

HISTORY 130

I. The European Background of American History, 1400--1600

1. Europe in 1400.

Decline of the classical world of the Roman empire, ff. 500 AD.

The Middle Ages, c. 500 - 1500.

Classical learning lost.

Feudal society: local and agricultural
warlords dominate

Europe in 1400--late Middle Ages.

Backward compared to civilizations of Middle East, India,
and China (Ming, 1368-1644).

* Problem: How did Europe achieve a global extension of power by 1600?

2. The Awakening of Europe: The Renaissance.

(1) Rediscovery of classical learning.

(2) Development of national states.

Power of local feudal warlords replaced by national states ruled
by kings.

By 1500, Portugal, Spain, France, and England had national
states with centralized control over taxation, law-making, administration of justice, control
of military.

Importance of nationalism in modern world.

Importance of national states in colonial empire building.

(3) Economic developments.

Medieval feudalism, local and agricultural, was giving way.

Growth of trade and commerce, especially long distance trade.
Growth of towns and cities.

Development of merchant class, with new set of values.

Development of a monetary economy, replacing the medieval
barter economy.

Banking--in Italy by 1400

Joint-stock trading companies

Importance of luxury goods from the East.

(4) Development of Science and Technology.

Printing. Johannes Gutenberg, 1456.

Created a "Media Revolution"--more books,
varied subject matter, more accurate text. Encouraged expansion of literacy.

Gunpowder ff. 1300

Created new system of military weapons.

Navigation technology

New type of ships, more accurate maps and
charts, new navigation instruments (compass, astrolabe, quadrant).

(5) Religious reformation

Martin Luther, 1517

Division of Christianity into Catholic and Protestants, and
conflict.

3. The Discovery of "The New World" - North and South America.

(1) Importance of trade in luxury goods from the East.

(2) Italian monopoly on trade routes in eastern Mediterranean.

(3) Search for new routes to Asia.

Portuguese around Africa--reached India in 1498.

Spain: Voyage of Christopher Columbus, 1492. Discovery of
new lands. Named "America" from Americus Vespuccius, c. 1507.

II. New World Empires

1. The Spanish Colonial Empire--the first European empire in the New World.

(1) The conquest of Mexico -- 1519-1521.

Hernando Cortez (1485-1547) with about 600 Spanish soldiers and some Indian allies conquered Aztec empire. Importance of gun powder weapons.

Aztec empire. Large empire in central Mexico, ruled by Aztec tribe. An advanced civilization. Tenochtitlan, the capital, a large and prosperous city.

(2) The conquest of western South America, 1532-38.

Francisco Pizarro (1470-1541) with a small force of about 200 soldiers conquered the Inca empire.

(3) Exploitation of New World resources.

Gold and silver. 1500 - 1650 an estimated 200 tons of gold and 16,000 tons of silver shipped back to Spain.

Land and labor. The *encomienda* system and its results--exploitation of Indian labor, development of large landed estates owned by ruling class, concentration on large scale production of specialized crops.

(4) Impact on the Native Peoples

Origins of the native peoples. Beringian migration theory: prehistoric migrations from Siberian Asia by way of land bridge to Alaska.

Impact of European diseases--especially smallpox.

Estimated death rate in Mexico, 1520-1600, as high as 90% of population.

Estimated population of Mexico 1520--25 million; in 1600--less than 5 million.

(5) Beginning of African slavery in the New World.

2. The French Colonial Empire -- Canada and Mississippi valley.

Voyages of Jacques Cartier, 1534-5.

La Salle's exploration of the Mississippi river.

Few French settlers. Estimated 75,000 by 1750.

Conquest of New France by the English in 1763.

3. The English Colonial Empire.

(Discussed as a separate topic, following.)

III. Development of the English Colonies, 1600 - 1775.

1. General Points.

(1) Compared to other Europeans, the English colonies began late.
First permanent English colony in North America--Jamestown in Virginia, 1607.

(2) Began as separate, individual settlements.
Virginia, 1607; Massachusetts, 1620/1630; Maryland, 1634; Connecticut and Rhode Island, 1636; the Carolinas, 1663; New York, 1663, (Dutch, 1623); Pennsylvania, 1681; Georgia, 1732.

2. Political Development.

(1) Methods of beginning English colonies.
Joint-stock trading settlements. Example: VA.
Settlements by religious groups. Example: MA. by Puritans.
Proprietary colonies. Example: PA, William Penn and Quakers. MD, Calvert family and Catholics. GA, James Oglethorpe and convicts.
Independent (or "Overflow") colonies. Examples: CT and RI.
Royal colonies. By 1775, all colonies except MD and PA were royal colonies.

(2) Structure of government in the English colonies.
Division according to function: Executive, Legislative, Judicial.
Executive: Governor. Appointed by king or proprietor.

Legislature: **bicameral--two houses.
Upper House (Council), appointed. Lower House, elected by qualified voters. (House of Burgesses in Virginia was the first popularly elected legislative assembly in America, 1619.)

(3) Voting qualifications: Adult (21 years), white, male.
Property qualifications (in most colonies).
Religious qualifications (in some colonies).
Significance of popular voting: gave colonists direct voice in their own affairs; created tradition of popular participation in government; created experienced group of political leaders; made transition to independence much easier.

3. Economic development of the English colonies.

In all English colonies, throughout the colonial period, most persons were engaged in subsistence agriculture. **Subsistence--economic activity devoted to basic needs, such as food, clothing, and shelter.

(1) Southern colonies.
Subsistence agriculture--majority of population.
Plantation agriculture.
Production of commercial crops--tobacco in VA, MD, and NC; rice in SC and GA.
Access to market system--water transportation.
Larger scale of operations.
Large, cheap labor force.

**Indentured servants. Voluntary migration of Europeans; limited term of service (5 to 7 years).
African slavery. First record of introduction of Africans in English colonies--VA in 1619. Slavery was an established institution in VA by 1650.

Other southern crops: Naval supplies--tar, rope, timber.
Indigo--plant producing blue dye.

(2) New England colonies.

Subsistence farmers--majority of population.
Domestic manufacturing--making goods in households, such as leather, shoes, soap, candles, etc. Influence of Puritan emphasis on "useful work" and of weather.

Maritime occupations--fishing, shipping, ship building.
 Mercantile occupations--ranging from large import-export
 merchants, to small shop-keepers, to itinerant peddlers
 (3) Middle colonies (NY and PA)
 Subsistence farmers--majority of population.
 Commercial farming--especially the production of foodstuffs
 such as wheat, corn, rye, beef, pork, cheese.
 Manufactures--food processing
 metals--especially production of crude iron
 Mercantile occupations--large merchants, small shop-keepers,
 itinerant peddlers.

(4) Growth of colonial trade

Value of colonial exports: 1700 -- £400,000
 1775 -- £1,900,000

Trade patterns--the American colonies traded with Europe,
 with Africa (mostly slaves), and with the islands of the Caribbean.

British trade policy: **Mercantilism

Economic philosophy of Mercantilism:

Colonies--source of raw materials

Mother country--manufactured goods

Colonies--customers

Example: Hat Act, 1732 and Iron Act, 1750

Navigation Acts--colonial trade

restricted to Britain and the British empire.

4. Social Development of the English Colonies.

(1) General characteristics of the colonial population (c. 1775).

Varied: Product of immigration from Europe, Africa, & Asia.

European--English, Scots, Scotch-Irish

German--250,000 (10% pop.)

Other Europeans

African--500,000 (20% pop.)

Asian--Prehistoric migration of Indian ancestors

Historic migration--following 1850

Growing: Estimated Colonial Population

1650-50,000 1700-250,000 1750-1,170,000 1775-2,250,000

1790-3,930,000 1800-5,308,000

Sources of growth: Immigration

Natural increase--birthrate

in the American colonies was about twice that of Europe in 1750.

Youthful: In 1790, half the population was age 15 or younger.

Present trend--an aging population.

1900--4% of pop. age 65 or more.

1990--12% "

Rural: More than 90% of the population in 1790 lived in the
 countryside. Only 7% lived in towns or cities of 2,500 or more persons.

(2) Social Classes: A Social Pyramid.

Percentage of Population		Percentage of Wealth Owned
Upper 10%	40% farmers	50% of wealth
Middle 50%	10% artisans & tradesmen	50% wealth
Lower 40%	20% non-propertied whites	
	20% slaves	

IV. The American Revolution, 1763--1783

1. The Crisis of Empire, 1763--1775

(1) The Seven Years War (1756-1763) and Its Results.

A war between Britain and France of worldwide scope in which Britain was victorious.

Results: France lost her colonial empire in North America. This removed a threat to colonial security and meant that the American colonies felt less dependent on GB for their protection. Created a new "psychological" relation between GB and the colonies.

Created a new economic relation between GB and the colonies. Change of British policy from "salutary neglect" to greater regulation and taxation of the colonies in order (a) to pay the costs of the 7 Years War and (b) to pay the costs of governing and protecting the colonies.

2. The Taxation Controversy.

(1) The Stamp Act, 1765. The first direct tax by GB on American colonists. Resulted in: Riots in Boston in August 1765 and later in New York and other cities.

Meeting of the Stamp Act Congress in New York City in October of 1765. The first intercolonial meeting to protest British policy. The colonials claimed: (a) "Rights of Englishmen" and (b) "No Taxation Without Representation."

Repeal of the Stamp Act. In 1766, moved by strength of colonial opposition, Parliament repealed the Stamp Act. But GB still needed revenue.

(2) Townshend Acts, 1767. Indirect taxes on various commodities.

Colonial opposition: Organization of an effective boycott of British goods. British exports to colonies declined from 2,000,000 in 1768 to 1,200,000 in 1770

Revenue from taxation declined from 13,000 in 1768 to 2,727 in 1770

British reaction: Colonial opposition and protests from British merchants were effective. Parliament repealed Townshend Acts in 1770, but retained a tax on tea as a symbol that GB did have authority to regulate the American colonies.

NB: Note the importance of leadership of merchants, especially the merchants of Boston, in promoting American opposition.

(3) Period from 1770 to 1773 was relatively calm. The only tax the Americans were paying to the British government was a symbolic tax on tea.

