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# An Outline of the Economic Development of the United States

REVISED EDITION



NEW YORK CHAPTER  
AMERICAN INSTITUTE OF BANKING  
New York, 1924



An Outline of the  
Economic Development of the  
United States

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American Institute of Banking

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NEW YORK CHAPTER, INC.

AMERICAN INSTITUTE OF BANKING

## INTRODUCTORY NOTE

**T**HE story of the development of the United States from the thirteen colonies to a modern industrial world power is one which loses none of its fascination in the telling. As here outlined, it has been studied by students in New York Chapter of the American Institute of Banking for several years. Teaching experience has demonstrated that the present method of approach is sufficiently satisfactory to require only a few minor changes in the Outline since its original publication in 1921.

In connection with each section of the topical outline the instructor will assign text-book readings. The student who has the time and disposition, however, will find it valuable to read additional material on the subjects of classroom discussion. As an aid in the selection of supplementary readings, suggestions have been appended to each main division of the outline. A list of the books thus cited follows:

- Beard, C. A. and M. R., *History of the United States* (1921). Cited as *Beard*.
- Bogart, E. L., *The Economic History of the United States (Revised Edition, 1923)*. Cited as *Bogart*.
- Dewey, D. R., *Financial History of the United States (Revised Edition, 1922)*. Cited as *Dewey*.
- Lippincott, I., *Economic Development of the United States* (1921). Cited as *Lippincott*.
- Magee, J. S., *Introduction to Economic Problems* (1922). Cited as *Magee*.
- Thompson, C. M., *History of the United States, Political, Social, Economic (Revised Edition, 1922)*. Cited as *Thompson*.
- Van Metre, T., *Economic History of the United States* (1921). Cited as *Van Metre*.
- West, W. M., *History of the American People* (1918). Cited as *West*.
- White, H., *Money and Banking (Fifth Edition, 1914)*. Cited as *White*.

To the student who wishes to acquire a small library dealing with the history of the United States the following books are recommended in addition to those previously cited: D. S. Muzzey, *The United States of America*, in two volumes (1924); William MacDonal, *Three Centuries of American Democracy* (1923); Max Farrand, *The Development of the United States from Colonies to a World Power* (1918). A small series of works on American history is the admirable *Riverside History of the United States* in four compact volumes.

It is a pleasure to acknowledge the assistance of Dr. Alfred C. Bryan and Mr. L. Brewster Smith in the revision of this outline and to pay tribute to their efficiency and their contagious enthusiasm in their work as instructors in New York Chapter of the American Institute of Banking.

EDWARD MEAD EARLE

New York, May 1, 1924

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The first part of the book is devoted to a general history of the United States from its discovery to the present time. It is written in a simple and plain style, and is intended for the use of schools and families. The author has endeavored to give a full and accurate account of the events which have shaped the history of the country, and to show the causes and consequences of each important event. The book is divided into three parts: the first part contains a general history of the United States; the second part contains a history of the individual States; and the third part contains a history of the Federal Government.

The second part of the book is devoted to a history of the individual States. It is written in a simple and plain style, and is intended for the use of schools and families. The author has endeavored to give a full and accurate account of the events which have shaped the history of each State, and to show the causes and consequences of each important event. The book is divided into three parts: the first part contains a general history of the United States; the second part contains a history of the individual States; and the third part contains a history of the Federal Government.

The third part of the book is devoted to a history of the Federal Government. It is written in a simple and plain style, and is intended for the use of schools and families. The author has endeavored to give a full and accurate account of the events which have shaped the history of the Federal Government, and to show the causes and consequences of each important event. The book is divided into three parts: the first part contains a general history of the United States; the second part contains a history of the individual States; and the third part contains a history of the Federal Government.

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The fourth part of the book is devoted to a history of the Federal Government. It is written in a simple and plain style, and is intended for the use of schools and families. The author has endeavored to give a full and accurate account of the events which have shaped the history of the Federal Government, and to show the causes and consequences of each important event. The book is divided into three parts: the first part contains a general history of the United States; the second part contains a history of the individual States; and the third part contains a history of the Federal Government.

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# An Outline of the Economic Development of the United States

## I. THE SCOPE AND IMPORTANCE OF ECONOMIC HISTORY

- A. Relationship of economic history to economics.
1. Definition of economics.
  2. Topics included in economics; problems of production, exchange, consumption, distribution.
  3. History a record of past experiences: the value of considering contemporary problems in relation to their historical background.
  4. Frequent overemphasis upon political and military history at expense of adequate consideration of economic history.
- B. The world of to-day compared with the world of Columbus.
1. Economic organization of the sixteenth century compared with that of the twentieth century.  
Relative importance of agriculture, commerce, industry.  
Business organization and methods.  
Social conditions: the medieval manor and town contrasted with the modern farm and industrial city.
  2. These remarkable changes can be understood and appreciated only by a consideration of how they came about.
  3. The phenomenal development of America since its discovery.
- C. Factors in the economic development of the American people.
1. Natural resources of the land.  
Climate, soil, plant and animal life.  
Mineral wealth.  
Coast line and navigable rivers.
  2. The American people and American institutions.  
Influence of American political institutions.  
The importance of education and social institutions.
- D. Outline of the purposes and plan of the course.  
*Van Metre*, Chap. I; *Lippincott*, Chap. I.

## II. THE EUROPEAN BACKGROUND OF AMERICAN HISTORY

- A. European commerce and industry in the later fifteenth century.
1. Trade with the Orient: its extent and importance.
  2. Problems of transportation: the trade routes to the East.
  3. Industry under the guilds.

✓ B. Economic motives for exploration: the Commercial Revolution.

1. Aids to exploration.
  - a. Progress of geographical knowledge.
  - b. Development of navigation: maps and nautical instruments.
  - c. Invention of printing.
2. Desire of the Spaniards and Portuguese for new trade routes.
3. The era of exploration: "The discovery of America an accident."
- ✓ 4. Rôle of the trading companies.
- ✓ 5. Rise of national monarchies and need of royal revenues.

C. Economic motives for colonization.

1. Motives of the individual colonist.
  - a. The desire for riches and the spirit of adventure.
  - b. Relief from pressing economic misery at home: unemployment prevalent after changes in agricultural methods, for example.
  - c. Promise of a sure and happy living in a new country rich in opportunities.
2. Motives of the colonizing nations.
  - a. Colonies as a source of supply for the national stock of gold and silver.
  - b. As a source of supply for raw materials.
  - ✓ c. As a market for manufactured articles.
  - d. As an outlet for "surplus population."
3. The economic motives for colonization must not be allowed, however, to obscure the importance of other motives.
  - a. Political: national and dynastic rivalries.
  - b. Religious.
    1. The missionaries.
    2. Desire to escape religious persecution.

D. The colonization of North America.

1. Failure of the rivals of England in the appropriation of the New World.
  - a. Faulty colonial policy of Spain.
  - b. Failure of the Dutch in New Netherlands.
  - c. The rise and fall of the French colonial empire.
2. The success of the English as colonizers.
  - a. Reasons for this success.
    1. Attitude of the home government.
    2. Character of the settlers.
    3. Homogeneity and compactness of settlements.
  - b. Establishment of the thirteen English colonies.

*Van Metre*, Chaps. II and III. *Thompson*, Chaps. I and II; *Lippincott*, Chap. III; *Bogart*, Chap. I.

III. COLONIAL AMERICA, SOCIAL AND ECONOMIC

Topography  
✓ A. Predominance of agriculture over all other occupations of the English colonists.

1. Primitive agricultural methods in the colonies.
  - a. Modelled on backward European methods.
  - b. Crude implements, showing practically no improvement over those used thousands of years before.
  - c. "Earth butchery": failure to preserve qualities of soil by rotation or fertilization.
  - ✓ d. Indian culture.

2. Experimentation and adaptation.
  - a. Successful introduction of European crops.
  - b. Native American plants of the utmost importance.
    1. Indian corn, the potato, timothy, pumpkin and squash, etc.
    2. Tobacco.
  - c. Other crops successfully grown: rice, cotton, indigo.
- ✓ 3. Characteristics of colonial agriculture: sectional differences.
  - a. New England.
    1. Comparatively poorly adapted to agriculture. 2/2/29  
 Poor soil and short season for cultivation.  
 Required intensive cultivation.
    2. The New England farm a self-sufficing economic unit.
  - b. Middle colonies.
    1. Better soil and better supply of labor responsible for larger holdings.
  - c. The Southern colonies and the plantation system.
  - d. Social and economic effects of these sectional differences, particularly as regards land tenure and systems of labor.

✓ B. Colonial industries.

1. Lumbering, shipbuilding, naval stores. 2/1
2. Fishing.
  - a. Influence of fishing in development of American sea-going commerce.
3. Fur-trading.
  - a. Importance to the colony of New York.
  - b. Influence as initial incentive to westward expansion.
4. The household industries and their importance.
5. Other industries: textile manufactures, iron, hats, rum.

✓ C. Colonial commerce.

1. Local trade. 2/2/28
2. Obstacles to intercolonial trade.
3. The development of foreign commerce.

✓ D. Colonial money and banking.

1. Scarcity of money and the reliance upon barter.
2. Colonial monetary experiments: commodity money.
  - a. Wampum and other experiments in New England.
  - b. Tobacco and rice as monetary standards in the South.
  - c. Furs as money in New York.
3. The deficiencies of colonial commodity moneys.
4. Circulating media in the colonies.
  - a. Coins: English coins; the Spanish dollar; "pine tree shilling;" etc.
  - b. Paper money: bills of credit, public and private.
5. Colonial "banking." 159

✓ E. Colonial labor problems.

1. ✓ Scarcity of hired labor; abundance of free land and consequent ability of all but least resourceful to become independent farmers.
2. White servitude in the colonies.
  - a. Classes of indented servants: voluntary and involuntary. 71, 72, 73
  - b. Advantages and disadvantages of indented servitude.
3. Beginnings of negro slavery.
  - a. Growth of the slave trade.
  - b. ✓ Territorial distribution of negro slaves.

F. Social conditions in the colonies.

1. Rapid growth of population in the English colonies.
2. Foundation of education in America.
  - a. Leadership of the churches: Harvard, Yale, Dartmouth, Columbia, William and Mary, and other colleges founded as religious institutions.
  - b. Progress of the idea of compulsory education.
3. Social institutions.
  - a. Social distinctions and aristocracy: contrast between North and South in this respect.
  - b. Colonial ideas of "liberty" and "democracy."

