



# AMERICA: THE LAST BEST HOPE

## Economic Key Points, Volume I, 1492-1914

### Chapter 1 Westward the Course

1. East Asian spices were a key good demanded in the European market
2. Motivation to find new sea routes to Asia led to new inventions that improved navigation
3. Many Europeans were willing to risk life for the potential wealth gained from sailing to Asia and America
4. Discovery of America led to the exchange of new agricultural products between the Old and New Worlds
5. Many food products (such as turkey, corn, and the potato) changed lifestyles and improved European standard of living
6. Agricultural production based on cash crops (tobacco, cotton, coffee, and sugar) became backbone of American economy
7. The African slave trade grew to support the cash crop economy of the New World
8. Bullion (gold and silver) from the New World to Spain led to destructive inflation
9. The drive to access East Asian markets motivated overseas exploration by Europeans

### Chapter 2 City Upon a Hill

1. A new agricultural crop, tobacco, sustains and dominates Virginia's economy.
2. Creation of Joint Stock Companies, such as the Virginia Company, spreads risk for dangerous exploration and colonization.
3. British North American colonies develop active shipping and ship building industry.
4. New York and Boston become important centers of commerce and shipping.
5. Natural resources such as lumber, food products, and tobacco are sent from the New World to the Old World.
6. Tea, rum, and other manufactured goods are important imports to the New World.
7. In the British North American colonies, property rights are firmly established, even for small farmers.
8. Although the vast majority of slaves lived in the South producing tobacco and rice, the institution of slavery existed in every colony and played a fundamental role in the economic growth and development of English America.
9. Women were essential to a settled, healthy, and prosperous life in colonial America, and played a crucial if often underappreciated role in the largely agricultural economy by participating in a division of labor that involved men "producing goods" while women "processed" them for use by the family.
10. Attempts to create societies based on communal property (where land and resources is shared) are quickly discarded in favor of private property rights and free markets (in both Plymouth and Jamestown).

### Chapter 3 The Greatest Revolution

1. British government regulation of American commerce created protest and anger
2. Severe regulations, high taxes, and monopolies (especially in tea) created black markets
3. Heavy import tariffs led to smuggling by colonial merchants – we see here the principle that high taxes lead to evasion and tax revenue often decreases (whereas lower tax rates can lead to increased revenue because people stop trying to evade the tax – see President Clinton's cut in the capital gains tax in 1997)
4. The tea tax and monopoly given to the East India Company led to outrage both because of "taxation without representation" and due to the negative impact on American shipping interests
5. Mercantilism became the governing economic theory of the British government

### Chapter 4 Reflection and Choice

1. Excessive debt in Rhode Island led to an inflated currency – when the market is flooded with paper money, the value drops causing inflation
2. Shay's Rebellion was a result of farmers fighting foreclosure of their farms and imprisonment for debt



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## Chapter 5 The New Republic

1. Hamilton's vision for a commercial republic led to his push for a national bank to increase credit and investment in emerging industry
2. Hamilton's tax on liquor led to the Whiskey Rebellion – we see tax policies can often hurt certain industries while attempting to “solve” other problems
3. Seizure of American merchant ships by the French Navy leads to the creation of the American Navy

## Chapter 6 The Jeffersonians

1. The Barbary State on the northern African coast kidnap and ransom American merchant sailors disrupting American trade with Europe
2. In order to protect right to trade in Mediterranean Sea freely, President Jefferson launches war against Barbary pirates
3. In war with Napoleon, British restrict all neutral shipping with France with their “Orders of Council;” as a result Britain seizes American sailors
4. In response to British impressments of sailors, Jefferson pressures Congress for an embargo of all trade with Britain; this causes an economic depression; later the embargo is repealed
5. After repeated violations of American rights to trade as a neutral nation in the ongoing war between France and Britain, Congress declares war on Britain in 1812

## Chapter 7 Jackson and Democracy

1. Tariffs lead to higher prices for consumers
2. South hit harder by high tariffs because they imported more of their luxury goods than did the North; led to nullification crisis
3. There was a “War on the Bank” due to its unreliable paper currency; Jackson vetoes re-charter in 1832
4. When national bank charter expired in 1836, it led to the “Panic of 1837” sending the American economy into a depression
5. The bad economy led to Martin Van Buren's ouster as President in the 1840 elections
6. The Mexican War supported Southern economic interests (land, cotton, and slavery), therefore the war was unpopular in the North

