

Chapter 2

Colonial Development

■ True/False

Read each statement carefully. Identify whether it is true or false using the economic historian's way of thinking.

1. The middle Atlantic colonies were more popular than New England as destinations for immigrants before 1770 because of their more liberal religious attitudes and the availability of land.

Answer: True

2. The legal transfer of chattels supports economic growth.

Answer: True

3. Slaves were only used in Southern agriculture.

Answer: False

4. Unlike colonial America, there are no government restrictions on business activities and practices today.

Answer: False

5. At one time, people living in the U.S. were imprisoned or fined for not having legitimate work.

Answer: True

6. The majority of people living in colonial America in 1790 were of African origins.

Answer: False

7. Economic historians have located evidence to suggest that colonists barely lived at subsistence levels.

Answer: False

8. Robert Higgs and Louis Stettler (1970) find evidence to suggest that colonial couples married at a younger age than those in Europe, thus explaining the relatively high birth rates in colonial America.

Answer: False

9. Over time, population growth in the different regions of colonial America was consistent and even.

Answer: False

10. The majority of blacks were shipped from West Africa, but some also came from Madagascar and Zanzibar.

Answer: True

11. On the eve of the American Revolution, the majority of colonists were naturally born in the colonies rather than immigrants from elsewhere.

Answer: True

12. Regional specialization did not emerge in the colonies due to the small size of the cities and towns.

Answer: False

13. The direction of colonial trade produced great trade deficits with England, especially in the New England Colonies. Consequently, growth and development were stifled in colonial America.

Answer: False

14. New England possessed a comparative advantage in producing cotton. Producers in this region produced cotton at the lowest possible opportunity cost in colonial America.

Answer: False

15. Private profits provided colonial producers with incentive to direct the use of their regional resources in those fashions that produced the highest yield in world markets.

Answer: True

■ Multiple Choice

Using the economic way of thinking and holding all else constant, choose the best answer among those provided.

1. The largest colony in 1770 in both population and claims on hinterlands was

- (a) Massachusetts
- (b) Pennsylvania
- (c) Virginia
- (d) New York

Answer: (c)

2. Which one of the following economic activities was NOT generally undertaken in New England in the colonial period?
- (a) Fishing
 - (b) Farming
 - (c) Tobacco production
 - (d) Shipbuilding

Answer: (c)

3. The colonial region with the smallest deficit with the United Kingdom between 1768–1772 was
- (a) New England
 - (b) the Middle Colonies
 - (c) the Southern Colonies
 - (d) the New England and Middle Colonies

Answer: (c)

4. The colonies traded internationally with regions other than the United Kingdom. They included all *except*
- (a) Africa
 - (b) China
 - (c) West Indies
 - (d) Southern Europe

Answer: (b)

5. Licensing and regulation of business activities by colonial governments
- (a) occurred only infrequently.
 - (b) was a common practice in early colonial times but the British eventually replaced it with a policy of *laissez faire* before the American Revolution.
 - (c) was very common throughout the colonial period just as it is today.
 - (d) is basically inconsistent with American concepts of freedom of enterprise and so has never been common practice in either colonial or modern times.

Answer: (b)

6. Most towns were initially established at locations with
- (a) an excellent harbor and river stretching into the hinterland.
 - (b) an excellent harbor and flat land so roads could be easily built into the hinterlands.
 - (c) in mountainous areas which provided better protection against Indians.
 - (d) extensive forests to provide fuel and lumber.

Answer: (a)

7. With regard to the rule of *caveat emptor* in colonial America, which of the following does *not* apply?
- (a) “Let the buyer beware.”
 - (b) This rule largely replaced the earlier rule of markets, market overt, by late colonial times.
 - (c) It could be applied anywhere without the protective regulations of colonial officials.
 - (d) It was meant to cover fraud, and aggrieved buyers could always sue sellers in civil courts for damages.

Answer: (d)

8. The economy of the northern colonies, in particular New England, was largely based on
- (a) small-scale farming.
 - (b) slave trade.
 - (c) cotton production.
 - (d) all of the above.

