

UNIT FOUR: LESSON ONE

UNDERSTANDING THE COLONIAL ECONOMY

INTRODUCTION

History Ignoring the fact that the land was already occupied by Native American groups, English colonists came to settle on the Atlantic seaboard. The beginning was not easy. The first settlement of English colonies failed. Experiments with communal ownership of property were tried. They also failed.

Mystery North America offered no known gold or silver for the taking. There were no spices to trade. North America was known only to offer land. No one was sure what could be produced on that land or who should produce it. Eventually, however, the colonies were able to prosper. Why?

Economic History The question of what the English colonists should produce was answered by the establishment of a powerful economic incentive—private ownership of land. Rules establishing private land ownership encouraged individuals to experiment with various uses of their land and its resources in an effort to produce goods for trade at home and with European customers.

CONCEPTS

Incentives
Trade
Market
Specialization
Choice

OBJECTIVES

- ◆ Identify trade as an important source of growth of the colonial economy.
- ◆ Analyze private ownership of land as a key incentive.
- ◆ Identify ways in which colonial settlers were atypical people.
- ◆ Explain the relationship of specialization to increased production.
- ◆ Practice making choices in which individuals specialize and trade.

LESSON DESCRIPTION

Students examine data on visuals to gain an overview of the colonial economy. Next, they read and discuss a handout to gain a fuller picture. The lesson concludes with several applications presented in an activity.

TIME REQUIRED

- ◆ One class period

MATERIALS

- One transparency each of Visuals 1, 2, and 3.
- One copy for each student of Activities 1 and 2.

PROCEDURE

1. Tell the class that this lesson explores how the colonial economy developed. Many of the investors in the first colonies hoped that England, like Spain, would discover vast treasures. The failure of early efforts suggested that such riches were not present. Stress that no one at the time knew for sure what products could be successfully produced. That said, it was clear that Europeans represented a large potential market for whatever was produced. Ask why the North American colonists were able to prosper eventually.

2. Focus student attention on how the colonial economy grew by displaying Visuals 1, 2, and 3. Discuss the questions presented at the end of each Visual. Invite students to speculate on the patterns of colonial economic growth. Based on this information, the students should conclude that exports—especially tobacco—were very important to the colonial economy and that the fast pace of population growth suggested that many people in Europe responded to incentives to emigrate to the North American colonies.

3. Distribute Activity 1 to the class. Explain that Activity 1 gives a fuller picture of the colonial economy. Ask the students to use the discussion questions to guide their reading. After they read Activity 1, *ask*:

- A. Why did the colonists need to discover what Europeans wanted? (The colonial population was relatively small. There were few potential customers. Europe,

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on the other hand, had many potential customers. The colonists had to discover what goods they could produce at competitive prices that Europeans wanted to purchase.)

- B. Why was private land ownership a strong incentive to encourage individual production? (Owning land provided an opportunity for individuals to increase their incomes. By remaining in Europe, few peasants would ever have the opportunity to own their own land.)
- C. In what ways were the people who were attracted to the colonies not typical? (People willing to migrate to North America took large personal risks. Moreover, they were willing to save, earn, or borrow money from other savers in order to pay the cost of making the trip.)
- D. How did specialization lead to more production in the colonies? (Despite the fact that most people were engaged initially in self-sufficient farming, specialization and trade developed. Colonists specialized in producing goods favored by local conditions. Colonists traded these goods and used the income to purchase products they wanted. The Southern colonies specialized in tobacco. The Middle colonies specialized in grains. The New England colonies specialized in furs, forest products, fishing, whaling, and shipbuilding.)

CLOSURE

Remind the students that many North American colonists sought to discover products that Europeans wanted to buy. They also had to discover which of these products they could produce for export at a competitive price. They specialized in producing goods which could be traded to earn income, and these goods, in turn, could be used to purchase products they wanted. Explain that the problem of deciding how to specialize and trade is one which all individuals face in many ways. Distribute Activity 2. Ask the students to explain how the person in each case is trying to decide how to specialize and trade.

