AN OUTLINE OF THE DEVELOPMENT OF THE INTERNAL COMMERCE OF THE UNITED STATES, 1789-1900

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By T. W. VAN METRE

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AN OUTLINE OF THE DEVELOPMENT OF THE INTERNAL COMMERCE OF THE UNITED STATES, 1789-1900[1]

I

1789–1830

At the beginning of the national era the internal commerce of the United States gave small promise of the tremendous development it was to undergo during the ensuing century. There was as yet too little differentiation of occupation to give rise to a large interstate trade in native products, and the proximity of the greater part of the population to the seacoast made it cheaper and more convenient to carry on the small interstate trade that did exist by means of small sailing vessels plying along the coast. Practically all the internal trade was devoted to bringing the surplus agricultural produce of the interior to the seaport towns where it was exchanged for imported wares that could not be produced by the inhabitants of the inland region.

As is usual in a new country, the settlers who had first pushed into the interior had founded their new homes close to the rivers, and these natural highways had always been and still were the most important means of transportation to and from the seacoast. At the mouths of the larger streams flowing into the Atlantic Ocean were to be found large and wealthy cities, where enterprising men were laying the foundations of large fortunes in a rapidly growing trade in the agricultural and forest products floated down from the interior.

[1] In this paper, which is a brief abstract of a work to be published later, an attempt is made to outline the history of the development of the internal commerce of the United States after the formation of the Union in 1789. The term "internal commerce," though in its fullest signification embracing every purchase, sale, and exchange of commodities between the individuals of a country together with the business of transmitting intelligence and of transporting persons and things from place to place, is here used primarily as applying to the interchanges of commodities among the various sections of the United States carried on over interior lines of transportation—the rivers, highways, canals, lakes and railroads.

Living close along the ocean where numerous excellent harbors and long stretches of sheltered water gave ample facilities for the little inter-colonial trade that existed, and where rivers afforded natural means of transportation from the interior to towns on the coast, the people of early colonial days had not found it necessary to give much time to the construction of roads. The gradual inland movement of the population had finally compelled them, however, to give some attention to the means of land transportation and many rude earth roads were built to replace the old Indian trails. These roads were unspeakably poor, sloughs of mire during the thaws of winter and spring and thick with dust in the summer, but bad as they were they carried considerable traffic and their use was constantly growing. Inland towns were beginning to grow up at the focusing points of the country roads, and the owners of general stores at such places derived large profits out of their position as middlemen between the farmers of the interior and the merchants at the nearest seaports. Three great roads had been built into the western country, one up the Mohawk Valley into western New York, and two across the Alleghany Mountains, the Pennsylvania Road from Philadelphia to Pittsburgh, and the Wilderness Road over which the early settlers of Kentucky had threaded their way up the Shenandoah Valley and through Cumberland Gap to the southern banks of the Ohio River.

The transportation facilities of the times were, however, entirely inadequate to the needs of the country, and the lack of better means of getting products to market was a serious impediment to internal development. Tench Coxe wrote in 1792: "To a nation inhabiting a great continent not yet traversed by artificial roads and canals, the rivers of which above their natural navigation have hitherto been very little improved, many of whose people are at this moment closely settled upon lands, which actually sink from one-fifth to one-half of the value of their crops in the mere charges of transporting them to seaport towns, and others, of whose inhabitants cannot at present send their produce to a seaport for its *whole* value, *a thorough sense of the truth of the position* is a matter of *unequalled* magnitude and importance."

Especially was communication between the Ohio Valley and the outside world difficult and expensive. The natural outlet for the surplus of this valley was the Mississippi River. During the Revolutionary War, the Spanish government had given the people of the colonies the right of free navigation of the river and a brisk trade had sprung up between the western settlements and New Orleans, but in 1784 Spain had put an end to this trade by withdrawing the right of free navigation. The people of the West, enraged at being deprived of what they considered their natural right, protested furiously and appealed to Congress for protection, but their appeals were unavailing and the river remained closed for more than a decade. The only market left to the western farmers was the cities on the eastern coast. Peltry, ginseng and whiskey were almost the only products that would pay their cost of transportation to Philadelphia, and the proceeds derived from the sale of these were sufficient to purchase only a few things of prime necessity such as salt, gunpowder, and some indispensable articles of iron. Even this small trade of the West was crippled when the new government placed an excise tax on whiskey, and the resentment felt against the federal authorities for their apparent disregard of the economic interests of the western people blazed forth in open rebellion.