(4) Tea Act. In May 1773, Parliament passed an Act which exempted the powerful East India Company from paying the tax on tea. But colonial merchants still had to pay the tax. This led to the famous Boston Tea Party on 16 December 1773 when 340 chests of tax exempt tea valued at 10,000 was thrown into Boston harbor.

(5) Coercive Acts, March 1774. (Called Intolerable Acts by colonials.) Angered by the action in Boston, Parliament passed a series of punitive acts:

Boston Port Act: closed port of Boston until tea was paid for.
Massachusetts Government Act: moved colonial government to Salem, away from influence of Boston mobs.

Justice Act: British officials accused of crime might be tried in GB, away from hostile colonial juries.

Quartering Act: required colonials to provide room and food for British soldiers. Most hated of all the acts.

(6) First Continental Congress. Delegates from American colonies met in Philadelphia, PA, September-October 1774 to consider a united response.

Denounced the Coercive/Intolerable Acts

Published a "Declaration of Rights and Grievances"

Adopted another boycott

Agreed to meet again in the spring of 1775.

3. The Revolutionary War.

No attempt is made in this topic to consider the military history of the American Revolution. A few points are noted here.

(1) Battles of Lexington and Concord. The opening shots of the Revolution were fired in encounters between British soldiers and colonial militia men in the early morning hours of 19 April 1775.

(2) Second Continental Congress. By the time the Second Continental Congress met at Philadelphia in May 1775, fighting was already widespread in the area around Boston. The Congress created a continental army and appointed George Washington as its commander. The Second Continental Congress remained in session throughout the war as a provisional revolutionary government, the nearest thing to a national government during the war, and exercised a variety of functions.

(3) The Declaration of Independence. Adopted on 4 July 1776. The war had been going on for over a year. Clearly, independence was not the original goal of the revolution.

(4) End of the Revolution. The final battle of the war was fought at Yorktown in VA in October, 1781. In the Treaty of Paris, 1783, the British government recognized the independence of the United States of America.

4. Britain's Problems in Fighting the Revolution.

Problem: Why/How did the American colonies, weak and divided, manage to win independence against GB, the world's strongest power at the time?

(1) Logistics: problems of fighting a war at a great distance.

(2) Tactics: problems of fighting a war over a large area with a scattered, rural population, and of dealing with guerrilla warfare.

(3) Expense.

(4) Maintaining the political will to continue.

(5) Necessity to keep major force on guard in Europe.

(6) Underestimated Americans' determination and ability.

(7) Over-estimated influence of Loyalists.

5. General Points concerning the Revolution

(1) Relatively long war. 1775-1781 (6 years).

(2) Divided allegiance of Americans: 1/3 patriot; 1/3 loyalists; 1/3 not care.

(3) Aid from France was crucial to the American cause.

Treaties of Alliance and Friendship, February 1778.

French military and financial aid.

(4) Compared to other major modern revolutions, the American revolution was not followed by purges of so-called "enemies of the revolution", by violent factional power struggles, or by counter-revolutionary coup attempts.

(5) Compared to other major modern revolutions, the American revolution did not aim at a "revolutionary" transformation of society. There were no attacks on the existing religious institutions, no programs of massive social leveling, to attempts at economic re-structuring. The principal change was political, from British to American.

(6) A "Conservative Revolution." From one perspective, the American revolution was inspired more by the enjoyment of freedom than by the burdens of intolerable oppression. It was a revolution to "conserve" freedom already in existence.

(7) A "Liberal Revolution." From another perspective, the American revolution was inspired by "liberal" ideals that were then, and still are, truly revolutionary. These may be seen in the Declaration of Independence and the influence of John Locke's "Essays of Civil Government" (1690).

All men are created equal.

All men have basic human rights.

Government is based on the consent of the people, not on Divine Right, and subject to change at the will of the people.

V. The Confederation and the Constitution, 1780--1790.

1. The Articles of Confederation.

The first national government of the United States. Produced by the Second Continental Congress. Adopted in 1781. Replaced by the present Constitution in 1789.

2. Weakness of the Articles.

(1) National government had too little power.

No executive branch.

No judicial branch.

Unicameral legislature with inadequate powers.

Each state had equal representation.

No power to tax or to regulate commerce.

Inadequate control over money.

Most measures required 2/3 vote to pass.

No power to enforce decisions.

(2) States had too much power.

Each state was sovereign and independent.

Members of Congress were appointed and controlled by states.

(3) Unanimous consent of states required to amend Articles.

3. National Crisis.

(1) Trade and tariff restrictions among states led to commercial chaos.

(2) Lack of uniform national money led to financial chaos.

(3) Declining values of Continental money led to inflation.

Value of Continental \$ to \$1.00 Specie

Jan. 1777 - \$1.25

Jan. 1780 - \$42.50

Jan. 1778 - \$4.00

Jan. 1781 - \$167.00

Jan. 1779 - \$8.00

(4) Growing domestic disorder.

The most serious episode of popular disorder was Shays' Rebellion--summer 1786 to winter 1787.

(5) Weakness in managing foreign affairs.

4. Movement of Form a New Government.

The movement to form a stronger national government was led by men of property and nationalistic vision. There was little demand for a stronger national government among the masses of ordinary people.

5. The Constitutional Convention.

Met at Philadelphia 25 May to 17 September 1787.

Led by men of the commercial and landed classes.

Although marked by disagreements and compromise, produced the present Constitution of the United States.

VI. Essentials of the Constitution.

1. The Legislative Branch.

The "representational controversy"--a difference of interests between the big states and the small states--led to the formation of a bicameral Congress.

(1) Senate--the upper house of Congress.

Representation: equal. Two senators from each state.

Qualifications: 30 years of age

9 years a citizen

an inhabitant of the state represented.

Manner of election: Before 1913--elected by state legislatures.

Since 1913 (17th Amdt.)--elected by

qualified voters in each state.

Term: 6 years & re-election permitted.

(2) House of Representatives--the lower house of Congress.

Representation: Based on population. "Population" defined as the whole number of free persons, excluding Indians not taxed, and three-fifths of all other persons. (Known as the "Three-fifths Compromise." Evidence of disagreements over slavery.)

Qualifications: 25 years of age

7 years a citizen

Inhabitant of the state represented.

Manner of election: Elected by qualified voters* by districts.

Term: 2 years & re-election permitted.

*Qualified Voter: Any person qualified to vote for the lower house of the legislature of the state in which he resides is qualified to vote for national officers.

(3) Powers of Congress. (Section 8)

(A) Major powers.

To levy taxes.

To regulate interstate* and foreign commerce. (*Interstate--between two or more state. Intrastate--within a state.)

To control money: to coin money & regulate its value

to punish counterfeiting

to borrow money

to regulate bankruptcy.

To declare war** (cf. Art. II on powers of President)

To create federal courts below the Supreme Court.

(B) Other powers over the Armed Forces, Post Office, Weights and Measures, Patents and Copyrights, Immigration and Naturalization.

(C) Consent of the Senate:

To approve or disapprove of Treaties (2/3 vote required).

of Appointments made by President.

(4) The Law-Making Process.

Bill introduced.

Passed by majority in each house.

Sent to President

Sign--law.

Veto--if passed by 2/3 vote in each house, becomes law.

(5) Limitations on Powers of Congress.

No tax on exports, "ex post facto" law, title of nobility, preference of one state over another.

(6) Limitations on Powers of States.

No treaties, tariffs, title of nobility, impairment of contract, issue of money.

2. The Executive Branch.

Article II created a new office: President of the United State. The Chief Executive of the nation.

- (1) Qualifications: 35 years of age
Natural born citizen
- (2) Term: 4 years. Limit of two terms by 22nd Amdt. (1951).
- (3) Manner of election: The Electoral System.
Voters in each state elect Electors.
Electors elect the President--majority required.
Method of finding the number of Electors from any state:
Let E = the number of Electors from any state.
Let R = the number of members of HR from any state.
Let S = the number of Senators from any state.
Then $E = R + S$ or $E = R + 2$.
Example: California has 52 members of HR.
Therefore California has 54 electoral votes.

(3) Powers and Duties of the President.

Commander-in-Chief of the Armed Forces.

* The War Powers Act . 1973, limits presidential commitment of US forces to hostile action to 90 days without specific authorization of Congress.

Recommend legislation.

Veto power. But 2/3 vote of both houses over-rides veto.

Appointments. Most appointments require consent of Senate.

Grant pardons.

Conduct foreign affairs. Treaties require 2/3 vote of Senate.

Faithfully to execute the law.

(5) Removal of the President from Office.

(A) The Impeachment Process.

Accusation (Impeachment) by HR.

Trial by Senate - 2/3 vote to find guilty.

(B) Penalty.

Removal from office.

Disqualification from future office.

3. The Judicial Branch.

Article III deals with the national or federal courts.

(1) Supreme Court: Established by the Constitution.

(2) Lesser Courts: Established by Congress.

Circuit Courts of Appeal

District Courts

(3) Judges of the Federal Courts.

Appointed by the President with consent of the Senate.

Term of "good behavior."

Removal by impeachment proceedings.

(4) Treason: Defined as levying war against the US or giving "aid and comfort" to the enemy. Must be supported by the testimony of two witnesses or confession in open court.

(5) Jurisdiction of the Federal Courts.

(A) According to the nature of the question: Any case involving a question of the Constitution, laws of the US, treaties, or maritime law.

(B) According to the parties involved:

(a) Government of US is a party

(b) Two or more states

(c) State and citizen of another state

(d) Foreign govt. or citizen

(e) Ambassadors

(6) Procedure of Cases in Federal Courts.

Most federal cases begin in the District Courts, may be appealed to a Circuit Court of Appeals, and finally to the Supreme Court.

4. Other Articles.

(1) Article IV contains clauses relating to: (a) the procedure of admission of new states, (b) the guarantee of a "republican" form of government, and (c) "full faith and credit" among the states.

(2) Article V outlines the procedure for amending the Constitution.

Although two procedures are mentioned, only one has been used.

Amendment Proposed by 2/3 vote in each house of Congress.

Amendment Ratified by 3/4 of the state legislatures.

(3) Article VI declares that the Constitution and laws of the national government are the "supreme law of the land."

(4) Article VII provides that the Constitution shall come into effect when ratified by 9 of the 13 states in specially elected Conventions.