- A. Sanguita Perez is about to graduate from high school. She is trying to choose her career. What does her choice have to do with specialization and trade? (Sanguita is deciding what special skills she has now or can obtain that will enable her to trade her labor to someone who will voluntarily provide her with an income.)
- B. Gloria Carbone is opening a new Italian restaurant. In what way is she specializing and trading? (Gloria is deciding whether customers are interested in trading part of their income for her specialty—Italian cooking.)
- C. Ron Norquist, mayor of a large city, acts on behalf of its residents and well trained workers to persuade a large manufacturer to build a new plant in the city. How does this venture involve specialization and trade? (Mayor Norquist is trying to trade the specialized human and physical resources of the city for the income to be provided to city residents by the wages paid for new jobs created by the plant.)
- D. IBM is considering investing millions of dollars to develop a new line of special computers. How does this venture involve specializing and trading? (IBM leaders are considering whether people will trade their incomes for the new computer.)
- E. After the removal of state subsidies, the manager of a large bus manufacturing firm in Poland can not sell enough buses to keep the business afloat. The manager is considering spending millions on new equipment and training. Describe the manager's plan by referring to specialization and trade. (The manager is trying to decide whether the plant could produce an alternative product—a new specialty—that people would be willing to trade their incomes to purchase.)

VISUAL 1
VALUE OF EXPORTS FROM
THE AMERICAN COLONIES
TO ENGLAND
(IN POUNDS STERLING)

<u>Year</u>	<u>Total</u>
1700	£ 395,021
1710	249,814
1720	468,188
1730	572,585
1740	718,416
1750	814,768
1760	761,099
1770	1,015,535

1. What appears to be the pattern of American colonial exports to England?
2. What does this pattern suggest about the importance of trade with England to the colonial economy?

Source: Adapted from U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970*, U.S. Government Printing Office, Washington, D.C., 1976.

VISUAL 2

ENGLISH TOBACCO IMPORTS FROM AMERICA

<u>Year</u>	<u>Pounds (Weight) in millions</u>	
1620	0.1	
1630	0.5	
1672	17.6	
1682	21.4	
1688	28.4	
1708	30.0	
1717	32.0	
1722	35.0	
1730	41.0	
1740	41.0	
1745	55.0	
1755	64.0	
1775	85.0	102.0
1760		

1. What appears to be the pattern of English tobacco imports from colonial America?
2. What does this pattern suggest about the importance of the tobacco trade to the colonial economy?

VISUAL 3

THE COLONIAL POPULATION

<u>Year</u>	<u>Total Number</u> <i>Europeans and African Americans</i>
1630	4,646
1640	21,634
1650	50,368
1660	75,058
1670	111,935
1680	151,507
1690	210,372
1700	250,888
1710	331,711
1720	466,185
1730	629,445
1740	905,563
1750	1,170,760
1760	1,593,625
1770	2,148,076

1. What appears to be the pattern of colonial population growth?
2. What does this pattern suggest about the number of potential customers in the colonial economy?

Source: Adapted from the U.S. Bureau of Census, *Historical Statistics of the United States, Colonial Times to 1970*, U.S. Government Printing Office, Washington, D.C., 1976.

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ACTIVITY 1

TELL ME WHAT YOU WANT AND I'LL TRY TO GET IT FOR YOU

WHAT SHOULD THE SETTLERS IN NORTH America produce? Whatever it was, it had to be something that people in Europe wanted. More than that, it also had to be something that people in North America could produce. This was a life-or-death problem for the settlers, and the *solution* was anything but simple. North America offered no known deposits of gold or silver. The spices of Asia were in Asia. All North America was known to have was land. But what should be produced? And who should produce it? No one knew the answer. Moreover, the grand plans of the first settlers failed miserably. The settlers began a process of trial and error to discover what they should produce.

Try to think of one product that could have been produced in colonial North America—one that would have been valued by people in Europe.

PRIVATE LAND AS AN INCENTIVE

In the early years of settlement, the colonial population was small compared to that of Europe. Trading with the people of Europe seemed to be the best way for the colonists to become prosperous. The prospect of prosperity through trade provided the colonists with a set of incentives that encouraged them to discover what Europeans wanted. In response to these incentives, commercial activity began.