*Van Metre*, Chaps. IV and VI; *Lippincott*, Chap. IV; *Beard*, Chaps. II and III; *Thompson*, Chaps. III and IV; *Bogart*, Part I.

IV. BRITISH COLONIAL POLICY AND ITS CONSEQUENCES

A. Factors contributing to the development of mercantilism in Europe in the seventeenth and eighteenth centuries.

1. Political conditions: growth of powerful nations of the Atlantic seaboard; religious, dynastic, colonial wars; dependence of kings upon money rather than feudal dues.
2. Economic conditions: expansion of commerce and industry; increase in population; more extended use of money and decreasing reliance upon barter.

B. The tenets of mercantilism.

1. Importance of amassing and maintaining national stock of gold and silver.
2. Encouragement of national shipping.
  - a. For increasing naval strength.
  - b. For maintenance of "favorable balance of trade."
3. Promotion of agricultural self-sufficiency.
4. Encouragement of manufacturing and export trade.

C. The implications of mercantilism.

1. Colonies exist for the benefit of the mother country.
2. Colonies therefore obliged to regulate their economic activities in the interest of self-sufficiency and economic power of mother country.

D. The operation of mercantilism in the English colonies in America.

1. Effects on colonial shipping and commerce.
  - a. The Navigation Acts.
  - b. Interference with intercolonial trade.
  - c. Limitations on foreign commerce: "enumerated" and "non-enumerated articles."
  - d. The Molasses Act of 1733.
  - e. Summary of effect on colonial commerce. Help or hindrance?
2. Colonial agriculture and the mercantilist system.
3. Mercantilist restrictions on colonial manufacturing.
  - a. Discouragement and prohibition of industries likely to compete with English goods in the colonial market or abroad.
  - b. Bounties and preferential tariffs on certain products considered essential to mother country.
  - c. Estimate of the extent to which these restrictions constituted an economic hardship to the colonists.
4. Colonial disregard for the mercantilist regulations: smuggling. British policy of "salutary neglect" in enforcement of the law.

E. The mercantilist system paves the way for the American Revolution.

1. Accession of George III (1760) and his attitude toward colonial government and "salutary neglect."
2. Effects of the French and Indian War (1754-1763). The problem of taxation.
3. Effect of economic conditions in England.

*Van Metre*, Chaps. V and VII; *Bogart*, Chaps. VI and VII; *Lippincott*, Chap. V; *Thompson*, Chaps. V and VI.

V. ECONOMIC PHASES OF THE AMERICAN REVOLUTION

A. A consideration of the economic causes of the Revolution.

1. Colonial resistance to the enforcement of the mercantilist regulations.
  - a. The Stamp Act, 1765, and the powerful interests it affected — newspaper publishers, lawyers, merchants, bankers.
  - b. The cry of "Taxation without Representation"; the non-importation agreements.
  - c. Increasing agitation against enforcement.
2. Extent to which political factors increased colonial discontent.
3. Failure of British attempts at conciliation and the beginnings of organized resistance. The First Continental Congress, 1774.
4. Outbreak of the Revolution. "Taxation without Representation" or "No Taxation?"

B. Fiscal history of the Revolutionary period.

1. Financial chaos at the outbreak of hostilities.
2. Methods of financing the war.
  - a. "The Continentals."
    - Amounts issued by nation and states.
    - Depreciation and attempts to arrest it.
    - Effects of the Continentals on economic conditions.
  - b. State requisitions and taxation.
  - c. Domestic and foreign loans.
  - d. Futile attempts to secure national taxes.
3. Robert Morris, financier and statesman.
  - a. Services of Robert Morris as Superintendent of Finance, 1781-1784.
  - b. The organization and success of the Bank of North America. Its foundation, 1781, marks the beginning of American banking.

C. Industrial conditions during the war.

1. Isolation as an encouragement to agriculture and manufacturing.
2. Commerce and "privateering."
3. General economic conditions unsatisfactory because of unstable currency.

D. Unsatisfactory character of the Confederation a handicap to economic progress.

*Van Metre*, Chap. VIII; *Thompson*, Chap. VII; *Beard*, Chap. V.

VI. THE NEW NATION AND ITS PROBLEMS

A. Economic and political readjustment during the critical period 1783-1789.

1. Defects of the Articles of Confederation.

- a. Impotence of Congress and excess power of states in matters of finance, commerce, industry, foreign affairs.
  - b. Inherent defects of organization; consequent governmental inefficiency.
  2. Economic conditions making imperative the adoption of a new constitution.
    - a. Collapse of the national credit.
    - b. Depreciation of the currency: the question of "hard" versus "soft" money; Shay's Rebellion.
    - c. Question of protection to American commerce and industry.
    - d. Interstate trade restrictions hampering economic development.
  3. The adoption of a new Constitution.
    - a. Character of the Annapolis Convention of 1786 and the Federal Constitutional Convention of 1787.
    - b. The framing of the Constitution and its adoption by the States.
  4. Provisions of the new Constitution of great economic importance.
    - a. Far-reaching powers of Congress in the regulation of finance, industry, interstate and foreign commerce.
    - b. Significant limitations on the powers of the states.
- B. Certain outstanding facts of the economic situation in 1789.
1. Population.
    - a. Total number about 4,000,000 of whom 1/6 were negroes.
    - b. Distribution.  
Relative position of North and South and West.  
The cities: only 6 with a population in excess of 7,500; New York largest with 33,000.
  2. Agriculture still the basic industry, occupying some 90% of the population.
  3. Hamilton's reports as indicating the character of the problems facing the new government.
- C. Governmental protection to American shipping.
1. Protective features of the Navigation Act of 1789; preferential features of the Tariff Act of 1789; protection to American seamen by act of 1790.
  2. Effects of this legislation.
- D. Protection and stimulation of American industries.
1. American market flooded with foreign goods after the war.
  2. Protective features of the tariff of 1789.
  3. Patent Law of 1790.
  4. Hamilton's Report on the Manufactures advocates a constructive policy toward American industry.
- E. Problems of public finance and their solution.
1. Establishing the national credit.
    - a. Funding and redemption of the domestic and foreign debt.
    - b. Solution of the problem of certificates of indebtedness and bills of credit.
  2. Establishment of a monetary system: the Mint and Coinage Act of 1792.
  3. Provision of a national revenue.
    - a. Revenue features of the Tariff and the Navigation Act of 1789.
    - b. Excise duties and direct taxes. Unpopularity of these taxes: the Whiskey Tax, 1791, and the Whiskey Rebellion, 1794.

4. Establishment of a banking system (treated fully in Section IX below).
    - a. Banks of New York, North America, and Massachusetts.
    - b. Establishment of the First Bank of the United States, 1791.
- Van Metre*, Chaps. IX and X; *Thompson*, Chap. VIII; *Lippincott*, Chap. VI; *Beard*, Chap. VII; *Dewey*, Chap. III.

## VII. THE STRUGGLE FOR ECONOMIC INDEPENDENCE, 1789-1815

### A. European affairs and their effects upon American economic life.

1. The upheaval in Europe occasioned by the French Revolution and the Napoleonic Wars.
2. Initial effect of European disturbances on American conditions: bright prospects during first years of the new nation, 1789-1806.
  - a. Agricultural prosperity: great increase in value of products because of wider market in Europe; consequent increase in land values.
  - b. The colossal growth of the carrying trade in American ships.
  - c. Beginnings of the development of American industry.
3. Bitterness of the European strife compromises American interests.
  - a. As early as 1793 Great Britain stopped profitable carrying trade of American ships between West Indies and France.
  - b. In 1806, with the British Orders in Council, began a series of invasions of the rights of neutral ships at sea: Napoleon's Berlin and Milan Decrees and the retaliatory British Orders in Council; privateering and the seizure of neutral vessels; impressment of American seamen.
  - c. Effect of these measures on American trade, agriculture, industry.
4. Similarity of these conditions with those of 1914-1917.

### B. American retaliation and the effort to preserve neutrality.

1. The Embargo Act, 1807.
  - a. Effect of the embargo to close American harbors and to allow ships to remain idle and products to rot at the wharves; unemployment of men and capital.
  - b. Opposition to the embargo and its repeal, 1809.
2. The Non-Intercourse Act, 1809.
  - a. Prohibition of trade with the belligerents.
  - b. Almost as disastrous to Americans as embargo, but without perceptible effect upon warring nations.
3. Failure of other measures of retaliation, such as arming of merchantmen.

### C. The Second War with Great Britain, 1812-1814.

*Van Metre*, Chap. XI; *Bogart*, Chap. VIII; *Thompson*, Chap. IX.

## VIII. INDUSTRIAL DEVELOPMENT, 1806-1860

### A. The American Industrial Revolution.

1. Reasons for the slow development of American industry, 1789-1806.
  - a. High cost of labor and scarcity of capital in United States.
  - b. Abundance of free land.
  - c. Profitable opportunities in agriculture and commerce.

2. "Industrial Isolation," 1807-1815, and its results.
  - a. Isolation from Europe provides opportunity for American goods to replace those formerly imported.
  - b. Embargo and Non-Intercourse Acts caused stagnation in commerce and losses in agriculture; labor and capital diverted to manufacturing.
  - c. The War of 1812-1814 completes industrial isolation and supplies additional impetus to industry in the demand for war materials.
3. What is meant by the term Industrial Revolution.
  - a. A great increase in industrial production.
  - b. Changes in the methods of production.
4. General features of the American Industrial Revolution.
  - a. Tremendous development of certain industries, notably the textile and iron and steel industries.
  - b. Abandonment of the domestic system in these industries and the beginnings of the factory system; introduction of machinery.

## B. Phenomenal development of certain industries.

1. The textile industries: manufactures of cotton and wool.
  - a. Importance of the invention of cotton gin by Eli Whitney (1793).
  - b. Subsequent introduction of machines from England, in spite of English embargo on their export.
  - c. Tremendous growth in production of cotton and woolen goods.
  - d. Rapid rise of factory towns devoted to manufacture of textiles.
  - e. Effect of development of textile industries on prosperity of the South and the settlement of the West.
2. The coal and iron industries.
  - a. Centered in anthracite coal fields: early growth of Pittsburgh.
  - b. Factors in growth of iron industry.
    - Great natural resources.
    - Influence of the railroads and the demand for rails and other equipment; demand of the new factories for tools, machinery, hardware.
    - Demand for agricultural implements increased as settlement of West proceeded.