5. Amendments of the Constitution. Twenty-six Amendments have been adopted. Among the most important are:

(1) The Bill of Rights. The first ten amendments protect the rights of individual persons, such as freedom of speech, of religion, of the press, of trial by jury. They were added as a group in 1791.

(2) Amendments 13, 14, and 15 deal with the abolition of slavery.

(3) Amendment 17 (1913) provides for the popular election of US Senators.

Amendment 19 (1920) guarantees the right to vote to women.

6. Constitutional Principles.

(1) Federal principle: Power divided between national and state governments.

(2) Separation of powers

Checks and Balances

(3) Limited government and Popular Sovereignty.

(4) A "republican" form of government.

VII. The Federalist Era, 1790 - 1800.

1. The Administration of George Washington, 1789-1797.

(1) Organizing the new government.

Creation of the President's Cabinet:

Secretary of State - Thomas Jefferson.

Secretary of Treasury - Alexander Hamilton.

Secretary of War

Attorney-General

(2) Hamilton's financial program

Pay foreign debt.

Pay domestic national debt at full face value.

Assume and pay debts of the states.

Tariff and Excise tax.

Establish the Bank of the United States (BUS).

(3) Hamilton's social/political philosophy.

Support the interests of the investor class; promote government by the rich, the well-born, the well educated. A governing elite.

(4) Results of Hamilton's policies.

Different opinions about economic policies.

Different opinions about interpretation of the Constitution.

Beginning of national political parties.

2. Federalist vs. Democratic-Republicans.

(Hamilton vs. Jefferson)

(1) Government.

Upper class vs. Masses of the People.

(2) Economic Policy.

Commercial vs. Agricultural interests.

"Trickle-Down" vs. "Bubble-Up" theories of economics.

(Supply side) (Demand side)

(3) State / Federal Powers.

Hamilton--strong national government; limited power of states.

Jefferson--limited national government; strong power of states.

(4) Interpretation of the Constitution.

Jefferson--strict and literal interpretation.

Hamilton--doctrine of "Implied Powers."

(5) Foreign Policy.

Hamilton--pro-British

Jefferson--pro-French

3. Foreign Affairs, 1789 - 1801.

(1) Washington's administration (1789-1797)

Wars of the French Revolution and of Napoleon.

Washington's neutrality policy.

Failure of neutrality. Attacks on American ships, cargo, and men by nations at war.

(2) John Adams' administration (1797-1801).

XYZ Affair and undeclared naval war with France, 1797

Alien and Sedition Acts, 1798.

Restrictions on freedom of speech and press; 25 persons arrested, 10 convicted.

VIII. The Jeffersonian Period, 1800 - 1825.

1. The administration of Thomas Jefferson, 1801-1809.

(1) The Election of 1800.

First peaceful and orderly transfer of power.

Electoral confusion and decision by HR.

(2) Repeal of the Alien and Sedition Acts.

(3) Westward Expansion: The Louisiana Purchase, 1803. Purchase from France of the western Mississippi watershed for \$15,000,000 in gold.

Importance for national unity, economic development, and future growth.

New land laws to encourage settlement by individual farmers.

Minimum purchase reduced from 640 acres at \$2.00 to 80 (later 40) acres at \$1.25.

Six new states admitted, 1803--1819.

(4) The Jeffersonian Ideal of America--a nation of small farmers.

2. Foreign Affairs, 1800 - 1815.

(1) Failure of Washington's and Adams' foreign policies.

(2) Failure of Jefferson's foreign policy.

Embargo Act, 1807-08.

(3) Failure of Madison's foreign policy--led to war with Britain.

(4) The War of 1812.

Causes: (a) Continued seizures of American shipping and impressment of American sailors.

(b) Influence of the "War Hawks" anxious to arouse national patriotism and defend national honor.

Course of the war.

(a) US unprepared for war. Considerable losses.

Raid on Washington, D. C. -- 24 August 1814.

(b) Victory at New Orleans -- 8 January 1815.

Andrew Jackson became a national hero.

(c) Treaty of Ghent. Signed 24 December 1814.

Century of (relative) peace in Europe, 1815 - 1914. Provided an opportunity to redirect national attention away from Europe toward westward expansion and internal development.

IX. Economic Development, 1815 -- 1860.

This topic is concerned with the beginning of the Industrial Revolution in America and its effects.

1. Stages of Economic Development.

- (1) Traditional society.
- (2) Transitional stage.
- (3) Take-Off.
- (4) Drive to Maturity.
- (5) Mature Industrial society--"Mass Society."

2. Conditions for Take-Off and Industrial Maturity.

- (1) Resource base.
- (2) Openness to change.
- (3) Trained work force.
- (4) Political stability.
- (5) Distribution network / Infrastructure.

3. The Transportation Revolution.

- (1) Roadways: primitive and undeveloped.
- (2) River system: Steamboat, 1807. Steamboats on western rivers after 1810 revolutionized river transportation. Voyage upriver from New Orleans to Cincinnati reduced from six months to six days by 1850.
- (3) Canal building: Erie Canal, constructed 1817-25; 364 miles long (585 km.). Reduced time of transit from New York City to Buffalo from 20 to 6 days; reduced costs from \$100 to \$5 per ton. Linked NYC to extensive market area; made NYC the nation's major commercial city.
- (4) Railroads: Technology developed in GB, but soon spread to US. Provided basis of a national transportation system.
 - 1830-40 -- slow start of RR construction.
 - By 1840 -- 3000 miles of track.
 - By 1860 -- 30,000 miles of track.
- (5) Telegraph: communications revolution.
 - Developed by Samuel F. B. Morse in 1838. Telegraph network expanded with the RR system. Created national communications system.
- (6) Results of transportation and communications developments:
 - Created an integrated national market. Facilitated the transition from a subsistence to an entrepreneurial economy.
 - Promoted the development of a monetary economy.
 - Promoted the development of specialized regional economies.

4. The Manufacturing Economy of the Northeast.

- (1) Importance of technological developments.
 - American contributions to technological development.
 - Development of the steamboat.
 - Standardized, interchangeable parts.
 - Assembly-line production.
 - (2) Development of the Factory System.
 - Textile production was the first to mechanize and industrialize. Began in England, but soon came to US. Samuel Slater built the first textile mill in US in Rhode Island in 1790. The Boston Associates factory at Waltham, MA, in 1813 was the first integrated textile production facility.
 - (3) Characteristics of the Factory System.
 - Factory Workers: 1820 - 350,000
 - 1860 - 1,930,000
- Extensive employment of women and children in factory labor.

Hours, Wages, and Conditions of Industrial Labor.

Hours: 10/12 hours per day; 60/72 hours per week.

Wages: Men - \$4 to \$6 per week.

Women/Children - \$1 to \$4 per week.

Conditions: Poor conditions of lighting, ventilation, noise reduction, and lack of safety-devices.

New Social/Economic Classes

Industrialization created two new classes:

(a) Wage-earning workers.

(b) Capitalist, investor class.

5. The Plantation Economy of the South.

(1) General points concerning the southern economy:

Majority of the southern population were economically at or near the subsistence level.

The Plantation Economy.

Planters were a numerical minority, but the most important social, political, and economic class.

The plantation economy was characterized by:

Large scale production of a commercial crop.

Use of slave labor.

(2) Development of the cotton economy.

Mechanization of textile production created a large demand for cotton, and high prices. But there was a technological problem with production.

Processing problem solved by Eli Whitney. Invention of the "cotton gin" in 1790.

Cultivation of cotton expanded rapidly.

World Output of Cotton

1800 US - 10% Asia - 60%

1850 US - 68% Asia - 22%

Expansion of Slavery.

Distribution of Slave-Ownership in 1850

350,000 slave-owners

6,120,000 non-slave-owners

4,000,000 slaves

(4) Rise of the Anti-Slavery Movement.

To be discussed in a later topic.

6. The Agricultural Economy of the Northwest.

(1) Crops: Mainly foodstuffs--wheat, corn, beef, pork, etc.

(2) Family farming: average about 200 acres.

(3) Importance of Technology.

New agricultural machinery for plowing, planting, cultivation, harvesting, and processing led to increased output per worker.

Expansion of the transportation network provided access to market for greater number of persons.

X. Jacksonian Democracy: Politics and Economics, 1825--1850.

1. The Election of 1824.

(1) Decline of the Federalist party. Rise of regional candidates among the Democratic-Republicans. No candidate received a majority of the Electoral Vote. John Quincy Adams was chosen President by the House of Representatives over Andrew Jackson.

(2) The administration of John Quincy Adams, 1825-1829. Adams' programs largely frustrated by political opposition from the Jackson faction.

2. The Election of 1828. The triumph of Andrew Jackson.

3. Politics and Economics during the Age of Jackson.

(1) Internal Improvements.

J. Q. Adams favored use of federal money for transportation projects. Jackson opposed, largely for political reasons.

Result: Development of the transportation system (esp. RR network) by private capital.

(2) Tariff. (Tax on imports.)

Types of tariff: Revenue tariff.

Protective tariff.

Southern opposition to protective tariff, esp. ff. 1828.

Claimed that protective tariff forced southern consumers to pay artificially high prices, benefiting northern manufacturers at the expense of southern consumers.

South Carolina refused to enforce the tariff in that state in 1832. Led to a major constitutional crisis: Can a state defy the national government?

South Carolina forced to back down by:

Jackson's strong stand in support of national government.

Lack of support from other southern states.

Compromise legislation lowering of tariff rates.

Result: Increased the divisions between North and South.

(3) Bank of the United States (BUS).

Review of history of BUS from Hamilton to Jackson.

Jackson's political enemies, led by Henry Clay, made BUS an issue in the election of 1832, hoping to defeat Jackson. But the scheme backfired.

Jackson was overwhelming re-elected, and began his famous "War on the Bank."

Result: Jackson's destruction of BUS opened the banking and financial system to private capitalistic development rather than federal regulation and control.

4. Democratic Trends in the Age of Jackson.

(1) Hamilton--government by and for the upper class.

Jefferson--government for the masses by the upper class.

Jackson--government by and for the masses.

(2) Democratic Developments during the Jacksonian Period.

Voting qualifications and qualifications for holding office become more democratic. Popular election of Presidential Electors. Selection of party candidates by Convention (rather than by Caucus). Jackson's concept of President as "Tribune of the People."

5. Reform Movements, 1820 - 1860.

(1) Social Reforms: Temperance, Prison Reform, Care of the Mentally Ill.

