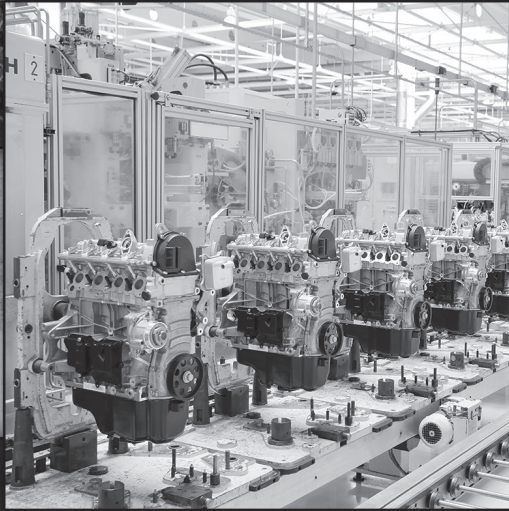


WALTER GREASON  
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**Revised Printing**



# THE AMERICAN ECONOMY

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*Send all inquiries to:*

4050 Westmark Drive

Dubuque, IA 52004-1840

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ISBN 978-1-5249-0267-4

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Printed in the United States of America



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# Acknowledgments

Franklin D. Roosevelt rivals George Washington and Abraham Lincoln as the greatest Presidents in American history. In world context, his accomplishments place him alongside the greatest emperors, philosophers, and religious figures. No one had a greater impact in shaping the twentieth century. Yet, in early twenty-first century public discourse, he is nearly a forgotten man. Historians, especially labor historians, carry much of the responsibility for this willful omission. The accomplishments of Roosevelt's First and Second New Deals utterly transformed the foundations of industrial globalization, yet the people who know this fact nearly apologize for it. As a result, lesser voices like Ronald Reagan, Margaret Thatcher, and various industrialists have been falsely elevated in the public mind beyond their actual achievements. Roosevelt's administrations and their legacies through the middle decades of the twentieth century remain the standard of human civilization, producing revolutions in human liberty that continue to unfold eighty years later. Yet, precisely because of the unanimity of this acclaim, almost four generations of leaders have accepted anti-poverty agendas that lack a sense of "common wealth." The virtues of local democracy bolstered by effective federal regulation of global industry have been lost to a thoughtless consumerism that lacks both focus and principle.

Urban historians derived a specific set of tools to address this paradox. Paragon historian Thomas Sugrue named this moment "The Age of Global Crisis." Hundreds of scholars have dedicated thousands of books and articles to documenting and interpreting the destruction of local economic stability in

the pursuit of expanding global markets. My approach to these questions took shape in my first two historical works—"The Path to Freedom" and "Suburban Erasure." In each text, the varied roles of African American families in building churches, schools, and civil rights organizations provided the basis for a wider analysis of socio-economic change in New Jersey (and, by extension, the United States). However, the analysis of changing dynamics in the real estate market forced me to confront the ideas of Robert Moses, Jane Jacobs, Ken Jackson, and Lizabeth Cohen in understanding the industrial city as imagined in the policies of Roosevelt's Second New Deal. This engagement took the shape of a series of courses titled "The Engine of Wealth" where the economic aspects of twentieth century urbanization became the central theme for student research.

These courses proved to be wildly successful because so much of the consumerist discourse in American media left students starving for more objective understandings of economic processes, especially when it could be free of the jargon endemic in many social science publications. My question focused on how widely these topics and methods could be taught. James Basker of Barnard University and Richard Michaelis of Oxford University provided me a forum to explore these possibilities through the New York College Experience in 2012. For three years, I developed a global research laboratory that pushed talented high school students to explore historiographical questions about economic development in world history. The results were spectacular. The students learned multiple historical methods in exciting new ways, while uncovering related bodies of interdisciplinary research that had not been previously connected.

