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A Brief History of the Maine Economy

Maine's coastal geography and abundance of natural resources vital to the nation's development led to early settlement and rapid population and economic growth. When those resources become less vital following the Civil War, however, Maine's growth slowed markedly and remains slow today. But, because Maine was not spoiled by continuous rapid growth, the State's current tourism campaign can boast of "Maine – the way life should be!"

The English established the first permanent settlements in Maine in the 1620s, but only a half dozen of these survived the rugged climate and Indian attacks. By the 1700s, Massachusetts had purchased most of the land in this wilderness territory and thus governed until Maine achieved statehood in 1820.

The earliest economic activities in Maine included fishing, fur trapping and subsistence farming. The first factories were sawmills, since over 85% of Maine's land was – and still is – forested. Cargoes of beams, joists, boards, shingles and clapboards were shipped to Boston, New York, Charleston, Savannah and the West Indies. Sawmills were soon followed by gristmills, tanneries, carding and fulling mills, foundries, copper shops and tiny textile mills.

Given its plentiful timber and a 3,500 mile coastline on the Atlantic, shipbuilding was a natural. Long before 1820 Maine-built ships were crossing the ocean and the shipyards, rather than the sawmills, were the largest employers. Paper manufacture, as well, got an early start when a small mill was built on the Presumpscot River near Portland in 1735. Over time, paper manufacture became one of Maine's principle industries, and remains so today.

In a summary of Maine manufactures written in 1820, Maine's principal exports were listed as lumber, ships, iron castings, bricks, lime, gunpowder, rum, whiskey, candles and soap. The author cautioned, however, that the continued success of Maine's manufacturing enterprises depended on subduing the wilderness for agriculture in order to feed a rapidly expanding population. Indeed, in the 40 years between 1780 and 1820, Maine's population grew six fold, from 50,000 to 300,000, and over 200 new settlements sprang up.

In the period 1820 thru 1860, between statehood and the beginning of the Civil War, shipbuilding and fisheries continued to lead Maine's economic development. The State's growth was truly dramatic during this era as the population more than doubled. The State's shipyards constructed over 9,000 ships over this period, and in 1855, Maine produced one-third of new US ship tonnage. By 1860, 20% of America's merchant marine was owned in Maine. Also, aided by a Federal fisheries bounty, the value of Maine's fish catch was second in the nation by 1860, and the State led the nation in the number of registered fishing vessels. Agriculture and textile, lime and granite production also achieved rapid growth during this period. Yet, toward the end of it, the lure of the fertile West was beginning to drain away Maine's farmers and farm laborers.

The 1850s have been described as Maine's "Golden Economic Age", as the demand for Maine products expanded enormously. One historian, in describing the impressive depth and diversity of Maine's productive enterprises in the 1850s, suggested that Maine was a nearly perfect model of a healthy economy. However, events of the next decade proved this to be a serious exaggeration.

The Civil War (1860-1864) destroyed the nation's merchant marine and by war's end the nation was moving quickly from dependence on forest products to oil, iron and coal. Also, the fishing bounty was discontinued. The ice industry, textile, quarrying and even shipbuilding would continue to expand for many more years, but the loss of economic momentum was obvious by the late 1860s.

Maine's population had seen double-digit growth in every decade from the first US Census in 1790 through 1850. Between 1850 and 1860, however, growth slowed to 8% and in the following decade fell to zero. Although the nation continued to experience double digit growth (except for the 1940s) right up to the present, Maine achieved double-digit growth only in one more decade, the 1970s, when a "back to the earth" movement spurred increased in-migration.

Forest products and textiles dominated Maine's production in the 1860 to 1900 period, but several developments of this era signaled major changes in the State's economic makeup. Although 1880 was the peak year in Maine agricultural production, Maine's largest and northernmost county, Aroostook, was to become a much more important player. Railroad service was expanding throughout Maine in this period, but the chartering of the Bangor and Aroostook Railroad in 1891 finally connected the Aroostook potato fields with Maine's larger cities. By the 1920s, Aroostook was the leading potato producer in the US. Although this distinction was lost over the past few decades, potato farming is still the foundation of the county's economy.

As early as 1872, the State was becoming a tourist attraction. Maine's mild summers, hundreds of clear lakes, and long rocky coastline interspersed with miles of beaches, spurred the development of resorts and summer cottages. In fact, some of these "cottages," especially in the Bar Harbor area, were sizable mansions of impressive architecture. Tourism has continued to be a major force in Maine's economic development, perhaps in part because the State's slower population growth following the Civil War enabled her to retain much of that special quality which brought those first visitors.

Another major development of the period was the forming of the Bath Iron Works (BIW) Shipbuilding Company in 1884. While to many, the future of iron and steel ships was questionable, General Thomas Worcester Hyde and Arthur Sewall, the founders, believed the future of wooden ships was even more doubtful. They proved correct, and BIW became a major factor in the Maine economy. Today, BIW produces sophisticated US Navy ships and is the State's largest private employer.

During the 20th Century, the structure of the Maine economy came to resemble more and more that of the nation. The largest industry groups in Maine today, such as health services, business services, special trade contractors, etc. are the same as in the US, only the rank order differs slightly. One important exception is tourism, which today probably supports more jobs (over 80,000) in the State economy than any other industry. Other, smaller industries which are significantly more important in Maine than in the nation – in terms of the number of jobs in the industry as a percentage of all jobs – are fishing (17X or 17 times the national concentration), leather manufacturing (16X), forestry (5X), paper manufacturing (4X), lumber/wood manufacturing (3X), and ship and boat building (2X).