## C. Social effects of the Industrial Revolution.

1. Development of an employee class in the factory industries.
2. Growth of factory towns.
3. Stimulation to immigration.
4. Replacement of skilled by unskilled labor.

## D. Government protection of manufacturing.

1. Demands for protection of "infant industries" after the war; the Tariff Act of 1816.
  2. Policy of increasing tariff protection.
    - a. The Act of 1821.
    - b. The "Tariff of Abominations," 1828.
    - c. The Act of 1832.
  3. The compromise Tariff of 1833.
  4. A temporary epoch of free trade, 1846-1860.
    - a. Economic conditions during this period.
  5. Consideration of relations between this protective policy and the industrial progress of the nation.
- Van Metre*, Chaps. XII and XIII; *Bogart*, Chaps. X, XI; *Thompson*, Chap. XII; *Lippincott*, Chap. IX.



IX. FINANCIAL DEVELOPMENT, 1789-1860

A. Review of the financial situation in the United States in 1789.

1. Limited banking facilities.
2. Absence of a uniform currency of stable value.
3. Unsatisfactory state of the national credit.
4. The arguments for a national bank as set forth by Hamilton's Report of 1790.

B. The First Bank of the United States, 1791-1811.

1. Opposition in Congress to establishment of the Bank gradually overcome.
2. Established by law of February, 1791.
3. The Bank in operation.
  - a. Chief features of its charter.
  - b. Main office opened in Philadelphia, December, 1791; branches in eight other cities soon after.
  - c. Great financial success of the Bank from very start.
4. The Bank as a national asset.
  - a. Its services to the federal government.
  - b. Its services to the business community.
  - c. Its establishment of a stable circulating currency.
5. Opposition to the renewal of the Bank's charter.
  - a. Antagonism of the state banks.
  - b. Political considerations.
6. Dissolution and liquidation.

C. Fiscal history of the War of 1812.

1. Inadequate financial preparation for the War.
  - a. Dissolution of Bank of the United States a serious handicap.
  - b. Exportation of over \$7,000,000 to pay off foreign stockholders of Bank depleted reserves.
  - c. Great increase in number of note-issuing state banks caused inflation and instability in the currency.
  - d. Unpopularity of war in New England made levying of taxes difficult.
2. Gallatin's policies of war financing.
3. Methods of paying for the war.
  - a. Loans.
  - b. Treasury notes and the inflation of the currency.
  - c. Taxes; paid less than half of expenditures.
4. Financial disorganization connected with activities of state banks.

D. The Second bank of the United States, 1816-1836.

1. Great need for the bank to bring order out of chaos.
2. Chief features of its charter, as granted by act of Congress, April, 1816.
3. The Bank in operation and its record.
4. Andrew Jackson and the end of the Bank; political considerations outweigh economic reasons for its continuation.

E. The Independent Treasury System resorted to by federal government, 1840.

F. State banking and its evils.

1. Enormous growth in number of state banks during early nineteenth century.

- a. Possibility of tremendous profits from issue of bank notes.
- b. Speculation in western lands and in internal improvements.
- c. Speculative promotion encouraged formation of banks but not proper management.
2. Evils of state banks.
  - a. Instability of the currency occasioned by over-issue of notes.
  - b. Failures and the losses suffered by the community.
  - c. Lack of a satisfactory depository for government funds.
  - d. Handicap thus imposed upon business operations.
3. General failure of state regulation. Some states went so far as to prohibit the existence of banks within their territory.

#### G. Attempts to reform the state banking system.

1. Massachusetts: the Suffolk Banking System.
  - a. The New England Bank and its attempt to prevent inflation of currency by smaller banks; its system of collections instituted 1813.
  - b. The Suffolk Bank (1818) and its scheme of collections.
  - c. Massachusetts law of 1845 gives legal sanction to Suffolk System.
  - d. Success of the system.
2. New York: the gradual development of constructive banking policy.
  - a. Intolerable conditions in early New York banking: banks the spoils of party politics.  
 Origin of the Bank of the Manhattan Company.  
 Scandals connected with formation of the Merchants Bank (1804) and the Bank of America (1811).  
 Popular indignation at the situation.
  - b. The Safety Fund System, 1829-1839.  
 Purposes, operation, defects.
  - c. Initiation of the Bond Deposit System, 1838.  
 Importance in security of note issues.  
 Influence on note-issue of national banks twenty-five years later.
  - d. The notable State Constitution of 1846.  
 Double liability of stockholders established.  
 Note holders made preferred creditors.  
 Legislature prohibited to suspend specie payments.  
 No more "special" charters, and all future charters to be specifically subject to amendment by law.
3. Importance of these state reforms as forerunners of the National Banking System of 1863.

*Van Metre*, Chap. XVI; *Thompson*, Chap. XVI; *Lippincott*, pp. 122-125, 217-225; *Bogart*, Chap. XV; *White*, Chaps. VI, VII, VIII, IX, and XII.

### X. THE WESTWARD MOVEMENT AND TERRITORIAL EXPANSION

#### A. The territorial expansion of the United States.

1. The territory of the United States in 1783.
2. The Louisiana Purchase, 1803, and its importance.
3. Purchase of Florida from Spain, 1819.
4. Annexation of Texas, 1845.
5. The War with Mexico and the acquisition of California, Arizona, New Mexico, Utah, 1848.
6. Adjustment of the Oregon claims: possession of Idaho, Oregon, Washington.
7. The Gadsden Purchase, 1853.

B. The Settlement of the West.

1. The influence of the pioneer on American institutions.
2. Causes of westward migration.
  - a. Dissatisfaction of native American with economic conditions in the East.
  - b. Competition of foreign immigrants in East.
  - c. Tremendous economic opportunities in the virgin West.
  - d. Later, the development of means of transportation.
  - e. Discovery of gold in California, 1849.
3. Government encouragement of westward migration.
4. Growth of population of West in spite of all handicaps.
5. Vigor and resourcefulness of the new settlements.

C. Some effects of the westward movement.

1. On transportation.
  - a. Transportation becomes imperative as western settlements grow.
  - b. Development of inland commerce: the great era of internal improvements.
    - Steamboat traffic on the great rivers and the Great Lakes.
    - The construction of turnpikes.
    - The canals: the Erie Canal, 1825; the Pennsylvania system, 1834.
  - c. The stimulus to railroad construction.
2. On national economic conditions.
  - a. Development of triangular relationship between West, South and East; great growth in Mississippi river traffic.
  - b. Migration a cause of labor scarcity in East, thus raising wages.
  - c. Great prosperity of the agricultural West a source of prosperity of the industrial East.
3. On population.
  - a. Distributed population and avoided suffering which otherwise might have been occasioned by industrialization of East.
  - b. Not only an effect, but a cause, of immigration.
4. On social and political institutions.

D. The West a source of strength to the Union in the coming economic struggle of the Civil War.

*Van Metre*, Chaps. XIV and XVII; *Bogart*, Chap. XII; *Lippincott*, Chap. XIV; *Thompson*, Chap. X; *Beard*, Chap. X.

XI. DOMESTIC AND FOREIGN COMMERCE BEFORE THE CIVIL WAR

A. Great growth of inland commerce.

1. Largely the result of the settlement of the West and the improvements in transportation.
2. Development of the railroads.
  - a. By 1860 communication had been established between the East and Chicago and St. Louis.
3. Other communications: the telegraph, 1832; universal 3c. postal service, 1850; wider circulation of newer and better periodicals and newspapers.

B. Development and growth of an important coastwise trade.

1. Limitation of this trade to American vessels by laws of 1789 and 1817.
2. Importance of the trade in economic relationships of North and South.

C. Growth of foreign trade.

1. Rapid increase after 1845, lasting until outbreak of Civil War.
2. Chief foreign markets for American products.
  - a. Importance of the European market.
  - b. England as the best customer.
3. Chief commodities of export: great predominance of agricultural products.
4. The import trade.
  - a. Chief articles of import: great predominance of manufactured articles and luxuries.
  - b. Importance of the import trade: balance of imports over exports several hundred million dollars.
5. Settlement of this "unfavorable balance of trade."
  - a. Freights earned by American vessels.
  - b. Loans from European investors.
    - Extent to which European capital was invested in American banks, railroads, and other enterprises.
    - Significance of these loans.
  - c. Exports of gold: importance of discovery of gold in California.

D. The American merchant marine.

1. The ship-building industry.
  - a. Importance and extent, particularly in New England.
  - b. Great prosperity during the era of free trade.
  - c. Superior quality of American workmanship in ship construction: the famous American clippers.
2. Prosperity of the merchant marine and the carrying trade: in 1860 American tonnage almost equal to that of Great Britain and all her colonies.
3. Causes for the decline of the merchant marine after the Civil War.
  - a. The Civil War and its disturbance of commerce.
  - b. The protective tariff.
  - c. Growth of industrial enterprises in United States, cutting down demand for foreign manufactured articles.
  - d. Failure of American ship-builders to compete successfully with European-built steamships.
4. Emphasis upon relationship between tariff policies and foreign trade. Is a "protective" tariff destructive to American shipping?

*Van Metre*, Chaps. XV, XVIII; *Bogart*, Chaps. XIII, XIV; *Thompson*, Chap. XIV and first part of XV; *Lippincott*, Chap. XI.

★ XII. AGRICULTURE AND THE QUESTION OF SLAVERY

A. Agricultural progress, 1800-1860.

1. Exploitation of virgin territories of the West.
  - a. Influence of improved transportation.
  - b. Growth of population of the great agricultural Middle West.
  - c. Pioneers in the trackless prairie country beyond the Mississippi.
2. Extension of cotton culture to the Southwest.
  - a. Importance of the central Gulf states and, later, of the states beyond the Mississippi: Arkansas, Louisiana, Texas.
  - b. Tremendous influence of the westward movement of cotton culture.
    - The cotton crop and the prosperity of the South.
    - The cotton crop and the textile industries of the North.
    - Cotton and the question of slavery.

