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Office Hours: Tuesday, Thursday 11:30 - 12:30
You can always email me and we can set up an appointment.

TAs: Carlos van Hombreeck. Tydings 4118L
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This class in American Economic History focuses on the interaction of economic and political development in the early 19th century. The American economy began growing at historically unprecedented rates sometime around 1840, and has continued to grow to the present. Why?

While there are many answers to the question of why real per capita income in the United States began to grow at roughly 1.5% per year, recent experience with the failure of development policy in many societies suggests that getting an economy to grow is not a simple matter. In particular, in many societies governments follow policies that stifle or reverse growth. Although American government policies have been far from perfect, nonetheless the American economy has suffered relatively few government induced economic crises. Again, we would like to answer the question why?

One element of an answer has to be what people at the time were thinking about how politics and economics interacted. After a look at how the United States experience fits into the larger picture of economic development, we will look at what people were thinking around the time of the revolution. Ideas about the interaction of politics and economics, and critically the concept of corruption, were important causes of the revolution. The next element of an answer is an understanding of how the economy developed. We will use the simple framework first developed by Guy Callender in 1902, that explains the growth of the early American economy in terms of regional specialization and division of labor.

Callender's story requires that government perform a special role in promoting economic development. Creating a national market required investments in transportation and finance that the private sector is simply unable to make in the early nineteenth century. As a result, state governments stepped in to fill the void and made critical investments in what today we would call "infrastructure" and banking, and they called at the time "internal improvements."

The rub for early 19th century Americans was that large investments in internal improvements raised fears of corruption. By closely examining how state governments dealt with the financing of internal improvements, we get a window onto the dynamic interaction of politics and economics in the early 19th century.

In the 1840s, after a financial panic that began in 1837, eight states and the Territory of Florida defaulted on their debts (what people feared might happen in the recent economic downturn). As

a result of the crisis, many states revised their constitutions to explicitly deal with how economics and politics interacted. We can use those changes as a guide both to what people were thinking at the time, as well as the concrete changes they made to their political and economic systems.

In the end, we will have a slightly different answer to why the American economy began growing so rapidly after the 1840s, and why that growth has been sustained to the present. It will have elements of classical economic thought, as well as a more nuanced view of how politics and economics interact.

Course Details:

Students are expected to attend all classes and read the assigned readings.

There required book for the course is:

Jeremy Atack and Peter Passell, *A New Economic View of American History*, 2nd Edition, Norton, 1994.

a supplementary text is recommended, not required:

Jonathan Hughes and Louis Cain, *American Economic History*, Pearsons.

It is currently in its eighth edition, but any edition from the 6th on will work.

All other readings will be available through the course website.

Grades:

Grades will be based on two midterms, two online assignments, and a final exam. The exams will be a combination of short answer and essay questions, with about two thirds of the weight on the essays.

First midterm	20%
Second midterm	30%
Online assignments	10%
Final Exam	40%

The final exam will be on the scheduled time Tuesday, December 15 at 8:00 AM.

The online assignments will be announced in class.

The readings for each class follow.

September 1 & 3: Introduction

Atack, chapter 1

Big Ideas: An Economic Framework

September 8 & 10: Guy S. Callender, "The Early Transportation and Banking Enterprises of the States in Relation to Corporations" Quarterly Journal of Economics, 1902.

Big Ideas: A Political Framework

September 15 & 17: Bailyn, *The Origin of American Politics*, ch. 1

Banking

September 22 & 24, Atack, ch. 4

Public Land

Sept 29 & Oct 1: Atack, ch. 9

Oct. 6: First Midterm

Agriculture - North

Oct 6 & 8: Atack, ch. 6 and 10

Paul Rhode and Alan Olmstead, "The Red Queen and the Hard Reds: Productivity Growth in American Wheat, 1800 - 1940." *Journal of Economic History*, Dec. 2002, pp. 929-966.

Agriculture - South

Oct 13: Atack ch. 11

There will be no class on October 15. There will be an online assignment that week, which will be announced in class. The assignment will focus on Robert Gallman, "Self-Sufficiency in the Cotton Economy of the Ante-Bellum South." *Agricultural History*, 1970.

Internal Improvements

October 20: Carter Goodrich, chapter 3 of *Government Promotion of Canals and Railroads: "Appalachian Competition"* Columbia University Press, 1960.

Atack, ch 6

Oct 22 & 27: Wallis, "The Property Tax as a Coordinating Device: Financing Indiana's Mammoth Internal Improvement System, 1835-1842." *Explorations in Economic History*, 2003.

Oct 29 & Nov 3: Wallis, "Constitutions, Corruption, and Corporations," *Journal of Economic History*, 2005, pp. 211-256. Please read pages 211-229 for class.

John Larson, *Internal Improvements*, ch. 2, pp. 39-69. Pay particular attention to pages 52-63 about the Gallatin plan 63-69 about the Bonus Bill, which we will talk about in class. .

Nov 3: Wallis, Sylla, and Grinath, "Sovereign Debt and Repudiation: The Emerging Market Debt Crisis in the U.S. States, 1839-1843." NBER working paper.

Nov 5: Second Midterm

Why did the States default? Early American Politics, the Bank War, the Financial Crisis and the Panic of 1837.

I will make several chapters from Remini and Temin available as background. The key chapters to read are Temin, chapters 3 and 4.

Nov 10: Banks, Cotton, and Bills of Exchange. Atack, ch. 4

Nov 12 & 17: Peter Temin, *The Jacksonian Economy*, ch. 3, 4 and 5, pp. 113-171.

Nov 19: Wallis, "What Caused the Crisis of 1839?"

Nov 24: Wallis, "Constitutions, Corruption, and Corporations," *Journal of Economic History*, 2005, pp. 211-256.

Constitutional and Institutional Changes after 1840

Dec 1 & 3: Constitutional and Institutional Change

Lamoreaux and Wallis, "States Not Nation."

Dec 8 & 10: Corporations and Summing Up: Why did America Grow?