CHAPTER 8

Toward a National Economy

ANTICIPATION/REACTION

Directions: Before you begin reading this chapter, place a check mark beside any of the following seven statements with which you now agree. Use the column entitled “Anticipation.” When you have completed your study of this chapter, come back to this section and place a check mark beside any of the statements with which you then agree. Use the column entitled “Reaction.” Note any variation in the placement of check marks from anticipation to reaction and explain why you changed your mind.

<table>
<thead>
<tr>
<th>Anticipation</th>
<th>Reaction</th>
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<tbody>
<tr>
<td>_____ 1. The Industrial Revolution began in the United States.</td>
<td>_____ 1.</td>
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<td>_____ 2. Once begun, the factory system quickly replaced the traditional household system of production.</td>
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<td>_____ 3. The corporate system of business organization was slow to replace family-owned firms and partnerships because most Americans associated corporations with monopoly and corruption.</td>
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<td>_____ 4. Eli Whitney’s invention of the cotton gin reduced the need for slave labor in the South.</td>
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<td>_____ 5. Most early-nineteenth-century transportation improvement projects were undertaken to link the North to the South.</td>
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<td>_____ 6. Federal, state, and local governments were all actively involved in promoting transportation improvement projects, corporate formations, and other measures for economic development in the early nineteenth century.</td>
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<td>_____ 7. Chief Justice John Marshall was a states’ rightist.</td>
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LEARNING OBJECTIVES

After reading Chapter 8 you should be able to:

1. Trace the origins and early development of the factory system in the United States.
2. List the sources of early-nineteenth-century America’s industrial labor force.

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3. Explain why a class-conscious industrial proletariat did not appear in the early stages of America’s industrial revolution.

4. Explain why cotton became the chief export crop of the South between 1815 and 1840, and how the cotton gin revitalized the institution of slavery after 1800.

5. Demonstrate how “internal improvements” and other government action at all levels aided economic growth in early-nineteenth-century America.

CHAPTER OVERVIEW

Gentility and the Consumer Revolution

Paradoxically, the democratic revolution was accompanied by widespread emulation of aristocratic behavior. In the United States, however, gentility was defined by possession of material goods. Americans were demanding more finely-crafted goods, forcing producers to expand their workshops, train more artisans, and experiment with machinery. This early-nineteenth-century “market revolution” required producers to find sufficient capital, develop labor management methods, and streamline the process of converting raw material to consumer goods. This brought the industrial revolution to America.

Birth of the Factory

Innovations in textile manufacturing machinery were imported from Britain after the Revolutionary War. Samuel Slater, defying British laws, memorized the construction of the cotton-spinning machine and brought it to the United States, where he built the nation’s first factory in 1790. By paying low wages to child workers to tend the machines, Slater’s factory was profitable from the start. The factory system expanded when Francis Cabot Lowell and the Boston Associates used water power to drive their textile power looms in Waltham, Massachusetts. There, Lowell’s Boston Manufacturing Company combined machine production, efficient management, large-scale operation, and centralized marketing to mass produce a standardized product—the essence of the factory system.

An Industrial Proletariat?

As the importance of skilled labor declined, skilled workers became either employers or wage-earning employees, and the gap between owners and workers widened. Workers made some collective efforts to protect their interests, but more remarkable was the relative absence of a self-conscious working-class solidarity. This has been variously attributed to a number of things: the availability of a frontier to which dissatisfied workers could escape; the racial and ethnic differences among workers that inhibited recognition of their common interests; or the continuous inflow of immigrants and free blacks willing to work for low wages who could easily replace dissatisfied employees. Significantly, the expanding economy offered workers the opportunity
to rise out of the working class, and, anticipating this, workers never developed strong class feelings.

Employment in industry usually meant an improvement in conditions of labor and living standards for wage earners. Most textile factory workers were women and children. Compared to farm labor, factory work was relatively easy for children, and it provided their families with extra income.

**Lowell’s Waltham System: Women as Factory Workers**

Instead of hiring children, the Boston Associates developed the “Waltham System” of employing single young women in their mills. Their work and leisure-time activities were both strictly supervised, but the women were relatively well paid and most enjoyed escaping the farm and found camaraderie with other young women. Wage reductions and work speedups eventually destroyed their idyllic conditions, and by 1830 mill owners were turning to Irish immigrants to operate their machines.

