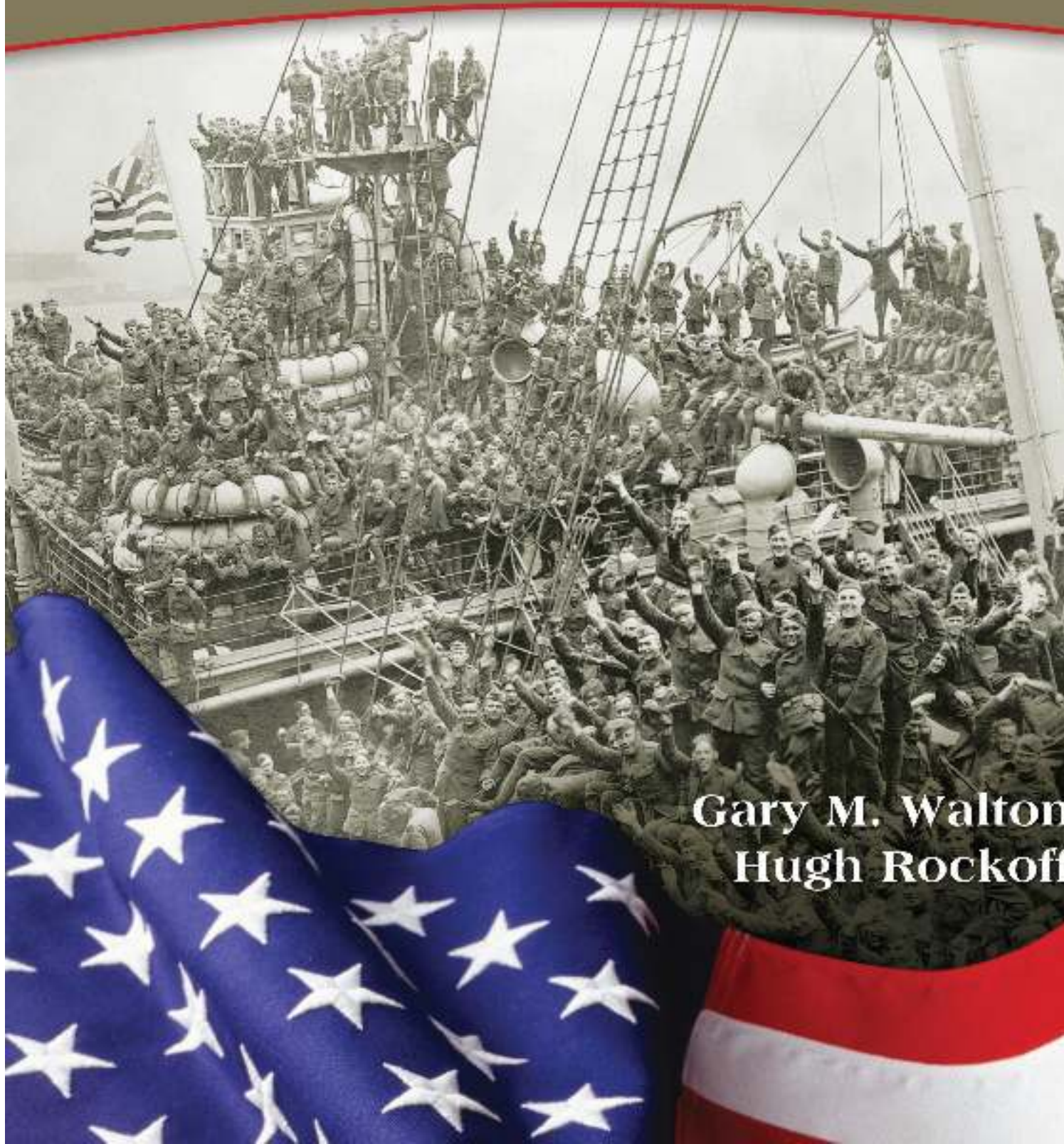


*History of the*  
**AMERICAN ECONOMY**

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







# Brief Contents

## P R E F A C E

**CHAPTER 1** Growth, Welfare, and the American Economy

---

### **PART 1** The Colonial Era: 1607–1776

---

**CHAPTER 2** Founding the Colonies

**CHAPTER 3** Colonial Economic Activities

**CHAPTER 4** The Economic Relations of the Colonies

**CHAPTER 5** Economic Progress and Wealth

**CHAPTER 6** Three Crises and Revolt

---

### **PART 2** The Revolutionary, Early National, and Antebellum Eras: 1776–1860

---

**CHAPTER 7** Hard Realities for a New Nation

**CHAPTER 8** Land and the Early Westward Movements

**CHAPTER 9** Transportation and Market Growth

**CHAPTER 10** Market Expansion and Industry in First Transition

**CHAPTER 11** Labor during the Early Industrial Period

**CHAPTER 12** Money and Banking in the Developing Economy

**CHAPTER 13** The Entrenchment of Slavery and Regional Conflict

---

### **PART 3** The Reunification Era: 1860–1920

---

**CHAPTER 14** War, Recovery, and Regional Divergence

**CHAPTER 15** Agriculture's Western Advance

**CHAPTER 16** Railroads and Economic Change

**CHAPTER 17** Industrial Expansion and Concentration

**CHAPTER 18** The Emergence of America's Labor Consciousness

**CHAPTER 19** Money, Prices, and Finance in the Postbellum Era

**CHAPTER 20** Commerce at Home and Abroad

---

### **PART 4** War, Depression, and War Again: 1914–1946

---

**CHAPTER 21** World War I, 1914–1918

**CHAPTER 22** The Roaring Twenties

**CHAPTER 23** The Great Depression

**CHAPTER 24** The New Deal

**CHAPTER 25** World War II

---

**PART 5** The Postwar Era: 1946 to the Present

---