3. Introduction and utilization of machinery for agricultural purposes.
  - a. Necessity of machinery in development of great tracts of land in the West.
  - b. Typical inventions in farm machinery.  
Discarding of antiquated wooden plow and the adoption of improved iron plows.  
Cyrus H. McCormick's reaper, 1831; its subsequent development.  
Mower, thresher, harrow, cultivator, and other implements.
  - c. Great importance of these machines.  
Rôle in the growth and prosperity of the great West.  
Great increase in production of foodstuffs; vital importance of this fact.
4. Development of the live stock industry.
  - a. Importance of the live stock industry: with meat packing destined to become greatest American industry.
  - b. Chief characteristics of pre-Civil War development.  
Improvements in breeding of animals.  
Great increase in number of animals raised.
  - c. Principal types of live stock: cattle, horses, swine, sheep.
5. Beginnings of more scientific attitude toward agriculture.
  - a. Organization of agricultural societies.
  - b. First Congressional appropriation in aid of scientific agriculture, 1839; organization of a Bureau of Agriculture, 1862.
  - c. The agricultural societies the forerunners of agricultural schools and colleges.

B. The chief crops of American agriculture, 1860.

1. The great importance of the cotton crop.
2. Foodstuffs: the great staples, corn and wheat.
3. Other important crops: hay, tobacco, rice, sugar cane.

C. Slavery as an economic and social problem.

1. Economic reasons for the existence of slavery in the South and its non-existence in the North.
  - a. Character of labor required in each section of country.
  - b. Extent to which machinery could be applied to work required.
  - c. The organization of production: the Southern plantation compared with the Northern farm and factory.
2. Advantages of slave labor to the Southern planter.
  - a. Provided absolute and unqualified control over labor and its use.
  - b. Generally reputed to be cheap labor.
  - c. Adaptability of slave labor to cotton culture.
  - d. Abundance of free land permitted unintelligent cultivation of soil.
3. Disadvantages of slave labor.
  - a. Reluctance of forced labor; consequent unusual amount of supervision.
  - b. Clumsiness, ignorance, wastefulness, lack of versatility of slaves.
  - c. Wastefulness of the plantation system.
  - d. Slavery a form of moral degradation?
4. Question of the alleged necessity of slave labor.

D. Slavery a political question.

*Beard*, Chap. XIV; *Bogart*, Chaps. IX, XVII, XVIII; *Thompson*, Chaps. XIII and XVII.

XIII. SURVEY OF SOCIAL AND ECONOMIC CONDITIONS AT OUT-  
BREAK OF CIVIL WAR

A. Population of the nation in 1860.

1. Total for the nation 31,000,000, representing an increase of 100% in a period of twenty-five years.
2. Growth of cities in the industrialized North and East.
3. Causes of increasing population.
  - a. The native birth-rate.
  - b. Immigration.
  - c. Prosperity and the food supply.

B. Immigration and the development of the North and West.

1. Causes of European immigration to the United States.
  - a. Demand for labor in America, both in the agricultural West and the industrial East.
  - b. Disturbed conditions in Europe, notably the Irish famine of 1846 and the revolutions of 1848.
2. Distribution of immigration.
  - a. Slave labor in the South a cause for keeping immigrants away.
  - b. Lure of the older agricultural states of the West: German settlements in Wisconsin and Minnesota.
  - c. Immigrant labor in the factories of the East.
  - d. Absence of immigrants among the pioneers.
3. Character of immigration before Civil War.
  - a. Ireland and Germany supplied greatest number, 1820-1860.
  - b. England, France, Switzerland, Netherlands followed.
  - c. Practically none from southern and southeastern Europe.
4. Social problems of immigration.
  - a. The Irish problem: congestion in the cities; clannishness; popular fear of Catholicism; political activities in New York.
  - b. American reaction to immigrants: The Native American Party; the Order of the Star Spangled Banner; the Know Nothing Movement.
5. Importance of this older immigration in economic development of nation.

C. The free laborer of the North.

1. Factors making for altered position of the free laborer in the North.
  - a. Extension of the factory system.
  - b. Transformation from the "handicraft" to the "domestic" system in certain other industries.
  - c. Wider demands for manufactured articles because of increased population and improved transportation facilities.
2. Some phases of this altered position.
  - a. Appearance of new forces of competition: prison labor, sweat-shops, woman and child labor, variations in living costs between communities.
  - b. The employer-employee relationship.
3. Early demands of labor.
  - a. Shorter work day: "six to six."
  - b. "Hard money."
  - c. Prohibition of speculation in public lands; sale of these lands to citizens on reasonable terms.
4. Labor organization and trade unionism practically non-existent.
5. The Socialism of the day not a working-class movement.
  - a. Owenism, inspired by visit to America of Robert Owen, 1825.
  - b. Other Utopians: Fourier, Brisbane, and others.

D. Comparative economic resources of North and South for the coming war.

1. Population ratio of 19-12 in favor of North.
2. Industrial conditions.
  - a. Overwhelming superiority of the North in production of manufactured articles.
  - b. South poorly equipped with the "sinews of war."
3. Agriculture.
  - a. North supplied with abundance of food-stuffs.
  - b. South had specialized in "money crops" such as cotton and tobacco.
4. Transportation.
  - a. Northern railway mileage almost  $2\frac{1}{2}$  times that of South.
  - b. Better roads in North.
  - c. Rivers about equally divided.
  - d. Coastwise and ocean traffic in hands of North.
5. Importance of economic resources in final outcome of the Civil War.

*West*, Chap. LVI; *Thompson*, Chap. XVIII; *Bogart*, Chap. XVI.

XIV. ECONOMIC ADJUSTMENTS DURING THE CIVIL WAR

A. Financial chaos at outbreak of the war.

1. Financial panic following the election of Lincoln.
2. Inadequacy of the system of taxation.
3. Lack of a national bank and the disorganization of state banking.
4. Inability of the government to borrow money even at exorbitant interest.

B. Financial reform to meet war-time expenditures.

1. Initial attempts of Congress to meet expenses of war from loans.
2. Gradual increasing of taxation: the new tariff; stamp duties; income tax; "Taxation from the cradle to the grave."
3. Resort to legal-tender notes: the "Greenbacks;" the "Shin-plasters."
4. Final adoption of a national banking system.

C. The establishment of the National Banking System.

1. The need for banks under federal control.
  - a. Inflation, redundancy, lack of uniformity of note issue under a system of state banking.
  - b. Unequal distribution of state banking facilities.
  - c. State bank issues incompatible with national interest at a time when country was fighting war of self-preservation.
  - d. Very serious need of aid for the national credit.
2. The Acts of Congress, establishing the National Banking System.
  - a. The Act of February 25, 1863, establishing national banks authorized to issue notes on the bond deposit system.
  - b. The amending Act of June 3, 1864, incorporating improvements suggested by Hugh McCulloch, first Comptroller of the Currency.
  - c. The Act of March 3, 1865, placing 10% tax on circulation of state banks.

3. Chief features of the National Banking System.
  - a. Organization of member banks.
  - b. Liabilities of directors and stockholders.
  - c. Supervision and examination by federal government.
  - d. Limitations on banking operations.
  - e. Privilege and conditions of bank note circulation.
  - f. Reserves.
4. The System in operation and its services during the War.
5. Antagonism to the national banks during the War and after.

#### D. Industry during the War.

1. War-time demand for manufactured articles stimulates production.
2. A concurrent shortage of labor brought about sweeping changes of method (see below, Section XV).
3. Protective aspects of war-time tariff acts.

#### E. Agriculture and its importance.

1. Agriculture, as well as industry, faced by an increasing demand and a shortage of labor.
2. Extension of the use of machinery: "The issue of the Civil War was decided by the invention of the reaper." Maintenance of the food-supply.
3. The Homestead Act, 1862, and its assurance of further development of national agricultural resources.

#### F. Transportation during the war.

1. Increased mileage of the North offset by destruction of Southern roads by contending armies.
2. National encouragement to railroad construction: land grants to trans-continental roads; beginning of the Union Pacific, 1862.
3. Decline in the merchant marine.  
*Van Metre*, Chap. XIX; *Thompson*, Chap. XIX; *Dewey*, Chap. XIII; *White*, Chap. XIV.

### XV. ECONOMIC EFFECTS OF THE CIVIL WAR

#### A. The Second Industrial Revolution in America.

1. Far-reaching effects of this Second Industrial Revolution.
  - a. Not only increased production but radically altered methods of production.
  - b. Changed the forms of business organization and investment of capital.
  - c. Gave rise to pressing social problems.
  - d. Destroyed the predominance of agriculture over industry.
2. War-time conditions as a stimulus to manufacturing.
  - a. War demand for food, clothing, munitions.
  - b. Effect of inflation and high prices upon production.
  - c. High protective tariffs and practical elimination of foreign competition.
  - d. After-war reconstruction in South and its demand upon Northern industry.
3. Other factors in industrial expansion.
  - a. Opening up of the West: influence of the Homestead Act. Increased purchasing power of domestic market. Improvement of transportation facilities for domestic trade.
  - b. Exploitation of natural resources and assured supply of cheap raw materials.



4. Extension of machine production and the factory system.
    - a. War's inroads on the labor supply and the necessity of labor-saving machinery.
    - b. Standardization (as in sizes of uniforms and equipment) and large-scale production.
  5. The Industrial Revolution in certain representative American industries.
    - a. Clothing.
    - b. Boots and shoes.
    - c. Textiles.
    - d. Iron and steel.
- B. The accompanying expansion in agricultural production.
1. Recruiting for the armies and its inroads on the agricultural labor supply; the incentive for extension of use of machinery in farming.
  2. Increasing use of improved farm implements and agricultural machinery; new inventions.
  3. Growth of area devoted to farming and tremendous increase in agricultural production.
  4. Agriculture as a business: growth of the international grain trade.
- C. Extension of the Industrial Revolution in America.
1. Development of a few representative American industries.
    - a. Iron and steel: "The steel age."
      - Abundance of ore and fuel.
      - Improvements in methods of manufacture.
      - The demand for steel products: rails, machinery, tools, sky-scrapers, dreadnaughts, bridges, trolley cars, automobiles.
      - Growth of importance of steel industry to American economic life; place of this industry in world's markets.
    - b. Clothing, footwear, textiles.
    - c. Slaughtering and meat packing.
    - d. Lumber and timber, milling, liquor, etc.
    - e. Petroleum and its growing importance.
  2. The continuance of revolutionary changes in methods of manufacture.
    - a. The system of interchangeable mechanism and standardized parts.
    - b. Wider application of power machinery; great rôle of electricity.
    - c. The Ford Motor Company an illustration of the methods of American industry.
- D. Economic reconstruction of the South.
1. Break-up of the plantation system of agricultural production.
    - a. Disadvantages of the plantation system and benefits gained by its abandonment.
    - b. Diversification of crops and increased use of machinery.
    - c. Continued importance of cotton production.
  2. Industrial development in the South.
    - a. Mining of coal and iron.
    - b. The great lumber and timber industry.
    - c. The growing importance of petroleum.
    - d. Iron and steel manufactures: Birmingham, Ala., a Southern Pittsburgh.
    - e. Cotton manufactures.
      - Encouragement by press, government, railroads, Southern capital.
      - Proximity to raw materials, cheap power, low labor costs as natural advantages.

