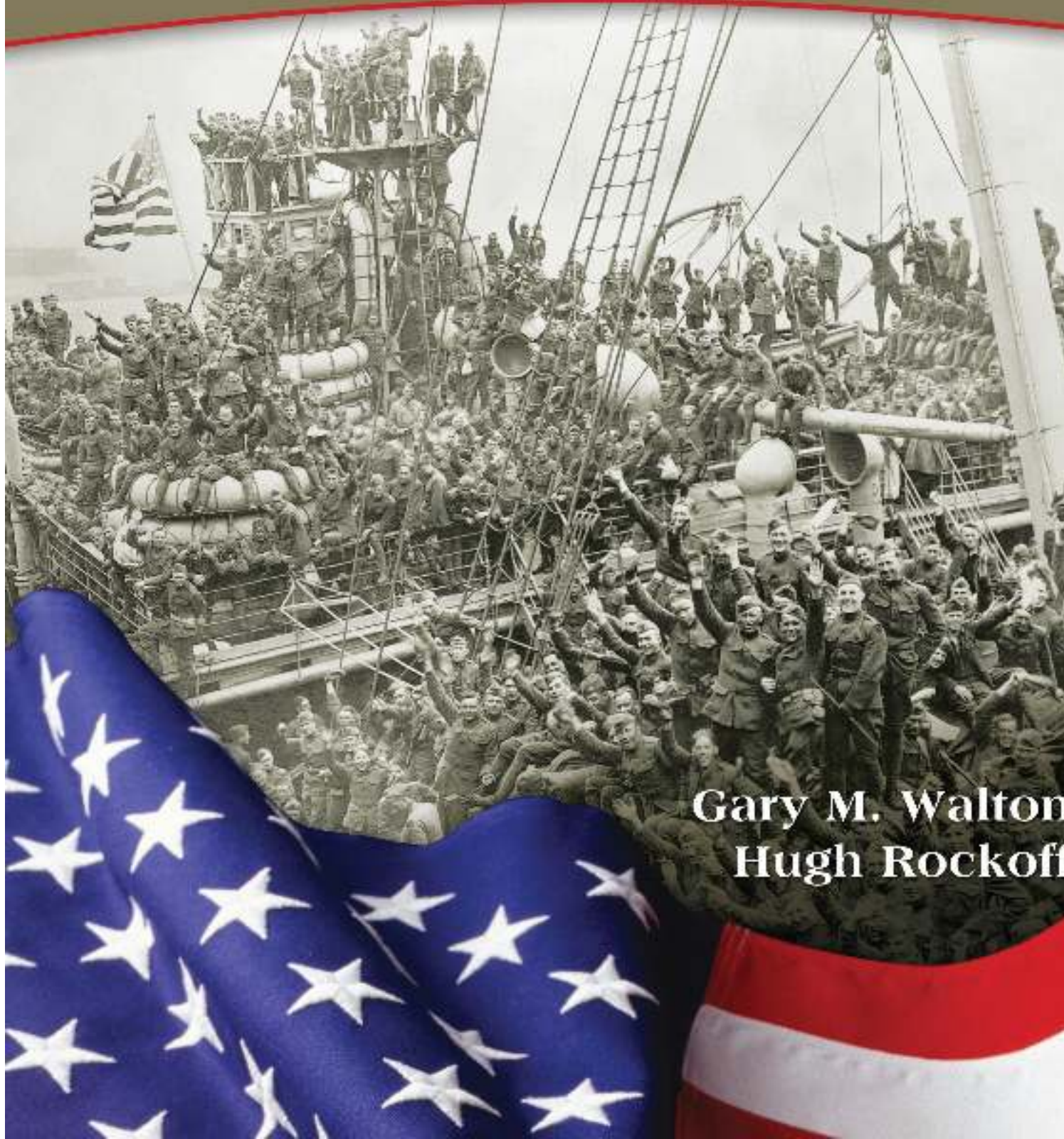


*History of the*  
**AMERICAN ECONOMY**

Twelfth Edition



**Gary M. Walton**  
**Hugh Rockoff**

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# History of the American Economy



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# History of the American Economy

**TWELFTH EDITION**

**GARY M. WALTON**

*University of California, Davis*

**HUGH ROCKOFF**

*Rutgers University*



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**Gary M. Walton and Hugh Rockoff**

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Douglass C. North



Robert W. Fogel

In honor of our dissertation advisors,  
Douglass C. North and Robert W. Fogel,  
Nobel Laureates in Economics, 1993







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# Preface

This new edition of *History of the American Economy* was deemed necessary because of the continued advance of research in economic history and the rapid changes unfolding in the United States and global economies. The struggle of many nations to convert from centrally controlled to market-led economies in recent decades, the rapid economic expansion of India and China, and the growing economic integration in Europe invite new perspectives on the historical record of the American economy. Moreover, the terrorist attacks of September 11, 2001, on the World Trade Center and the Pentagon and the subsequent wars in Afghanistan and Iraq, and the Great Recession of 2007 have spread a blanket of uncertainty on the future of the United States. The importance of understanding the sources of economic growth and change, the main subject of this book, is greater than ever.

