

In the United States in the early 1800's, individual state governments had more effect on the economy than did the federal government.

States chartered manufacturing, baking, mining, and transportation firms and participated in the construction of various internal improvements such as canals, turnpikes, and railroads.

The states encouraged internal improvements in two distinct ways: first, by actually establishing state companies to build such improvements; second, by providing part of the capital for mixed public-private companies setting out to make a profit.

In the early nineteenth century, state governments also engaged in a surprisingly large amount of direct regulatory activity, including extensive licensing and inspection programs.

Licensing targets reflected both similarities in and differences between the economy of the nineteenth century and that of today: in the nineteenth century, state regulation through licensing fell especially on peddlers innkeepers, and retail merchants of various kinds.

The perishable commodities of trade generally came under state inspection, and such important frontier staples as lumber and gunpowder were also subject to state control.

Finally, state governments experimented with direct labor and business regulation designed to help the individual laborer or consumer, including setting maximum limits on hours of work and restrictions on price-fixing by businesses.

Although the states dominated economic activity during this period, the federal government was not inactive.

Its goals were the facilitation of western settlement and the development of native industries.

Toward these ends the federal government pursued several courses of action.

It established a national bank to stabilize banking activities in the country and, in part, to provide a supply of relatively easy money to the frontier, where it was greatly needed for settlement.

It permitted access to public western lands on increasingly easy terms, culminating in the Homestead Act of 1862, by which title to land could be claimed on the basis of residence alone.

Finally, it set up a system of tariffs that was basically protectionist in effect, although maneuvering for position by various regional interests produced frequent changes in tariff rates throughout the nineteenth century.