My colleagues at Monmouth University—Fred McKittrick, Rich Veit, Don Moliver, Karen Schmelzkopf, Stan Green, Tom Pearson, Edward Gonzales-Tennant, Hettie Williams, Manuel Chavez, George Gonzales, Rekha Datta, Julius Adekunle, Maryanne Rhett, Chris DeRosa, Katie Parkin, Eleonora Dubicki, Brian Greenberg, and Ken Campbell all supported and contributed to my work in many ways. Most importantly, however, they had a framework to promote the critical exploration of economic history through a unique partnership between the School of Business and the School of Humanities and Social Sciences. A required course for all business students became the home for the techniques developed at Barnard. With more than 200 student researchers every year, the new method—Asset Value Analysis—became a rich, detailed way to add more accurate economic assessment to the existing body of qualitative historical literature. Dozens

of students have taken the method into financial markets, real estate firms, and global philanthropy to help address many of the most intransigent social issues in the world today.

These years of work finally found expression in the book you currently hold in your hands. Two partners in this effort—William Gorman and Melissa Ziobro—deserve special recognition. Bill has been a mentor and colleague without peer during my years at Monmouth University. His longstanding commitment to academic excellence and responsive teaching offers a model to every person who aspires to lead a classroom effectively. It is his leadership that most embodies the university's dedication to a mission that combines quality scholarship with transformational learning and service to global communities. Melissa energizes this mission with her deep, profound expertise in public history. Her career as a military historian who chronicled many of the most important moments during the Cold War continues to serve her well. Students and colleagues alike respond enthusiastically to her campus programs, service trips, and scholarly engagement. Her ambition and successes illustrate why her trajectory as a professional historian has no limits.

Beyond the immediate and daily support this work has received, there is a body of national and global scholars whose work constantly informed the documents and essays included here. Carl Nightingale, Yohuru Williams, Ken Jackson, Leo Morton, Julian Chambliss, John Jennings, Art McGee, Reynaldo Anderson, Nathan Connolly, Eddie S. Glaude, Donna Murch, Henry Louis Taylor, Keeaanga Yahmatta Taylor, David Freund, David Goldberg, Mary Sies, Angel David Nieves, Lynne Horiuchi, Roger Biles, Victoria Wolcott, and Tisa Silver continue shape a discourse about the history of economics that offers the best hope yet for universal human dignity. Younger voices like Brandon Johnson, Melis Gore, Andrew Choo, Ashley Arena, Ross Ottman, Vincent DeVita, Kristin Pizzonia, Thuy Tran, Jasmine Walker, Ryan Ross, James McMahon, Nick Gencarelli, Mel Meneses, Steven Hoffman, Russell Piekarsky, Dawn Guerrette, Nana Bonsu, Shira Shecht, Ting Zhou, Sebastian Murrell, Fernanda Gil, Lucy Mower, Laura Green, Dominique Minars, Dylan Rivers, Christopher Ngaiza, Anita Obasohan, Huneui Lee, Miha Alam, Brianne Israel, Santiago Pereira, Nonno Hasegawa, Stewart Hug, Anna Filonenko, and Andrae McKenzie found innumerable, unique, and contradictory data points that shaped a body of economic data that made the broad patterns of financial innovation more legible.

Given this unending bounty of support, I must emphasize that only the mistakes in this work are mine. To my birth family, Wilma Ham Greason, David Harlan Greason, Lillie Ham Hendry, Wilma Diana Greason, and Shaylah Elizabeth Jefferson, thank you for your infinite patience and complete faith in helping to support my doing this work that often seems so arcane. To my personal goddess who blesses me by saying ‘yes’ again every day, Janiece Kirton Greason, you remain the reason why I wake up each morning. To my young princes, Duende and Samad, everything I do is for the love of you. I hope you all will enjoy greater economic stability than humanity has ever known.