**CHAPTER 26** The Changing Role of the Federal Government: Federal Spending in Peace and War

**CHAPTER 27** The Changing Role of the Federal Government: Consumer Safety, Agriculture, the Environment, and Housing

**CHAPTER 28** Monetary Policy, Fiscal Policy, and the Business Cycle after World War II

**CHAPTER 29** Manufacturing, Productivity, and Labor

**CHAPTER 30** Achievements of the Past, Challenges for the Future

**Subject Index**

**Name Index**



# Contents

**PREFACE** ..... xix

**CHAPTER 1**  
**Growth, Welfare, and the American Economy** ..... 1  
Americans 1900–2013 1  
A Study with a Purpose 6  
    Nation Building 6  
    Policy Analysis for Better Choices 9  
Critical Skills for Personal Development 11  
    The Long Road out of Poverty 11  
    An Institutional Road Map to Plenty 15

---

## **PART 1 The Colonial Era: 1607–1776**

---

**CHAPTER 2**  
**Founding the Colonies** ..... 24  
European Background to the Voyages of Discovery 24  
    European Roots and Expanding Empires 24  
Portugal and the First Discoveries 25  
Portugal and Spain: Expanding Empires 26  
The Latecomers: Holland, France, and England 28  
First British Settlements in North America 29  
    Perilous Beginnings 29  
Early Reforms 31  
    Bringing in Settlers 32  
Demographic Change 36  
    Underpopulation Despite High Rates of Population Growth 36  
    Population Growth in British North America 36  
    The Racial Profile 38  
    Imperial European Rivalries in North America 41

**CHAPTER 3**  
**Colonial Economic Activities** ..... 44  
Land and Natural Resource Abundance, Labor Scarcity 44  
Agriculture and Regional Specializations 46  
    The Southern Colonies 47  
    The Middle Colonies 49  
    New England 50  
The Extractive Industries 51  
    Furs, Forests, and Ores 51  
    Sea Products 54