Answer: (a)

9. Land inheritance in the Southern Colonies differed from inheritance in the Middle and New England Colonies in that
- (a) the policy of primogeniture was followed in the South, which encouraged the formation of large land-holdings, whereas primogeniture was normally not followed outside the South.
 - (b) primogeniture was actually followed throughout the colonies but the crops grown in the South, such as tobacco, required larger land-holdings to be profitable than those outside the South.
 - (c) in the South, the large slave plantations had to be re-granted by the colonial government after the death of the owner, usually to the eldest son, but this was not required outside the South.
 - (d) all of the above

Answer: (a)

10. During the colonial period, individual producers
- (a) were never required to produce specific goods or services.
 - (b) were, at times, required by colonial officials to produce certain staples if they wanted to produce cash crops. For example, the early governors of Virginia directed tobacco producers to also plant wheat.
 - (c) produced only what they were directed to produce by colonial officials as part of an overall plan of colonial development.
 - (d) received orders directly from England to produce what was viewed as most valuable to England.

Answer: (b)

11. In the New England colonies,
- (a) long winters, short summers, heavily forested areas, and rocky terrain contributed to a lack of productive farmland; agriculture was a difficult, marginal activity.
 - (b) the great majority of New Englanders engaged in some type of subsistence agricultural activity.
 - (c) most New England farmers subsidized their farm income with some other type of income from another occupation to support themselves, save and invest.
 - (d) all of the above are true.

Answer: (d)

12. When land across the mountains became available in the early nineteenth century,
- (a) much of New England was simply abandoned by people primarily interested in farming.
 - (b) live-stock raising, dairying and lumbering kept rural New England from being totally abandoned.
 - (c) very few New England farmers elected to stay in New England.
 - (d) Manufacturing quickly replaced New England farming.

Answer: (b)

13. The comparative advantage of the South was in
- (a) small farms producing for the local market.
 - (b) plantation agriculture producing for export.
 - (c) manufacturing.
 - (d) shipbuilding and trades related to shipbuilding.

Answer: (b)

14. The largest percent of colonial trade (both exports and imports) was with
- (a) the United Kingdom.
 - (b) Southern Europe.
 - (c) Africa.
 - (d) the West Indies.

Answer: (a)

15. Consistent with the mercantilist theory, the colonies had
- (a) a trade deficit with England.
 - (b) a trade surplus with England.
 - (c) a balance of trade with England.
 - (d) about an equal number of annual trade deficits and surpluses over the years.

Answer: (a)

16. When the theory of mercantilism was superseded by the theory of “classical liberalism” of Adam Smith around the time of the American Revolution,
- (a) the colonies had shifted toward *laissez faire*, governmental noninvolvement in the private economy, but the new nation rejected the philosophy of *laissez faire*.
 - (b) governmental involvement in the private economy persisted in both the colonies and the new nation; the U.S. Constitution adopted the common law from England which sanctioned certain types of governmental involvement.
 - (c) governmental involvement had already been largely abandoned in the colonies and *laissez faire* was officially adopted by the new nation.
 - (d) government involvement was strong down to the time of the Revolution; it was then abandoned and *laissez faire* was enshrined in the Constitution and became part of the law of the land.

Answer: (b)

17. In England, a system of established markets, the market overt and fairs, had been established. The purpose was to
- (a) provide an organized means for the exchange of produced goods or movable property such as livestock.
 - (b) allow government officials to inspect the quality of the goods and regulate business activities.
 - (c) provide for the legal transfer of title when chattel goods changed hands between buyers and sellers.
 - (d) apply all of the above.

Answer: (d)

18. The English system of market overt and fairs
- (a) were initially transferred to American shores where goods and services could be bought and sold legally without an official witness
 - (b) flourished in the late colonial economy because of their foundation of protective regulations.
 - (c) replaced the rule of *caveat emptor* in colonial America because they covered fraud.
 - (d) firmly planted themselves in colonial America and continue to guide market transactions today.

Answer: (a)

19. The “police power” of government to control business
- (a) was exercised during the colonial period but lapsed when the Constitution was written.
 - (b) was exercised during the colonial period and carried over to the new nation; it still exists today.
 - (c) was not widely exercised during the colonial period but assumed greater importance in the new nation.
 - (d) was important in England but was never important in the Americas, either before or after the Revolution.