Walter Greason, Monmouth University





# Introduction

The coincidence of the creation of the Federal Reserve System, the First World War, and the adoption of the Sixteenth Amendment mark the emergence of the United States as a world power. In stark contrast to the end of the Victorian era in the United Kingdom and the aggressive transformation of the Russian monarchy into industrial communism, Woodrow Wilson towers at the start of the first distinctly American century in the world's history. While more scholars express a fascination with the Roosevelt cousins in the story of American exceptionalism, Wilson remains the more careful architect, the true father, of the nation's role in world affairs. The 1912 presidential election stands aside only the proceedings in 1860 in terms of historical importance. Where Lincoln's unexpected victory ruptured a deteriorating consensus between northern and southern Democrats, Wilson's triumph reflected the collapse of Lincoln's enduring Republican alliance. Wilson combined the remnants of Democratic states' rights ideology with an interest in government regulation of vast industrial enterprise under his own version of national progressivism. The consolidation of a private, national banking system with an unprecedented power to collect federal income taxes positioned the new president to reshape the domestic economy, however slowly. The urgency of the European military crisis provided an unexpected opportunity to accelerate the creation of a continental, industrial behemoth that had never existed in the world's history. Where the founders' vision of a federal government that secured life, liberty, and property imagined small-scale land-ownership at the end of the eighteenth century, Wilson's Democratic progressives created an organized complex of military and economic precision that would signal the end of European empires. Where the nineteenth century was a sputtering

experiment in the exploration of political liberties, the twentieth century became a laboratory for the transformation of economic freedom. This text provides a range of tools and insights to better understand the successes, failures, questions, and answers that emerged since 1790.

Three sections guide the organizational structure—agriculture, industry, and services. These themes reflect the major chronological progression of the American economy from 1790 to 2010. The section on agriculture will also include a number of documents on the fundamental assumptions that existed in the United States during the first two generations of its existence from 1790 to 1850. As the market revolution and the Civil War produced the era of American industrialization between 1850 and 1960, the essays and documents will emphasize the competing politics of domestic growth and international trade. Finally, between 1960 and 2010, the documents will focus on the dynamic range of services and technologies that have become the foundation of digital globalization. *The American Economy* does not claim to be a comprehensive analysis of all the historical evidence available to understand economic change over time in the United States. However, it does challenge prevailing theories in economic history that assert a fundamental disjunction between the different eras of growth. To the contrary, a core framework of this text is the continuity among the varieties of local and regional economies. Perhaps most importantly, this work will not ignore or omit data that does not conform to the existing narratives of constantly improving versions of capitalism. Special attention to labor and cooperatives will appear in this text to provide a wider range of resources for classroom inquiries. *The American Economy* is specifically designed in response to the questions and projects developed at Monmouth University in West Long Branch, New Jersey. However, its relevance and utility for a wide range of collegiate classrooms will hopefully become readily apparent.

The tensions regarding the appropriateness of government regulation offer a major recurring theme across the texts. From early battles over the First and Second Banks of the United States during the first century of the nation's existence to the passage of the Glass-Steagall Act and its eventual repeal in the twentieth century, debates about the role and extent of both the state and federal government in the marketplace were always contentious. Comparative analysis shows the ways that regulation simultaneously created efficiencies and limited innovation. Local and state regulation in the nineteenth century provides evidence for fascinating historical interpretations that often remain relevant to developing economies in the twenty-first century. Federal and international regulations have become one

of the essential areas of inquiry as private corporations and conglomerates have replaced empires as the foundation of world affairs. One of the key lessons of the economic history curriculum that shaped this text is that the balance of government, enterprise, and society remains a paramount concern in any democracy.

Many works that examine the history of the United States as an economy omit significant evidence and documents regarding the first half of the nineteenth century. These omissions reflect a profound discomfort with the importance of African enslavement to the nation's economic transformation. More commonly, historians will engage the politics, law, and philosophy of a developing free market system. These approaches maintain the discipline's foundations in the study of "great men." Thomas Jefferson, Alexander Hamilton, and John Adams often dominate this historiography. Dissenting voices might include Aaron Burr, Andrew Jackson, and James Henry Hammond. Yet the basic mechanical framework of the United States Constitution as an economic vehicle receives little attention. Charles Beard's groundbreaking approach to the history of the republic remains nearly as unpopular in the twenty-first century as it was at its initial publication in 1913. This resistance is part of a longstanding mystification of economic theory and practice over the last two centuries. Works that obscure the parallel roles of landownership and the distribution of human property between 1789 and 1861 merely perpetuate the problem.