(2) Women's Rights Movement.

(3) Communitarian Movements.

(4) Anti-Slavery Movements: Abolitionist movement--slavery regarded as a moral evil that must be immediately abolished.

Free-Soil movement--opposed the westward expansion of slavery into the Territories.

Result: Created further division between North and South, leading to disunion and Civil War.

XI. Territorial Expansion, 1845 - 1850.

1. The Ideology of "Manifest Destiny."

(1) The idea that it was the "destiny" of the US to expand from Atlantic to Pacific.

(2) Various historic forms of Manifest Destiny ideology.

2. Territorial Expansion, 1845 - 1850.

(1) The annexation of Texas.

Texas formerly part of Mexico.

Texas independence, 1836-1845.

US annexation of Texas in 1846 created a crisis with Mexico and led to the Mexican War, 1846-48.

(2) US acquisition of California and the southwest in 1848 as a result of the Mexican War.

(3) US acquisition of Oregon territory in 1846 as a result of a compromise with Great Britain.

3. Results of Territorial Expansion:

(1) US expanded to the Pacific.

(2) Slavery controversy revived. Issue: Shall slavery be permitted to expand into the territories won from Mexico?

XII. The Road to Disunion, 1850 - 1860. The Controversy Over Slavery.

1. Review of the early history of slavery.

°First record in the Virginia colony, 1619.

°In colonial times, slavery was concentrated in the South. By 1800, slavery had ended in the North.

°Expansion of cotton and slavery in the South, 1800-1860. Slavery vital to the southern economy.

2. Sectional controversy over slavery.

(1) Growing anti-slavery movements in the North.

Abolitionist movement--immediate end of slavery.

Free Soil movement--no westward expansion of slavery.

(2) Southern support for slavery rooted in economic and racial reasons.

(3) The Missouri Compromise of 1820: (a) defined the status of slavery in territory of the Louisiana Purchase, (b) insured balance slave and free states in US Senate.

(4) Renewal of the slavery controversy.

New territory acquired from Mexico raised again the question of expansion of slavery. Growing bitterness between North and South.

(5) The Compromise of 1850:

(A) °California admitted as a free state.

°Remainder of the Mexican Cession organized without reference to slavery. The question of slavery would be decided, not by Congress, but by vote of the local people--"Popular Sovereignty."

(B) °Texas give up some of its western territory.

°Government of US would assume and pay Texas' debts.

(C) °Slave-trading, but not slavery itself, prohibited in

Washington, D.C.

°Congress would enact a new, strict Fugitive Slave Law for the capture and return of run-away slaves.

(6) The break-down of national unity.

The Kansas-Nebraska Act of 1854, and the failure of "Popular Sovereignty." Civil strife in Kansas.

The emergence of the Republican Party. Dedicated to the principle that slavery should not be allowed to expand into the western territories. Many Republicans were also Abolitionists, favoring the complete ending of slavery..

The Dred Scott case, 1857. A case decided by the US Supreme Court concerning the freedom or enslavement of Dred Scott. The decision seemed to imply that Congress had no power to exclude slavery from the territories. The decision pleased southerners, but enraged northern anti-slavery opinion, and increased sectional disunity.

3. The Election of 1860.

(1) Parties and Candidates.

Republican Party: °Opposed expansion of slavery into the western territories--the Free Soil policy. But many Republicans were also Abolitionists. Support from Republican party came almost entirely from the North.

°Abraham Lincoln of Illinois chosen as Republican candidate for President.

Democratic Party: Democrats split into northern and southern groups. Each group nominated its own candidate for President. The Democratic vote was divided.

(2) Distribution of Votes in 1860.

Republican	A. Lincoln	40% of Popular Vote	180 Electoral Votes
N. Democrat	S. A. Douglas	30%	12
S. Democrat	J. Breckinridge	18%	72
Union	J. Bell	12.5%	39

(3) Lincoln elected with majority of the Electoral Votes. Election held in November 1860, but Lincoln will not take office until 4 March 1861.

XIII. Secession and Civil War, 1860 - 1865.

1. South Carolina, the most radical of southern states, adopted an Ordinance of Secession, terminating the state's connection with the United States, on 20 December 1860.

2. Other southern states began to follow South Carolina's example and to withdraw from the Union. In February 1861 the seceded southern states formed a separate government, the Confederate States of America.

3. The war begins. On 13 April 1861, Confederate guns opened fire on Fort Sumter in the harbor of Charleston, SC--the opening shots of the Civil War. In response, Lincoln called for volunteers in the Army to restore the Union.

4. The "Dark and Bloody Ground" of the Civil War.

In all the wars in which US has fought (except World War II) the total number of casualties is about 300,000. In the Civil War: 350,000 casualties North
164,000 casualties South
530,000 total

5. The End of the Civil War.

Gen. Robert E. Lee, Confederate commander, surrendered to Gen. Ulysses S. Grant, Union commander, on 9 April 1865.

On 14 April 1865, President Lincoln was assassinated while attending the theater in Washington, DC.

6. Reconstruction: A bitter period of about 12 years from 1865 to 1876 of racial and sectional readjustment. The 13th, 14th, and 15th Amendments to the Constitution abolished slavery. But the question of real equality for all citizens continues to the present as a major challenge to the nation and its people.

XIV. The Impact of Industrialization: Business.

Problem: In the later 19th century (c. 1870-1890) the capacity to produce and distribute goods on a large scale began to exceed the ability to organize and manage big business operations.

1. The Development of Corporations. As a form of business organization, corporations are relative recent in origin. Corporations tended to replace the earlier forms of business organization: proprietorships (a single owner) and partnerships (an association of several owners).

2. Distinctive Characteristics of Corporations--features which made them preferable to proprietorships or partnerships as a form of managing big business.

(1) Legal Characteristics: A corporation is based on a legal charter which confers upon it the status of a "legal person."

Development of "holding companies" and modern conglomerates and multi-national corporations.

(2) Longevity: corporations have extended lifetime.

(3) Capacity for large capital formation through the sale of shares of stock to investors.

(4) Limited Liability: the liability of an investor for the debts of a corporation is limited to the extent of his investment. Financial risk is known and limited.

(5) Organizational Efficiency: *Vertical Integration--the corporation controls all activities from raw materials to manufacturing to sales.

*Horizontal Integration--merger of competing companies which leads to the formation of bigger business units.

*Bureaucratic organization according to specialized functions--production, sales, purchasing, finance and accounting, etc.

3. Results of the Development of Big Business Corporations.

(1) Decline of Competition: Development of Monopoly (control of a market by one seller) or Oligopoly (a few sellers.)

(2) Concentration of Wealth. A study in 1893 showed that:

.03%	of the population owned	20%	of the wealth
9%		50%	
90%		30%	

(In 2000, the richest 1% of population owns about 40% of wealth.)

(3) Business Abuses--leading to government regulation of business activities.

(4) Exploitation (often times wasteful exploitation) of natural resources and environmental pollution.

(5) Development of an Industrial Labor Force.

XV. The Impact of Industrialization: Labor

1. Emergence of an Industrial Working Class.

(1) Percentages of the Work Force

	1860	1910
Industrial Workers	18%	28%
Agricultural Workers	60%	31%

(2) Recruitment of the Industrial Work Force.

- ° Rural to urban migration.
- ° Increased labor of women and children. In 1900, 37% of textile workers were under the age of 16.
- ° Immigration. 1820 - 1920 = 37 million immigrants to US.

2. Problems of Industrial Workers.

(1) Decline of craftsmanship. Skilled craftsmen were no longer needed when production became industrialized. Workers became machine-operators, doing dull, routine, and repetitive work.

(2) Decline of working conditions.

- ° Unsafe and unhealthy conditions. High accident rate, perhaps as high as 25%, with little or no compensation for injured workers.
- ° Long hours: 60 -- 72 hours per week.
- ° Low wages: Average industrial wage in 1900 = .20¢ per hour; \$12.50 per week. Wage philosophy of employers was to pay workers as little as possible. To economize on wages as on any other cost of production.
- ° Economic cycles. Periodic contraction of the economy brought unemployment. There were no programs of unemployment compensation.
- ° Low social status.

Depersonalization. Workers were treated as parts of the mechanical process, not as human persons.

Ethnic prejudices. Many workers were immigrants and regarded with prejudice.

Social Darwinism. The ideology of "survival of the fittest" tended to justify the success of some and the failure of others, and to diminish public support for social welfare programs.

"Laissez-faire". The dominant economic ideology. "Laissez-faire" held that it was NOT the business of government to interfere with the operation of the economy. This promoted a lack of government regulation of business and a lack of legal protection against business' abuse of power.

3. Workers' Response: Organization of Unions.

(1) Early labor unions:

Local craft organizations -- some dating to before 1860.

National Union of Labor (1866). The first national union.

Not very successful. Died-out in the depression of 1870's.

(2) Knights of Labor (1869).

- ° Membership: All workers--men and women, skilled and unskilled, foreign and native born, black and white. The brotherhood of the working class.
- ° Aims: 8 hour work day
Better conditions, hours, and pay
Establishment of Socialism.
- ° Decline: Knights were feared by employers on account of their socialistic aims.

Haymarket Riot in Chicago on 4 May 1886 gave the Knights a reputation for "terrorism" and severely damaged their prestige.

Internal conflicts of interest, between skilled and unskilled workers (for example), weakened the effectiveness of the organization.

(3) American Federation of Labor (AFL / AFofL) (1886).

◦ Membership: Skilled craftsmen.

Organized according to craft--Plumbers

Union, Electricians Union, etc.

◦ Aims: 8 hour day, improved conditions, higher wages
Accepted capitalistic system

4. The Struggle of Labor.

The struggle of labor to obtain a better place in the American capitalistic system was not an easy or peaceful one. The later part of the 19th century (1870-1900) was marked by frequent major strikes with violence, destruction of property, and the loss of life. Examples of major strikes: Railroad strikes of 1877, the Homestead Steel strike of 1892, and the Pullman strike of 1894.

XVI. The Impact of Industrialization: Immigration and Urbanization.

1. Immigration.

(1) "Old" immigration and "New" immigration. After 1870 the sources of immigration to the US began to shift from Northern and Western Europe (British, German, and Scandinavian) to Southern and Eastern Europe (Italian, eastern European Slavic, and Jewish) immigrants. The "new" immigrants were generally of different ethnic, religious, and cultural background from the traditional American population.

