

Economics C23-1

Lecture 5

I. The Early National Period

A. issues to decide that weren't in our control before the Revolution:

1. Foreign trade policy (with implications for domestic industry

2. Land policy

we'll talk about the first today, and the second on Thursday

B. The role of trade in the early U.S.

Role of trade a legacy of mercantilism
Changes after the revolution

**Average Annual Exports
from the 13 Colonies and Regions, 1768–1772,
and from States and Regions of the United States, 1791–1792***

Origin	1768–72:		1791–92:		Percentage Change 1791–92/ 1768–72
	Total Exports (\$)	Per Capita Exports	Total Exports (\$)	Per Capita Exports	
<i>New England</i>					
New Hampshire	226	3.64	162	1.13	31%
Massachusetts	1,269	4.77	2,667	5.61	118
Rhode Island	399	6.84	585	8.46	124
Connecticut	453	2.46	728	3.05	124
Total	2,347	4.03	4,143	4.08	101
<i>Middle Atlantic</i>					
New York	920	5.66	2,519	7.43	131
New Jersey	10	0.10	25	0.15	150
Pennsylvania	1,737	7.23	2,873	6.59	91
Delaware	89	2.51	128	2.16	86
Total	2,750	4.97	5,545	5.46	110
<i>Upper South</i>					
Maryland	1,929	9.50	2,371	7.43	78
Virginia	3,788	8.46	3,336	4.48	53
Total	5,717	8.81	5,707	5.36	61
<i>Lower South</i>					
North Carolina	369	1.87	512	1.33	71
South Carolina	2,239	18.01	2,145	8.61	48
Georgia	364	15.60	477	5.76	37
Total	2,967	8.61	3,134	4.33	50
Total, all regions	13,786	6.45	18,529	4.87	76

*See the source for detailed notes on problems of comparisons, valuations, and measurement. Pound sterling values given by Shepherd and Walton are converted to 1790–92 dollars at the rate of £1 = \$4.92.

Source: James F. Shepherd and Gary M. Walton, "Economic Change after the American Revolution," *Explorations in Economic History* 13 (1976): 413