The commercial isolation of the Ohio Valley ended, however, in 1795, when the national government, spurred to action by the threats of secession and clamor for protection coming from the western farmers, secured a treaty with Spain opening the Mississippi River to navigation. The successful conclusion of the negotiations was hailed with great rejoicing in Tennessee, Kentucky, Pennsylvania and Ohio. Fleets of flat-boats loaded with tobacco, pork, flour, grain and whiskey began to move down the river. In 1799, more than a million dollars worth of goods were received at New Orleans from the country up the Mississippi. In October, 1802, the Spanish Intendant at New Orleans, acting on his own responsibility, suddenly withdrew the "right of deposit" at the city, and contrary to the provisions of the treaty, he refused to assign an equivalent establishment at any other place on the banks of the river. The western people were wild with rage. It was necessary to send troops to Kentucky to prevent an armed expedition against the Spanish province. Fortunately, the Spanish government disavowed the action of the Intendant and in April, 1803, the river trade was again restored. Desirous of avoiding such difficulties in the future, Jefferson pushed the negotiations already begun with Napoleon, to whom Spain had ceded her claims to Louisiana, for the purchase of New Orleans and the territory through which the river flowed from the possessions of the United States to the Gulf of Mexico. The negotiations ended in October, 1803, with a wholly unexpected result—the purchase of the entire

Louisiana province. In December, the United States took possession of the newly acquired territory and the undisputed control of the Mississippi was secured forever.

The opening of the Mississippi marked the beginning of an active internal commerce within the United States. The farmers of the Ohio Valley, which was now being rapidly settled, found an outlet for their heavy agricultural produce, and consequently secured a purchasing power, enabling them to buy manufactured goods and merchandise, which, notwithstanding the distance and the inferior roads, could be carried to them in wagons from the East. Though the produce of the western farmers was shipped down the Mississippi, very few of their supplies were brought up the river, because of the difficulty of urging a flat-boat against the powerful current of the stream. This triangular trade of the Ohio Valley grew rapidly. The receipts at New Orleans, in 1807, including the cotton, sugar and molasses of Louisiana, which made up a third of the total, amounted to $5,370,555. The money for which the products of the West were exchanged at New Orleans was almost invariably spent for manufactured and imported wares from eastern cities. Large Conestoga freighters made regular trips from Philadelphia to Pittsburgh bringing loads of hats, boots, powder, lead and clothing which were distributed from the "Gateway of the West" among the towns and villages down the river. Baltimore and New York also shared in the western trade.

The internal commerce of the country in 1810, as in 1790, was greatly handicapped by the high costs of transportation. Taking the country over, the charges for transporting merchandise were $10 per ton per 100 miles and articles that could not stand this rate were shut from market. Grain and flour could not bear transportation by wagon more than 150 miles. The lack of commercial intercourse caused many sections to develop local economic and political interests which endangered the unity of the nation. "The question of the hour was plainly how to counteract this tendency by a system of interstate commerce which should unite them by a firm bond of self interest."[1] Gallatin's report on internal improvements in 1808 reflects the plans and ambitions that were in the minds of the commercial and political leaders of the country, but unfortunately the foreign controversies in which the United States became involved at that time prevented any attempt to carry out his proposals.

[1] J. B. McMaster, *A History of the People of the United States*, vol. iii, p. 465.

The war of 1812 brought a period of unsettled commercial conditions. Domestic industry and trade were stimulated for a time, but a sharp financial panic in 1814 caused a year of general depression. The return of peace early in 1815 was followed by a quick revival of business, and the next three years brought an era of prosperity to nearly everyone except the manufacturers along the eastern coast, many of whom were ruined on account of a deluge of importations from Europe.

Immigration to the West set in with renewed vigor after the close of the war. The fertile soil of the Ohio Valley contributed an enormous product of grain, tobacco, fruit and hemp which continued to find an outlet down the Mississippi, and the farmers increased their purchases of imports which flowed into Pittsburgh from the East. In 1811 Fulton's invention was introduced in western waters, and in 1817 the first steamboat voyage was made from New Orleans to Louisville. The effect of this new engine of commerce on the Mississippi trade was almost magical. In 1818–19, the first year after the steamboat became an assured success, the receipts at New Orleans rose to 136,300 tons, valued at $16,778,000, and the volume of exports of domestic products from the southern port was greater than that from any other port of the country.

But even more important to the commercial prosperity of the West than the introduction of the steamboat was the spread of cotton culture into the Southern States west of the Appalachian highland. Cotton culture had been found exceedingly profitable in Georgia and South Carolina, and when it was discovered that the rich bottom lands of Alabama, Mississippi and Louisiana produced even better cotton than the upland districts of South Carolina, there was a rush of settlers to the river valleys of the new region. In 1811, fifteen-sixteenths of the cotton raised in the United States was grown in Virginia, North Carolina, South Carolina, and Georgia; in 1820, one-third of the total crop of 600,000 bales was raised in Alabama, Louisiana, Mississippi and Tennessee. In the western part of the cotton belt, as in the eastern, the planters directed practically all their capital and labor to the production of cotton, relying on the region north of them for provisions and live stock. The market for the grain, pork and flour of the Ohio Valley was greatly enlarged. Flat-boat men disposed of their cargoes of food products at the wharves of the plantations along the Mississippi River; flat-boat stores peddled clothing, boots and shoes, household furniture and