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Early Days

17th and 18th centuries

Culture Conducive to Growth

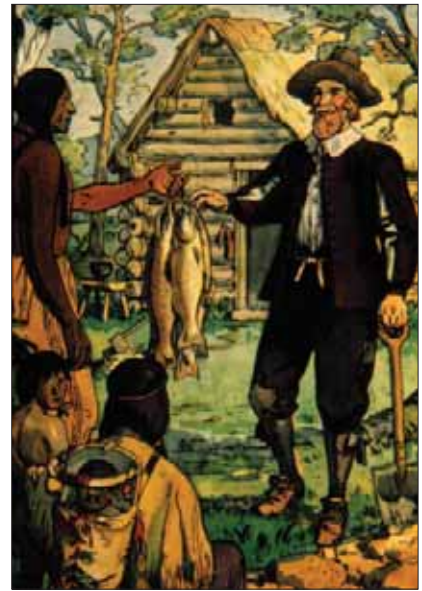
The Puritans who settled in New England in the 17th century were energetic and skilled.¹ They were familiar with commercial and governmental arrangements in England, a more socially and politically progressive country than many others of the 17th century. They came as families, rather than as young men, as was the case in other colonies. They placed a high value on education. The nation's first public school was Boston Latin School, founded in 1635; Harvard University was founded in 1636.

The early settlers believed strongly in participatory government and did not hesitate to look to government to promote the common good. In particular, the Massachusetts General Court soon passed laws governing contracts, thereby facilitating commercial transactions, and in 1691 created paper money to foster trade and investment. At the same time, the Puritans were very independent and were willing to “vote with their feet” and move to establish new communities if they did not like a governmental restriction.



Early American coins. (Federal Reserve Bank of Boston archives)

The dark side of this culture was its religious intolerance and its treatment of the Native American population. In the case of religious intolerance, those who were seen as not conforming could indeed “vote with their feet” and found their own more receptive communities, as Roger Williams did in Providence. Native Americans were less fortunate. Their numbers were devastated by diseases brought by Europeans who came to fish but did not stay and then by the colonists, who stayed and settled. The settlers' relentless expansion led to conflicts that further reduced the native population.



Settler and Native Americans.
(Federal Reserve Bank of Boston archives)

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In sum, the Puritans created a culture favorable to economic growth. Their strong emphasis on work, self-reliance, and the value of education, and their pragmatic attitude towards government proved effective in taking advantage of opportunities and responding to setbacks. There is a culture compatible with both personal initiative and collective action in the pursuit of economic gain. It is a culture that has persisted over the years, absorbed by subsequent New Englanders regardless of their origins.

Making Trade Work

New England's early trading relationships shaped its future and contributed to its economic success. Initially, it did not seem that this would be the case. Britain wanted colonies that could supply it with commodities such as sugar and tobacco and could provide markets for its manufactured goods. New Englanders needed British manufactures, but they had little to offer directly in return. Their agricultural products were very similar to Britain's and not of much interest to the mother country.

New England adapted by trading a diverse set of products to other New World colonies that did produce the commodities that Britain wanted. A key export of the New England colonies was fish—sold both to Catholic Europe and to the colonies of the West Indies and Virginia, where it was used to feed the slaves on their sugar and tobacco plantations. Wood products, iron, and horses were also important in the trade with the West Indies. The foreign exchange generated in this way allowed New England to

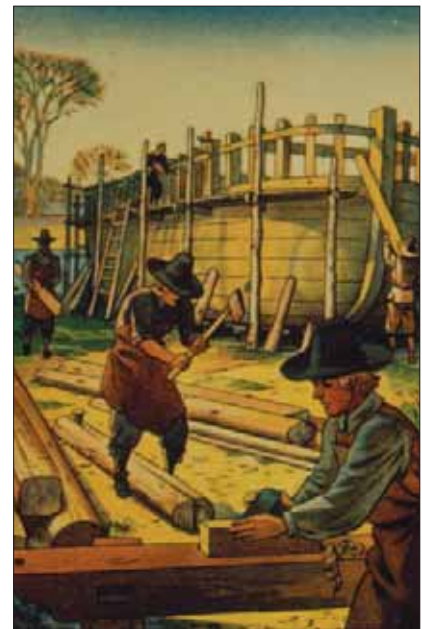
import needed manufactures from Britain.²

Out of these varied activities emerged a complex and dynamic economy. Whaling grew out of



Workers processing fish at a warehouse. (Federal Reserve Bank of Boston archives)

fishing. Experience working with wood and iron contributed to the emergence of shipbuilding as a New England industry. Trading itself became an industry, with New England ships transporting the products of other colonies, as well as their own. Trading, in turn, generated various support services, such as warehousing and insurance.