- f. Improved transportation with consolidation and extension of railroads in great trunk systems.
3. Present place of the South in economic life of the nation.

#### E. Social and economic effects of the Industrial Revolution in America.

1. Problems of population.
  - a. Great growth of population after the Civil War.
  - b. Redistribution of population: growth of the cities.
    - Increase in number and size.
    - Emergence of great industrial cities developing around a single industry: Gary, Dearborn, Bethlehem, e. g.
    - Increasing percentage of urban as compared with rural population.
  - c. The demand for cheap labor and the new immigration, European and Oriental.
2. Readjustments of social relationships.
  - a. Decline of the mercantile and slave-holding aristocracies.
  - b. Emergence of powerful industrial capitalists: "captains of industry," "industrial barons," etc. Great fortunes and their political, social, economic importance.
  - c. Great growth in numbers of urban wage-earners.
    - The factory system and emphasis upon employer-employee relationship.
    - Classification of persons engaged in manufacturing.
  - d. Clash of agrarian and industrial interests.
3. Emergence of the labor problem in industry and politics.
  - a. Labor organizations; their growth in numbers and power.
  - b. Political parties representing interests of wage-earners: Socialism and its rise in the United States.
  - c. Lowering of labor standards.
    - Women and children in industry.
    - The competition of unskilled immigrants with low standards.
4. Changes in business organization.
  - a. Greater need for employment of large amounts of capital in industrial enterprises: the corporate form of organization.
  - b. Tendencies toward concentration of control of capital: industrial combinations and trusts.

#### F. The United States an Industrial World Power.

*Van Metre*, Chap. XX; *Thompson*, Chaps. XX, XXI; *Lippincott*, Chap. XII; *Bogart*, Chap. XIX.

### XVI. THE DEVELOPMENT OF THE GREAT WEST

#### A. The railroad, the forerunner of civilization in the Far West.

1. Great increase in mileage west of the Mississippi after 1860.
2. Transcontinental lines.
  - a. Government assistance through bond issues and land grants.
  - b. The Union Pacific and Central Pacific, 1862-1869.
  - c. The Northern Pacific, from Lake Superior to Puget Sound (1883).
  - d. The Southern Pacific, Santa Fé, and Great Northern systems.
3. James J. Hill, financier and railroad pioneer, and his methods.
  - a. Encouragement of emigration and of agriculture and industry.
  - b. Suggestion of possibilities of commerce with Far East.
4. Estimate of the great rôle of the railroads in the economic development of the West.

B. Incentives to westward expansion.

1. Agricultural possibilities of the West made still more attractive by abundance of cheap and free lands.
2. The great mineral wealth of the country.
3. Timber resources of the Northwest.
4. Oil and the lure of the Southwest.

C. The development of agriculture in the West.

1. Chief characteristics of Western farming.
2. Contribution of the West to the great international grain trade.  
Importance of this to the whole nation; a factor in establishing a "favorable balance of trade."
3. Scientific agriculture in the Western states and territories.
4. Irrigation and the reclamation of desert country.
5. Fruit-growing on the great Pacific Coast.
6. Importance of the agricultural West to the economic prosperity of the nation.

D. Western industries and their development.

1. Mining: gold, silver, iron, and copper a great source of national wealth.
2. The great timber industry.
3. Cattle raising and meat packing take front rank among American industries.
4. Fisheries, fruit canning, wine.
5. Iron and steel manufactures.
6. Oil and its growing importance.

E. Commercial development of the West: beginnings and expansion of trade with the Far East.

1. The trans-Pacific trade.
2. The stimulation to Pacific Coast shipbuilding.
3. Development of harbors and commercial cities.

F. Importance of the development of the West in economic progress of the nation.

1. Reaction upon Eastern agriculture.
2. Reaction upon Eastern industry.
  - a. Effect on labor in the East.
  - b. Expansion of the American market.
  - c. The West a source of raw materials for Eastern factories.
3. Western development and the new immigration.

*Lippincott*, Chap. XV; *Beard*, Chap. XVIII.

XVII. THE ERA OF BIG BUSINESS

A. Growth of industrial combinations since 1880.

1. Conditions that have made industrial combinations a practical possibility.
  - a. The extension of the home market and the improvement of internal communications.
  - b. Changes in methods of production and the success of large scale production.
  - c. The improvement of business methods: development of adequate accounting systems; the typewriter; extended use of telegraph and telephone.

- d. Development and utilization of corporate form of organization.
2. Statistics illustrating the growth of industrial combinations.

**B. The main reasons for industrial combinations.**

1. Desire for monopoly profits.
2. Elimination of ruinous and unfair competition.
3. Economies of production, distribution, management.
  - a. Economical utilization of plant and machinery; non-duplication of facilities.
  - b. More advantageous division of labor.
  - c. Pooling of patents and formulas.
  - d. Economical purchasing of raw materials and other necessities.
  - e. Economical marketing of the finished product.
    - Savings in advertising and sales forces, e.g. Saving of cross-freights.
  - f. Utilization of by-products: example of the packing industry.
  - g. Better possibility of skilled management at proportionally less expense.
  - h. Improved credit and better command of capital.
4. Greater power of combinations to cope successfully with growing bargaining power of labor unions.
5. The financiers' profits of promotion.

**C. Chief forms of industrial combinations in the United States.**

1. Price agreements.
2. Pools.
3. Trusts.
4. Holding companies.
5. Consolidations: mergers and amalgamations.

**D. Large scale production, as distinguished from combinations tending toward monopoly.**

1. The difference between a large plant and a combination monopolizing output.
2. Prevalence of large-scale production in modern industrial America.
  - a. Farming not well adapted to large producing units.
  - b. Mining an industry which tends to be controlled by combinations.
  - c. Large scale production usually advantageous in manufacturing.
  - d. Transportation requires elimination of certain amount of competition and can be conducted satisfactorily only with large investments of capital; combination has been regional.
3. Large-scale production in general favorable to combination.

**E. Economic problems resulting from large scale production and industrial combinations.**

1. Regulation of the railroads.
2. Regulation of trusts and other industrial combinations.
3. Adjustment of the tariff.
4. Conservation of natural resources.
5. Concentration of control of capital.
6. Labor organization and the demand for concentrated control of labor.
7. The export trade and American imperialism.

*Van Metre*, Chaps. XXI, XXII (last part), XXIV; *Bogart*, Chap. XXVI, *Thompson*, Chap. XXII; *Lippincott*, Chap. XXI, first part.

XVIII. GOVERNMENT REGULATION OF INDUSTRIAL COMBINATIONS

A. The necessity of a public policy toward industrial combinations.

1. *Laissez-faire* for obvious reasons would not be a solution. Has never actually been tried in United States, for common law prohibited combinations in restraint of trade.
2. The choice between prohibition and regulation of combinations.

B. Attempts to prohibit combinations in restraint of trade.

1. Prohibition of pools by the Interstate Commerce Act, 1887.
2. The Sherman Anti-Trust Act, 1890.
  - a. Every contract, combination, or conspiracy in restraint of trade declared illegal; persons or corporations monopolizing or attempting to monopolize interstate or foreign commerce declared guilty of misdemeanor, punishable by fine or imprisonment.
  - b. Other provisions of the Act.
  - c. Laxity of enforcement during first twelve years law was on books.
  - d. Enforcement under Roosevelt and Taft.
3. Creation of Bureau of Corporations, 1903, to investigate activities of corporations and industrial combinations.

C. Attempts to prevent combinations tending toward monopoly.

1. The Trade Commission Act, September 1914.
  - a. Creation of a Federal Trade Commission.
  - b. Duties and powers of the Commission.
  - c. Use of injunction as a weapon of Commission.
2. Estimate of the importance of prevention as compared with prohibition.

D. Attempts to regulate competition.

1. Important provisions of the Clayton Act, October 1914.
  - a. Certain specific methods of competition declared to be unfair and unlawful: price discrimination, exclusive selling or leasing contracts, interlocking directorates (under certain conditions), etc.
  - b. Labor provisions of the Act.

Labor declared to be not a commodity or an article of commerce.

Labor organizations specifically declared to be not combinations in restraint of trade.

The right to strike affirmed and peaceful picketing declared lawful.
2. Significance of the Clayton Act: designed to preserve the benefits of competition without its flagrant abuses and to permit of economies of large scale production and reasonable combination.

*Van Metre*, Chap. XXV; *Lippincott*, pp. 485-489; *Bogart*, Chap. XXVII; *Magee*, Chaps. XIII-XV.

XIX. THE RAILROAD PROBLEM

A. Magnitude of the railroad problem in the United States.

1. American compared with European railroad mileage.
2. Peculiar circumstances connected with construction of American railroads.

- B. Distinctive characteristics of the railway business and the dangers of unregulated competition.
1. The railroad as a quasi-public enterprise.
  2. Juggling of railway finances and activities of railroads in politics.
  3. Evils growing out of excessive competition between roads.
    - a. Such competition certain to lead either to combination or to bankruptcy of competitors.
    - b. Granting of discriminatory rates a menace to the independent producer: rôle of discriminatory rates in success of the Standard Oil as a trust.
    - c. Methods of granting discriminatory rates.
- C. Attempts of the railroads themselves to restrict ruinous competition.
1. Pools.
  2. Traffic agreements and associations for regulation of rates.
  3. Consolidations.
  4. "Community of interest" the dominant method since 1904.
  5. Attitude of the law toward these attempts of the railroads to restrict competition.
- D. Failure of state regulation of the railroads.
- E. Federal regulation of the railroads.
1. Interstate Commerce Act, 1887.
    - a. Establishment of the Interstate Commerce Commission.
    - b. Regulation of rates.
    - c. Practices declared illegal under the Act.
    - d. Weaknesses of the Act.
  2. Amendments to the Interstate Commerce Act; the Elkins Act, 1903, the Hepburn Law, 1906, the Mann-Elkins Act, 1910.
    - a. Increased size and powers of the Commission.
    - b. Provisions of these Acts extended to include sleeping car companies, telegraph and cable and telephone companies, express companies, terminals, and other common carriers.
  3. Government regulation of laboring conditions on the railroads: the Adamson Law of 1916.
    - a. The railroad brotherhoods and the threat of a nation-wide strike.
    - b. The stake of the public in the controversy.
    - c. The decision of President Wilson and Congress on the question of the eight-hour day and other disputed questions.
- F. Government operation of the railroads.
1. The national emergency of 1917 and the need for a co-operating and co-ordinated railroad system.
  2. The Railroad Control Act, March 1918.
    - a. Private ownership continued, but actual operation of the roads to be controlled by the Government.
    - b. Private owners guaranteed a fixed compensation during the period of Government operation.
    - c. The Act confirmed Presidential proclamation of December 26, 1917, by which roads had been taken over as a war measure.
  3. The railroads under the United States Railroad Administration: W. G. McAdoo as Director General.