Persons of Southern and Eastern European Origin as Percentage of Immigrants

1860 -- 1.2%
1910 -- 37.5%

(2) Number of Immigrants by Decades

1851-60	2.5 million	1881-90	4.7 million
1861-70	2.0	1890-1900	3.5
1871-80	2.3	1900-10	8.0

(3) Results of Mass Immigration.

◦ Formation of the industrial labor force. A large percentage of the industrial labor force, 1870-1910, was made up of immigrants from southern and eastern Europe. Chinese immigration to California began around 1850. These were the people who did the low-paying, heavy, and often dangerous work of later 19th century industrial America.

◦ Acceleration of urban growth. A great majority of the new immigrants settled in the industrial cities.

◦ Increased diversity of the population. The new immigrants were often of different national, ethnic, linguistic, religious, and cultural background from the earlier American population.

◦ Formation of ethnic urban neighborhoods.

◦ Nativism and Anti-Immigrant prejudices. Resulted in the beginning of immigration restrictions. Prohibition of Chinese immigration began in 1882, restrictions on Japanese immigration after 1900, general restriction of immigration and establishment of the national quota system in the Immigration Act of 1924.

2. Urbanization.

(1) Change from Rural to Urban Distribution of the Population.

Year	Total Pop.	% Urban**	% Rural
1860	31.5 mil.	20	80
1880	50	28	72
1900	76	40	60
1920	106	51	49

** Urban = incorporated area with population of 2,500 or more.

(2) Urban Growth.

° In the ten years between 1880 and 1890, eighty-eight of the largest cities in the US doubled in population.

° Table of the Population Growth of Chicago, 1840-1900

1840	5,000	1870	300,000	1900	1,700,000
1850	25,000	1880	500,000		
1860	110,000	1890	1,000,000		

° In 1880, 87 of every 100 persons in Chicago were foreign-born or the children of foreign-born parents. In San Francisco, 78 of 100.

(3) Problems Associated with Urban Growth.

° Expanded urban area. As cities expand in size, problems such as urban transportation became more acute. Getting from one place to another by walking became less and less possible. Mass transportation became a necessity.

° Environmental pollution. The concentration of factories and industrial facilities in cities created massive problems of waste management, of air and water pollution, and many other environmental problems.

° Crisis of municipal services. The rapid expansion of population created problems of adequate municipal services--fire and police protection, provision of proper water, sewage, sanitation, and transportation services, paving, lighting, and maintaining the streets, etc.

° Housing. Especially in poor and immigrant areas, over-crowded and sub-standard housing led to the proliferation of urban slums.

° Increase of crime.

° Corruption of municipal politics. Corrupt political "machines" gained control of the government of many cities. The "machine" of "Boss" Abe Ruef in San Francisco is a good example.

° Beginning of social service and reform movements.

In the midst of all the problems of urban life, especially among the poor and immigrants, we can also see the beginning of movements to bring about reform, to provide social services for the poor, and to improve the quality of urban life. In these reform movements, women began to take a major role.

XVII. The Impact of Industrialization: Agriculture.

Problem: In the later part of the 19th century (1870-1900), American farmers had to contend with problems associated with declining prices for the products which they produced and, at the same time, fixed costs of their operations and expenses.

1. Problem of Declining Prices.

(1) Prices:	1875	1895
Cotton	.15¢ lb.	.06¢ lb.
Wheat	\$1.06 bu.**	.64¢ bu.
Corn	.43¢ bu.	.29¢ bu.

** Bushel = 35.2 liters (dry measure)

(2) Causes of Declining Prices.

(A) Development of an international market for agricultural commodities. This condition was due to: (a) Transportation developments. The construction of the Suez canal in Egypt and a transcontinental railroad system in the US connected markets more efficiently.

(b) Communication developments. Development of a world-wide telegraph network.

(c) Emergence of international market exchanges. London and New York in stocks, banking, and finance, Manchester in cotton, Liverpool in wheat, where prices are set by international market conditions. A world economy was emerging during this period of time.

(B) Increase of world-wide commodity output.

(a) Opening of new areas of production.

Wheat in western US and Canada, in Australia and southern Russia. Cotton in India and Egypt. In the US, between 1870 and 1900, 425 million acres of new farm-land was brought into cultivation.

(b) Increased domestic production in the US due to mechanization.

2. Problem of fixed costs.

(1) A major part of the problem of fixed costs was due to **debt**.

To operate effectively, American farmers had to invest in machinery and in land. For both of these investments, farmers had to borrow money from banks, leading to debt and interest as **fixed-costs**. Whatever other economies a farmer might practice to try to reduce his costs, he could not avoid the fixed-costs of debt.

(2) Strategies for dealing with the problem.

° Restrict output. By reducing supply, prices might rise. This strategy was available to large corporations with oligopolistic markets. But not to farmers, where the decision-making which controlled output was highly decentralized.

° Increase output. This option only makes the situation worse. An increase of supply relative to demand only lowers prices.

3. Farmers Response to Problems: To Organize.

(1) The Granger Movement, 1870 - 1890.

° Began as a social organization, but became an organization for political action.

° Through the political influence of the Granger organizations, farmers were able to move state legislatures to enact laws regulating the rates and services of various business, such as railroads, grain storage facilities, and slaughter houses, on which farmers depended to move their products into the market system. These laws were enacted at the state level and became known as "Granger laws."

° The business being regulated by these Granger laws challenged their legality in the courts. In the case of **Munn vs. Illinois** (1877), the US Supreme Court upheld the constitutionality of these laws. But ten years later, in the case of **Wabash RR vs. Illinois** (1887), the US Supreme Court reversed itself, declared that the former Court had been "in error", and declared Granger laws unconstitutional.

◦ Interstate Commerce Act. The negation of state laws regulating business led to the enactment of legislation at the national level. In 1887, under pressure from agricultural interests, Congress passed the Interstate Commerce Act, the first piece of national legislation regulating private business in the name of public interest.

(2) The Populist Movement, 1890 --1896.

◦ The decline of the Granger movement led to the rise of the Populist movement and the formation of a national political party, The Peoples' Party of America (generally known as the Populist Party).

◦ The Populist Party Platform of 1892. At a national convention in 1892, the Populist party nominated a candidate for President and announced its support for the following programs: (a) Income tax, (b) Popular election of US Senators, (c) Government ownership of transportation and communications systems, (d) Other measures such as the 8 hour day in industry, term limits for President and Vice-President, restrictions on immigration, and (e) Free Silver.

(3) Free Silver: The Money Issue.

◦ Definition of basic terms:

(a) Inflation -- an economic condition in which the value of money, relative to goods, is **declining**.

(b) Deflation -- an economic condition in which the value of money, relative to goods, is **increasing**.

◦ Relative benefits:

As a general rule, deflation tends to benefit creditors, and inflation tends to benefit debtors.

◦ As debtors, Populists (largely made up of farmers) favor inflation.

◦ The monetary policy of the national government since about 1870 had largely been deflationary. (a) The retirement of paper dollars unsupported by gold which had been issued as emergency financing of the Civil War reduced the amount of money in circulation by about \$450 million.

(b) The demonitization of silver in 1873 further reduced the volume of the money supply by no longer using silver as part of the monetary system. Gold became the only standard of the money supply.

(c) As a result of these deflationary measures, the amount of money in circulation between 1865 and 1890 dropped by about 10%. During the same time, however, the population doubled and the volume of business tripled.

◦ "Free Silver" was a program of the Populist party to inflate the money supply by restoring silver to the monetary system. (Gold **plus** silver would result in a greater volume of money than gold only.) Since inflation tends to benefit debtors, the "Free Silver" idea was believed to be a way to make it easier for farmers to repay their debts.

4. The Election of 1896. The Populists had done suprising well in the presidential election of 1892. The economy had gone into a depression in 1893. All eyes turned to the 1896 contest.

(1) Candidates and Issues.

◦ The Republicans chose William McKinley of Ohio and supported the gold standard of money.

◦ The Democrats chose William Jennings Bryan of Nebraska and supported "Free Silver."

◦ The Populists faced with a difficult decision, decided to join with the Democrats in support of Free Silver and ended their existence as a separate party.

(2) Result: a massive victory for the Republicans.

Bryan failed to carry the working class vote in the East, but even more surprising he lost states in the mid-West and far West where he should have done well. With the return of economic good times, farmers deserted the populist issues.

XVIII. Foreign Affairs, 1898 -- 1914.

Thesis: By 1895, the United States had become the world's largest industrial power, and began to take a more active role as a "Great Power" in world affairs.

1. The Spanish-American War, 1898.

(1) Causes of the war.

- Background of the Cuban struggle for independence from Spain.
- The role of "yellow journalism" and public opinion in US involvement in Cuban/Spanish affairs.
- The crisis in relations with Spain.

(a) The deLome letter. A private letter from the Spanish ambassador in Washington, DC to a friend in Cuba, critical of President McKinley, was stolen from the post office and published in a NY newspaper on 2 February 1898. Raised anger of public opinion against Spain.

(b) The explosion of the US battleship "Maine" in Havana harbor on 15 February 1898. 260 American sailors dead. Newspapers proclaimed Spain's responsibility for the attack. Outraged public opinion demanded war with Spain. (To this day, the real cause of the explosion of the "Maine" is unknown.)

(c) Congress recognized the independence of Cuba and adopted the "Teller amendment" which denied any US territorial interest in Cuba.

(d) Spain declared war on US. Congress responded with a declaration of war against Spain (24-25 April 1898).

(2) The War.

- Adm. Dewey's victory at Manila Bay, 1 May 1898.
- American invasion of Cuba.
- War ended in July after 110 days.

(3) Results of the war.

- US acquired the Philippines, Guam, and Puerto Rico from Spain. Paid Spain \$ 20 million.
- US became a colonial and imperialist power.

(4) Ideological aspects of US foreign policy.

(A) Foreign policy concerns in the statement of President McKinley about policy toward the Philippines.

- To protect American national honor.
- To protect US economic interests.
- Racial & cultural attitudes -- belief in an ideology of "superior people" and "inferior people."
- Idealistic (and naive) desire "to do good" in the world.

