

Chp 14: The Market Economy: The North and West

- Purpose: to gain an understanding of the distinct economic and social development of the North and West as opposed to the South (covered IN CHP 15):
 - The landmark Missouri Compromise decision
 - The development of commercial farming
 - The transformation of transport and infrastructure
 - Early urbanization
 - The rise of manufacturing and early industrialization
 - The impact of immigration
 - Drawbacks of the new economy
- Timeframe: ca. 1800-1860, with a focus on the 1820s, 30s, and 40s

1

The Missouri Compromise

- Considerable economic distinction between North and South since colonial times.
- After revolution, distinction into slave and non-slave states.
- Territory east of Mississippi divided along similar lines, with a careful balance in the Senate.
- Problem: Louisiana Purchase territory, esp. Missouri, which applied for admission as a slave state in 1819.
- Missouri Compromise of 1820



The Missouri Compromise

3

The Rise of Manufacture; First humans are turned into machines...

- With the war of 1812, Northeast shifts increasingly to manufacturing.
- Tariffs protected domestic manufacture.
- Esp. ready-made clothes, shoes, but also many other things.
- Production techniques include:
 - traditional workshops
 - the breaking down of one task into many small ones
 - The putting-out system
 - Early water- and steam-powered industrialization.



The Rise of The MACHINE; then they run the machines

- The Am. System of Manufacturing revolutionized production.
- Developed by Eli Whitney in 1798.
- Precision-crafted, interchangeable parts made the production of guns, but also locks, watches, etc. much easier and faster.
- Before, parts were hand-crafted for one individual product only, now they were machine-tooled and could easily be assembled.
- The Am. System allowed for the mass production of quality consumer goods.



Eli Whitney, inventor of the American System of Manufacturing and the cotton gin

New England Textile Industry

- Textile production was the most industrialized segment of the economy before the Civil War.
- Concentrated in New England, massive looms were at first powered by water, later by steam.
- Textile mills concentrated all production steps under one roof.
- Production was efficient, the resulting clothing was cheap.
- The most important example of early NE textile mills were the mills in Waltham and Lowell, Mass.



9

GROWTH OF INDUSTRIALISM

- Defined as:
 - Workers paid for time worked or goods produced
 - Managers, not owners, directly in charge
 - controlled things from top down
 - Movement toward "economy of scale"
 - PROFIT is the only goal
- THREE ROUTES TO INDUSTRIALISM
 - The Workhouse (England)
 - The Artisan Shop
 - Household Production/Outwork System/Cottage Industry/ Putting Out System (America)

10

HOUSEHOLD PRODUCTION

- Large families + less land available = Surplus Labor
- Wealthy entrepreneurs + ↑ market for finished goods = “outwork” system
∴ Cash ↑, and profits for entrepreneur ↑ = ↑ in outwork system
- BUT, at some point the need for more labor, and control of that labor exceeds the system. This then results in ...

12

Early US Industrialism

- England controls patents on Textile Industry inventions
 - Arkwright Water Frame: spun & carded yarn by water power!!!!
- 1790: Englishman Samuel Slater memorizes plans and escapes to US
- Dec. 1790: 1st US spinning mill.
 - 9 children ages 7-12
- 1800: same mill employs 100 people (still mostly children)
- 1805: 5 more mills open on the Pawtucket R.
- 1820: 66% of workforce still are children—UNRELIABLE

MUST FIND A MORE RELIABLE WORKFORCE

15

The Lowell/Waltham System

- Boston Manufacturing Company chartered in 1813. Waltham, Massachusetts; by Francis Cabot Lowell.
- Capitalized at \$400,000. Integrated all steps into a single process.
- Paid its 1st dividends to stockholders in 1817:

20% return on investment.



17

The Problem is STILL the labor force

- 1st you must turn human beings INTO machines BEFORE they can run the machines. Lowell needs a workforce he can CONTROL and pay below minimum wages
 - The Lowell/Waltham system is best-known for its main source of labor: New England farm daughters. 80% of workforce was female 15-29, from New Hampshire and the eldest daughters. WHY?:
 - 2nd and 3rd daughters can't marry until the 1st does (pressure to get married)
 - Limited choices in small rural villages
 - Clothes
 - Dowry
 - \$\$\$
 - MRS degree

24

TAKE OFF, COMPETITION, AND END OF PATERNALISM

- 1828: 5,000 spindles in each mill
- 1848: 26,000 spindles
- Rising competition caused falling prices
- Dividends dropped to
 - 1836 = 11.4%
 - 1847 = 6%
- Worker productivity increased 49% just in 1836, and received a whopping 4% wage increase.

28

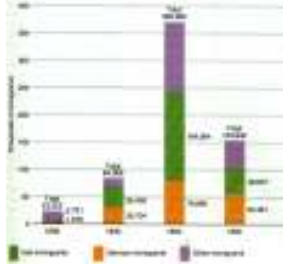
Working Conditions

- 12 hours a day
- 6 days a week
- 309 days a year (Sundays off)
- Could Not quit until 1 year of work
- Completely Sex-Segregated
 - The few male workers received 85 cents a day
 - The female workers received 40 cents a day and had to pay for room and board out of this. Female Boardinghouses
 - Had to go to church
 - No drinking
 - 10 p.m. curfew
 - Huge clock that chimed to tell everyone where to be and what to be doing!!!!

30

The Role of Immigration

- Between 1820 and 1860, 5 million immigrants arrived in the United States, more than the entire population in 1790.
- Immigrants became an integral part of the Northern economy, settling land and providing labor for manufacture.
- The two most significant groups were Irish and Germans.
- Immigration was largely concentrated in the Northeast and the Mid-West.



