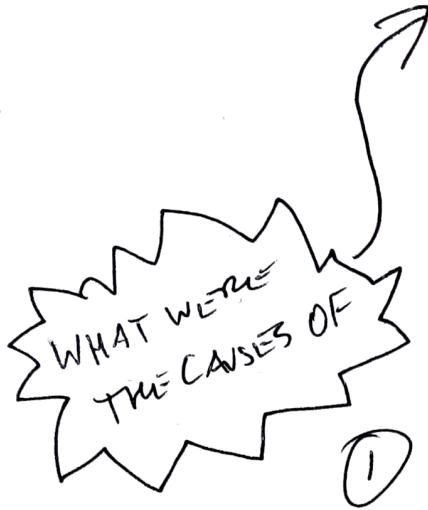


# Industrial expansion in the 1870s and 1880s



There is no single reason why the United States underwent a remarkable economic transformation in the 1870s and 1880s. Many interrelated factors played a part, ranging from the availability of raw materials to the attitude of the government. There was no point in an entrepreneur building a factory if there was no transport system to service it, or labour and energy supply to keep it running. All the necessary factors for economic growth combined in the USA in the decades after the Civil War. This period is often known as the Gilded Age, because its relative prosperity functioned as a thin layer of gold masking serious social problems beneath the surface.

## The impact of the Civil War

War, in spite of the death and destruction it brings, can often be a great stimulus to an economy. The US Civil War encouraged economic growth in a variety of ways:

- The North created a huge army. That army needed guns, ammunition, clothing and transport on a scale unknown before. The economy of the North had to adapt to this demand, and produce the huge amount of manufactured goods required. Economies of scale were discovered; mass production and distribution methods had to be developed.
- The government had to raise money to pay for the war, and this led to the development of a sophisticated capital-raising system centred on Wall Street in New York.
- During the war the government adopted a paper currency known as the United States Note or 'greenback'.
- The banking system had to evolve to cope with the increasing amount of money in circulation and the government's need to borrow money. This banking system was vital in ensuring that industrial expansion could be financed.
- Tariffs (taxes on imported goods from other countries) were raised – partly to gain income for the government, but also to protect American-produced goods, such as railway engines and wheat, from cheaper imports.

### Note:

Tariffs were a great encouragement for American producers to invest in manufacturing in their own country, as they made overseas manufacturing costs more expensive.

\* Overall, the Civil War proved to be the start of a huge expansion of industry in the United States.

## Population growth ②

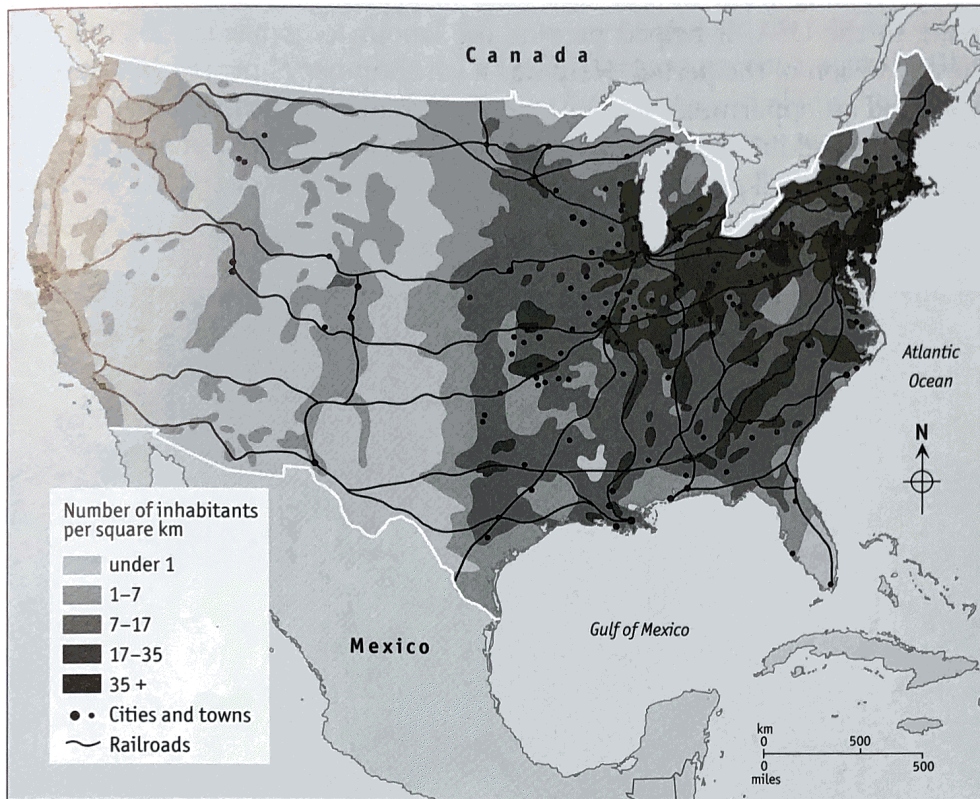


Figure 4.2 A map showing distribution of population and railways in the USA in 1900

Rapid economic expansion needs a labour force to make goods and consumers to buy them. In spite of nearly 500,000 dead in the Civil War, the population of the USA soared in the latter half of the 19th century. There was an ample supply of labour and consumers.

Year	Population
1860	31.5 million
1880	50 million
1900	76 million

Table 4.1 Population growth in the United States, 1860–1900

The reasons for this growth lay in the increase in incomes, which meant better food and housing, as well as advances in public health and medical knowledge that lowered death rates. There was also a high level of immigration to the USA.

Period	Total number of immigrants
1871–80	2.8 million
1881–90	5.2 million
1891–1900	3.6 million
1901–1910	8.8 million

Table 4.2 Immigration to the United States, 1871–1910

Why did the population grow?

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Why were  
immigrants  
coming to the  
US?

This was probably one of the greatest mass migrations in history, with people coming from Europe and Asia in search of a better standard of living in the USA. It helped provide the labour force needed for much of the expansion of the period. Here was a vast number of people who wanted work and an opportunity to make a decent living for themselves. They also represented additional consumers: they needed food, coal and clothes, so their demands fed growth.

Figure 4.3 A family of immigrants arrives in the United States, 1905



### ③ Availability of land

The 1870s and 1880s saw the massive expansion of the United States. New settlements required manufactured goods ranging from barbed wire to kettles, railway track to guns, and this created markets for US manufacturers. Some of the land settled was amongst the most fertile in the world, so there was plenty of food for all.

Much of the newly developed land was unsuitable for small-scale farming by families, but lent itself to larger-scale mass production of crops such as wheat, which enabled cities to be fed. This also led to the growth of a strong export market for food. Inevitably, this resulted in a demand for greater mechanisation in agriculture, which further fuelled demand for manufactured goods. An area much greater than the size of Western Europe was opened up in the USA for settlement in this period, so there was no problem in finding space for new cities, factories and farms.

\* HOMESTEAD  
ACT

← TRAN