

Chapter 68e -- We The People In 1820: Overall Economy



Dates:
1820

Sections:

- America Forms A Domestic Marketplace
- The Macro Economy Takes Off
- Diverging Economic Systems

Time: 1820

America Forms A Domestic Marketplace



A Farmer Bringing His Crop To Market

Along with these towns and cities comes a domestic marketplace.

At first it has simply been “the farmer’s market.”

On given days and times, families pile their surplus crops into wagons, haul them into towns, and exchange them for cash or barter.

This “exchange” symbolizes America’s free market in action:

- Sellers offering up goods or services
- To buyers with needs or wants
- In exchange for cash or barter.

“Demand” for things meets the “supply” of things, and both buyers and sellers profit from the transactions.

One man’s bushels of beans are sold for pennies used to buy a much needed cloth shirt.

Once this demand/supply ritual takes hold in rural towns, the domestic economy booms.

Buyers and sellers; supply and demand; the engine running the U.S. economy kicks into gear.



Arriving In Town To Conduct Business

Time: 1820

The Macro Economy Takes Off

Over America’s first thirty years, growth in the Gross Domestic Product (GDP) is robust, except for a series of intermittent “shocks.”

By 1815, GDP shoots up to \$920 million, in response to accelerated investments related to fighting the War of 1812. When the conflict ends, demand slows and the bank panic of 1819 sets in -- with GDP tumbling back to the 1810 level of \$700 million.

Overview Of U.S. Economy: Current Dollars (Millions)

	Total GDP	% Change	GDP Per Capita	Shocks
1790	190MM		\$48	
1800	\$ 480		90	
1805	560	17%	90	
1810	700	25%	97	1807 Embargo Act
1815	920	31%	110	1812-15 War
1820	700	(24)	73	1819 Bank Panic

America’s ability to sell its goods abroad follows the same pattern. Rapid growth in exports is evident until Jefferson’s 1807 Embargo on trade with the warring nations of France and England. The next dampening influences are the War of 1812 against England, a primary trading partner, and the financial depression that follows the conflict. As of 1820, total exports, like GDP, stand about at their 1810 levels.

Value Of US Exports (millions)

Year	Total	% Ch
1790	\$20MM	---
1805	96	++%
1810	67	(30)
1815	53	(21)
1820	70	33

Note: North p.221

Despite short run volatility, America’s long-term economic outlook looks positive.

Time: 1820

Diverging Economic Systems

As of 1820, one-third of all American’s (3.1 million) are participating in the labor force.

This percent is much higher among slaves (62%) –where men, women and older children are forced workers – than among the free population (28%), where non-domestic labor is dominated by men.

Labor Force Participation (000) In 1820

	Total Population	In Labor Force	% In Labor
Free	7,830	2,185	28%
Slave	1,538	950	62
Total	9,368	3,135	33%

The nature of this labor differs sharply by region.

While farming and fishing remain dominant in the North, Hamilton’s vision of a diverse economy, including manufacturing, distributing and selling goods, is already materializing.

Roughly 11% of America’s total work force are engaged in the manufacturing sector in 1820, with 70% of them located in the North.

People Working In Manufacturing Jobs In 1820

Region	1820 (000)	% of Total
North	241.2	69%
Border	41.1	12
South	64.5	19
Total U.S.	346.8	100%

Meanwhile the Southern economy remains steadfastly committed to Jefferson’s agricultural model.

And for a good reason.

The South has come upon a path to riches, especially for the upper class of landowners who shape its destiny.

That path lies in supplying demand for its two “crops” -- raw cotton and human slaves.