

Continuity/Change over Time... *Business & the Role of Government, 1790–1900*

From the 2015 Revised Framework:

Patterns of Continuity and Change over Time

Historical thinking involves the ability to recognize, analyze, and evaluate the dynamics of historical continuity and change over periods of time of varying length, as well as the ability to relate these patterns to larger historical processes or themes.

Students will ...

- Identify patterns of continuity and change over time and explain the significance of such patterns.
- Explain how patterns of continuity and change over time relate to larger historical processes or themes.

Key Concept 6.1: Technological advances, large-scale production methods, and the opening of new markets encouraged the rise of industrial capitalism in the United States. ...Some argued that **laissez-faire policies** and **competition** promoted economic growth in the long run, and they opposed **government intervention** during economic downturns.

Review the thematic timeline (on the back of this page), then address the following prompt using your thesis formula. (see your writing guidelines if you do not remember the formula)

Prompt:

Explain the ways the role of federal government changed from 1790 to 1865. To what extent did laissez-faire policies of the Gilded Age maintain continuity or foster change in United States work, exchange, and technology from 1865-1898?

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- 1791 **First BUS**...Most banks that existed in the 18th century were land banks (mortgages for buying land) without monies for business investments. Foreign banks could be accessed (English law prohibited most in the colonies), though not conveniently. Banks pooled the wealth of a large number of savers and lent fractions of that pool to a diverse group of enterprising business. **Alexander Hamilton** pushed the bank issue and **George Washington** agreed (against **Jefferson's** recommendation), as he wanted to encourage manufacturing and business as well as help the country manage its debts and increase dependence and power on the federal government.
- 1816 **Clay's American System** ...Called "**The American Way**", was a **mercantilist** economic plan that consisted of three mutually re-enforcing parts: a tariff to protect and promote American industry; a national bank to foster commerce; and federal subsidies for roads, canals, and other 'internal improvements' to develop profitable markets for agriculture." Congressman **Henry Clay** was the plan's foremost proponent and the first to refer to it as the "American System". Rooted in the "**American School**" ideas of **Alexander Hamilton**.
- Second BUS** ...The first bank's charter expired in 1811 under **James Madison**. It was not renewed, because **Democratic Republicans** believed it was unconstitutional. The Second Bank was chartered in 1816, after leaders realized (especially during the **War of 1812**) that having a bank was necessary to manage the treasury, inflation, and debt. Without stable banking, businesses had a harder time acquiring monies and prices were more unstable.
- First protective tariff (Dallas Tariff)** ...The **Tariff of 1816** was put in place after the **War of 1812**. Britain had developed a large stockpile of iron and textile goods. Because this stockpile was so large, the price of British goods soon plummeted in comparison to that of American goods. Consequently, many Americans bought British goods rather than American goods, hurting American manufacturers. This tariff wasn't the first general tariff (they had been used to raise funds for the government), but it was the first protective tariff aimed mainly at protecting business.
- 1828 **Tariff of Abominations** ...The major goal of the tariff was to protect industries in the northern United States which were being driven out of business by low-priced imported goods by putting a tax on them. The South, however, was harmed firstly by having to pay higher prices on goods the region did not produce, and secondly because reducing the importation of British goods made it difficult for the British to pay for the cotton they imported from the South. The reaction in the South, particularly in South Carolina, would lead to the **Nullification Crisis** that began in late 1832.
- 1832 **Controversy over the Bank** ...It was the only nationwide bank and, along with its president **Nicholas Biddle**, exerted tremendous influence over the nation's financial system. **Jackson** viewed the Second Bank of the United States as a monopoly since it was a private institution managed by a board of directors, and in 1832 he **vetoed the renewal of its charter**.
