# The Market Revolution: Crash Course US History #12

Crash Course: U.S. History
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John Green: Hi, I'm John Green. This is Crash Course U.S. History and today we return to one of my favorite subjects: economics.

Me From the Past: Mr. Green, Mr. Green! I don't wanna brag, but economics is actually my best subject. Like, I got the bronze medal at the state academic decathlon tournament...among C students.

John Green: Yeah, I remember, Me from the Past. By the way, thanks for getting that picture into our show. It just goes to show you: aptitude is not destiny.

Anyway, economics is about much more than, like, supply and demand curves. Ultimately, it's about the decisions people make and how those decisions shape their lives and the world.

So today we're going to turn to one of the least-studied but most interesting periods in American history: the Market Revolution. There weren't any fancy wars or politically charged debates, but this discussion shaped the way that most Americans actually live their lives and think about work on a daily basis. Like, if you or someone you know goes to work, well, then you have the Market Revolution to thank, or possibly to curse.

[Intro Sequence]

The Market Revolution, like the Industrial Revolution, was more of a process than an event. It happened in the first half of the 19th century, basically, the period before the Civil War. This was the so-called "Era of Good Feelings," because between 1812 and 1836, there was really only one political party, making American politics, you know, much less contentious. Also, more boring.

The Market Revolution saw many Americans move away from producing stuff largely for themselves on independent farms--that Jeffersonian ideal--and toward producing goods for sale to others, often others who were very far away, with prices set by competition with other producers. This was closer to Hamilton's American dream. In the end, buddy, you didn't get to be president, but you did win.

In many ways, this was the beginning of the modern commercial industrial economy, not just in the United States, but in the world.

The first thing that enabled this massive economic shift was new technology, specifically in transportation and communication. Like, in the 18th century, it was very difficult to bring goods to markets, and that meant that markets were local and small. Most trade was over land, and transporting goods thirty miles over land in the United States literally cost as much as shipping them to England.

So, to get something from Cincinnati to New York, for instance, the most efficient way was to go down the Mississippi River, through the Gulf of Mexico, around Florida, and then up the Atlantic coast, which took three months, but that was still less time and less money than more direct overland routes.

But new transportation changed this. First came better roads, which were largely financed by tolls. Even the federal government got in on the act, building the so-called National Road, which reached all the way from the massive city of Cumberland, Maryland, across our great nation to the equally metropolitan Wheeling, West Virginia.

Mr. Green! Mr--Mr. Green, Mr. Green!

I know, Me from the Past, West Virginia did not yet exist. Argh, shut up!

More important than roads were canals, which made transport much cheaper and more efficient, and which wouldn't have been possible without the steam boat. Robert Fulton's steam boat Clermont first sailed from New York to Albany in 1807, demonstrating the potential of steam-powered commerce. And by 1811, there were steam boats on the Mississippi. The introduction of steam boats set off a mania for canal building. Between 1800 and the depression of 1837, which put a halt to most construction, more than 3,000 miles of canals were built.

And no state was more instrumental in the canal boom than New York, which in 1825 completed the 363-mile-long Eerie Canal, linking the Great Lakes with the Hudson River, which made New York the nation's premier port. Other cities like Buffalo, Rochester, and Syracuse grew up along the canals.

So much so that Nathaniel Hawthorne once said, "The canal is like fertilizer, causing cities to spring up alongside it." That's such a good simile, Nathaniel Hawthorne. It's almost like the United States didn't have any good writers until Mark Twain, but we need to read somebody from the early 19th century, so I guess it's you.

But from a long-term perspective, the most important new transportation? Railroads. The first commercial railroad, the Baltimore & Ohio, was begun in 1828 and by 1860, there were more than 30,000 miles of rails in the United States.

And on the communication side, we got the telegraph, so no longer would Andrew Jackson fight battles two weeks after the end of a war.
Telegraphs allowed merchants to know when to expect their shipments and how much they could expect to sell them for. And then, as now, more information meant more robust markets.

But perhaps the most important innovation of the time was the factory. Now, when you think of factories, you might think of, like, Chinese political prisoners making smartphones, but early factories looked like this.

More than just a technological development, the factory was an organizational innovation. Factories gathered workers together in one place and split up tasks among them, making production much faster and also more efficient.

The first factories relied on water power, which is the reason they were all east of the fall line--the geographic reason why there are so many waterfalls and rapids on the east coast. But after 1840, steam power was introduced, so factories could be located in other places, especially near the large cities that were sprouting up in what we now know as the Midwest.

