Topic 2: Land -- Land Policy and the Territorial Expansion of the US

2.1 See the web page for key basic facts on US Territorial Expansion and Settlement. Be familiar these data.

2.2 Land Policy

The federal government owned something like 1/2 or more of the country's land in the first half of the 19th C. What would it do with those lands?

Considering the opposing goals of Hamilton/Jefferson, what are the implications for land policy? Well, there are three inter-related issues to think about: the **speed** and **type** of Western settlement, and **revenue** from land sales.

2.2.1 Hamiltonian and Jeffersonian perspectives on those three issues?

Speed of Settlement

Hamiltonians favored a slow speed of settlement, to keep labor bottled up in eastern cities and provide a pool of low-wage labor for factories. Rapid settlement would pull labor west and raise wages.

Jeffersonians favored rapid settlement, expanding agrarian societies North and South, and preventing the expansion of urban populations and the rise of factories.

Revenue

Hamiltonians favored large revenues from land sales, to enhance the power of the federal government: both military power, and financial power to finance federal infrastructure projects to promote urban-industrial development.

Jeffersonians opposed large revenues that would enhance federal government power and promote urban-industrial development.

Type of Settlement

Hamiltonians favored slow westward expansion based on factory-like agriculture, like that in England: large-scale commercial farming with hired workers or tenant farmers. With high-priced land and low-priced labor, farming would be like manufacturing.

Jeffersonian ideology focussed on the westward spread of family-based farming, with low-priced land making it easy for people to move west, preventing urban populations from expanding. In practice, low-priced land also fostered the spread of agricultural slavery.

For ECO 310, we can treat the price of land was the key land policy variable for the federal government. And we explore land policy primarily by contrasting the effects of low versus medium versus high land prices.

2.2 optional detailed discussion of Hamilton versus Jefferson and land policy.

For Jeffersonians, land policy was mostly simple: very low prices for rapid western settlement with little revenue to the federal government (prices just high enough needed to cover expenses, in order to avoid federal government debt).

The complication for Jeffersonian land policy comes with the type of settlement that would result in the South. Jeffersonian ideology focused on family-based farming ("yeoman" farmers), and in the North, rapid settlement would see the expansion of family-based farming. So land policy was simple in the North. But in the South, rapid settlement would presumably see both family-based farms and slave-based agriculture expanding westward. And that takes us to the huge issue of how to

understand Jefferson(ians) and slavery. That is way beyond the scope of 310 (for one approach to the issue, visit the Monticello website https://www.monticello.org/thomas-jefferson/jefferson-slavery/)
For 310, one interesting suggestion is that southern slave plantations operated much like “factories in the fields”, which sounds like something the Hamiltonians would favor. If so, maybe the key disagreement between J and H positions was on the desired economic development in the North.

For Hamiltonians, land policy was not so simple, because the objectives of high revenue and slow settlement were in conflict. Maximum revenue would result from land prices that were not low and not high. Slow settlement would result from high land prices.

Hamiltonians wanted large revenues from land sales to enhance the power of the federal government (military power, and financial power to finance federal infrastructure projects). But for their primary goal of urban-industrial development (to become like England), they wanted a slow pace of westward expansion. But slow settlement would limit the revenue from land sales.
For example, suppose the options for annual sales were

$10/acre * 1/10 million acres for $1 million annual revenue
or
$5/acre*10 million acres for $50 millon annual revenue
or
1$/acre*15 million acres for $15 million annual revenue.

This little model illustrates the idea of conflict between revenue and speed of settlement.

2.2.2 Evaluating Land Policies -- refer to the web handout on land policies for the following TTQ:

t/f/o -- explain: "from the 1780s to 1860s, there was steady drift from Hamilton to Jefferson in land policy."

2.2.3 As it turned out ...

As it turned out, the Federal Government acted as the wholesaler of US lands, with the private sector retailing the lands (private sectors being wealthy individuals in companies or as individuals).

Fun fact: The value of land given away by the Federal Government in the 19th C was about equal to all its other spending (so including the value of land give-aways would double the size of the federal budget in the 19th C).
DETAILS: land was an important part of the federal government's "budget," with large amounts given away to state governments and private companies (and also war veterans). Land for canal projects (state & private), land for railroad projects (private companies), and land for schools (land grant colleges, like MSU?)

Note that whatever your view of the policies, the results were largely Jeffersonian -- westward expansion of family-based farming in the North; westward expansion of both family-based farming and plantation-slavery in the South.
But note also the Hamiltonian result in the Northeast, where urban-industrial development was underway by the 1830s.

The Ham & Jeff positions both made the same prediction: westward expansion would prevent urban-industrial development. And both were wrong, at least for the Northeast.

Both the Ham & Jeff positions were based on the same simple two-good model (agriculture and manufacturing), in which rapid agricultural expansion would retard manufacuring development. Our next job in 310 is to explore that model, in Part 3 of this topic: the economics of land.