Before Industrial Revolution

* 18th Century –old economy
  + Built around exporting a small number of staple goods
    - Only the wealthy purchased fabric, paint, glass & other manufactures from England
  + Other necessities produced in the home (homespun cloth) or by local artisans
    - Cobblers, blacksmiths, coopers

Rise of the Market Economy (1790 – 1840)

* Development of the **factory system**
  + **Factories gradually replace home industries**
* Continental expansion
  + Treaty of Paris, 1783
  + Louisiana Purchase, 1803
  + Adams-Onis Treaty, 1819
* Expansion of commercial agriculture
  + Crops produced for sale & export –cotton\*
* Effects
  + Expansion of middle class
  + Higher standard of living
  + Exploitation of women, children & immigrants
  + Greater accumulation of wealth
  + Increasing urbanization

Attributes of the Market Revolution

* Prices set by competition, not the gov’t
* New technology in communication & transportation
* Organizational innovation
  + **Factories** (organize the factors of production)
  + Standardization of time
* Gov’t support (early on)
  + Infrastructure (canals, roads, railroads) often w/ **monopolistic charter**
  + Judicial branch protects
    - **Competition**
      * *Charles River Bridge vs. Warren Bridge, 1837*
      * *Gibbons v. Ogden, 1824*
    - **Limited liability**
  + National bank (modern banking system)

Factors that made the Industrial Revolution possible?

* Gov’t protection of patent rights
* Gov’t support of crucial infrastructure projects
* Transportation revolution; steam powered ships, trains
* Tariffs
* Development of corporations w/limited liability
* Improved educational system
* Cheap labor -immigrants or people moving from farm to city (young women, esp.)
* Embargo of 1807 & War of 1812 stimulated need for domestic manufactures
* Eli Whitney’s interchangeable parts (efficiency)
* Gov’t control of interstate commerce & gov’t protection of contracts
* Stable currency under the 2nd National Bank of the U.S.
* Improved communication –invention of the **telegraph**