The Manufacturing Industries	54
Household Manufacture and Craftshops	54
Mills and Yards	55
Shipbuilding	56
Occupational Groups	58
<b>CHAPTER 4</b>	
<b>The Economic Relations of the Colonies</b> .....	60
English Mercantilism and the Colonies	60
The Early Navigation Acts	61
Exports, Imports, and Markets	62
Overseas Shipping and Trade	63
Intercolonial Commerce	67
Money and Trade	68
Commodity Money	68
Coins, Specie, and Paper Money	69
Trade Deficits with England	71
Interpretations: Money, Debt, and Capital	74
<b>CHAPTER 5</b>	
<b>Economic Progress and Wealth</b> .....	77
Growth and Change in the Colonial Economy	77
Productivity Change in Agriculture	77
Productivity Gains in Transportation and Distribution	81
Technological Change and Productivity	85
Wealth Holdings in the Colonies	88
Per Capita Wealth and Income, 1774	89
The Distribution of Income and Wealth	90
<b>CHAPTER 6</b>	
<b>Three Crises and Revolt</b> .....	95
The Old Colonial Policy	95
The New Colonial Policy and the First Crisis	98
More Changes and the Second Crisis	100
The Third Crisis and Rebellion	101
Support in the Countryside	103
Economic Exploitation Reconsidered	106
<hr/>	
<b>PART 2 The Revolutionary, Early National, and Antebellum Eras: 1776–1860</b>	
<hr/>	
<b>CHAPTER 7</b>	
<b>Hard Realities for a New Nation</b> .....	112
The War and the Economy	112
The Constitution	115
American Independence and Economic Change	117
A Quantitative Analysis of Economic Change	119
War, Neutrality, and Economic Resurgence	121

**CHAPTER 8**  
**Land and the Early Westward Movements** ..... 127

The Acquisition of the Public Domain 127  
 Disposing of the Public Domain 129  
 The Northwest Land Ordinance of 1785 130  
 The Northwest Ordinance of 1787 131  
 The Later Land Acts, 1796–1862 132

The Migrations to the West 134  
 The Northwestern Migration and Hogs, Corn, and Wheat 135  
 Agricultural Specialization and Regional Dislocation 138

The Southwestern Migration and Cotton 140  
 The Far Western Migration 143

**CHAPTER 9**  
**Transportation and Market Growth** ..... 147

The Antebellum Transportation Revolution 147  
 The Routes of Western Commerce 149  
 Steamboats and the Natural Waterways 150  
 Competition, Productivity, and Endangered Species 152  
 Public versus Private Initiative on the Natural Waterways 154  
 The Canal Era 155  
 The Iron Horse 158  
 Roads 160  
 Turnpikes 161  
 The Antebellum Interregional Growth Hypothesis 162  
 Ocean Transport 163

**CHAPTER 10**  
**Market Expansion and Industry in First Transition** ..... 168

Early Changes in U.S. Manufacturing 168  
 The Decline of Household Production 168  
 Craftshops and Mills 169  
 The Emergence of U.S. Factories 170  
 The Lowell Shops and the Waltham System 170  
 Iron and Other Factories 172  
 The Rise of Corporate Organization 173  
 Leading Industries, 1860 174

Prerequisites to Factory Production 175  
 Machines and Technology 175  
 Standardized Interchangeable Parts 176  
 Continuous Process and Assembly Lines 176  
 Power and Energy 177  
 Factor Proportions and Borrowing and Adapting Technology 179

Productivity Advances in Manufactures 180  
 Protection from Foreign Competition 181

**CHAPTER 11**  
**Labor during the Early Industrial Period** ..... 185

The Growth of the Population and the Labor Force 185

**The Changing Labor Force Distribution and Composition** 186  
    Factories and Workers 187  
    The Rhode Island and Waltham Systems 188  
**The Impact of Immigration** 190  
**The Wages of Male Labor in Manufacturing** 191  
    English–American Wage Gaps 193  
    Skilled–Unskilled Wage Ratios 194  
**Growing Inequality of Income** 194  
**The Early Union Movement** 197  
    Legal Setbacks and Gains 197  
    Organizational Gains 198  
**Political Gains for Common Working People** 199  
    Suffrage 199  
    Public Education 200  
    Debts, Military Service, and Jail 200  
    The 10-Hour Day 200

