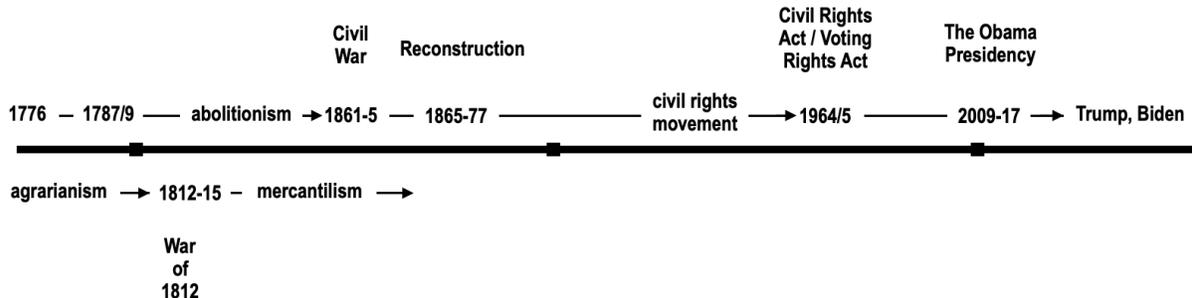
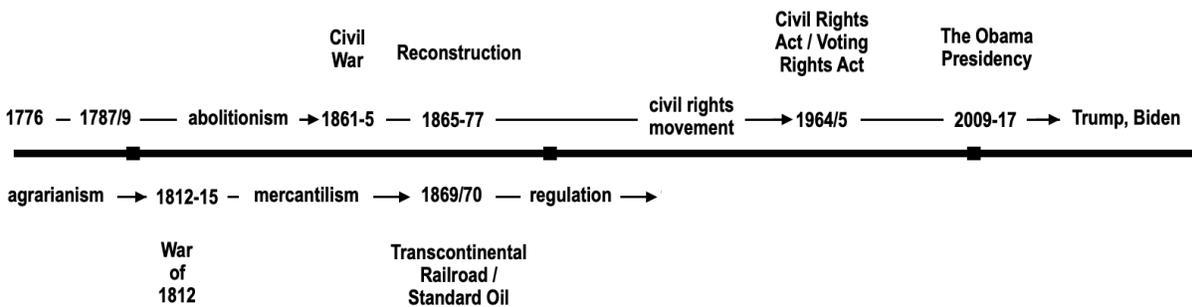


## F. The Political Economy of Industrialization

- Here is our timeline of political economy so far:



- When the *Industrial* period of technological progress began following the Civil War, however, the idea that government must *encourage* “merchants” no longer made sense.
- One reason is that the *Transcontinental Railroad*, finished in **1869**, was encouraged by the government when it didn’t make any sense.
  - The government wanted a railroad from the eastern United States to California, even though railroad business experts said it could not make any money.
  - The government decided to proceed anyways, paid the railroad builders a lot of money to do it.
  - When the railroad later went bankrupt (as predicted by the business experts), taxpayers were angry that their taxes had been wasted.
  - They demanded new laws to control the railroads so that they served the “public interest.”
  - The **Interstate Commerce Act of 1887** was the first of the laws passed to place the railroads under government control. (They would still be run by private companies, but they would have to follow strict government rules under government oversight.)
- Another reason encouraging industries didn’t make sense is that companies like *Standard Oil*, created in **1870**, became huge and successful without any help!
  - The Standard Oil company was so big and successful that it drove almost all its competitors out of business.
  - This made a lot of people jealous and angry.
  - The **Sherman Anti-Trust Act of 1890** was passed to prevent companies like Standard Oil from being *too* successful. (According to this law, the Standard Oil company was eventually broken up into 34 smaller companies.)
- The new idea for railroads and big companies was to *regulate* them, which means to make new rules that they have to follow.
- Most people thought that this was the right way to organize industry, and that it would be very successful, but then something terrible happened.



G. The Great Depression (1929-39)

1. Following **World War I (1914-19)**, there was peace, and much industrial progress. People also believed that “regulated” industries were well-organized. It was a time of great optimism called the “Roaring Twenties.”
2. Then, to everyone’s shock, there was a “stock market crash” in 1929.
3. Such problems in the economy are very difficult to explain. There is an entire science called “economics,” whose experts can’t even agree on what happened!
4. All we can really say here is that when the stock market crashed, a lot of companies lost money, and so did a lot of banks.
5. It took years for companies and banks to get reorganized, and meanwhile, a drought started in the American prairies. In caused the “dust bowl” period of terrible sand storms that meant that many American farmers were also in trouble at the same time as American businesses and banks were in trouble.
6. It was a very desperate time, when many people were out of work, and people wanted a new social contract. It is called the “mixed economy”...



The “Roaring Twenties” were a “boom time”: a period of peace, prosperity, and optimism. Everything seemed to be going right.