Land remains the fundamental image of American wealth. Thousands of scholars, most notably Philip Foner, have spent careers examining the importance of available land in the shaping of American politics. While the American Revolution was not explicitly about land, after the acquisition of the Louisiana territory, the survival of the Union relied on the successful organization of the first continental economy in the world's history. Imagine the union of the Han dynasty, various Khanates, Islamic caliphates, and Hindu sub-continent under a single political system during the first millennium. The entire course of civilization would have been altered. Even smaller consolidations like European military unity in the early modern period or cohesive governance among the Indigenous populations of North America would have profound implications for the last five centuries. The American project to provide stable transportation and communication systems from Boston to Houston, from San Francisco to Charleston, reinvented the limits of human possibility between 1809 and 1952. How did this vision of a republic of small landholders give way to a massive network of national corporations during this time period?

Over the first forty years of the nation's existence, the massive profitability of cotton production reinvigorated agricultural slavery that had begun to wither from the abuse of the tobacco plantations in Maryland and Virginia between 1740 and 1790. Meanwhile, northern subsistence farmers became more effective in maintaining trade networks along the Great Lakes and their dependent canal zones. This relationship was one of the earliest ironies of American economic growth. Cotton attracted the financial investments that made Philadelphia, Boston, and New York prosperous between 1795 and 1832. Yet, that prosperity created a revolution in diverse, local markets that laid the foundations of American industrialization, and, ultimately, the Civil War, by 1843. Within one generation, the surging power of market-based industrialization would become the decisive factor in abolishing the agricultural slavery that financed the nation's independence.

The living, breathing symbols of this contradiction were the Africans enslaved in North America between 1667 and 1865. A century of historical study—in all genres—treated these people as incidental to the larger forces of change and conflict among European empires. In the United States, only a handful of serious scholars entertained the proposition that there could be any significance to the experiences of African Americans until nearly the end of the twentieth century. Where land became the idealist's vision of American abundance, the reality of Africans' forced labor shared equal importance. At the start of the twenty-first century, a small group of historians like Walter Johnson, Ed Baptist, and Carl Schermerhorn have begun an ongoing excavation of the importance of African Americans in the early American economy. These works have tremendous value to illustrate that the original American Dream was the ownership of African bodies. They document, explore, and inspire countless new insights about the ways poverty and prosperity were racialized concepts from their first adoption. However, these pioneering studies have not addressed the ways that the epistemologies and hermeneutics of western economics advance the errors of early American landholders because of the nation's reliance on slavery.

Three forms of capital inform many of the documents in this work—natural resources (from mining and farming), physical infrastructure (environments built by people), and human capital (education, expertise, and ingenuity). Economic historians have been effective in tracking the data governments and corporations have used to organize their activities in terms of the first two sources—natural and physical. Economists in the last generation have started to understand and analyze the third category, human capital, more accurately. There has been little



work to synthesize the findings from these fields. Economists focus more on recent decades. Economic historians maintain a fascination with more distant pasts. *The American Economy* combines these approaches to help students and instructors escape the parameters of these disciplinary shortcomings. This approach is especially important in correcting the fundamental errors in examining American slavery. Recent scholarship has emphasized Africans as a form of human capital in the early economy. The error presents the irony of a presentism hard earned after decades of negating African Americans' humanity. Yet, they must be understood historically from the perspective of their owners and their owners' investors. From these perspectives, African Americans were simultaneously an aspect of *physical infrastructure* (literally as the tools to plant, nurture, and harvest crops or collect precious minerals) and abused *natural resources* (through forced migrations, childbirths, and resistant livestock). As horrific as this paradigm shift in documenting the early economy may be, the depths of the analysis reveal important precedents in the roles immigrants played in late nineteenth century industrialization as well as the commodification of both labor and consumers since 1952. This framework reveals the stark limitations on human economic freedom in the United States, in contrast to the grand promises of political liberty which have existed since 1749.