Commercial activity was encouraged by certain laws or rules. Of these, one of the most important was private ownership of land. Private ownership of land encouraged individual initiative and risk-taking among the colonists. After failed experiments with communal cultivation of land in Plymouth and Jamestown, private ownership of land became favored and was protected by law. By 1623 all property in Virginia was held by private owners. In 1691, the headright system was introduced, under which

individuals who paid their own way to Virginia were granted 50 acres of land. By 1774, three out of four families in the colonies owned their own farms. Private ownership of land offered great, almost unheard of incentives to Europeans living in North America. They could not have hoped to own their own land if they had remained at home. In North America, however, it was possible for them to buy a small farm after working and saving for a year or two. This gave settlers a great opportunity to earn incomes they could never have achieved in Europe.

THE PEOPLE

The prospect of living independently, away from feudal lords and aristocratic landowners, attracted people from Europe who were willing to take chances. In this respect, the people who moved to settle in the colonies were not typical—the typical people stayed at home. Those who crossed the Atlantic had managed to save some money or were willing to work as indentured servants to finance their voyage. They were willing to separate themselves from family and friends. They were willing to risk disease, the possibility of shipwreck, and the unknown. Moreover, they were people who responded quickly to economic opportunities. The Europeans who settled in the colonies had come voluntarily, accepting risks and hardship in return for the prospect of benefits. Africans, an important segment of the productive colonial population, came to the colonies involuntarily, as slaves. Once they arrived, they had far fewer economic choices open to them than others had.

SPECIALIZATION AND TRADE

What products did Europeans want to buy? How should they be produced? Specialization and trade provided the answer. Some parts of North America were endowed with soil and climate suitable for the production of particular goods. Colonists could trade these goods and use the income to purchase from others what they did not have or could only produce at high cost.

The colonial settlers of North America discovered that different parts of North America offered different potential advantages. The rocky land and vast timber resources of New England differed from the rich agricultural land and warm climate of the South. In general, North

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Americans specialized in producing raw materials and trading them with Europe in exchange for finished products. Overseas trade became an important part of colonial economic life.

Tobacco was the most profitable product. It was grown in the South and it made the Southern colonies prosperous. Tobacco made up almost half the colonies' total commodity exports in 1750. By the time of the Revolution, rice and indigo had also been established as important crops in which the South specialized.

Trade from New England to Europe began with the export of furs and soon expanded to include products from the fishing and whaling industries. Before long pitch, tar, turpentine, and masts also were traded to England. In nonagricultural production, New England led the way by specializing in building ships, especially sloops and schooners.

The Middle colonies became specialized as the "bread colonies." Their major customers were in Europe and the Caribbean. The Middle colonies traded grain (wheat, rye, and barley) to the Caribbean Islands; people in the Caribbean, in

turn, shipped sugar to the colonies and Europe.

While most of the colonists engaged at first in self-sufficient farming and other production, specialization and trade became increasingly important to colonial economic life.

QUESTIONS FOR DISCUSSION

1. In what way is this a true statement: No single person or agency could have planned how the North American colonies of England would develop economically?
2. Why did the colonists need to discover what Europeans wanted?
3. Why was private land such a strong incentive to encourage individual production?
4. In what ways were the people who were attracted to the colonies not typical?
5. How did specialization lead to more production in the colonies?

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ACTIVITY 2

TRADE: IT'S EVERYWHERE! IT'S EVERYWHERE!

Read each of the following statements. In each case, the people referred to are involved in deciding how to specialize and trade. Remember that trade involves a transaction. Partners to a trade exchange something for something else. For each case, tell who the partners are; then tell what each partner expects to trade and what he or she expects to receive in exchange.

1. Sanguita Perez is about to graduate from high school. She is trying to choose her career. What does her choice have to do with specialization and trade?
2. Gloria Carbone is opening a new Italian restaurant. In what way is she specializing and trading?
3. Ron Norquist, mayor of a large city, acts on behalf of its residents and its well-trained workers to persuade a large manufacturer to build a new plant in the city. How does this venture involve specialization and trade?
4. IBM is considering investing millions of dollars to develop a new line of computers. How does this venture involve specializing and trading?
5. After the removal of state subsidies, the manager of a large bus manufacturing firm in Poland cannot sell enough buses to keep the business afloat. The manager is considering spending millions on new equipment and training. Describe the manager's plan by referring to specialization and trade.