

The Northern and Southern United States developed different economic systems that led to political differences between the regions in the early 1800s. During this time, an industrial revolution that had already begun in Britain spread to the United States. Previously, craft workers made crafts one at a time by hand. But now, businesses were able to achieve mass production by hiring a team to work in factories running on hydroelectric power. By using interchangeable parts, the workers produced more in less time.

The war of 1812, fought between the United States, Great Britain, and Ireland, helped spur these changes. When Britain's embargo stopped all American shipments, many businesses invested in factories. The New England states pioneered the American Industrial Age, with the first factory type being a textile mill.

The "Old North West" territory consisted mostly of agriculture, but the times were changing. Farm families began to raise livestock and crops for sale, and used said money to buy supplies. All labor in the north was "free," and by 1804, Delaware had abolished slaves.

In the Southern colonies, however, slavery was growing, due to Eli Whitney's new invention, the cotton gin. This machine made it possible to clean cotton faster, which boosted the economy due to Britain's and New England's textile mills. This high demand led to southern farmers to put all of their money into cotton fields and slaves.

As regions developed differing economies, leaders looked for ways to unite them. President James Madison (Jr.) proposed a plan to House Speaker, Henry Clay of Kentucky, that promoted calling the entire nation's economy the American System. The plan called for tariffs (a tax) on foreign goods, thus allowing the growth of their own industry. Two main things this plan called for was a national bank, which would establish a national currency, and it urged for internal improvements, like funding transportation.

Although the plan was adored by many states, the federal government never funded the internal improvements, leaving this funding for local governments to handle. New York built the Erie Canal to connect New York City to the five Great Lakes, Lake Huron, Lake Ontario, Lake Michigan, Lake Erie, and Lake Superior. (A practical way to remember these lakes is by using the backronym HOMES.)