So the American system of manufacturing which centered on mass-production of interchangeable parts grew up primarily in New England, but then it moved to the Midwest, where it spent its adolescence and its adulthood, and now its tottering decline into senility.

So, all these new economic features--roads, canals, railroads, telegraphs, factories--they all required massive up-front capital investment. Like, you just can't build a canal in stages as it pays for itself. So, without more modern banking systems and people willing to take risks, none of this would have happened. Some of these investments were facilitated by new business organizations, especially the Limited Liability Corporation, which enabled investors to finance business ventures without being personally responsible for losses other than their own. In other words, corporations can fail without, like, ruining their stockholders and directors.

People don't always like that, by the way, but it's been very good for economic growth in the last 180 years or so.

So having angered a bunch of people by talking about the important role that big businesses played in growing the American Economy in the 19th century, I will now anger the rest of you by talking about the important role that the state played.

In the 1830s, states began passing general incorporation laws, which made it easier to create corporations, and the Supreme Court upheld them and protected them from further interference in cases like Gibbons vs. Ogden, which struck down a monopoly that New York had granted to one steamboat company. And the Charles River Bridge case, which said that building a second bridge over the Charles River did not infringe upon the charter of the first bridge. In both those cases, the court was using its power to encourage competition. And this brings up something really important about the growth of American capitalism: Government. Helped.

The federal government built roads and canals and its highest court protected businesses, and states issued bonds to build canals and offered sweetheart deals to companies that built railroads. And despite what we may believe about the heroic risk-taking entrepreneurs building the American economy through solitary efforts, without the government protecting their interests, they wouldn't have been able to do much. Alright, let's go to the Thought Bubble.

[Thought Bubble]

The Market Revolution changed the landscape of work, which, for most of the prior 200 years, happened at home. Small-scale production of clothes and other goods had been done in the home, largely by women, and initially, this is how industrial production worked as well. Factory owners would produce some of the products, like patterns for shoes, and then farm the finishing out to people working in their houses. Eventually, they realized that it would be more efficient to gather the workers together in one place, although the older, "putting-out system" continued in some industries, especially in big cities. After the Market Revolution, more and more Americans went to work instead of working from home.

The Market Revolution also changed the way we imagined work and leisure time. Like, on farms, the seasons and hours of daylight regulated the time for work, but in factories, work is regulated by the clock. Which, by the way, was one of the first products to be manufactured using the American system of manufacturing. Railroads and shipping timetables further required the standardization of time.

Factories also made it possible for more people to do industrial work. At first, this meant women. The workers in the early textile mills at Lowell, Massachusetts, for instance, were primarily young, New England farm girls who worked for a few years in the mills before returning home to get married. Women were cheaper to employ, because it was assumed that they would not be a family's sole breadwinner. At least, this was the excuse for not paying them more at the time. I can't remember what excuse we have now, but I'm sure it's a great one.

Anyway, all of this meant that the nature of work had changed. In colonial America, artisans worked for what they called their "price," which was linked to what they produced. In a factory, however, workers were paid a wage according to the number of hours they worked, regardless of how much they produced. This may not sound like a big deal, but working for wages with one's livelihood defined by a clock and the whims of an employer was a huge change, and it undermined the idea of freedom that was supposedly the basis of America.

Thomas Jefferson had worried that men working in factories, dependent upon their employers, were inherently un-free, and that this would make them unfit to be proper American citizens. And as it happens, many factory workers agreed with him. Thanks, Thought Bubble.

[End of Thought Bubble]

So, one reaction to the restrictions of the wage worker was to engage in the great American pastime of lighting out for the territories. With less and less farmland available in New England, young men had been migrating west for decades. And, after the War of 1812, this flood of migration continued and even grew. Between 1790 and 1840, 4.5 million people crossed over the Appalachian Mountains, and six new states were created between 1815 and 1821. Ohio's population grew from 231,000 in 1810 to over 2 million by 1850. People even took up the motto 'Malaria isn't going to catch itself!' and moved to Florida after we purchased it from Spain in 1819.

Moving out West was a key aspect of American freedom, and the first half of the 19th century became the age of "manifest destiny": the idea that it was a God-given right of Americans to spread out over the North American continent. The term was coined by a New York journalist, John L. O'Sullivan, who wrote that the people living out West- i.e, the Native Americans- must succumb to quote, "our manifest destiny to overspread and to possess the whole of the continent which providence has given us for the development of the great experiment in liberty." Stan, he actually wrote "overspread"!

