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**