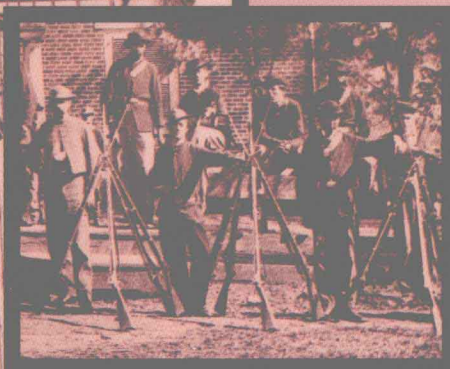
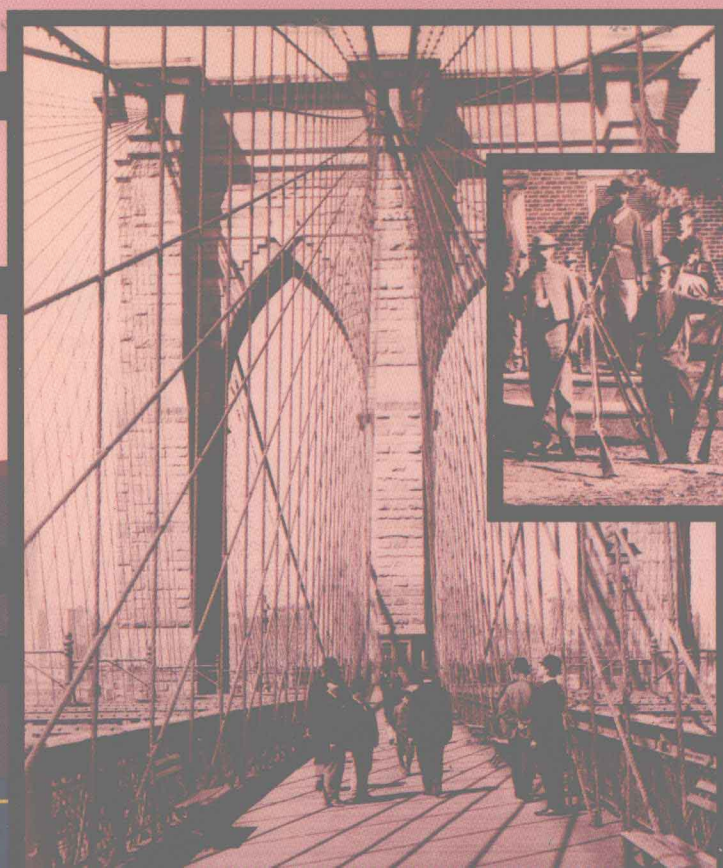


AMERICAN ECONOMIC HISTORY

THIRD EDITION

ROBERT C. PUTH



AMERICAN ECONOMIC HISTORY

Third Edition

Robert C. Puth
University of New Hampshire

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PREFACE

A half-millennium ago, Europeans made lasting contact with what turned out to be a “new world” in several senses. The recorded history of North America began about a century later, and it was on this continent that humans contrived the changes that most clearly differentiated the New World from the Old. Europe, at the time, had already developed characteristics making it unique. In North America, however, the economy grew far beyond its ancestral foundations, providing a standard of living that has been the envy of the world. The progress was both substantial and rapid; in a few generations, North Americans passed from a state of desperate struggle for survival to a condition where their incomes were as large and their quality of life much better than that of any other nation. If for no other reason than the magnitude of its success, the story of America’s economic development is worth recounting.

Because economic growth was so substantial and prolonged in North America, the basis and the ends to which its products were put underwent profound changes. In turn, economic changes stemmed from and created changes in social and political relations and institutions—a process that is still underway. Originally, the United States and its colonial predecessors began as extractive economies, dependent upon the products of forest, soil, and sea, both for subsistence and trading for European goods. During the nineteenth century, however, the United States became the world’s greatest industrial power. Despite the fact that over the last five decades economic growth has centered increasingly on the generation, processing, and utilization of information, earlier centers of growth have retained great vitality: In short, the United States remains one of the world’s most efficient producers of both agricultural and manufactured products.

The Theme of this Book

Many factors contributed to the growth of the American economy, both in terms of increased output and in terms of the changes in products, methods, and markets, which were its outstanding features. Natural resources shaped the nature of many early ventures. As Americans forged the tools to respond to the opportunities provided by nature, they broadened their range of ac-

tivities and increased the amounts of resources usable to them. Greater than any other single contribution has been human labor. Here, too, the nature of work has changed. People have moved from farms to urban occupations, from east to west, and north to south. The jobs at which they worked have changed also. Today, few people can realistically expect to spend their working lives in the same occupation in which their careers began.

Change has been a prominent factor in all growing economies. Increases in real per-capita incomes over time have been due to many forces, none of which has been consistently dominant, either in America or elsewhere. Nevertheless, the extraordinary success of the U.S. economy must have distinctive roots. Were there simply more productive resources here, or did Americans enjoy knowledge the rest of the world lacked? Neither scenario seems to be the case. The American success story, to this author, is the result of the superior utilization of human capabilities. From the earliest days of European settlement, Americans have displayed attitudes and developed institutions more responsive to change and better suited to the exercise of individual initiative than have those of any other economic system. Nor did the innovation process end there; once the benefits of change became apparent, Americans devoted even more effort to developing human skills and providing for recognition and reward in both new and existing applications.