(B) Statement of Senator Albert Beveridge shows concern with foreign policy to protect US economic interests. In order to continue our economic growth, US must develop foreign trade.

2. US Foreign Policy in Latin America.

(1) Theodore Roosevelt's "Big Stick" Policy.

In a presidential message of December 1904, President T. Roosevelt announced a corollary to the Monroe Doctrine of 1823. Under this policy, the US assumed a police power to control affairs in Latin America.

(2) In 1903, the US acquired control of the canal project in Panama.

(3) Since 1898, the US has repeatedly intervened in various Latin American countries to influence affairs.

(4) "Dollar Diplomacy." In this policy, the US has used its economic influence instead of (or in addition to) its military power to influence affairs in Latin America and other places.

3. US Foreign Policy in the Far East.

(1) China.

° Situation in China. Internal instability and aggressive pressure from foreign powers created the possibility that China might be divided up into colonial spheres of influence.

° US Policy. The US wanted the economic benefits of trade with China, but without the responsibilities of territorial colonialism. US experience as a territorial colonial power in the Philippines had been a bitter experience.

° The "Open Door" Policy. The US proposed that there be an international agreement (a) to preserve the political independence and territorial unity of China, and (b) that the trade of China be open to all interested nations on an equal basis.

(2) Japan.

° Opening of Japan. American action in 1853--54 forced Japan to open up to outside trade and commerce after centuries of isolation.

° During the Meiji period (1868 - 1912) Japan began a program of rapid modernization and industrialization. Lacking the basic raw materials for an industrial economy in the home islands, Japan adopted a policy of expansion by military force to secure raw materials and markets in Korea and Manchuria in northern China.

° Conflicting interests with Russia for control of economic resources in Manchuria led to the Russo-Japanese War of 1905. Japan inflicted a major defeat on Russia. President Theodore Roosevelt acted as host and mediator in peace negotiations.

° US - Japanese Disagreements. These issues form the background of American-Japanese disagreements that eventually reached a crisis in 1940-41 and resulted in war.

(a) US felt that its economic interests in Asia were threatened by Japanese expansion.

(b) Anti-Japanese discriminations in California offended Japan's sense of national pride and honor.

(c) Superficial agreements smoothed over some of the problems between the two nations, but mutual suspicions remained.

Documents Related to American Foreign Policy
1898 -- 1914

Document 1. An example of how "Yellow Journalism" was portraying Spanish misrule in Cuba. From an editorial in the New York World, 1898.

"Blood on the roadsides, blood in the fields, blood on the doorsteps, blood, blood blood! The old, the young, the weak, the crippled--all are butchered without mercy....Is there no nation wise enough, brave enough, and strong enough to restore peace in this blood smitten land?"

Document 2. A statement attributed to President William McKinley describing the process by which he came to the conclusion that the United States should take possession of the Philippines.

"The truth is I didn't want the Philippines and when they came to us as a gift from the gods, I did not know what to do about them....I sought counsel from all sides-- Democrats as well as Republicans--but got little help. I thought first we would take only Manila; then Luzon; then other islands, perhaps, also. I walked the floor of the White House night after night until midnight; and I am not ashamed to tell you, gentlemen, that I went down on my knees and prayed Almighty God for light and guidance more than one night. And one night late it came to me this way--I don't know how it was, but it came: (1) that we could not give them back to Spain--that would be cowardly and dishonorable; (2) that we could not turn them over to France or Germany--our commercial rivals in the Orient--that would be bad business and discreditable; (3) that we could not leave them to themselves--they were unfit for self-government--and they would soon have anarchy and misrule over there worse than Spain's was; and (4) that there was nothing left for us to do but to take them all, and to educate the Filipinos, and uplift and civilize and Christianize them, and by God's grace do the very best we could by them, as our fellow-men for whom Christ also died. And then I went to bed, and went to sleep and slept soundly."

Document 3. An extract from a speech by Senator Albert Beveridge to the New York Chamber of Commerce in 1900 concerning America's vital interest in developing foreign trade, especially in the markets of Asia.

"American factories are making more than the American people can use; American soil is producing more than they can consume. Fate has written our policy for us; the trade of the world must and shall be ours....We will establish trading-posts throughout the world as distributing points for American products. We will cover the ocean with our merchant marine....Great colonies governing themselves, flying our flag and trading with us, will grow about our posts of trade. Our institutions will follow our flag on the wings of our commerce. And American law, American order, American civilization, and the American flag will plant themselves on shores hitherto bloody and benighted, but by these agencies of God herceforth to be made beautiful and bright."

XIX. The Progressive Era, 1900 -- 1916 / 20.

Thesis: Progressivism was a complex movement that cut across traditional geographic, political, economic, and social lines, having a common interest in Reform. Progressivism was an attempt to deal with some of the problems that had been created by industrialization through reform. For convenience of organization this topic will be divided into Social reforms, Economic reforms, and Political reforms.

1. Social Reforms.

(1) Reforms to improve conditions of urban life. To improve the standards of housing for the poor, to improve the quality of municipal services--fire and police protection, water, sewage, street lighting, etc.

(2) Reforms to uphold traditional morality.

◦ Clean-up prostitution, drugs, and crime.

◦ Restrict or prohibit the consumption of alcoholic beverage.

Led to the adoption of national prohibition by the 18th Amendment (1919).

(3) Social Welfare programs. Established by state legislation.

◦ Regulation of the labor of women and children.

◦ Establishment of programs of accident and unemployment insurance for workers.

◦ Regulation of working conditions in factories. (In New York in response to the disastrous Triangle fire, 25 March 1911, which took the lives of 146 female workers.)

2. Economic Reforms.

(1) Reform of the tax system. 16th Amendment, 1913, established Income Tax.

(2) Laws of the national government for the regulation of business.

◦ Pure Food and Drug Act, 1906. The first national legislation to regulate standards of food production and to control drugs by prescription.

◦ Laws to prevent monopoly. Competition was required to be the legal model of the American economy.

◦ Laws to establish various regulatory commissions, such as the Interstate Commerce Commission and the Federal Trade Commission. Members of these commissions were appointed by the President with the consent of the Senate, and had power to conduct investigations and establish rules and regulations having the force of law.

(3) Regulation of the banking system. The Federal Reserve Act (1913) created the present Federal Reserve System (FED).

(A) Structure of the Federal Reserve System.

◦ National Board of Governors. The National Board of Governors consists of 7 members who are appointed by the President with the consent of the Senate. Five of these 7 serve staggered terms of 14 years each. The Chairman and Vice-Chairman serve for terms of 4 years each, and may be re-appointed.

◦ Twelve Federal Reserve Regions. California is in the 12th FED region, and the principal FED bank for this region is in San Francisco.

(B) Members of the Federal Reserve System.

The Federal Reserve System is a "bankers' bank." It does business only with member banks.

◦ All banks which hold their charter of incorporation from the national government must be members of the FED.

◦ Other banks having state or private charters may be members if they meet certain qualifications.

(C) Functions of the Federal Reserve System.

(a) Fiscal agent of the US government. The FED is the government's banker. It receives and pays out funds on behalf of the Treasury.

(b) Bank of issue. The paper bills in circulation are issued by the FED and are designated "Federal Reserve Note."

(c) Clearing house operations. Every member bank is required to maintain an account with the FED Bank in its region. A check written by an individual with an account at commercial bank X payable to an individual with an account at commercial bank Y is cleared through the FED regional clearing house by debit and credit of the accounts of the respective commercial banks, who then debit or credit the accounts of the individuals involved. No exchange of cash is involved. It's all done by book-keeping operations among the FED and the member commercial banks.

(d) Cash pool for emergencies. Every member bank must keep a cash reserve account with its regional FED Bank as a reserve pool against emergencies. This function is probably less important today, now that individual accounts in commercial banks are insured by an agency of the federal government (FDIC).

(e) Influence economic activity. (** Probably the most important function of the FED in today's economy.) The FED influences the economy by:

- Variation of the discount rate. The discount rate is the rate of interest charged by the FED on loans to member banks. Raising the discount rate has the effect of slowing down economic activity. Lowering the discount rate has the effect of stimulating economic activity.

- Variation of reserve requirement. Seldom used at present.

- Open-Market Operations. If the FED buys government securities in the financial markets, the effect is to stimulate economic activity. If the FED sells government securities, the effect is to slow down economic activity.

3. Political Reforms. The general intent of these reforms was to make the American political more democratic and responsive to the will of the people.

(1) Reforms at the national level.

- 17th Amendment (1913) provided for the popular election of US Senators.

- 19th Amendment (1920) extended the right to vote to women. (Women's suffrage.)

(2) Reforms at the state level.

- Initiative. A political process which enables the voters to enact laws.

- Referendum. A political process which enables voters to approve or disapprove of laws made by legislative bodies (state legislature or city council).

- Recall. A political process which enables voters to remove a public official from office immediately-- before his/her legal term has been completed.

- Direct Primary. A political process which enables the registered voters in each political party to chose that party's candidates for office in the general election.

- Secret Ballot. A political practice which protects the privacy of the voter.

XX. World War I and the Lost Peace, 1914 -- 1920.

1. World War I.

(1) Background and Causes.

- Age-old rivalries and hostilities among European powers.
- Rise of Germany as a major military and industrial power.
- Emergence of rival power blocs
 - Central Powers -- Germany and Austria
 - Allied Powers -- France, Russia, Great Britain

(2) Crisis and Outbreak of War.

- Assassination of Archduke Francis Ferdinand, heir to the throne of Austria, at Sarajevo on 28 June 1914.
- Threats, demands, and mobilization for war.
- War -- 1 August 1914.

(3) The Failure of American Neutrality.

- President Woodrow Wilson's declaration of neutrality on 4 August 1914.

◦ The failure of neutrality. Although the President called upon the American people to be neutral in thought as well as in deed, partialities soon emerged, promoted by

(a) Attachments of culture and tradition favored sympathy toward France and Britain.

(b) Financial involvement. War loans from American bankers and the sales of war goods on credit to GB and France by American industries created a strong financial interest in the outcome of the war.

(c) Violations of American neutral rights. Especially German submarine warfare.

◦ The issue of submarine warfare. The German navy had a technological lead in submarine warfare, a new weapon of war in WW I.

(a) In February 1915, the German government declared a "War Zone" around Britain. Any ship within the war zone was liable to attack without warning by German submarines.