39

Transportation Revolution

From this



44

The Transport Revolution: Canals

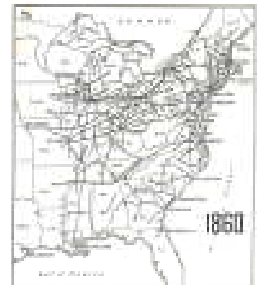
- With the mid-West growing into the breadbasket of the Northeast, the two regions grew physically closer.
- Originally, transport routes west of the Appalachians (waterways) ran west and south.
- However, agricultural produce was needed in the more densely settled, more urban Northeast.
- To connect existing waterways, canals were built, providing a more complete transport network. Roads also provided limited transport capability.



Canals and Roads, 1820-1850 48

The Transport Revolution: Railroads

- The RR's did not „drive“ the I.R., but it was clearly a catalyst and a symbol of it.
- Starting in the 1830s and booming after 1850, railroads provided efficient transport independent of waterways.
- Such projects required large amounts of capital, involving state governments, foreign and domestic investors.
- Roads, canals, and railroads integrated area north of the Ohio
- Notably less infrastructure improvement in the South.



The Growth of the Railroads, 1850-1860 56

Growth of RR's

- A horse pulling a wagon on a level road can pull 1,000 lbs.
- A horse pulling a wagon on a set of rails can pull 15,000 lbs.
- In 1833 the US had a total of 136 miles of track
- By 1859 28,789 miles of track.
- By 1859 US rails carried 2.6 Billion TONS of freight, and 1.5 billion passengers
- By 1869 the Transcontinental RR is completed

57

The RR's REAL importance--it helped

- Create millionaires
- Create monopolistic Big Bidness practices
- Create full-blown capitalism
- Create standardization of time
- Create a truly unified America. If 3,000 miles of distance caused the colonies to revolt from England—how could the US maintain a country that was 3,000 miles from San Fran to New York?

Answer? The RR

60

- Challenges to building the RR
 - No single co. could afford the capital outlay
 - No single co. could afford the cost of land to build it on
 - No single co. should be able to decide its route
 - The country is too disorganized
 - No uniform rail gauges or distances apart
- Solutions:
 - Government loans
 - Gov't gift of right of way and huge acreage as an incentive to build
 - Unconstitutional???? Do it anyway—thereby
 - making and breaking towns
 - Destroying "open range" cattle business
 - Making huge profits in illegal bribes to build through certain towns
 - Standardize Time and Space

70

Organization and Big Business force order on chaos--always

- By 1840 both gauge and width of rails is standardized at 4'4"
- 4 standard time zones created
- Double tracking eliminates waste
- A few co's like Vanderbilt's B&O are buying out the competition
- Rates charged to Big Business plummet
- Rates charged to farmers & small business rise

76

- In 1790, practically all American cities had been seaports.
- Due to increasing population and the growing transport infrastructure, new cities and towns emerged.
- These cities functioned as transport centers and regional markets.
- This urbanization was heavily concentrated in the North.

Early Urbanization



Economic Dependencies of Farmers

- Commercial farmers typically owned their land and took pride in an independent lifestyle.
- However, they were dependent on the market economy.
- In order to buy equipment and seed, they borrowed money against the next harvest.
- If commodity prices, which were out of the farmers' control, decreased too much, they staid in debt or went bankrupt.



Farmers and Finished Goods

- Commercial farming was directly tied to technological innovations, such as steel plows or the McCormick reaper.
- Farmers invested money in advanced tools.
- As the orientation towards a cash income increased, farmers also bought ready-made clothes, shoes and other goods.
- Therefore, commercial farming was tied to the other key factor of the market economy: manufacture.

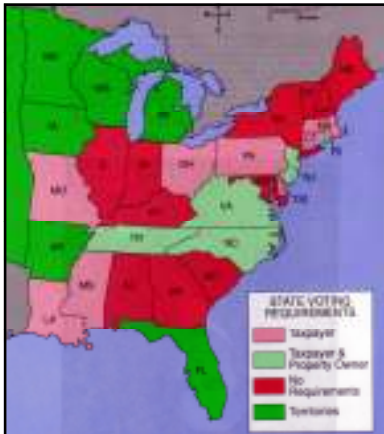


Cyrus McCormick, inventor of the first successful mechanical reaper

Commercial Farming

- Between 1820-60, the area now known as the mid-West saw rapid settlement.
- In accordance to the Jeffersonian ideal, most settlers engaged in farming.
- However, farmers increasingly shifted from subsistence farming to cash crops, most importantly wheat.
- As farmers worked towards a cash income, they became part of the growing market economy.





Changes the WEST forces on the EAST. 1828 voter requirements. Why does Jackson win???

84

Dangers of the Market Economy

- The market economy provided great economic growth.
- However, periodic depressions led to extreme economic hardship, esp. 1819-23, 1839-43, 1857.
- The financial basis of the new capitalism was not well-regulated: financial panics of 1819, 1837.
- Individuals had no control over the causes of depression. Many who “went west“ left a shattered economic existence behind.

87

Inequality and the Middle Class

- The economic changes of the market economy widened the gap between rich and poor.
- This inequality was most extreme in the cities, with a definite class structure emerging.
- A growing middle class began to distinguish itself from their poorer contemporaries through voluntary associations, smaller families, strict gender roles, and anti-immigrant nativism.



89

- Between 1800 and 1860, the Northeast and mid-West of the United States grew into an integrated, specialized, and expanding market economy.
- In general, people came to look towards a cash income / wages as the main source of their livelihood, providing skills, labor, and capital for the market and buying needed goods from the market.
- Commercial farming, growing industrialization, improved infrastructure, increasing urbanization, and massive immigration all were facets of this burgeoning Northern economy.
- Periodic hard times, labor conflict, economic dependence, inequality, and ethnic hostility were the downside.

90