- G. The end of Government operation; reversion of the roads to their private owners under the Transportation Act of 1920.
1. Termination of Federal control, March 1, 1920.
  2. Contemplated adjustment of rates to permit of fair return on property value.
  3. Division and disposition of excess earnings.
  4. Temporary "revolving fund" of \$300,000,000.
  5. Government regulation and control of the issue of railroad securities.
  6. Consolidations to be permitted under guidance of Interstate Commerce Commission.
  7. Enlargement of personnel and powers of Interstate Commerce Commission.
  8. Labor provisions of the Act.
    - a. The Labor Adjustment Boards.
    - b. The Railroad Labor Board.

- H. Difficulties of the railroads under private operation.
1. Physical deterioration of the roads and their equipment during the War.
  2. Inadequate operating revenue: the increased rates of August 1920.
  3. Survival of war-time extravagance and inefficiency.
  4. Problems of "readjustment" of wages.
- Bogart*, Chap. XXVI; *Thompson*, pp. 440-448; *Lippincott*, Chap. XXIII; *Magee*, Chap. XII.

## XX. PROBLEMS OF PUBLIC FINANCE

- A. Nature of the financial problems raised by the Civil War.
1. Funding of the public debt.
    - a. Heterogeneous character of the obligations of the Government outstanding in 1865.
    - b. Excessive interest rates and the importance of reducing them.
  2. Readjustment of taxation.
  3. Deflation of the currency and restoration of specie payments.
- B. Monetary and currency legislation since the Civil War.
1. The question of deflation and resumption.
    - a. Wide differences of opinion as to the desirability of deflation.
    - b. These differences complicated by differences over proper methods.
    - c. Temporary victory of the inflationists.
  2. The Specie Resumption Act, January 1875. Disappearance of premium on gold before date for resumption, 1879. No contraction, however.
  3. Beginnings of the silver coinage agitation.
    - a. "The Crime of 1873."
    - b. Economic interests behind free silver agitation.

Inflationists: the "soft money" party. Precedents established by the Greenback Party. Why the farmers of the West were behind silver coinage.

The silver mining interests. Fall of the price of silver because of increased production of American mines and because of its demonetization by certain European nations.

- c. Bland-Allison Silver Purchase Act, 1878.
  - d. Sherman Silver Purchase Act, 1890.
  - e. Disastrous results of silver purchase to Federal Treasury. Situation complicated by Panic of 1893. Repeal of silver purchases, 1893.
4. The campaign of 1896 and the decision against free silver and bimetallism.
  5. The Gold Standard Act, 1900.
  6. The Aldrich-Vreeland Act, 1908, for an emergency currency. A result of experience in Panic of 1907.
  7. Pittman Silver Purchase Act of 1918.
    - a. A means of adjusting currency to war conditions.
    - b. A means of adjusting our unfavorable trade balance with Far East.
- C. The national debt, its funding and reduction.
1. Conversion of short-term obligations into long-term bonds, 1866.
  2. Question of redeeming bonds in gold or currency. One currency for the bondholder and the ploughholder?
  3. Refunding Act of 1870: reduction of rate of interest on outstanding bonds.
  4. The sinking fund and the principle of annual purchases of bonds by the Treasury.
  5. Reduction of the public debt temporarily interrupted by the Spanish War.
- D. Readjustment of taxation.
1. The tariff.
    - a. The tariff primarily a question of "protection"?  
Theoretical distinction between tariff for revenue and a protective tariff.  
Enormous revenues produced by American tariffs before outbreak of the Great War.
    - b. Tariffs revised with little regard for revenue needs of nation.
  2. Revision of the internal revenues.
    - a. Report of the Tax Revision Commission, 1865.
    - b. Elimination of "vexatious" taxes, "taxes on knowledge," taxes on raw materials, etc.; gradual reduction and repeal of others, except those on liquors and tobacco.
    - c. Repeal of the income tax, 1872. (Re-introduced 1894, but declared unconstitutional in 1895).
  3. "Surplus financiering," 1880-1893.
    - a. Causes of the surplus.  
Great prosperity of the country.  
Reduction of the national debt.  
Failure to reduce the tariff or to consider it a revenue measure.
    - b. The danger of the surplus: governmental extravagance and corruption.  
Absurd demands for public improvements: the "pork barrel."  
The Grand Army of the Republic and its demands for pensions.
    - c. Features of "surplus financiering."  
Deposits of public funds in national banks; evils of this.  
Reduction of revenues.  
Further reduction in internal revenues.  
Stubborn refusal to lower the tariff.  
Increased expenditures.



"Raids on the Treasury" and the fabulous sums expended on pensions.

Rivers and harbors bills.

Beginnings of naval construction.

- d. Exhaustion of the surplus and the serious situation of the Treasury in 1893.
  4. The financing of the Spanish-American War.
  5. Financing the Panama Canal.
  6. Additional taxation in the early twentieth century.
    - a. The corporation tax, 1909.
    - b. An income tax authorized by constitutional amendment, 1913, and a graduated form of this tax imposed by Underwood Tariff Act of 1913.
  7. Problems of finance and taxation, 1914-1917: effect of the European war on income from the tariff.
- Van Metre*, Chap. XXIII; *Dewey*, Chaps. XIV, XV, XVII, XVIII; *Bogart*, Chap. XXII; *Lippincott*, pp. 557-573; *Thompson*, pp. 273-276, Chap. XXV; *Magee*, Chap. XVIII.

## XXI. THE TARIFF PROBLEM

### A. The Civil War and the revival of protectionism.

1. The Morrill Act, 1861, a temporary expedient to increase revenue.
2. Tariff increased materially in 1862 and 1864; latter act raised average rate to 47%, highest point reached up to this time.
3. Protection justified as a means of offsetting heavy taxation placed upon domestic manufactures.
4. Northern manufacturers took advantage of the situation.
  - a. Of the patriotic desire to raise money for equipping and feeding the troops.
  - b. Of the absence of the traditional Southern and Democratic opposition.

### B. The tariff during economic reconstruction.

1. Return to peace did not bring reduction of import duties; protection apparently entrenched.
2. Some few readjustments made to reduce revenue.

### C. The tariff as a political issue, 1884-1900.

1. The campaign of 1884.
  - a. Republicans frankly for protection for American industries and for the "rights and wages of the laborer,"—forerunner of the argument for the "full dinner pail."
  - b. Cleveland elected on a platform demanding reduction of duties on manufactured articles and admission of raw materials free of duty.
2. Inability of the Democrats to revise tariff during Cleveland's first term.
3. Victory of the Republicans in 1888 results in McKinley Tariff Act, 1890.
4. Wilson-Gorman Tariff Act, 1894.
  - a. Although passed during Cleveland's second term, it was protectionist in nature, Democrats refusing to sanction material reductions. Became a law without Cleveland's signature.
5. The Republican victory of 1896 and the protectionist Dingley Tariff of 1897, the highest in our history.

D. The Payne-Aldrich Tariff Act, 1909.

1. A readjustment, not a general reduction, of duties.
2. Tariff Board created, but abandoned after three years of work.

E. Tariff legislation during the Wilson administration.

1. Notable reductions in some duties provided by Underwood Tariff, 1913.
2. Creation of a Tariff Commission, by Act of September 8, 1916, to make a scientific study of the tariff, its administration, and its effects on American economic conditions.

F. The Great War, the changed economic position of the United States, and the problem of the tariff.

*Lippincott*, pp. 512-518; *Dewey*, References on the Tariff in Chaps. XVIII, XIX, XX, XXI; *Thompson*, pp. 402-408. *Magee*, Chap. XVII.

XXII. LABOR AND THE PROBLEM OF INDUSTRIAL DEMOCRACY

A. Rise of the labor problem after the Civil War.

1. Problems raised by machine production and the factory system.
  - a. Growing size of business unit and loss of personal relationships between employer and employee.
  - b. Machine production put skilled worker at a disadvantage.
  - c. Employment of women, children, and cheap immigrant labor.
2. Decreasing opportunities for settlement of public land in West.
3. Great industrial capitalists in control of industry could dictate terms to the laborer unless he was re-enforced by collective bargaining.

B. Growth of labor organizations after the Civil War.

1. Factors contributing to the growth of the labor movement.
  - a. Universal, free, compulsory education.
  - b. A labor press, advocating organization and class solidarity.
  - c. Improved means of transportation and communication.
2. Growth of trade unions,—about forty “nationals” by 1870.
3. Early attempts to organize one big union.
  - a. National Labor Union, 1866-1872: its program; causes for failure.
  - b. The Knights of Labor, organized 1869.  
Organization and aims.  
Its program.  
Its early success offset by dissension and disruption over political questions.
4. The American Federation of Labor.
  - a. Organized in 1881, although present name not adopted until 1886.
  - b. Organization: a federation of trade unions and a few industrial unions.
  - c. Phenomenal growth in membership.
  - d. Purposes of the American Federation of Labor.

C. Policies and methods of labor unions looking toward solution of labor problem.

1. General aim: to advance the workers' standard of living through effective collective bargaining. The standard of liv-

ing to be measured by the scale of wages, the length of the working day, the character of working conditions.

2. Peaceful methods of labor unions in promoting their ends.
  - a. The closed shop.
  - b. Working agreements with employers.
  - c. Voluntary arbitration with employers.
  - d. Benefit plans for their members: strike benefits, sickness and unemployment allowances, etc.
3. Militant methods of unions in attempting to enforce their demands.
  - a. Strikes
  - b. Boycotts.

