firm and large RR, p. 313)

What were the advantages of land grants over direct subsidies per mile of track? (314)

Why did RR s use construction companies such as the Credit Mobilier? What were the problems associated with these companies? (315)

Why did RR s force economists to distinguish fixed and variable costs? Illustrate with a graph of average total cost and marginal cost, as we did in class (graph not in text, but relevant to discussion on 315-316)

Problems associated with RR operation in eyes of public (and be prepared to explain why economists don't necessarily see as great a problem) Pages 315 -17

- long haul/short haul rates
- “backhaul rates
- price discrimination and rebates
- “pooling” by Albert Fink, defection from pool by Jay Gould (317)

Railroad regulation by states (317-319)

Granger movement and Granger laws (318)

Munn v. Illinois (1877) “clothed with a public interest”

Wabash case (Wabash, St. Louis and Pacific RR v. Illinois, 1886)

Federal regulation (319-322)

Interstate Commerce Commission (1887)

Elkins Act (1903) – why did the RRs welcome it?

Gabriel Kolko, Albro Martin and the issue of regulatory capture

Social savings controversy (321-323)

Define and illustrate with a graph the concept of “social savings”

How did Fogel try to estimate the social savings of the RR?

What was his estimate as a percentage of GNP?

What other considerations (linkages of RR to other sectors of the economy)

should go into an estimate of the economic importance of RRs

Chapter 17. Industrial Expansion and Concentration

Tables 17.1, 17.2 and 17.3 present a nice picture of how American industry changed between 1860 and 1910. Questions to ask of the tables:

1. What industries saw their labor force grow more slowly or rapidly than the average growth of 3.4 times? Focus on agriculture, textiles, iron and steel and railroads. (Table 17.1)
2. What industries saw the strongest labor productivity growth? Dividing output expansion in table 17.2 by labor force expansion in Table 17.1 will answer this question. Again, focus on agriculture, textiles, iron and steel and railroads.
3. How did value added by all manufacturing industries increase between 1860 and 1910? How did the importance of capital-intensive industries change? (Table 17.3)

What was the role in the growth of manufacturing of:

1. Technological change (328-332, focus on changes in clothing, steel industry, metalworking machinery)
2. New sources of energy (332-334; steam power, electricity)
3. Managerial change:
Daniel McCallum of Erie RR and enhancement of managerial control (334)
Mass production with continuous flow (Oliver Evans) and assembly line (Henry Ford)
Scientific management of Frederick Winslow Taylor (335)

Was business concentration in the later 19th century driven by economies of scale or by monopoly ?

See the two answers given by Anthony O'Brien and Naomi Lamoreaux on p. 343, and relate to the two phases of concentration – the horizontal mergers of 1879-1893, and the vertical mergers of 1898-1904

Define and note the differences of pools, trusts and holding companies (336-7)

How do Standard Oil and Carnegie Steel (or, later, US Steel) fit into the text pattern of horizontal and vertical mergers? (337-341 – just note the roles of these companies, not the others mentioned)

What did Gavin Wright see as the key to American industrial success in the later 19th century? (341)

Why was the Sherman Antitrust Act of 1890 passed? See the explanations of Libecap and Hazlett (341)

How was the application of the Sherman Act restricted by the courts? (341-345)

You need not know all the details of the cases (and certainly not the dates) but look at the tendency of the court decisions treated by the text [incidentally, Justia.com is a good site for the full text of Supreme Court decisions]

- US v. E.C.Knight (1895)
- US v. Addyston Pipe and Steel (1899; text date of 1898 in error)
- US v. United Shoe Machinery (1918)
- US v. United States Steel Corporation (1920)
- Standard Oil “dissolved” Supreme court of Ohio (1892) [p. 339]
- Standard Oil of NJ v. US (1911) [not in text, but Standard Oil lost the case; see Justia.com]

Note that while, as in the case of the list of early constitutional cases that starts this review, the list is more for future revision of the course, you should be aware of the basic thrust of the cases; in particular, the EC Knight and Addyston cases greatly limited the Sherman Act, and the US Steel case amounted to saying that near-monopolies which were nice to the few competitors they had would not be prosecuted