**Irish and German Immigrants**

The doubling of America’s population from 1790 to 1820 was almost entirely due to natural increase. But immigration from Europe, especially from Ireland and Germany, reached flood-tide proportions after 1820. Most immigrants were attracted by economic opportunity, but the promise of political and religious freedom and the chance to escape harsh conditions at home drew others. Prosperous immigrants migrated on to the West, but most Irish immigrants settled in eastern cities. This massive influx of poor and culturally distinctive Catholic immigrants temporarily depressed living standards and increased social tensions, but generally their labor was a stimulus to the American economy.

**The Persistence of the Household System**

Few people in the 1820s realized how profoundly the factory system would affect their lives. Yet, increasingly larger and more efficient machine processes slowly moved into many areas of consumer goods production, including woolens, iron products, nails, paper, glass, pottery, and canned food.

**Rise of Corporations**

Mechanization of production required substantial capital investment, and capital was chronically in short supply in early-nineteenth-century America. Because Americans, including many businessmen, tended to associate corporations with monopoly, corruption, and the undermining
of individual enterprise, the corporate form of business organization was slow to develop in the United States. But as the volume of foreign commerce fell after 1812, capital was transferred from commerce to industry, attracted by high profits and the growing prestige of manufacturing. The growth of manufacturing further reduced America’s dependence on foreign commerce, but augmented nationalistic and isolationist sentiments. Manufacturing also stimulated commercial agriculture as farmers found markets for their goods in the growing size and increasing number of manufacturing cities.

**Cotton Revolutionizes the South**

The booming textile industries of Britain and New England created a growing demand for raw cotton. Eli Whitney’s invention of the cotton gin in 1793 made the profitable production of upland cotton possible throughout the South, and cotton soon became the nation’s major export crop. Northerners profited from the cotton trade by handling the transportation, insurance, and final disposition of the cotton crop. Western farmers profited from the sale of their surplus corn and hogs to feed southern slaves on cotton plantations. Cotton was the major expansive force in the national economy between 1815 and 1840.

**Revival of Slavery**

The cotton gin stimulated cotton production and the booming cotton culture revitalized slavery in the South. Their racial prejudices and respect for private property, and their fear of slave revolt tempered the libertarian beliefs of the Revolutionary generation. Many opponents of slavery came to see the deportation of freed slaves as an answer to America’s racial problem. Most blacks who had no memory of Africa opposed colonization, but paternalistic whites were convinced both races would be better off if they were separated.

The American Colonization Society was founded in 1817. It established the African colony of Liberia, but few blacks migrated. As cotton production expanded, the growing need for labor in the South acted as a brake on the colonization movement. To supply the great demand for slaves in the new cotton lands of the Southwest, slave traders evaded state laws against the interstate sale of slaves. Slaves from the Upper South were increasingly sold off to the cotton boom states along the Gulf coast.

Free blacks in the North were little better off than those in the South. Most were denied the right to vote, education, decent housing, and employment. Racial segregation was the rule. Free blacks employed the tactic of peaceful persuasion to try to improve their lot.
Roads to Market

The spread of settlement into the Mississippi Valley created challenges that required technological advances if they were to be met. Most were related to the westerners’ major problem: transportation improvements that would increase land values and stimulate trade. The natural trade pattern was between East and West, so much attention was given to road construction over the Appalachian Mountains. The first trans-Appalachian road—between Philadelphia and Lancaster, Pennsylvania—was opened in 1794.

Transportation and the Government

Private investors who charged tolls for the use of their turnpikes built most of the improved highways. Local, state, and national governments often bought stock in these companies, or financed construction of their own turnpikes. Thus, a mixture of public and private capital developed these financially risky, but socially desirable enterprises. The federal government financed the Old National Road, but sectional rivalries prevented the undertaking of a comprehensive internal improvements program. Overland transportation continued to be an expensive way to transport goods to market.

Development of Steamboats

The efforts of John Fitch, John Stevens, and Robert Fulton gradually produced an efficient steamboat to ply the western rivers and thereby enrich the economy of the Mississippi Valley. Freight rates between New Orleans, Louisville, Cincinnati, and Pittsburgh plummeted, and the Old Northwest became part of the national market economy. Steamboats became luxurious travel vessels and made New Orleans one of the world’s major ports.