**CHAPTER 12**

**Money and Banking in the Developing Economy** . . . . . 203  
    The American Monetary Unit 203  
    The Bimetallic Standard 204  
    Bank Notes as Paper Money 206  
    The First Bank of the United States 207  
    The Second Bank of the United States 210  
    Economic Fluctuations and the Second Bank 214  
    Experiments in State Banking Controls 216  
        The Suffolk System 216  
        Free Banking 217  
    The Depression of 1837–1844 218  
    The Economic Consequences of the Gold Rush 219

**CHAPTER 13**

**The Entrenchment of Slavery and Regional Conflict** . . . . . 222  
    African Slavery in the Western Hemisphere 222  
    First U.S. Constraints on Slavery 223  
        Northern Emancipation at Bargain Prices 225  
        The Persistence of Southern Slavery 226  
    Plantation Efficiency 227  
    Economic Exploitation 234  
    Economic Entrenchment and Regional Incomes 235  
    Political Compromises and Regional Conflict 237

---

**PART 3 The Reunification Era: 1860–1920**

---

**CHAPTER 14**

**War, Recovery, and Regional Divergence** . . . . . 244  
    The Economics of War 244  
        Trade and Finance Policies South and North 246

**The Civil War and Northern Industrialization** 248

**Economic Retardation in the South** 249

    Decline in the Deep South 252

    The Inequities of War 253

**The Legacy of Slavery** 254

**CHAPTER 15**

**Agriculture’s Western Advance** ..... 263

**The Expansion of Land Under Cultivation** 263

**Federal Land Policy** 264

**The Impact of Federal Land Policy** 266

**Growth and Change in Agriculture** 268

    New Areas and Methods of Cultivation 268

**Hard Times on the Farm, 1864–1896** 270

**Agrarian Political Organizations** 274

    The Grangers 275

    The Greenback Movement 276

    The Alliances 276

    The Populists 276

**The Beginnings of Federal Assistance to Agriculture** 277

    The Department of Agriculture 277

    Agricultural Education 277

**Natural Resource Conservation: The First Stages** 278

    Land, Water, and Timber Conservation 279

**CHAPTER 16**

**Railroads and Economic Change** ..... 282

**The Transcontinentals** 282

**Total Construction: Pace and Patterns** 284

    Productivity Advance and Slowdown 286

**Building Ahead of Demand?** 287

**Land Grants, Financial Assistance, and Private Capital** 288

**Unscrupulous Financial Practices** 289

**Government Regulation of the Railroads** 290

    State Regulation 292

    Federal Regulation 293

    Capturing the Regulators? 295

**Railroads and Economic Growth** 295

**CHAPTER 17**

**Industrial Expansion and Concentration** ..... 300

**Structural Change and Industry Composition** 300

    New Technologies 302

    New Forms and Sources of Energy 306

**Mass Production** 308

**Economies of Scale and Industry Concentration—“The Chandler Thesis”** 309

    Early Business Combinations 309

    Trusts and Holding Companies 310

The Two Phases of the Concentration Movement—The “Chandler Thesis” 311  
Phase 1: Horizontal Mergers (1879–1893) 311  
Phase 2: The Vertical Mergers (1898–1904)—The “Chandler Thesis” 314

The Sherman Antitrust Act 316  
The Supreme Court as Trustbuster 318  
The Federal Trade Commission 319

**CHAPTER 18**  
**The Emergence of America’s Labor Consciousness . . . . . 321**

Demographic Change and the Supply of Labor 321  
Birth and Death Rates 321  
Immigration 323

Immigration: Politics and Economics 324  
Foreign Workers and American Labor 325

Workers in the Postbellum Period 326  
Hours and Wages 326  
Women 329  
Children 331