To properly convey the speed of change of American lifestyles and economic well being, chapter 1 begins with a focus on twentieth-century American life, mostly but not entirely economic. The purpose is to show how dramatically different the way we live today is compared with the times of our grandparents and great-grandparents. The remarkable contrasts in living standards, length of life, and how we work and consume from 1900 to the present provide a “wake-up call” for the nation on the changes soon to unfold in our lives and in the lives of generations to come. This wake-up call serves a vital purpose: preparation for the future. As Professor Deirdre McCloskey admonishes us in her book *Second Thoughts*, in preparing for the future we best arm ourselves with a good understanding of the past.

Boxed discussions called “New Views” draw explicit analogies between current issues and past experiences—drug prohibition today and alcohol prohibition in the 1920s, and war finance today and war finance in the past, to name two. Economic historians, of course, have always made these connections for their students, but we believe that by drawing attention to them in the text, we reinforce the lesson that history has much to teach us about the present, and the perhaps equally important lesson that detailed study of the past is needed to determine both the relevance and the limitations of historical analogies.

We have retained the presentation of material in chronological order, albeit not rigidly. Part 1, “The Colonial Era: 1607–1776,” focuses on the legacies of that era and the institutions, policies, economic activities, and growth that brought the colonies to a point at which they could challenge the mother country for their independence. Part 2, “The Revolutionary, Early National, and Antebellum Eras: 1776–1860,” and Part 3, “The Reunification Era: 1860–1920,” each begin with a chapter on the impact of war and its aftermath. The other chapters in these parts follow a parallel sequence of discussion topics—land, agriculture, and natural resources; transportation; product markets and structural change; conditions of labor; and money, banking, and economic fluctuations. Each of these parts, as well as Part 4, “War, Depression, and War Again: 1914–1946,” closes with a chapter on an issue of special importance to the period: Part 1, the causes of the American Revolution; Part 2, slavery; and Part 3, domestic markets and foreign trade. Part 4 closes with a discussion of World War II. All the chapters have been rewritten to improve the exposition and to incorporate the latest findings. Part 5, “The Postwar Era: 1946 to the Present” moreover, has been extensively revised to

reflect the greater clarity with which we can now view the key developments that shaped postwar America.

Throughout the text, the primary subject is economic growth, with an emphasis on institutions and institutional changes, especially markets and the role of government, including monetary and fiscal policy. Three additional themes round out the foundation of the book: the quest for security, international exchange (in goods, services, and people), and demographic forces.

Finally, this edition further develops the pedagogical features used in earlier editions. We provide five basic rules of analysis called “economic reasoning propositions,” in chapter 1. We repeatedly draw attention in the text to these propositions with explicit text references and a marginal icon for easy reference. A list of historical and economic perspectives precedes each of the five parts of the book, providing a summary of the key characteristics and events that gave distinction to each era. Furthermore, each chapter retains a reference list of articles, books, and Web sites that form the basis of the scholarship underlying each chapter. Additional sources and suggested readings are available on the Web site. In addition to these pedagogical aids, each chapter begins with a “Chapter Theme” that provides a brief overview and summary of the key lesson objectives and issues. In addition to the “New Views” boxed feature described earlier, we have retained the “Economic Insights” boxes that utilize explicit economic analysis to reveal the power of economic analysis in explaining the past and to show economic forces at work on specific issues raised in the chapters. We have also retained the “Perspectives” boxes that discuss policies and events affecting disadvantaged groups.

We are pleased to introduce an improved technology supplement with this edition: *Economic Applications* (<http://www.cengage.com/sso>). This site offers dynamic Web features: EconNews Online, EconDebate Online, and EconData Online. Organized by pertinent economic topics, and searchable by topic or feature, these features are easy to integrate into the classroom. EconNews, EconDebate and EconData deepen a student’s understanding of theoretical concepts through hands-on exploration and analysis of the latest economic news stories, policy debates, and data. These features are updated on a regular basis. The *Economic Applications* Web site is complimentary via an access card included with each new edition of *History of the American Economy*. Used book buyers can purchase access to the site at <http://www.cengage.com/sso>.

A Test Bank and PowerPoint slides accompany the *History of the American Economy*, 12th edition, and are available to qualified instructors through the Web site (<http://www.cengage.com/econmics.walton>).



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