**uneven costs & benefits, some major falls
in per capita exports**

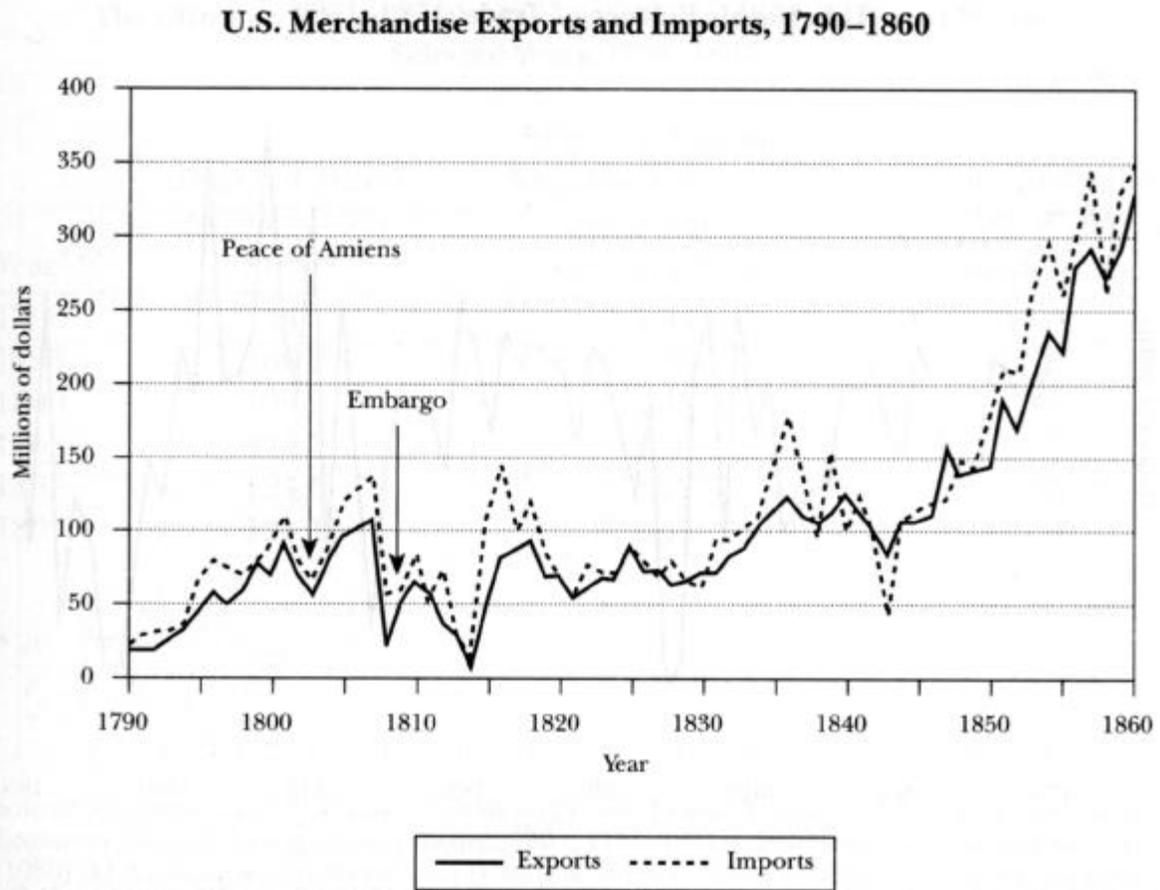
C. Long Run Developments

**Neutrality 1793-1807 (pro-British
Federalists, pro-French
Republicans): big rise in exports
probably pushing up GNP
(exports=10-15% of GNP)**