Unions, Employers, and Conflict, 1860–1914 332  
The Unions and the Courts 336

Labor’s Gains and the Unions 336

**CHAPTER 19**  
**Money, Prices, and Finance in the Postbellum Era . . . . . 340**

New forms of Currency 341  
A Dual Banking System 342

Gold, Greenbacks, or Bimetallism? 345  
Returning to the Gold Standard after the Civil War 345  
The Crime of ’73 349  
The Commitment to the Gold Standard 351  
The International Gold Standard 353

The Rise of Investment Banking 354

Bank Panics and Depressions 356  
National Monetary Commission 358  
Federal Reserve Act 359

**CHAPTER 20**  
**Commerce at Home and Abroad . . . . . 362**

Urbanization 362

Marketing and Selling 363  
Wholesaling 363  
Retailing 365

Product Differentiation and Advertising 367

The First Steps toward Consumer Protection 370

Foreign Trade 372  
Changing Composition of Exports and Imports 373  
Changes in Balance of Trade 374

Tariffs for Revenue and Protection 375

The Income Tax 377

The United States in an Imperialist World 378



---

**PART 4 War, Depression, and War Again: 1914–1946**

---

**CHAPTER 21**

**World War I, 1914–1918** ..... 384

**The Origins of the War** 384

**The United States Goes to War** 385

**Financing the War** 386

**Attempting to Replace the Market with a Command System** 389

**The War Industries Board** 389

**The Food and Fuel Administrations** 389

**Labor during the War** 391

**The Costs of the War** 394

**The Legacies of the War** 395

**The Postwar Recession** 395

**The Domestic Legacies** 395

**The International Legacies: The Treaty of Versailles** 396

**CHAPTER 22**

**The Roaring Twenties** ..... 398

**Social Changes in the Aftermath of War** 398

**New Goods and the Rise of the Middle Class** 399

**The Automobile** 400

**Buy Now, Pay Later** 401

**Prohibition** 403

**The Labor Force in the Twenties** 404

**The Paycheck Rises** 405

**The Unions** 405

**Immigration Is Restricted** 406

**America Goes to High School** 408

**On the Land** 408

**Economic Distress in Agriculture** 409

**First Steps toward Farm Subsidies** 409

**Were the Rich Getting Richer While the Poor Got Poorer?** 411

**Macroeconomic Policies** 411

**Fiscal Policy** 412

**Monetary Policy** 412

**International Developments** 414

**The Great Bull Market** 415

**The Ponzi Scheme** 415

**The Florida Land Boom** 415

**The Stock Market Boom** 417

**Should They Have Seen the Crash Coming?** 419

**CHAPTER 23**

**The Great Depression** ..... 422

**Dimensions of the Depression** 422

**Causes of the Great Depression** 424

**The Stock Market Crash** 424

The Banking Crises 428  
 Growing Inequality of Income 430  
 Economic Distortions in the 1920s—Hayek and the Austrian School 430  
 The Smoot-Hawley Tariff 430  
 The Role of the Financial Crisis 431  
     Monetary Effects of the Financial Crises 431  
     Nonmonetary Effects of the Financial Crisis 432  
 Why Didn't the Federal Reserve Save the Banking System? 433  
 Fiscal Policy in the 1930s 435  
 Partial Recovery and Then a New Downturn 436  
     The Price of Gold and the Stock of Money 436  
     Climbing Out of the Abyss 437  
     The Recession within the Depression 437  
 Why Did the Depression Last So Long? 439  
     Perverse Effects of the New Deal? 439  
     Fiscal and Monetary Policy 440  
 Can It Happen Again? 441  
 What Does the Depression Tell Us about Capitalism? 441

**CHAPTER 24**  
**The New Deal** ..... 444  
 The First New Deal 444  
     Relief 444  
     Recovery 448  
 Reform the Financial System 449  
     A Safety Net for the Banking System 449  
     Increased Regulation of Securities Markets 450  
     The Mortgage Market 450  
     The End of America's Commitment to the Gold Standard 451  
     Centralization of Monetary Power in the Federal Reserve Board 451  
 Reform of the Agricultural Sector 451  
 Labor and the New Deal 455  
     A New Institutional Framework for Labor Markets 456  
     Why Was Unemployment So High for So Long? 458  
 The Supreme Court and the New Deal 460  
 The Second New Deal: The Welfare State 460  
 The Critics of the New Deal 461  
 The Legacy of the New Deal 463