Answer: (b)

20. The rule of *caveat emptor*
- (a) is the supreme rule throughout our economy today.
 - (b) still exists, but only outside of the extensive framework of government regulations of business.
 - (c) is essentially the only rule with regard to buying and selling in our economy that is consistent with the concepts of freedom and liberty enshrined in our Constitution.
 - (d) is of little importance in our economy today.

Answer: (b)

21. Placing restrictions on business opportunities through government licensing and other controls
- (a) is not allowed now and never has been in American history.
 - (b) is not allowed now but was provided for by the Constitution and allowed until the 20th century.
 - (c) is allowed now but was not allowed during the colonial period nor in the decades immediately following the establishment of the new nation.
 - (d) has always been allowed in American history.

Answer: (d)

22. According to Hughes and Cain (2011), all of the following have been primary motives throughout American history for government regulation *except*
- (a) the existence of monopoly power
 - (b) quality control of products and services
 - (c) funding of government activities through taxation
 - (d) raising wages and improving working conditions

Answer: (a)

23. In colonial America, work
- (a) was required, at least for the lower classes, even for whites not bound in servitude.
 - (b) was required of all classes, wealthy or poor, slaves or free.
 - (c) was the decision of the individual, like it is today, except for slaves and indentured servants.
 - (d) was thought to be for the “colored” races, with white folks exploiting their labor.

Answer: (a)

24. Which of the following statements is NOT true during the colonial years, according to Hughes and Cain (2011)?
- (a) Labor organizations were considered, by law, criminal conspiracies against society.
 - (b) Colonial society provided for its aged and sick poor; others had to work.
 - (c) Efforts to control wages and prices by governmental authority were present.
 - (d) Compulsory labor applied only to slaves and indentured servants.
 - (e) Idle persons were frequently jailed for the crime of having no visible means of support.

Answer: (d)

25. Scholars know the national origins of Americans at the end of the colonial period because
- (a) the study of surnames provides the necessary information.
 - (b) people had to declare their country of origin when entering the colonies.
 - (c) tax laws required this information.
 - (d) an annual census provided this information.

Answer: (a)

26. According to the 1790 census, the majority of whites had links to
- (a) the British Isles, thus explaining why British institutions were selected to guide development and growth in the colonies.
 - (b) Germany, thus explaining why German institutions were selected to guide development and growth in the colonies.
 - (c) Spain, thus explaining why Spanish institutions were selected to guide development and growth in the colonies.
 - (d) Madagascar and Zanzibar, thus explaining why institutions from Madagascar and Zanzibar were selected to guide development and growth in the colonies.

Answer: (a)

27. To understand how the colonial economy developed, Hughes and Cain (2011) claim one must understand
- (a) what motivated colonists to settle in different locations.
 - (b) what colonists produced, how much they produced, for whom they produced and with whom they traded.
 - (c) the legal system in which they operated.
 - (d) all of the above.

Answer: (d)

■ Essay Questions

1. Using the 1790 census data, determine how many colonists were available to mobilize resources and produce goods and services. Identify the immigrant origin of the majority of the people living in colonial America. Why can this information help provide insight into explaining why colonists chose English institutions to guide growth and development after colonists won independence?
2. Using the concept of opportunity cost, explain why colonists who settled in New England chose to produce fish, farm, and lumber and provide maritime services over producing tobacco.
3. Explain why agriculture, lumber and fur-trapping tended to be produced by the same people living in the same region. Would you expect New England farmers also to be fishermen? Why or why not?
4. Using the data on the origins of the colonists, explain why many colonists favored modifying and utilizing many British institutions to structure various activities in Early America.
5. Using your knowledge of primary production in colonial America, explain why primary production is important to developing countries today.
6. Describe some of the economic obstacles to colonial development. What role did the British play in helping colonial America overcome these obstacles?
7. Explain the economic preference for slaves in the colonial South.
8. Explain why Eli Whitney's cotton gin, a technological advancement, perpetuated slavery in the South.
9. Explain how each colonial region made up for any trade deficit in its balance of payments with other countries.
10. Identify the economic benefits of placing towns in areas located by breaks-in-transport during the colonial period.