D. Attempts of employers to reach a solution of the labor problem.

1. General aim of employers: to have practical dictation of terms of employment, but to be as liberal to employees as circumstances require and as profits permit.
2. Peaceful methods of employers.
  - a. Labor managers and welfare work.
  - b. Profit sharing agreements, bonuses, sale of stock to employees.
  - c. The "company union."
  - d. Voluntary arbitration agreements.
  - e. The open shop.
3. Militant methods of employers to resist or destroy labor unions.
  - a. Lockouts.
  - b. Blacklists.
  - c. Espionage.

E. The question of government intervention in industrial problems.

1. Fields in which government intervention appears to be necessary.
  - a. Protection of women, children, and unskilled men in industry.
  - b. Industrial education.
  - c. Unemployment.
  - d. Social insurance against accident, disease, unemployment, etc.
2. The interest of the general public in labor disputes and the question of the establishment of courts of compulsory arbitration: example of the Kansas court of industrial relations.
3. Government interference with the distribution of wealth.
  - a. Example of income and inheritance taxes.
4. Question of government regulation of conditions of employment,—the determination of maximum hours of labor and of minimum wages.

F. Labor in the field of politics.

1. The rise and growth of the Socialist Party in the United States.
  - a. The doctrines of Marxian Socialism and the formation of the Socialist Labor Party, 1872.
  - b. Formation of the Socialist Party, 1900.
  - c. Practical program of American Socialism.
2. Attempt to form an independent labor party.
  - a. Opposition of the A. F. of L.
  - b. Formation of the Farmer-Labor Party, 1920.

G. Growth of radical unionism: the Industrial Workers of the World.

1. Program of the I. W. W.: industrial unionism; eventually "One Big Union."
2. Goal of the I. W. W.: control of industry by the workers.
3. Weapons of the I. W. W.: the general strike; sabotage.

*Van Metre*, Chap. XXII; *Bogart*, Chaps. XXIV and XXV; *Beard*, Chap. XXIV; *Thompson*, pp. 377-383; *Lippincott*, pp. 491-512. *Magee*, Chap. VII.

XXIII. BANKING REFORM: THE FEDERAL RESERVE SYSTEM

A. Defects of the National Banking System revealed by its operations.

1. Decentralization of reserves.
  - a. Scattered and immobile reserves.
  - b. Lack of a central reserve agency.
2. Inelasticity of bank credit.
  - a. Fluctuating demand for bank credit not provided for.
  - b. Inelasticity of deposits and of note issues.
  - c. Unfortunate results of inelasticity.
3. Defective exchange and transfer system.
4. Defective banking machinery for the Federal Government.
  - a. Wastefulness, clumsiness, and dangers of independent treasury system.

B. The Federal Reserve System, organization, membership, management.

1. The Federal Reserve Act, December 1913.
2. The Organization Committee and its work.
3. Organization of the twelve Federal Reserve Banks.
  - a. Capital requirements and its subscription.
4. Membership in the Federal Reserve System.
  - a. Compulsory for national banks.

Special privileges were offered as inducement to join, however.
  - b. Optional for state banks and trust companies.
5. Management of the Federal Reserve Banks.
  - a. The directors and the manner of their election.
  - b. Disposition of earnings and surplus.
6. The Federal Reserve Board and the Federal Advisory Council.
7. The system put into operation.
  - a. The first Federal Reserve Board.
  - b. Opening to business of the Reserve Banks, November 16, 1914, which Mr. Warburg called our "economic Fourth of July."
  - c. By February 1915, all but 18 of the national banks of the country had joined the system.
8. Amendments to the Federal Reserve Act a result of experience.

C. The Federal Reserve System as a remedy for the defects of the National Banking Act.

1. District centralization of reserves.
2. Interdistrict mobility of reserves.
  - a. Importance of the rediscount operations.

3. Elasticity of credit.
    - a. Federal Reserve notes.
      - Methods of expansion in times of credit stringency.
      - Methods of contraction in face of over-supply.
      - Promptness of redemption under ordinary conditions.
    - b. Elasticity of deposit credit.
      - Elastic reserve requirements.
      - Rediscounts and loans to member banks.
      - Contraction of deposit credit through control of rediscount operations.
    - c. Federal Reserve bank-notes, issued in 1918 to replace the silver certificates.
  4. Domestic exchange under the Federal Reserve System.
    - a. Collection services of the Federal Reserve Banks.
    - b. The Gold Settlement Fund as a means of reducing gold shipments.
    - c. Evils eliminated in collections.
      - Excessive collection charges.
      - Expensive maintenance of out-of-town accounts.
      - "Routing" eliminated and the "float" reduced.
  5. Services of the Federal Reserve System to the Federal Government.
- Van Metre*, Chap. XXVI; *White*, Chaps. XIV and XXII; *Dewey*, pp. 491-493 also Chap. XIII.

## XXIV. AMERICAN ECONOMIC IMPERIALISM

### A. Factors in the development of American imperialism.

1. Importance of the American industrial revolution.
  - a. Large-scale production and the growing importance of foreign markets for "surplus" production.
  - b. Increasing importance of an adequate supply of certain raw materials, such as rubber, nitrates, oil. The sinews of the new industry.
  - c. Development of financial methods and credit organization permit of colossal enterprises which formerly would have been beyond the range of possibility.
  - d. The interests of capital, capitalism, and capitalists. The "export of capital" the heart of the new imperialism.
  - e. Contrast between the new industrial and capitalistic imperialism with pre-Civil War agricultural imperialism. The Mexican problem in 1845 and in 1921.
2. Military and strategic considerations.
  - a. The Monroe Doctrine a defensive measure: its imperial consequences.
  - b. Our island possessions as "naval stations:" naval and military importance of the Panama Canal.
3. Nationalist, sentimental, religious considerations.
  - a. Nationalism after the Civil War and the new patriotism after the Spanish-American War.
  - b. Defence of the national prestige: the punitive expeditions into Mexico.
  - c. "The White Man's Burden:" the alleged moral duty to spread our civilization among barbaric or semi-barbaric peoples.
  - d. Religious and humanitarian motives.
    - Medical assistance: the sanitation of Cuba and the Panama Canal Zone, e. g.
    - Education, as in Porto Rico and the Philippines.
    - Religious zeal: American missions in the East.

B. The development of an American colonial empire.

1. The Spanish-American War a turning-point in American foreign policy; emergence of the United States as a world power.
  - a. Economic causes of intervention in the Cuban revolt.
  - b. The spoils of the victors.
2. American possessions in the Caribbean.
  - a. Porto Rico an American colony after 1898.
  - b. Cuba practically an American protectorate: the Platt Amendment, 1901.
  - c. The Panama Canal and the Canal Zone.
    - Hay-Pauncefote Treaty, 1901, and the question of tolls.
    - The Colombian tangle: the revolt of 1903 in Panama.
    - Construction of the Canal.
    - Commercial and military importance of the canal.
  - d. American occupation of Santo Domingo.
    - American financial interests in Santo Domingo.
    - American "supervision" of the elections of 1914.
    - The military occupation of 1916.
    - Present status of Santo Domingo.
  - e. American occupation of Haiti.
    - Marines landed to "restore order," 1915.
    - Continued occupation under naval officers.
  - f. Purchase of the Danish West Indies, 1917.
  - g. The protectorate over Nicaragua, 1916.
  - h. From the Canadian border to the Isthmus?
3. American possessions in the Pacific.
  - a. Purchase of Alaska, 1868.
  - b. Samoan Islands and Guam, 1889.
  - c. Annexation of Hawaii, 1898.
  - d. Purchase of the Philippines, 1898.
  - e. The western entrance to the Panama Canal.
4. Importance of the colonial possessions of the United States.
  - a. Estimate of their economic importance.
  - b. As coaling stations, cable stations, naval bases.

C. Imperial interests of the United States before the Great War.

1. Imperialism as a political question.
  - a. "Dollar diplomacy" under the Republican administrations.
  - b. The repudiation of "dollar diplomacy" during the early years of the Wilson administration: instance of the refusal to sanction the international loan to China, 1913.
2. The intricate and delicate question of Mexico.
  - a. Conditions making for instability in Mexico.
  - b. Foreign investments and international rivalries.
  - c. The questions of oil and minerals.
  - d. American policies toward Mexico.
  - e. The present outlook for the regeneration of Mexico.
3. The United States and China.
  - a. Traditional friendship of China for the United States: belief of China in our disinterestedness.
  - b. American economic and diplomatic policy toward foreign intervention in China: the "open door."
  - c. China and Chinese integrity as a source of friction between the United States and Japan.
4. Pan-Americanism and the problem of Latin-American friendship.

D. The Great War and American imperialism.

1. Definite abandonment of our traditional policy of "isolation."
2. The building of an American merchant marine.
3. The great expansion in American foreign trade.

4. New spheres of imperial interest.
  - a. The Near East: the problem of the Armenian mandate; the question of the British mandate in Mesopotamia as detrimental to American oil interests.
  - b. Yap and the question of the Pacific cables.
5. American naval expansion and its implications.

E. The Washington Conference of 1921.

*Beard*, Chap. XX, pp. 592-596; 619-623; *Thompson*, pp. 471-481.

XXV. THE UNITED STATES AND THE GREAT WAR

A. Economic effects of the War on the United States, 1914-1917.

1. 1914, a year of uncertainty and depression.
  - a. Interference with American exportation of cotton and grains.

German market cut off and other markets disorganized.  
"Buy a bale of cotton" movement.  
Economic effects of this interruption of agricultural exports.
  - b. Falling prices of industrial metals: copper, lead, zinc, iron.
  - c. Shortage of shipping for our export trade.

German commerce swept from the seas.  
British merchant vessels diverted to war purposes.
  - d. Disturbed state of domestic and foreign exchanges.
2. The return of prosperity, 1915-1917.
  - a. Rapid expansion of basic industries to meet demands of European belligerents for munitions of war.
  - b. Exportation of American foodstuffs to feed the armies and population of Europe.
  - c. Impetus to shipbuilding and the beginnings of a new merchant marine.
  - d. Absence of European competition in American market and the expansion of American industry. New industries, such as the production of dyes.
  - e. High prices as an indication of industrial inflation.
3. The belligerents and interference with neutral trade: the menace of the submarine to the war-time commerce and prosperity of the United States.