(b) On 7 May 1915, the British passenger ship "Lusitania" was sunk by a German submarine. 128 American were among the dead. The US government strongly protested attacks on merchant vessels and reasserted US claims to neutral rights.

(c) In June 1915, the German government, concerned about American threats, agreed to certain restrictions on submarine warfare.

(d) After an interlude of restricted submarine warfare, on 1 February 1917 the German government announced that it was resuming unrestricted submarine warfare. Even if this move brought the US into the war, the German government hoped to win by cutting off the flow of supplies to Britain by sea.

◦ The United States enters the war.
(a) German submarine attacks in the Atlantic during February and March brought heavy losses to US and GB shipping.

(b) Interception of the Zimmermann Note. A message from the German Foreign Office in Berlin to the German ambassador in Mexico City outlined a plan to bring Mexico into the war on the German side with a promise to restore to Mexico the territories taken by the US in the Mexican War.

(c) Wilson requested and Congress passed a Declaration of War in April 1917. The US entered the war.

(4) Wilson's Peace Proposals.

◦ Wilson was convinced that only a negotiated peace would create a just and lasting peace. In a speech before Congress on 22 January 1917, he called for a "peace without victory," and called for ending the war by negotiation.

° Wilson's "14 Points" program. Proposed in a speech before Congress on 8 January 1918 as a basis for a negotiated peace settlement.

(a) End of secret diplomacy. All treaties and international agreements should be open and public and arrived at by open and public negotiations.

(b) Freedom of the seas. The right of neutral nations to travel the world's oceans without being attacked by nations at war. This was an old point of American foreign policy, going back to Washington's administration.

(c) Removal of economic trade barriers. International "free trade." A kind of global extension of the "Open Door" policy.

(d) International arms reduction.

(e) "Self-Determination." The right of all nations, great or small, to determine for themselves the kind of government under which they should live. An anti-colonist policy.

(f) Formation of a League of Nations. An international association of nations to maintain peace. An idea especially important to President Wilson.

(5) The Military Course of the War.

° Stalemate on the Western Front. After a series of extremely bloody battles in which neither side was sufficiently strong to destroy the other, the war on the western front settled down to a grim stalemate of trench warfare.

° Collapse of Russia. Under the strains of war, the tsarist regime in Russia collapsed and Tsar Nicholas abdicated on 15 March 1917. This opened the way for a takeover of power by Lenin and the Bolsheviks in October 1917. In March 1918, the communist government withdrew from the war, signing the Treat of Brest-Litovsk which gave Germany everything it wanted in the east.

° US entry into the war in April 1917. Provided the money, material, and manpower that turned the balance of the war.

° Armistice. A "cease-fire" agreement to take effect on 11 November 1918.

° World War I was an extremely bloody war. It was the first large-scale war to be fought by industrially equipped armies. A number of new and highly destructive weapons made their first appearance in WW I -- long-range artillery, machine guns, tanks, poison gas, airplanes, submarines. Over 20 million dead, military and civilian.

2. The Lost Peace, 1918 -- 1921.

(1) The Paris Peace Conference. Delegates from more than fifty nations met in Paris from January to June, 1919, but Wilson of the US, Lloyd-George of GB, Clemenceau of France, and Orlando of Italy, the "Big Four" as they were called, made the most important decisions.

(2) Wilson's idea of a negotiated "peace among equals" was rejected by the British and French. Germany was excluded from the conference.

(3) The Treaty of Versailles.

° A harsh settlement including (a) a "war guilt" clause which held Germany responsible for having started the war, and (b) a "reparations" clause which demanded large monetary payments from Germany to the victorious allies for costs and damages of the war.

° Formation of a League of Nations. In return for support for his League of Nations idea, Wilson was forced to agree to British and France demands for reparations. The US asked for no reparations.

(4) The Treaty of Versailles and the United States Senate. The Constitution specifies that no treaty shall become law unless ratified by 2/3 vote of the Senate.

° Divisions in the Senate. The Senate divided into three groups
(a) Supporters. Senators in favor of the treaty, mostly Democrats following the leadership of President Wilson.

(b) Reservationists. A group made up mostly of Republican senators who wanted to make certain changes in the treaty.

(c) Irreconcilables. A group of senators, mostly Republicans, who were totally and irreconcilably opposed to the treaty in any form.

° Wilson, unwisely, stubbornly refused to make any compromises about the treaty and insisted that it must be ratified exactly as it was. During a nation-wide speaking tour to build public support for the treaty, Wilson had a stroke and collapsed on 25 September 1919. During his long recuperation, his wife exercised many of the day to day functions of the office of President.

° Vote in the Senate.

(a) A vote on the treaty with reservations in November 1919 resulted in 39 votes YES and 55 votes NO. A number of Supporters, following Wilson's advice, voted NO.

(b) A vote on the treaty without reservations in March 1920 resulted in 49 votes YES and 35 votes NO. A majority, but not a two-thirds majority.

° The US rejected the Treaty of Versailles and with it rejected membership in the League of Nations. Disillusioned with the outcome of a war which the American people had been told would "make the world safe for democracy" and bring about a better world of freedom, peace, and human dignity, the United States began to withdraw from world affairs and during the 1920's retreat into "Isolation."

XXI. The 1920's. A Decade of Change.

In the decade of the Twenties the United States experienced a period of major change and glittering prosperity which ended with the crash of the stock market in 1929 and the collapse of the economy into the worst and longest depression in its history.

1. Political Change in the 1920's.

(1) Collapse of the "Old Order." In the aftermath of WW I, the "Old Order" that had ruled Europe for centuries collapsed and was swept away.

- In Russia the tsarist regime collapsed and in its stead emerged Soviet Communism.

- The old Austrian empire collapsed and out of its ruins a number of small, unstable new nations emerged in central and eastern Europe.

- The old German empire collapsed. An unstable Weimar republic was subverted and Hitler and the Nazi party came to power.

- The old Turkish empire collapsed and among its fragments the present disorders of the Middle East emerged.

- Britain and France, although victorious in the war, were left weak and disordered.

(2) The Search for a "New Order." Out of the collapse of the old order, three different systems presented themselves as models for a new order--Communism, Fascism, and Democracy. The 20th century has been an uncertain and often violent contest as to which of these shall prevail.

2. Changes in Manners and Morals.

(1) The "Jazz Age." A rejection of traditional standards and the pursuit of money and pleasure.

(2) The "New Woman."

- Changes in women's fashions.

- Changes in family structure:

- (a) Increase in the divorce rate

- (b) Birth control controversy

(3) Emergence of "Mass Culture." Mass circulation magazines and newspapers, spectator sports, and mass entertainment such as movies and radio.

3. Economic change. A decade of prosperity.

(1) Changes in Industry.

- Improved hours and conditions. By the end of the 1920's, a significant portion of American industry had adopted the 8 hour work day, the 5 day work week, and 2 weeks of paid vacation for workers.

- Improved wages. Led by Henry Ford in the automobile industry, employers began to accept a new philosophy of wages. Instead of the old idea of paying workers as little as possible, the new idea was to pay workers enough to enable them to become consumers of the goods they produced.

- Increased productivity. Between 1920 and 1930, productivity (the output per worker per hour of work) increased by about 30%. This was due to :

- (a) Better management. American industry was increasingly managed by men trained in university business schools.

- (b) Technological advances.
 - Assembly-line production. Henry Ford's assembly-line production of automobiles became world famous. The amount of time to assemble an automobile was reduced from 12' 30" to 1' 30". Mass production reduced costs and opened the way for the mass consumption of automobiles.

- (b) Technological advances.
 - Increased use of electrical energy. The age of steam power was being replaced by the age of electrical energy.

(2) Emergence of a Consumer Economy. An economy based on mass production and mass consumption. Henry Ford was one of the first industrialists to promote the idea of paying workers enough to enable them to become consumers of the goods they produce. When other businessmen began to adopt this practice, the economy was transformed. From being an economy geared to the production of heavy industrial goods (producers' goods) the economy became oriented to the production of consumer goods. The technological capacity to produce on a mass scale became linked to a capacity to consume on a mass scale. The American economy was the first economy of mass consumption, beginning in the 1920's. All modern developed economies now are largely consumer based.

° Among the new mass consumer goods of the 1920's were:

(a) Light consumer goods. Goods such as prepared foods, clothing, cigarettes, wrist-watches, synthetics such as rayon, nylon, pyrex, and plastics.

(b) Heavy consumer goods. Durable goods such as furniture, refrigerators, electrical appliances. But especially three major new durable consumer goods industries developed in the 1920's: telephones, radios, and automobiles.

Telephones		Radios		
1900	1.3 million sets	1922	3 million sets	\$60 million in sales
1930	20 million sets	1929	12 million sets	\$842 million in sales

° The Automobile Industry. By 1929, there were 23 million automobiles in the US--one car for every 5 persons in the population. In GB 1 auto for every 43 persons. In Italy 1 auto for every 325 persons. In Russia 1 auto for every 7000 persons. Mass production of automobiles by the assembly-line process, begun by Henry Ford, reduced costs and with higher wages and installment buying the automobile became an item of mass consumption in America.

The automobile industry was the "dynamic" sector of the emerging consumer economy. Mass production / mass consumption of automobiles stimulated the growth of a host of related industries--steel, rubber, leather, glass, paint, oil and gasoline, highway construction, and service businesses. A "ripple-effect" on the economy.

(3) The Distribution of Prosperity.

° 1920-29 Industrial wages increased (about)	10%
Corporate profits	62%
Corporate dividends	65%

The largest increases were going to the upper income brackets.

° Income Distribution

	Richest 1% of Population	Richest 5% of Population
1919	12.2% of Income	24.5% of Income
1923	13%	27%
1929	19%	33.5%

° In 1929 the richest 5% of the population received about as much income as the bottom 50% of the population.

(4) Disposition of Income. The excess income and corporate profits received by the upper income brackets tended during the 1920's to flow into increasingly speculative investments in the Stock Market. (Speculation is defined as buying based on an expectation of an increase in the stock market price rather than the actual value or earning potential of the company.)

4. The Rise and Fall of the Stock Market.

(1) The New York Stock Exchange was founded on 11 May 1792.