**Generally, a good period,
interrupted by a brief
“outbreak” of peace**

**Big improvements in the “terms of
trade” as well as the volume of
exports**

The Jeffersonian Embargo c. 1807

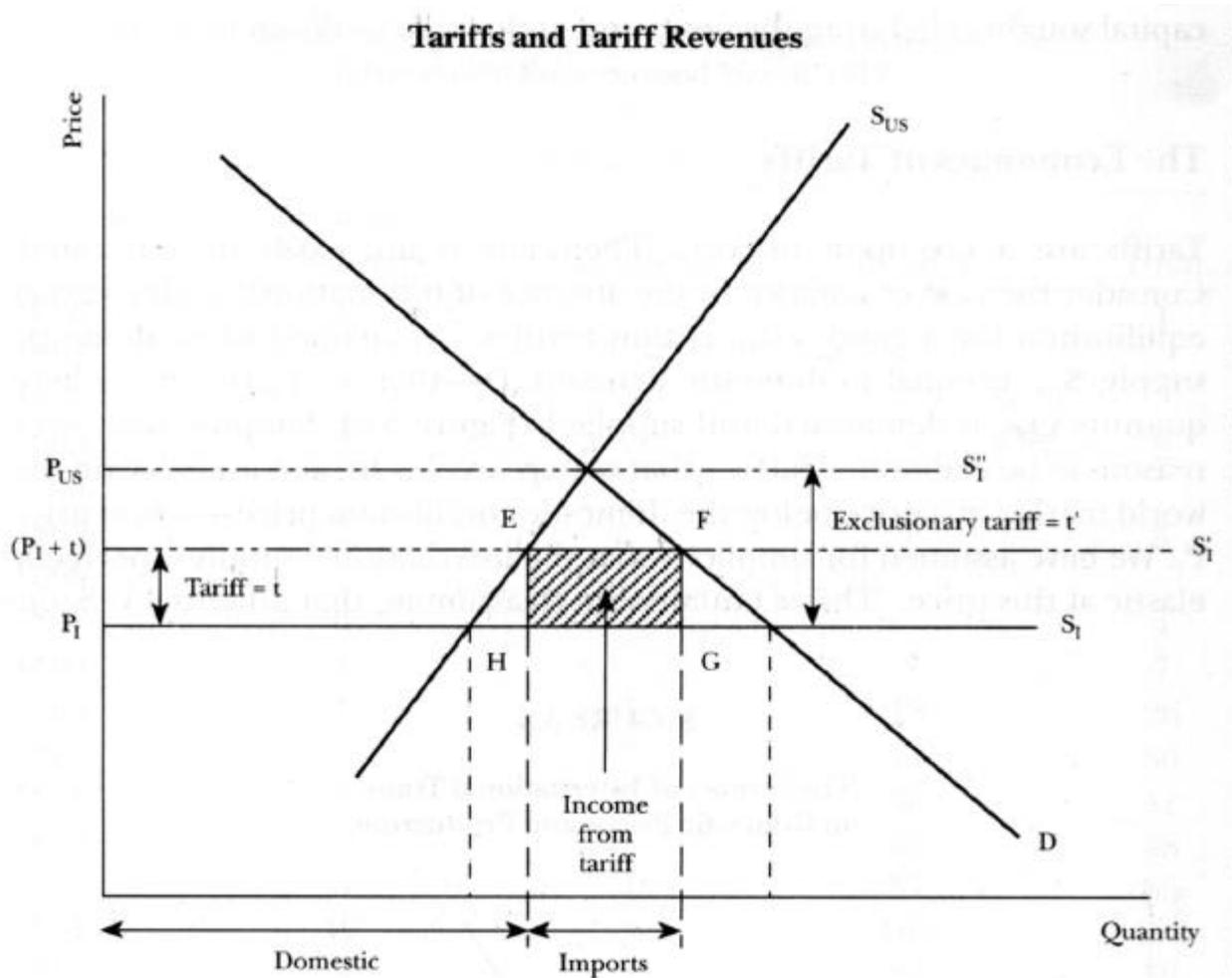


Source: U.S. Bureau of the Census, *Historical Statistics of the United States* (Washington, D.C.: Government Printing Office, 1975): Series U2 and U9.

--> **some hardships, but also growth of early industries**

The Tariff Question:

Uses: support the govt, pay off its debts, encourage mfg.



Hamilton's original plan: 5% ad valorem, higher rates on luxuries; rates rose thereafter (17.5% by 1804)

High point was reached in 1828 (“tariff of Abominations): average duties > 50%

Question: was this above the revenue maximizing level?

The politics of the Tariff

**The “infant industries” argument
The regional distribution of benefits
Incidence of benefits (laborers,
capitalists, landowners,
slaveholders)**

II. Westward Expansion

The Territorial Expansion of the United States

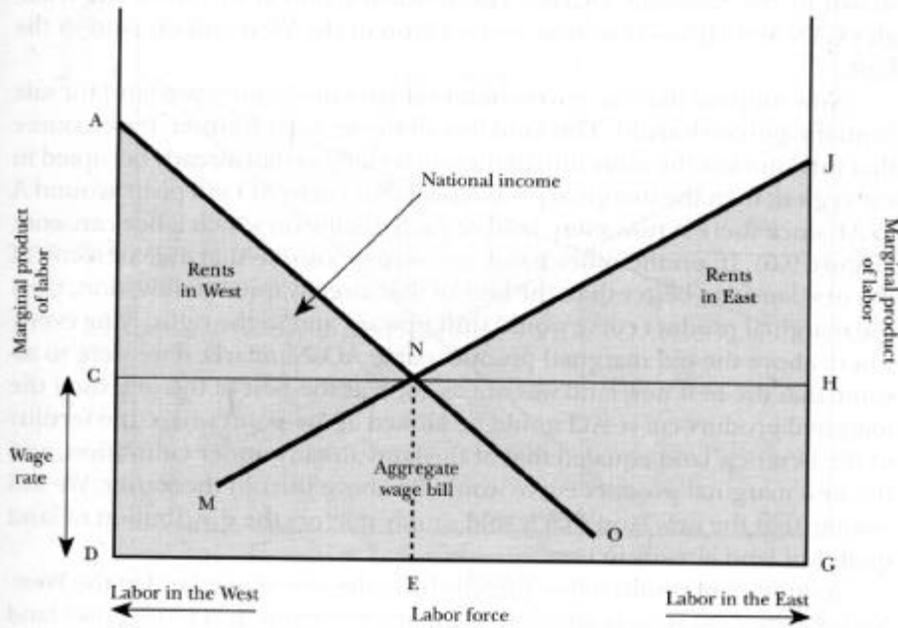


Source: After Ross M. Robertson, *History of the American Economy* (New York: Harcourt Brace Jovanovich, 1973): 106.

