

Colonial Economics

Unit 5

The Critical Period



Tariffs

What is a Tariff?

- A tax placed on imported and / or exported goods

Why use Tariffs?

- Protects domestic manufacturing (keeps foreign goods priced higher)
- Protects limited resources



The Balance of Imports & Exports During the Post-Revolutionary War Period

- **Closed British markets + high British tariffs meant that American farmers & merchants had problems selling [exporting] their goods**
- **The Confederation Congress lacked the authority to pass tariffs or order the states to pass tariffs**



The Balance of Imports & Exports During the Post-Revolutionary War Period

- American farmers & merchants were forced to raise their prices to make up for falling sales
- As a result, British imports began to flood the American economy because they were cheaper than American made goods



The Balance of Imports & Exports During the Post-Revolutionary War Period

- The result was that American exports were dropping and that British imports were increasing



What is *Interstate Commerce*?

- Trade between two (2) or more states



Interstate Commerce & The Articles of Confederation

- The Confederation Congress had no power to regulate Interstate Commerce.
- As a result, trade laws differed from state to state
- States only looked out for their own interests



The “War Debt” Issue

- After the war, most states had a hard time paying back their debts
- Some states sold Western land claims to speculators
- Some states paid soldiers in land claims (CT militia officers received lands in the “Western Reserve” - present day NE Ohio)

Problem - What if a state didn't have claims to western territories?



Inflation

- Many states began printing large sums of paper money to cover their debts and make up for uncollected taxes
- Inflation occurs when prices for goods & services increase, along with a decrease in value of money.
- This usually happens when there is too much “available” money in circulation



A Weak Economy....

An *Economic Depression* is a period of low economic activity combined with an increase in unemployment.

(At the time, this occurred due to the loss of trade with British markets & the high rate of inflation)



Some of the Effects of the Weak Economy.....

- **Shays' Rebellion (see notes ws)**
 - August, 1786

- **The Annapolis Convention**
 - September, 1786



The Annapolis Convention

- Organized by Alexander Hamilton
- PURPOSE - to discuss the economic problems of the U.S.
- 9 states sent delegates (only 5 states showed up – *Shays Rebellion* made some nervous)
- Lack of participation / success led to the call for a meeting in May, 1787 of delegates from ALL 13 states in Philadelphia to discuss problems with the Articles of Confederation