One thing I love about providence is that it has like a 100% rate of giveth-ing unto us and taketh-ing away from them.

One of the results of this migration was that it was really difficult for factory owners to find men who could work in their factories. First, they looked to Yankee women to fill the factories, but increasingly, those jobs were filled by immigrants. Fortunately, the U.S. had lots of immigrants, like the more than one million Irish people that came here fleeing poverty, especially after the potato famine of 1845 to 1851.

Lastly, let's turn to the intellectual responses to the Market Revolution. Oh, it's time for the Mystery Document?

[Mystery Document]

The rules here are simple. If I fail to guess the author of the Mystery Document, I get shocked with the shock pen. And yes, this is a real shock pen! Lots of people are commenting, saying I am faking the shocks. I am not faking the shocks! I am in the business of teaching you history, not in the business of faking pain! Alright, let's do this thing.

"They do not yet see, and thousands of young men as hopeful now crowding to the barriers of the career, do not yet see, that if the single man plant himself indomitably on his instincts, and there abide, the huge world will come round to him. Patience - patience; - with the shades of all the good and great for company; and for solace the perspectives of your own infinite life; and for work, the study and the communication of principles, the making those instincts prevalent, the conversion of the world. Is it not the chief disgrace in the world, not to be a unit; - not to be reckoned one character; - not to yield that peculiar fruit which each man was created to bear, but to be--"

Oh, god, Stan, I can't bear it anymore. It's Emerson. It's definitely Emerson. It is unreadably Emerson. Indeed, the most linguistically convoluted of the Transcendentalists, which is really saying something.

Anyway, I don't get punished, but I did kind of get half punished,

because I had to read that.

[End of Mystery Document]

The Transcendentalists--like Margaret Fuller, Henry David Thoreau, Walt Whitman--were trying to redefine freedom in a changing world. Work was increasingly regimented. Factory workers were as interchangeable as the parts that they made. But the Transcendentalists argued that freedom resided in an individual's power to remake oneself, and maybe even the world.

But there would be a reaction to this in American literature as it became clear that escaping drudgery to reinvent yourself was no easy task for wage workers.

So, the early 19th century saw a series of booms and busts, sometimes called business cycles. And with those business cycles came a growing disparity in wealth. To protect their interests, workers began forming political organizations called Working Man's Parties that eventually morphed into unions, calling for higher wages and better working conditions.

And we'll have more to say about that in coming weeks, but for now, it's important to remember that as America grew more prosperous, many people--women and especially slaves, but also free, wage-working men--recognized that the Market Revolution left them with much less freedom than they might have enjoyed 50 or 100 years earlier.

My favorite commentary on the Market Revolution actually comes from the author Herman Melville in his short story "Bartleby the Scrivener." Melville worked at the customs house in New York, so he knew all about world markets first-hand. In "Bartleby," he tells the story of a young clerk who works for a lawyer in New York City. Now, when you're a farmer, your work has an intrinsic meaning. When you work, you have food, and when you don't work, you don't.

But when you're a copyist like Bartleby, it's difficult to find meaning in what you do every day. You know that anyone else could do it, and you suspect that if your work doesn't get done, it won't actually matter very much. And in light of this, Bartleby just stops working, saying, "I prefer not" when asked, well, pretty much anything. Seeing his boss and society's reaction to someone who simply doesn't buy into the market economy is comic, and then ultimately tragic. And it tells us a lot about the Market Revolution beyond the famous people and inventions and heroic individualism.

Now, most people read "Bartleby" as an existentialist narrative, and it definitely is that, but, for me, the story's subtitle proves that it's also about the market economy. The full title of the story is, "Bartleby the Scrivener: A Story of Wall Street." I'll see you next week.

**=====Credits=====**

Crash Course is produced and directed by Stan Muller. The script supervisor is Meredith Danko. Our associate producer is Danica Johnson. The show is written by my high school history teacher Raoul Meyer and myself. And our graphics team is Thought Cafe.

If you have questions about today's video, please ask them in comments, where they'll be answered by our team of historians. Also, suggest Libertage captions. Thanks for watching Crash Course World History. If you enjoy Crash Course, make sure you're subscribed, and as they say in my hometown, don't forget to be awesome.

Just kidding, thanks for watching Crash Course U.S. History! DFTBA!