The Canal Boom

Although their construction was expensive and posed formidable engineering problems, canals held great promise for reducing transportation costs between the east coast and the western interior. DeWitt Clinton convinced the New York state legislature to pioneer the effort, resulting in the state-financed construction of the Erie Canal. Unlike many subsequent canal projects it inspired, the Erie Canal proved to be an enormous financial success.

New York City: Emporium of the Western World

By initiating regular freight and passenger service to England, and by reforming the system of import sales, New York City merchants had established that city’s premier role in domestic and foreign commerce. The Erie Canal cemented the city’s position as the national metropolis. New
England, Pennsylvania, and Maryland tried, but failed to match New York’s Erie Canal connection with the western heartland. Western states and private investors often faced financial loss in their effort to provide feeder line canals connecting western farms with the Great Lakes and, via the Erie Canal, New York City. Nevertheless, the canal boom substantially lowered East-West transportation costs and benefited both western farmers and the national economy.

**The Marshall Court**

Chief Justice John Marshall was a strong nationalist and held a Hamiltonian view of the Constitution. His decisions consistently favored manufacturing and business interests, advanced economic development, and established the supremacy of national legislation over state laws. In several opinions, the Marshall Court upheld the sanctity of contracts and the primacy of federal power over state authority. In *McCulloch v. Maryland* (1819) the Court affirmed the constitutionality of the second Bank of the United States, thereby legitimizing the doctrine of implied powers or “loose” interpretation of the Constitution. In 1837, Chief Justice Roger Taney’s ruling in the *Charles River Bridge* case declared that public convenience superseded the interests of a particular company, further advancing economic development.

**PEOPLE, PLACES, AND THINGS**

*Define the following:*

factory system  

household system  

Waltham System  

corporation  

upland cotton

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Describe the following:

American Colonization Society ____________________________

Clermont ____________________________

Erie Canal ____________________________

*Dartmouth College v. Woodward* ____________________________

*McCulloch v. Maryland* ____________________________

*Gibbons v. Ogden* ____________________________
Charles River Bridge case

Identify the following:

Samuel Slater

Boston Associates

Francis Cabot Lowell

Eli Whitney

Robert Fulton

DeWitt Clinton

John Marshall

Roger Taney
SELF-TEST

Multiple-Choice Questions

1. In the United States the industrial revolution began with major technological innovations in
   A. shoe and boot manufacturing.
   B. the steel industry.
   C. textile manufacturing.
   D. the machine tool industry.

2. Most Irish immigrants to America in the early nineteenth century settled in
   A. eastern cities.
   B. midwestern farms.
   C. the South.
   D. frontier areas.

3. It is LEAST accurate to say that most early-nineteenth-century immigrants to America
   A. came from northwestern European countries.
   B. settled in the Northeast and Middle West.
   C. migrated for economic reasons.
   D. were middle-class Protestants.

4. Most early-nineteenth-century factory workers
   A. felt a keen sense of class consciousness.
   B. quickly joined national labor unions to look out for their interests.
   C. expected to eventually rise out of the working class.
   D. felt a close and personal relationship to their employer.

5. The Waltham System employed _______ as factory laborers in the textile industry.
   A. poor children
   B. young single women
   C. Irish immigrants
   D. apprentices

6. The factory system in America
   A. quickly replaced the household system of production.
   B. was initiated by Francis Cabot Lowell and the Boston Associates.
   C. was tied to the mass production of machine-made goods.
   D. required little capital investment in its early years.
7. Much of the early investment capital in manufacturing in America came from
   A. northeastern merchants.
   B. the federal government.
   C. southern planters.
   D. the savings of workers.

8. The corporate form of organization was slow to develop in America primarily because
   A. state governments refused to charter them.
   B. general incorporation laws were too prohibitive.
   C. they were not an efficient means of raising venture capital.
   D. there was a strong popular bias against them.

9. America’s most profitable export item in the early nineteenth century was
   A. corn.
   B. cotton.
   C. textiles.
   D. machinery.

10. The early-nineteenth-century South’s prosperity depended on all of the following
    EXCEPT
    A. agricultural diversity.
    B. slave labor.
    C. cotton production.
    D. foreign trade.

11. The movement to colonize blacks back to Africa was unsuccessful primarily because
    A. it was opposed by the nation’s most respected leaders.
    B. northern free blacks opposed it.
    C. there was an increasing demand for slave labor in the South.
    D. most northern whites opposed segregation of the races.