**CHAPTER 25**  
**World War II** ..... 466  
 Mobilizing for War 466  
     Trade-offs 469  
     Overwhelming Firepower 470  
     The "Gold Rush of 1942" 470  
 Fiscal and Monetary Policy 473  
 Wage and Price Controls 475  
     Hidden Price Increases and the Black Market 476  
     Rationing 477

**Wartime Prosperity?** 477  
**Labor during the War** 478  
**Wartime Minority Experiences** 480  
     Rosie the Riveter 480  
     African Americans 481  
**Agriculture during the War** 483  
**Demobilization and Reconversion** 484  
     Would the Depression Return? 484  
     The GI Bill of Rights 484  
     Birth of the Consumer Society 485

---

**PART 5 The Postwar Era: 1946 to the Present**

---

**CHAPTER 26**

**The Changing Role of the Federal Government: Federal Spending  
 in Peace and War** ..... 490  
**The Size of Government in the Postwar Era** 490  
     Total Federal Spending 490  
     Federal Purchases of Goods and Services 491  
     Federal Employment 492  
     Winners and Losers in the Federal Budget 493  
**The Liberal Era, 1945–1976: Continued Expansion of Government** 494  
     The “Little New Deal” 495  
**The Conservative Era** 496  
     Reaganomics 497  
**What was behind the Changing Ideological Tides?** 498  
**Wagner’s Law** 499  
**Wars—Hot and Cold** 500

**CHAPTER 27**

**The Changing Role of the Federal Government: Consumer Safety,  
 Agriculture, the Environment, and Housing**..... 503  
**Regulating the Market to Protect the Consumer** 503  
**Deregulation** 505  
**Agriculture** 506  
     Price Supports and Subsidies 508  
**The Environment** 511  
     The Conservation Movement 511  
     The Rise of the Environmental Movement 512  
**Housing** 514

**CHAPTER 28**

**Monetary Policy, Fiscal Policy, and the Business Cycle after World War II** ..... 518  
**The Keynesian Era** 518  
     The Korean War and the Treasury-Fed Accord 520  
     Dwight D. Eisenhower: The Conservative Approach to the Business Cycle 522  
     John F. Kennedy and Lyndon Johnson: The New Economics 522  
     Richard M. Nixon: Price Controls and the End of Bretton Woods 523  
     Jimmy Carter: The Great Inflation Reaches a Climax 526

Was the Economy More Stable during the Keynesian Era  
than before the Depression? 528

The Monetarist Era 529  
Paul Volcker 529  
Ronald Reagan: Supply-Side Economics 532  
From Greenspan to Bernanke at the Federal Reserve 534

The Panic of 2008 and the Slow Recovery 536

**CHAPTER 29**  
**Manufacturing, Productivity, and Labor** ..... 540

Gales of Creative Destruction 540  
Productivity Growth 544  
The Energy Crisis 545

Changes in the Organization of Industry 546

Antitrust Policy 548

The Rise of the Service Sector 549

The Changing Role of Women in the Labor Force 550  
The Gender Gap 552  
The Baby Boom 553

Minorities 554  
African Americans 554  
Native Americans 557

The New Immigration 559

Unions 560

Real Wages 562

**CHAPTER 30**  
**Achievements of the Past, Challenges for the Future**..... 565

Achievements of the Past 565  
Real Incomes Have Grown Rapidly 565  
Lagging Regions Have Caught Up 567  
Biomedical Measures of Well-Being Show Improvement 568  
Education Levels Reached by Americans Have Increased Steadily 572

Challenges for the Future 573  
Improving the Distribution of Income 574  
Caring for an Aging Population 577  
Winning the Race between Technology and Education 578  
The Search for a Meaningful Life 578

Prophets of Decline 579

**Subject Index** ..... 583

**Name Index**..... 595



# 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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