In the jargon of Wall Street, there are two kinds of investors--Bulls and Bears. Bulls are investors whose outlook is optimistic; now is the time to buy; stocks will be higher tomorrow. Bears are investors whose outlook is pessimistic; now is the time to sell; stocks will be lower tomorrow.

(2) The Big Bull Market of the 1920's.

- Market Trends: 1919 - 1921/23 Postwar readjustment
1923 - 1927 Rising "Bull Market"
1927 - 1929 "The Big Bull Market"

◦ Stock Market Prices. Price of 1 share of Radio Corporation of America (RCA) stock during the month of March 1929.

March 3	94 1/2	March 11	138 1/2	
9	108	12	160	(up 21 1/2 overnight)
10	120 1/2	20	178	

- Rising prices attracted an increasing amount of:

(a) Speculative buying.

(b) Marginal buying -- buying with borrowed money.

The Stock Market was becoming overly weighted with investments which depended on a continued upward trend. If the market should turn downward, a set of potentially dangerous factors would be set in motion.

(3) The Crash of 1929

- There were signs of volatility in the market in September and October.

But overall, prices stabilized

◦ Thursday, 24 October 1929. A heavy selling wave hit the market. Prices dropped. Buying by big investors stabilized the market, but investors were nervous. Calls over the weekend for more "margin" increased investor's worries.

◦ Tuesday, 29 October 1929 "Black Tuesday." Massive panic selling hit the market and prices collapsed.

◦ The market never really recovered. Through the winter of 1929-30 there was a continued downslide of prices.

Value of All Stocks on the NY Exchange

1 September 1929	\$89,690,000,000
1 July 1932	\$15,633,000,000

A loss of \$74 billion.

◦ The collapse of the stock market began to spill over into the rest of the economy and to create a general depression. (The "Titanic" theory of the Depression.)

XXII. Franklin D. Roosevelt and the New Deal, 1932 -- 1940.

The collapse of the stock market began to spill over into other sectors of the economy bringing about the Great Depression of the 1930's. Elected president in 1932, Franklin D. Roosevelt led a controversial program of reform known as the "New Deal" to try to relieve some of the effects of the depression and to revitalize the American economy.

1. The Great Depression.

(1) Magnitude of the Depression

- New Capital Investment dropped from \$10 billion in 1929 to only \$1 billion by 1932.
- Business Failures. Between 1929 and 1932 over 100,000 businesses, large and small, went bankrupt, and 8,000 banks with deposits of over \$2 billion failed.
- Corporate Earnings dropped from \$8.4 billion in profits in 1929 to over \$5.6 billion in losses by 1932.
- Industrial Production in 1930 was 26% below the level of 1929 and by 1932 had dropped to only 51% of 1929 level.
- World Trade Exports in 1932 were 67% below the level of 1929.
- Total National Income dropped from \$81 billion in 1929 to \$49 billion in 1932. Between 1929 and 1932, Industrial Wages dropped 60%, average Salary dropped 40%, and Farm Income dropped 46%
- Unemployment

1929	3.2%	1931	15.9%	1933	24.9%
1930	8.7%	1932	23.6%	Continued over 20% until 1936	

(2) President Herbert Hoover and the Depression. When the Depression began in 1929-1930, Herbert Hoover was president. A conservative Republican from a successful business background, Hoover was firmly committed to the economic philosophy of "laissez-faire." He believed that there was little the government could or should do; that we must ride out the hard times and wait for the economy to correct itself. Hoover deeply believed in "rugged individualism" and self-reliance, and his own life was an example of these traditional American values. Born 10 August 1874 on a farm in Iowa, he was left an orphan at age 8, was brought up by a relative in California, won a scholarship to Stanford University, graduated with a degree in mining engineering, made a fortune by age 35, and had achieved international recognition as a successful businessman and humanitarian before being elected president in 1928. He was the ideal of the "self-made man." A poor orphan boy who by his own effort and hard work had become rich and famous.

(3) The Election of 1932. Hoover kept issuing optimistic statements--that the worst appeared to be over and things would get better soon. But instead the Depression kept getting worse and worse. By the time of the 1932 election, many citizens were ready for a change and voted heavily for the Democratic party candidate Franklin D. Roosevelt. The Democrats also gained a majority in both houses of Congress. Political control was now in their hands.

2. Franklin D. Roosevelt and the New Deal.

(1) Two men of more different background and character than Hoover and Roosevelt would be difficult to find. Franklin Roosevelt (FDR) was born 30 January 1882 at his family's estate along the Hudson river at Hyde Park, New York. The son of an old, wealthy, and socially prominent family he had all the advantages of wealth and status. Sent to a private school for boys, he went on to graduate from Harvard in 1904 and in the following years married his cousin, Eleanor Roosevelt, niece of President Theodore Roosevelt. Bored with being a lawyer, he went into politics--served in the state legislature in New York and was appointed Assistant Secretary of the Navy by President Wilson. Obviously being prepared by the Democratic party for higher office, he became ill with poliomyelitis in August 1921 while vacation at the family summer home. He was 38 years

old. His legs were paralyzed. He could not walk. It seemed his political career was over. But he refused to give up. Encouraged by his wife, he spent the next seven years trying to rebuild his health. Although he was never able to walk, he could stand upright with the support of heavy braces on his legs. In 1928 he made his political come-back and was elected Governor of New York and in 1932 won the presidency. As president, FDR moved decisively upon a program of recovery and reform that became known as the New Deal.

(2) Banking. When FDR took office in March 1933, a wave of bank failures was sweeping the nation, nervous depositors were withdrawing their money, and the system was on the verge of total collapse.

- As an emergency measure, FDR issued a presidential order closing all banks for a period of 6 days.

- Congress was called into special session and in record time passed legislation which created the Federal Deposit Insurance Corporation (FDIC) which insured individual deposits in commercial banks up to \$5,000. (Now up to \$100,000.)

- In a "fireside chat" to the nation over the radio, FDR assured people that their money was safe in the banks and managed to restore public confidence.

- Other laws reforming the banking system were later enacted.

(3) Industry. In June 1933, Congress passed the National Industrial Recovery Act. The program was to be administered by the National Recovery Administration (NRA).

- The act permitted formation of industry-wide cartels with power (a) to set industry-wide production quotas, (b) to divide markets, and (c) to fix prices so that individual businesses would be guaranteed a portion of the market in a depressed economy. In return businesses were expected to maintain employment and wages.

- The NRA program was administered in each industry by a Board composed of representatives from business, labor, and government.

- The NRA program was a form of state socialism. The closest the US has ever come to national economic planning by government. It did not work well--for a number of reasons. Businessmen, especially, were strongly opposed to it and proclaimed that FDR was leading the country down the path to socialism and ruin.

- The NRA program was declared unconstitutional by the US Supreme Court in the case of Schechter vs. US (1935). The administration made little attempt to salvage the program, and it was discontinued.

(4) Agriculture. In May 1933, Congress passed the Agricultural Adjustment Act. The New Deal's agricultural program was to be administered by an Agricultural Adjustment Administration (AAA).

- The AAA program established a system of price supports which guaranteed farmers a basic price for their crop provided they would agree, on an individual basis, to limit production. The idea was to stabilize agricultural prices by reducing supply.

- The AAA program was declared unconstitutional by the US Supreme Court in the case of Butler vs. US (1936). The administration revised the plan to meet the Court's objections and the program was continued.

(5) Public Works Programs. The New Deal establish various programs of public works funded by the national government to provide jobs for those who could not otherwise find employment. Government as "employer of last resort."

- The Civilian Conservation Corps (CCC) provided jobs for young men from the cities to work in the countryside on a variety of conservation programs--planting trees, improving facilities in National Parks, soil conservation, etc.

- The Tennessee Valley Authority (TVA) engaged in large scale development programs in an area spread over three states, constructing hydro-electric power facilities and carrying out extensive flood control and soil conservation projects.

- Hundreds of other programs, some very large, others quite small, engaged in the construction of dams, roads, bridges, harbors, parks and recreational facilities, and government buildings such as court houses and post offices. There was also a program for the arts, providing employment for artists, writers, actors, and musicians.

(6) Social Security. Established by act of Congress in 1935, the Social Security system was the first national public welfare program in the US. Such programs had been in existence in some other countries, however, from much earlier times. The program established:

- Retirement benefits for persons 65 years and older.
- Accident and unemployment insurance programs.
- Programs of aid to dependent children.

(7) Labor. The New Deal labor program was embodied in the National Labor Relations Act of 1935. (Also known as the Wagner Act.)

◦ The program (a) Encouraged the organization of unions of industrial workers, and (b) guaranteed certain legal rights to labor unions, including the right to engage in "collective bargaining" with management.

◦ In return, organized labor strongly supported FDR, the New Deal, and the Democratic party.

3. Analysis and Evaluation of the New Deal.

(1) The New Deal established a new role for government in supervising the economy and promoting public welfare. It was a major retreat from the ideology of "laissez-faire."

(2) The New Deal redefined political issues and party boundaries--even to the present time. It was extremely controversial, arousing strong opposition especially from business interests. On the other hand, it attracted support from organized labor, minority groups, and liberals.

(3) Economic Principles of the New Deal.

◦ The New Deal was experimental, pragmatic, and piecemeal rather than a comprehensive, ideological, and systematic program. In this respect, it was a reflection of FDR's personality and style.

◦ The New Deal was influenced by the economic ideas of John Maynard Keynes.

(a) A new theory of Depression. Depressions were not necessarily self-correcting and might be of indefinite duration.

(b) Concept of Gross National Product (GNP).

Gross National Product is defined as the total, final market value of all goods and services produced by an economy in a given period of time. GNP is calculated by 4 categories:

- (1) Consumer expenditures -- all the goods and services purchased by consumers,
- (2) Investment expenditures -- all the goods and services purchased by business,
- (3) Government expenditures -- all the goods and services purchased by government,
- (4) The value of Exports minus the value of Imports.

◦ In times of Depression, Items (1), (2), and (4) dry up as the economy contracts. Government, by increasing its expenditures, even by deficit spending if necessary, can pump money into the economy to revive it.

◦ Keynesian economics is an economics of government spending as a means of overcoming Depression. "Government as spender of last resort." This is the idea behind much of the New Deal spending programs.

◦ Using GNP as a measure, how successful was the New Deal in overcoming the Depression? (See the chart following.)

GNP (in billions \$) 1900-1940