Even in the seventeenth and eighteenth centuries, human talent was both recognized and applied to a greater extent in America than in even the most enlightened nations of Europe. Consequently, new ideas were brought into use, and their potential was more fully developed here. From borrowing and utilizing ideas developed elsewhere, it was a short step for Americans to generate them domestically, through education of all types, and in response to high regard for new methods and products by both producers and consumers. Additionally, the process is cumulative, employing the one resource capable of continual development—the human mind. At times, other factors have been influential, even dominant in the growth process, but rational use of human potential contributed to American economic growth as it did in no other economy.

The Intended Audience

This book has been written for students rather than for their instructors. Some of the interpretations or presentations of American economic development may be novel, but the primary purpose of this book is to assist my peers in presenting this topic to students. In so doing, I have tried to explain why the economic history of the United States underlies so much of our social, political, and technical history. What we were, and how we felt about it, has helped to determine what we are today. Thus, I have tried to stress context and consequence over chronology, showing the causes, the nature,

and the results (positive or negative) of historical events. The evidence upon which historians' conclusions are based is also illustrated, but in most cases, the technical details of the analyses employed are not. Controversial topics have, I hope, been presented as such. Where I could not overcome my own biases, I have tried to make them explicit.

Organization

The book is divided into five sections presented in chronological order. These sections run from one prominent event, often a war, to another. The purpose is not to suggest that wars necessarily denoted major changes in the economy (generally they did not), but to keep the account of developments within various sectors of the economy manageable.

All economic events are interrelated, directly or indirectly. In a world of scarcity, one use of resources not only precludes their use elsewhere but may also foreclose previously available options or alter their costs. Prior choices affect those that can be made now. To understand developments in any sector of the economy, we must know something of the markets that supply it and of the markets that purchase its products. We must also understand the social, political, legal, and technical contexts determining the rules within which it operates. By presenting these interrelationships in shorter segments, I hope the context of development will be easier for students to grasp.

New Coverage and Content

The basic organization of the book is little changed from earlier editions. However, more information about some topics is now available than was in 1986: the nutrition and health of nineteenth-century Americans; labor-force participation, wages, special burdens upon American women; and the position and capabilities of the United States in the post-1945 world economy are examples. Where recent research has altered or enhanced our knowledge, this information has been incorporated. I have tried to stress topics in which economic historians' views run counter to "common knowledge," and to explain why they hold these opinions. In addition, the entire book has been reviewed and often rewritten so that material may be more readily understood.

Acknowledgments

Every author, particularly in history, stands upon the shoulders of others. One of my most pleasant tasks is to recognize contributions that have enhanced my capabilities in general or this book in particular. Over nearly four decades I have accrued debts to many individuals. Like most intellec-

tual debts, they can be acknowledged, but never fully repaid. As an undergraduate at Carleton College, my interest in economics was developed by Ada M. Harrison and Robert Will. At Northwestern University, Harold F. Williamson began my training in economic history. For nearly 30 years, my students have taught me, as I have taught them.

Many people contributed to the previous editions of this book. Terry Anderson, Robert Gallman, William Hutchinson, Paul Koefod, Kenneth Ng, Thomas Ulem, and Mary Yeager all gave me their views on complete drafts. Gavin Wright read both prior editions. Valued comments on specific topics from Louis Cain, Barry Eichengreen, Robert Higgs, Robert Kenney, Pamela Nickless, Tim Sullivan, and Donald Wells saved me from many errors and improved my presentation of specific topics. My colleagues at the University of New Hampshire provided useful insights, often at short notice. The services of Allen Thompson, Dwayne Wrightsman, David Bradford, Fred Kaen, Evangelos Simos, Lee Irwin, William Wetzel, and Karen Smith Conway were particularly helpful.

This edition has been vastly improved by the contributions of Professors Price Fishback (University of Arizona), Robert Margo (Vanderbilt University), and Robert Sexton (Pepperdine University). To all, my thanks and appreciation. Responsibility for errors remains with me and indicates my inability to absorb everything these people had to contribute.

Books are not produced solely by the compilation and comparison of ideas. These must be recognized, organized, and packaged if they are to reach an audience. At The Dryden Press, my special thanks to Daryl Fox, Stacey Fry, Amy Schmidt, and Rick Hammonds, whose many contributions include mixing encouragement and a sense of urgency in the correct proportions. Finally, but in no sense least, I owe a very special debt to my wife. She has borne much more than her share of the burdens of authorship with love, grace, and gentle humor. This book is dedicated to her.

Robert C. Puth
Dover, New Hampshire
January 1993

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THE AMERICAN SUCCESS STORY: ECONOMIC GROWTH AND ITS IMPORTANCE

"Without theory, history becomes undisciplined and disorganized, shaping its material by whim, or purely by rhetoric. Without history, theory loses any grounding in the actual course of human events."

William N. Parker

"Economics is neither social physics nor social engineering: It is more like a peculiar variant of social history. Economics does not merely have a lot to learn from history: History is what it is."

Donald N. McCloskey