B. Government economic policies during the period of neutrality.

1. Taxation and the currency.
  - a. Falling revenue from the tariff and the need for new taxes.

The Tax Law of October 1914.
  - b. Increase of emergency currency.
2. Encouragement of American shipping.
  - a. Bureau of War Risk Insurance established, September 1914. to assume insurance of American vessels and cargoes against the extraordinary risks of the War.
  - b. Act of August 1914, admitting foreign ships to American registry.
  - c. Creation of the United States Shipping Board, September 1916.
3. Industrial preparedness.
  - a. Council of National Defence, created by Act of Congress, August 1916.

Membership and organization.  
Purposes and accomplishment.

C. National mobilization for prosecution of the War, 1917-1918.

1. Organization of the United States Emergency Fleet Corporation, April 1917, for the construction of merchant vessels. "The American flag on the seven seas."
2. The War Industries Board.
  - a. Created, July 1917, by Council of National Defence.
  - b. Reorganized, March 1918, as independent body.
  - c. Principal activities: priorities, price control, classification of industries in order of military necessity, etc.
3. Food Control Act, August 1917.
  - a. Organization of the United States Food Administration.
  - b. Government control over prices, production, distribution, etc.
4. Far-reaching act creating the United States Fuel Administration, August 1917.
  - a. Problems raised in the supervision of production, labor, prices.
5. Preservation of industrial peace in the interest of maximum production.
  - a. The War Labor Board, April 1918.  
 Designed to preserve peace by arbitration and conciliation of disputes between employers and employees.  
 Policies on which it was determined to base its decisions.
  - b. The War Labor Policies Board, May 1918.  
 Intended to secure unified administration of labor conditions.
6. Control of foreign trade.
  - a. Regulations of exports provided by the Espionage Act, June 1917.
  - b. Control of imports under the Trading with the Enemy Act, October 1917.
  - c. Foreign exchange brought under Federal control, January 1917.
  - d. Regulation of currency and bullion exports, September 1917.

D. Reaction to war prosperity: "readjustment" and "return to normalcy," 1918-1921.

1. "Overproduction" and the industrial crisis of 1920-1921.
2. The "favorable" exchange rate becomes a hindrance to foreign trade.
3. "Readjusted" wages and labor discontent.

*Van Metre*, Chap. XXVII; *Lippincott*, Chap. XXVII.

XXVI. COMMERCIAL EXPANSION AND FOREIGN TRADE

A. Characteristics of the foreign trade of the United States, 1860-1914.

1. Five-fold increase in combined exports and imports.
2. Changing character of commodities of foreign trade.
  - a. Exports.  
 Relative, although not absolute, decline in exports of agricultural products; reasons for this.  
 Relative and absolute increase in exports of manufactured articles; reasons for this.
  - b. Imports.  
 Increasing importation of raw materials and partly manufactured products.  
 Manufactured articles ready for final consumption represented a declining percentage.



3. Decline of the American merchant marine.
  - a. Decline of the merchant marine by  $\frac{2}{3}$ , 1860-1912, while the foreign trade of the nation was multiplying six fold.
  - b. American vessels carried less than 10% of our imports and exports.
4. The "favorable" balance of trade and its settlement.
  - a. Excess of exports over imports amounted to almost five hundred million dollars before the war.
  - b. Methods by which Europeans offset this balance.
    - Freights earned by European ships and premiums earned by European insurance companies.
    - Interest due on foreign investments in the United States.
    - Remittances of immigrants, expenses of American tourists, etc.
5. Attempts of the Government to encourage foreign trade.
  - a. Creation of the Department of Commerce and Labor, 1903.
  - b. Creation of a separate Department of Commerce, 1913.
  - c. Important work of the Bureau of Foreign and Domestic Commerce since 1912.
    - Improvement of the Consular Service.
    - Collection and dissemination of information on economic conditions abroad.
  - d. Provision of the Federal Reserve Bank allowing certain national banks to establish foreign branches.

**B. The Great War and the foreign trade of the United States.**

1. Tremendous growth in our export trade: increase of total foreign trade by almost ten billion dollars at a time when imports fell off comparatively.
2. Phenomenal increase in the merchant marine.
  - a. Tonnage increased more than 16 fold, 1912-1920.
  - b. Influence of Government aid through the Shipping Board and the Emergency Fleet Corporation.
  - c. The Merchant Marine Act, 1920.
3. Remarkable alteration in the exchange situation.
  - a. Tremendous increases in the favorable balance by trade.
  - b. Increases in our exports only partially offset by other factors.
    - Gold shipments to United States.
    - Sale of American securities held abroad.
    - United States Government advances to the Allies.
    - Expenses of maintaining the American Expeditionary Forces.
  - c. Why the exchange rate and the balance of trade cannot be adjusted by the methods of 1914.
4. The United States a creditor nation; indebtedness of rest of world to this country amounts to something between twelve and fifteen billion dollars. Implications of this and the importance of these implications in the determination of future economic policies.

**C. Government encouragement of foreign trade during the War and after.**

1. Export Trade Act (Webb Act), April 1918.
  - a. An amendment to Sherman and Clayton Anti-Trust Laws, permitting exporters to combine for competition with foreign combinations, subject to limitations of the Act and control of the Federal Trade Commission.
  - b. Combinations formed as a result of the Act.
2. Edge Act, December 1919.
  - a. An amendment to Federal Reserve Act, permitting the chartering of banking corporations for financing of export trade, subject to the supervision of Federal Reserve Board.

- b. Designed particularly to finance foreign purchases by the granting of long-term credits, rather than by ordinary advances against shipments, commercial credits, etc.
  3. War Finance Corporation Act April 1918, amended March 1919.
    - a. The Corporation originally designed to finance domestic industries considered essential for prosecution of the war.
    - b. The amendment of March 1919, authorized advances not to exceed one billion dollars, to exporters and bankers for the purpose of promoting export trade.
- Bogart*, Chaps. XXIX and XXX; *Lippincott*, Chap. XXVI; *Thompson*, pp. 428-435, 479-482.

## XXVII. SOME CONTEMPORARY SOCIAL AND ECONOMIC PROBLEMS

### A. Relationship of the United States to the economic reconstruction of Europe.

1. The terrible cost of the Great War.
  - a. The human cost.
    - The killed, maimed, and disabled.
    - The sick; increased mortality due to undernourishment, starvation, exposure, disease. The frightful toll among the children of the new generation.
    - The insane and the morally depraved.
  - b. The economic cost.
    - The loss in production during the years of the War.
    - The money loss.
    - Destruction and devastation.
2. Reaction of economic conditions in Europe upon American prosperity.
  - a. Pre-war Europe as a source of capital, raw materials, and manufactured articles, and as the best market for American products.
  - b. Economic reconstruction of Europe essential to the United States.
  - c. Humane considerations: the necessity for feeding the starving and clothing the naked.
3. Financing Europe during the period of reconstruction.
  - a. The necessity of long-term credits.
4. The problem of the exchange rate and the tariff.
  - a. How the exchange rate interferes with economic reconstruction of Europe.
  - b. Impossibility of adjusting the rate by methods of 1914; necessity of resorting to other methods.
    - Loans and credits.
    - Funding or cancellation of outstanding obligations to the Government of the United States.
  - c. The crucial question of the tariff.
    - The tariff help or hindrance to American industry?
5. The crushing burden of armament.
  - a. Growth of military and naval expenditures since the War. Expenditures in 1921 compared with 1912: France shows increase of 1085%, Great Britain 794%, Italy 188%, Japan 300%, United States 2413%.
    - Proportion of military expenses to all other expenses of government.
  - b. Can a world in economic reconstruction stand the burden?
  - c. Disarmament as an American policy.

B. Problems of public finance in the United States.

1. Inflation of the currency and the "high cost of living."
  - a. Causes of and remedies for inflation.
  - b. Deflation and the crisis of 1920-1921.
  - c. Further problems of readjustment.
2. Taxation.
  - a. Reduction of taxation as a factor in industrial prosperity.
  - b. Reduction of governmental expenditures essential. A national budget as a curb on governmental extravagance and inefficiency.
  - c. Repeal of excess profits, income surtaxes, luxury, and transportation taxes? Other forms of taxation.
3. The tariff as a fiscal and industrial question.
  - a. Possibilities of the tariff as a revenue-producer.
    - Will the effect be to shut off imports and ruin the American carrying trade?
    - If the tariff does produce revenue, who will pay the tax?
  - b. Question of the necessity of protection for American industry.
  - c. The Fordney-McCumber Tariff.

C. Problems of population and its distribution.

1. War-time migration of agricultural population to the cities.
  - a. Effect of this migration on agricultural production.
  - b. Congestion in the cities and after-the-war unemployment.
2. The problem of housing.
  - a. Causes of housing shortage in the cities.
    - Increasing population.
    - Cessation of construction of dwellings during the War.
  - b. The economic causes of high rents.
  - c. Government intervention in the housing shortage.
    - New York State rent legislation.
    - Tax exemption for mortgages and for new dwellings.
    - Government credit for home-building?
  - d. The need for advanced standards in building construction.
3. Immigration.
  - a. Pre-war immigration and its character.
  - b. Methods of restriction.
  - c. Relationship of immigration to the labor problem.
  - d. Immigration and "Americanization."

D. Human problems of industrial reconstruction.

1. Women in industry.
  - a. The influence of the war on the employment of women in gainful occupations.
  - b. The need for the protection of women in industry.
    - Reasons for special consideration for women.
    - Protection by organization and legislation.
2. Child labor.
  - a. The employment of children in industry.
    - As workers in Southern cotton mills.
    - As agricultural workers and domestic servants.
    - As clerks, messengers, and in the street trades.
  - b. The dangers of the employment of children.
  - c. The Federal Child Labor Law of 1916, prohibiting interstate and foreign commerce in the products of child labor. Declared unconstitutional by the Supreme Court.
  - d. Need for state and federal legislation assuring adequate academic and vocational training.
3. Labor organization and the problem of control in industry.
4. The problem of social legislation.

E. The railroads and problem of transportation.

1. Government ownership and operation of the railroads?
  - a. Arguments for.
  - b. Arguments against.
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3. Government ownership and operation by executives and employees: the Plumb Plan?
4. The importance of low passenger and freight rates.

*Beard*, Chap. XXII.





















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