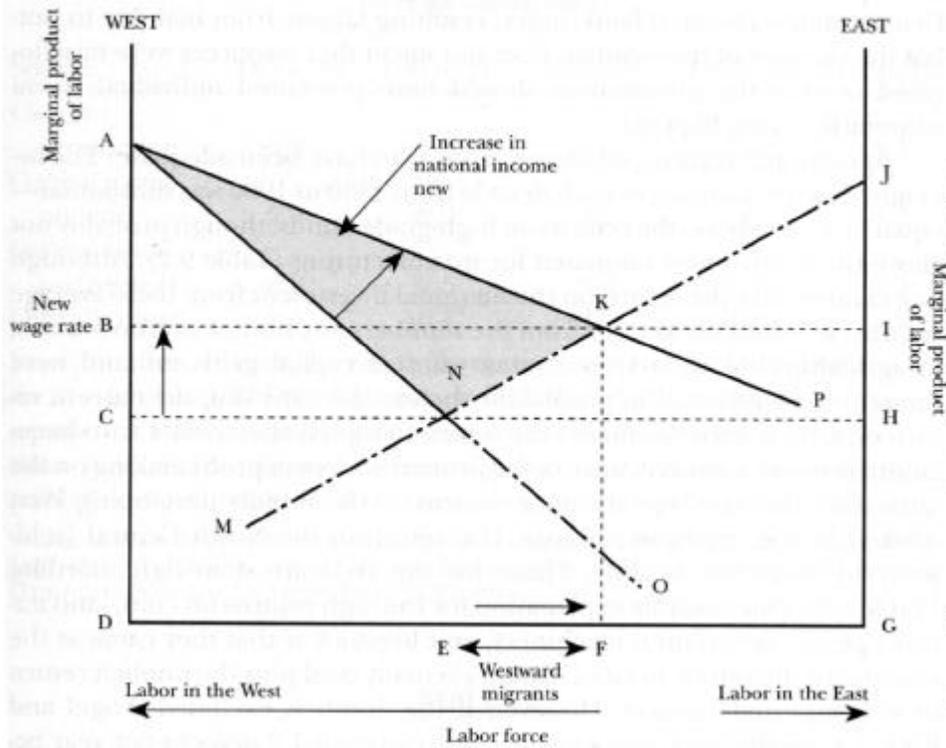
- A. The Northwest Ordinance**
- B. Land Sales: the role of speculators**
- C. Too much, Too soon?**

FIGURE 9.5

The Determination of Wages, Rents, National Income, and the Geographic Distribution of the Labor Force in an Agrarian Economy



Land Policy and Population Redistribution



How can we know if we got it right?

The Real Return to Agricultural Capital
(average annual rate)

Source	1850-59	1860-69	1870-79	1880-89	1890-99
Current					
production	5.8	11.8	10.6	7.2	8.1
Capital gains					
on land	2.9	-2.0	3.1	3.0	-1.3
Capital gains					
on livestock	6.0	2.5	5.4	5.8	2.9
Overall return	8.5	10.1	13.4	10.0	7.7

Interpretation: In each decade the average return to agricultural investment—land improvements, livestock, buildings, farm machinery—was equal to or above contemporary yields on other investments. Note that these yields did not depend on capital gains earned on land, which would partially reflect greater land rents associated with improved transportation.

Source: Robert Fogel and Jack Rutner, "The Efficiency Effects of Federal Land Policy 1850-1900," in *The Dimensions of Quantitative Research in History*, ed. William Aydelotte et al. (Princeton: Princeton University Press, 1972): 398.