## Chapter 8 The Rising Storm

1. Railroad connects economies of North and West
2. Price of transportation drops with spread of railroads and steam power
3. Innovations in agriculture (McCormick's reaper) has effect on wheat prices like Whitney's cotton gin had on cotton; prices drop dramatically increasing standard of living
4. Rise in labor unions lead to higher wages and protection for workers in dangerous conditions

## Chapter 9 Freedom's Fiery Trial

1. Inventions during war lead to growth of mass production: land mines, repeating rifle, boots that fit certain feet (as opposed to being all the same size), iron clad ships, steam powered warships, and an early submarine
2. Especially in the North, mass increase in railroads continues to improve transportation infrastructure and is a key Union advantage
3. Increased use of the telegraph further enhance communication and news industry
4. Naval blockade of the South leads to shortages of goods and resources; smuggling and blockade running become major forms of business

## Chapter 10 A New Birth of Freedom

1. Due to the Union blockade, shortages of consumer goods and necessities make life very difficult on Confederate citizens
2. General Sherman's direct attack on the Confederate economy (burning of Atlanta and March to the Sea) make continuing the war impossible for the South



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## Chapter 11 To Bind Up the Nation's Wounds

1. Innovation drives America's growing industrial economy
2. Bell's telephone increases communication, enhancing business and news industries
3. 1876 World's Fair showed off American innovation: typewriter, telephone, new food products (Heinz), and early form of electric light
4. Root of American industrial success was a free market where new products could be brought to the consumer with little interference or difficulty; incentives to create and innovate were powerful
5. With a growing industrial economy, concerns over the money supply rise; Grant vetoes the Inflation Bill demanded by many, especially farmers; calls for America to end its dependence on the gold standard will become a powerful voice in American politics

## Chapter 12 An Age More Golden Than Gilded?

1. New innovations and technologies continue to drive booming economy and standard of living
2. Life becomes easier as "convenience" products such as the electric light finds its way into homes
3. The roots of the entertainment industry begins with the creation of the motion picture projector and phonograph
4. Entire new industries such as oil and automobile begin and will grow to become backbone of the American economy
5. Anti-trust legislation begins to appear in order to ensure competition in the free market and eliminate monopolistic attempts by some corporations to dominate certain markets
6. As mass production increases, prices continue to fall for many new products
7. Agricultural innovation (John Deere) means mass increase in food production, falling food prices consumers, but lower profits for farmers; many move to new cities
8. High tariffs in 1890 leads to higher prices for consumers; contributes to slow down of economy in 1892 and helps prolong the 1892-97 depression (this mistake will be repeated with the Smoot-Hawley Tariff of 1930)
9. As the economy booms, demands to increase the money supply follow; the Sherman Silver Purchase Act is the first such action to accomplish this
10. American labor faces competition from immigrant labor (especially from China) who work for lower wages than Americans; this leads to anti-immigration legislation such as the Chinese Exclusion Act
11. Long hours and dangerous conditions led to the formation of labor unions and many clashes with management, most of which management won, often with the help of government, leaving only about one-tenth of workers (most of them skilled) belonging to unions in 1900

## Chapter 13 An American Dynamo- Shadowed by War

1. The Wright Brothers airplane will form basis of future air transportation and travel; entire industries are built around both today
2. New anti-Trust legislation continues to regulate monopolies in order to ensure free markets and competition and to allow free association of workers in labor unions
3. Henry Ford's moving assembly line cut automobile production to 90 minutes; this innovation has the typical affect of most innovations: more goods at lower cost to consumers – demand for automobiles soars; transportation and travel are revolutionized
4. The motion picture industry continues to grow
5. Literature (*The Jungle*) impacts society and leads to new regulation of food production (Pure Food and Drug Act)
6. Reduction in tariffs (tax on imported goods) increases trade with foreign countries (lower prices for consumers)
7. Desire to reduce transportation cost (and increase American power and prestige) leads to the building of the Panama Canal
8. The Federal Reserve is created to regulate the central bank and money supply