Colonial shipbuilders.
(Federal Reserve Bank of Boston archives)

In sum, New England's comparative advantage in trade proved to lie in a diverse set of activities that evolved over time in response to changing opportunities and challenges. Trade in these products stimulated the growth of activities that were related in the production and distribution chain. In effect, New England's lack of a clear advantage in any particular product forced the region to look for ways in which it could compete. The result was a more complex and more productive economy. In contrast, those colonies with one or two dominant products like sugar, tobacco, and later, cotton tended to remain dependent on their dominant product, failing to develop the web of activities that contributed to growth in New England. The extensive use of slave labor in these other colonies also discouraged the search for new opportunities.



Saugus Ironworks. (Photo courtesy of U.S. Department of the Interior, National Park Service, Saugus Iron Works National Historic Site)

On the Home Front

Diversity also characterized the activities of the typical New England family of the 17th and 18th centuries. Most New England families of the time lived on farms.³ They grew a variety of crops, with grains figuring prominently, and they had a mix of sheep, pigs, chickens, and a few cows. They also engaged in various non-farming activities, with men operating sawmills and making furniture, women making butter and cheese and spinning, weaving, and sewing. The short growing season allowed considerable time for such endeavors.

Initially, families met most of their needs with their own hands. However, over time, specialization and exchange increased. Superior weavers and furniture makers would focus their efforts on these activities and exchange their cloth and furniture for agricultural products. As markets developed and the opportunities for exchange increased, the benefits of specializing increased. More and more people were able to devote themselves full-time to craft activities. Clock-makers, furniture makers, and jewelers appeared. Others became shopkeepers. Middlemen began to organize production in the home on a large scale. Early spinning mills provided yarn to be woven into cloth. Palm-leaf hats were braided in New England homes for eventual sale to southern and Caribbean plantations.⁴

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Standards of Living in the 17th and 18th Centuries

For most New Englanders, life was initially spartan. People had their own farms, but the land was generally not favorable to farming, and farming was not as productive as in other parts of the New World. New Englanders, by necessity, became involved in other activities. And these other activities created opportunities for increases in living standards. New England gradually developed a more complex economy that was characterized by specialization and market exchange. The growth of domestic markets allowed more efficient production and distribution arrangements. New England also developed expertise in international trade and associated high value services. The culture encouraged hard work and looked favorably on success.

The average household had six members, and families with seven, eight, or more children were not unusual. Houses were small, so beds were shared. Families had very few possessions (few books, no toys) and no pets. Illumination was by firelight and candles.⁵



Interior of the home of a prosperous 17th century New England family.
(Federal Reserve Bank of Boston archives)

Endnotes

¹ This section draws heavily on Margaret Ellen Newell, "The Birth of New England in the Atlantic Economy," in *Engines of Enterprise*, ed. Peter Temin, (Harvard University Press, 2000), especially pages 17-32. See also the biography of John Winthrop by Dr. Joseph Schafer (Penn State UBF), <http://dylee.keel.econ.ship.edu/ubf/winthrop.htm>

² Newell in *Engines of Enterprise*, pp. 43-48.

³ See Newell and Winifred Barr Rothenberg, "The Invention of American Capitalism: The Economy of New England in the Federal Period," in *Engines of Enterprise*, especially pages 81-89.

⁴ Rothenberg in *Engines of Enterprise*, p. 95.

⁵ Based on descriptions prepared by Jack Larkin for New England Economic History Museum Schematic Design Report, prepared by Jeff Kennedy Associates, Inc. and The Center for History Now for the Federal Reserve Bank of Boston, December 31, 1999, pp. 3-3 to 3-6.



Colonial print shop.
(Federal Reserve Bank of Boston archives)