12. The major application of steamboats for transporting goods in America was on
    A. New England streams.
    B. western rivers.
    C. the Great Lakes.
    D. the Gulf of Mexico.

13. The first dramatic decline in freight rates in the East-West trade occurred with the
    construction of
    A. turnpikes.
    B. bridges.
    C. canals.
    D. railroads.
14. The Erie Canal was the brainchild of
   A. Eli Whitney.
   B. Samuel Slater.
   C. DeWitt Clinton.
   D. Oliver Evans.

15. _______ was the primary beneficiary of the Erie Canal, while _______ was the primary beneficiary of the steamboat.
   A. New York City; New Orleans
   B. Philadelphia; Louisville
   C. Baltimore; New Orleans
   D. New York City; Cincinnati

16. The Supreme Court case *Dartmouth College v. Woodward* was a ruling on
   A. federal power and national banking.
   B. local ordinances and voting rights.
   C. state power and private contracts.
   D. states’ rights and slavery.

17. The most helpful ruling the Marshall Court rendered to the doctrine of implied powers came in its decision in
   A. *Dartmouth College v. Woodward*.
   B. *McCulloch v. Maryland*.
   C. *Marbury v. Madison*.
   D. *Gibbons v. Ogden*.

18. John Marshall’s famous legal dictum that “the power to tax involves the power to destroy” came in his decision in
   A. *Gibbons v. Ogden*.
   B. *Charles River Bridge case*.
   C. *McCulloch v. Maryland*.
   D. *Dartmouth College v. Woodward*.

19. Generally, Chief Justice John Marshall’s decisions had all of the following effects EXCEPT
   A. encouraging economic development.
   B. sanctifying property rights.
   C. increasing the authority of the national government.
   D. encouraging business monopolies.
20. The case of *Gibbons v. Ogden* involved the question of
A. a state’s right to legalize slavery.
B. a state’s right to regulate interstate commerce.
C. the federal government’s authority to tax private business.
D. the federal government’s power to collect customs duties.

**Essay Questions**

1. Explain why the Industrial Revolution with its factory system of production was slow developing in the United States. Refer especially to technology and capitalization.

2. Describe the process whereby America, a land of farmers and artisans, created an industrial labor force. Where did the workers come from, how did these working-class employees relate to their employers, and why didn’t they become a self-conscious working class?

3. Explain the relationship between Eli Whitney’s cotton gin, the emergence of the cotton culture in the South, and the revival of slavery after 1800.

4. Evaluate the colonization movement as an antislavery effort. Define its goals, its assumptions, and its means of dealing with the slavery issue. Explain why it failed.

5. Trace the evolution of America’s transportation revolution. Assess the importance of turnpikes, canals, and steamboats to the opening of the West and the creation of a national market economy.

6. Demonstrate how Supreme Court decisions promoted economic development in early-nineteenth-century America.

**CRITICAL THINKING EXERCISE**

**Facts, Inferences, and Judgments**

In Chapter 4 you were introduced to the importance of distinguishing between the historian’s use of facts, inferences, and judgments. In the narrative on the following page, determine which of the numbered statements is a fact, an inference, or a judgment. Circle your choice in the answer grid that follows.
The most important legal advantages bestowed on businessmen in the period were the gifts of Chief Justice John Marshall. Historians have tended to forget that... [he] had six colleagues on the Supreme Court, and that is easy to understand. Marshall’s particular combination of charm, logic, and forcefulness made the Court... remarkably submissive to his view of the Constitution. Marshall’s belief in a powerful central government explains his tendency to hand down decisions favorable to manufacturing and business interests. He also thought that “the business community was the agent of order and progress” and tended to interpret the Constitution in a way that would advance its interests.  

Marshall’s decisions concerning the division of power between the federal government and the states were even more important. The question of the constitutionality of a national bank... had not been submitted to the courts during the life of the first Bank of the United States. By the time of the second Bank there were many state banks, and some of them felt that their interests were threatened by the national institution. Responding to pressure from local banks, the Maryland legislature placed an annual tax of $15,000 on “foreign” banks, including the Bank of the United States! The Maryland branch of the Bank of the United States refused to pay, whereupon the state brought suit against its cashier, John W. McCulloch. McCulloch v. Maryland was crucial to the Bank, for five other states had levied taxes on its branches, and others would surely follow suit if the Maryland law were upheld.