With the Union victory in the Civil War, the ascendance of the moderate Republicans in 1868 created a new political consensus that prevailed for forty years. Many historians refer to the period from 1801 to 1825 as the "Era of Good Feelings" when a common political agenda dominated the federal government. Students must approach the period from 1877 to 1913 with similar reverence, given the complete transformation of American society, government, and economy that occurred. Two solid generations of Americans experienced the advancement of an alliance between the federal government and industrial corporations often understood only for its most successful executives. This "Gilded Age" was the triumph of the early financial and textile markets in the northern states, but it also crafted the skeleton of the military world power that emerged in the twentieth century. The hurried analysis of this era conflates different kinds of economic activity to alternately celebrate figures like Andrew Carnegie and condemn his peers like John Rockefeller and J. P. Morgan. The emergence of massive industries like glass, steel, coal, and railroads should not obscure the transformation of American financial interests and the enormous expansion of consumer textile markets. The consolidation of a continental economy allowed for the expansion of old rhetoric

like “Manifest Destiny” into real conquests in the Caribbean, South America, and across the Pacific Ocean. By 1913, dominant American economic interests across multiple sectors often forced military confrontations on a global scale.

Woodrow Wilson’s presidency marks a turning point in American history only paralleled by Abraham Lincoln’s election in 1860. After the First World War, the United States would no longer be an isolated republic of small landholders. Where the dominance of the Republican Party in the late nineteenth century created a landscape of economic behemoths, Wilson’s vision of American democracy on a world scale imagined the end of European empire and a planet organized around private companies and international trade. This transformation would require greater collaboration among the largest American companies than anyone had ever imagined. A federal government that collected unprecedented tax revenue and used its powers over interstate commerce in creative and unexpected ways created a political backlash against the Democrats between 1921 and 1929. Only the abusive mismanagement and financial speculation by the largest banks opened the door for another reversal in 1932. Franklin Roosevelt addressed the crisis of restoring global confidence in private markets by redesigning the powers of the federal government to manage (and greatly expand) the physical infrastructure that Wilson had started to develop between 1917 and 1919. Nothing reflects the massive expansion of federal power more than the legislation and executive programming that emerged from the Second New Deal between 1937 and 1941. While many critics assaulted and dismantled these public initiatives through the end of the twentieth century, Roosevelt’s impact in shaping the framework for national and global institutions persists as one of the greatest accomplishments in human history.

From Harry Truman through George W. Bush, presidents have adapted the structure of an American government that oversees economic development around the world. The Cold War continues to be understood primarily as an ideological and political struggle with relatively few voices examining the actual economic similarities and differences between the two global systems. Winston Churchill’s facile characterization that communism was the equal sharing of miseries and capitalism was the unequal sharing of blessings deserves more careful scrutiny. A restrained and regulated capitalism with democratic accountability crushed the blunt, industrial organization that Soviet communism maintained. In victory’s wake, a drunken, limitless capitalism created a diffuse, resilient enemy in multiple varieties of global terrorism. Where the communists could not adapt

rapidly enough to compete with the emerging industries of technology, medicine, and finance in the United States, foreign and domestic terrorists modeled their growth on the rapid adaptation of the American service economy.

As the second decade of the twenty-first century unfolds, historians might marvel at another profound irony. Suppose Washington's Continental Army and its revolutionary Congress could adapt as rapidly as this generation's lone wolves and splinter cells can. Can systems of economic liberty truly allow for maximum innovation to end poverty, hunger, disease, and unemployment? Using global economic tools to understand the various forms of available capital can help the next generation of leaders craft better, more inclusive solutions for all people. Several of the documents in *The American Economy* rely on an approach called "asset value analysis." The calculation of the total assets (natural, physical, and human) in a town, county, region, state, or nation helps everyone understand the constraints and opportunities people share at multiple scales, simultaneously. Instead of commodifying humanity, there is a chance for transnational collaboration in pursuit of sustainability.

Walter Greason, Monmouth University