- 1834 **Bank War, Second BUS ends** ...The Bank War started in 1829, when **President Andrew Jackson** made his antagonism toward the Second Bank of the United States clear. In response, **Nicholas Biddle** and **Henry Clay** applied to renew the bank's charter four years earlier than necessary in order to make it an election issue. But when **Jackson** easily won in the **election of 1832**, he interpreted this victory as a mandate to terminate the bank entirely. **Jackson** ordered all federal deposits in the bank withdrawn. In retaliation, **Nicholas Biddle** began calling in loans from across the country, engineering a financial crisis. **Biddle** believed that this would highlight the need for a central bank. However, the move backfired, when angry businessmen and farmers started blaming the bank. The bank lost its charter in 1836, and went out of business in 1841. Federal money was moved to "**pet banks**" (private banks). They along with **wildcat banks**, due to the de-regulation, were unstable. ...
- ...**Jackson** passed his **Specie Circular (Coinage Act)** to deal with trouble with all the various paper currencies being used. These two things led to the **Panic of 1837** and a depression. Not a good time for business.
- 1861-1865 **Lincoln's pro-business platform implemented by Congress ...Homestead Act in 1862**, making millions of acres of government-held land in the West available for purchase at very low cost. The **Morrill Land-Grant Colleges Act**, 1862, provided government grants for agricultural colleges in each state. The **Pacific Railway Acts of 1862 and 1864** granted federal support for the construction of the United States' First Transcontinental Railroad, which was completed in 1869. The passage of the Homestead Act and the Pacific Railway Acts was made possible by the absence of Southern congressmen and senators who had opposed the measures in the 1850s. This was a continuation of Whig politics... and Federalists ideology before that. Other important legislation involved two measures to raise revenues for the Federal government: **tariffs** (a policy with long precedent), and a new **Federal income tax**. In 1861, Lincoln signed the second and third **Morrill Tariff**, the first having become law under **James Buchanan**. In 1861, Lincoln signed the **Revenue Act of 1861**, creating the **first U.S. income tax**. This created a flat tax of 3% on incomes above \$800, which was later changed by the **Revenue Act of 1862** to a progressive rate structure. Lincoln also presided over the expansion of the federal government's economic influence in several other areas. The creation of the system of national banks by the **National Banking Act** provided a strong financial network in the country. It also established a **national currency**. In 1862, Congress created, with Lincoln's approval, the **Department of Agriculture**.
- 1877 **Munn v Illinois** ...allowed states to regulate certain businesses within their borders, including railroads, and is commonly regarded as a milestone in the growth of federal government regulation.
- 1878 **Bland-Allison Act** ...required the U.S. Treasury to buy a certain amount of silver and put it into circulation as silver dollars. Though the bill was vetoed by President Rutherford B. Hayes, the Congress overrode
- 1886 **Wabash v Illinois** ...severely limited the rights of states to control interstate commerce. It led to the creation of the Interstate Commerce Commission.
- 1877 **Interstate Commerce Act** ... The **Interstate Commerce Commission (ICC)** was a regulatory body in the United States created by the Interstate Commerce Act of 1887, which was signed into law by President Grover Cleveland. The agency was abolished in 1995, and the agency's remaining functions were transferred to the Surface Transportation Board.
- 1890 **Sherman Silver Purchase Act** ...While not authorizing the free and unlimited coinage of silver that the Free Silver supporters wanted, it increased the amount of silver the government was required to purchase every month to boost the economy and cause inflation,
- McKinley Tariff**... raised the average duty on imports to almost fifty percent
- Sherman Antitrust Act** ... the first Federal law outlawing practices considered harmful to consumers (monopolies, cartels, and trusts)
- 1900 The **Gold Standard Act** of the United States was passed in 1900 and established gold as the only standard for redeeming paper money, stopping **bimetallism** (which had allowed silver in exchange for gold). It was signed by President **William McKinley**. The Act made the de facto gold standard in place since the **Coinage Act of 1873** (whereby debt holders could demand reimbursement in whatever metal was preferred--usually gold) a de jure gold standard alongside other major European powers at the time.