The Political Economy of American Industrialization, 1877–1900

RICHARD FRANKLIN BENSEL

Cornell University

CAMBRIDGE
UNIVERSITY PRESS

PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS
The Edinburgh Building, Cambridge CB2 2RU, UK
40 West 20th Street, New York, NY 10011-4211, USA
10 Stamford Road, Oakleigh, VIC 3166, Australia
Ruiz de Alarcón 13, 28014 Madrid, Spain
Dock House, The Water Front, Cape Town 8001, South Africa

http://www.cambridge.org

First published 2000

Printed in the United States of America

Typeface Sabon 10/12 pt. *System* QuarkXPress [BTS]

A catalog record for this book is available from the British Library.

Library of Congress Cataloging in Publication Data
Bensel, Richard Franklin, 1949–
The political economy of American industrialization, 1877–1900 /
Richard Franklin Bensel.
p. cm.
Includes index.
ISBN 0-521-77233-8
1. United States – Economic conditions – 1865–1918.
2. Industrialization – United States – History – 19th century.
3. Democracy – United States – History – 19th century. I. Title.
HC105 .B45 2000
338.973′009′034–dc21 00-023677

ISBN 0 521 77233 8 hardback
ISBN 0 521 77604 X paperback

Contents

Tables

Maps and Charts

1

Introduction

In the last decades of the nineteenth century the United States underwent a rapid industrial expansion that moved the nation into the front ranks of the world economy. At the same time, robust democratic institutions formally allocated political power.[1] The primary purpose of this book is to explain how and why economic development and democratic institutions coexisted in the United States. This explanation stresses the intensity of popular claims on wealth, the openness of electoral politics, and the very high saliency of developmental policies underpinning industrial expansion.

The central problem is to explain why, in a democracy, popular claims for a class redistribution of wealth did not divert the stream of investment propelling industrial expansion. Such claims might have been anticipated, particularly from those classes and sectors most injured by industrialization. In fact, however, private capital accumulation in industrial plant and economic infrastructure was almost entirely unrestrained throughout the late nineteenth century. In explaining this result, four features of the national political economy play important roles: the regional nature of industrialization, the varying ways in which claims on wealth were pressed

[1] There are good reasons to believe that robust democratic institutions should, in most cases, preclude rapid industrialization. As Barrington Moore once said: "... there is no evidence that the mass of the population anywhere has wanted an industrial society, and plenty of evidence that they did not. At bottom all forms of industrialization so far have been revolutions from above, the work of a ruthless minority." *The Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1967), p. 506. The notion that democratic institutions might be incompatible with rapid industrialization in less-developed nations has been around for a long time. See, for example, Walter Galenson, ed., *Labor and Economic Development* (New York: John Wiley & Sons, 1959), pp. 16ff; Seymour Martin Lipset, *Political Man: The Social Bases of Politics* (Garden City, New York: Anchor Books, 1963), p. 29n.

in the different regions, the dynamics and structure of national party competition, and the susceptibility of the different branches of the federal government to popular political influence.

From the broadest perspective, robust democratic institutions and rampant industrialization were compatible because: (1) the agricultural sector that most heavily subsidized industrialization was the export-oriented southern plantation economy, and the South, as a region, was seriously disabled as a viable coalition partner in national politics during this period; (2) the structure of the national political economy led workers in the manufacturing belt to focus on interregional redistribution of wealth (from South to North) and intersectoral transfers of capital (from export-oriented agriculture to tariff-protected industry), rather than shop-floor contestation with capitalists over shares of industrial profits; and (3) the Republican party, as agent for northern industrialization, was able to both win elections and successfully administer a national developmental program. Summed up in a single sentence, democracy and development were compatible because the major groups most likely to pursue political claims on industrial profits, southern cotton producers and northern industrial workers, were unable to coalesce because they occupied antithetical positions within a national political economy restructured and influenced by the primacy of the Republican party.[2]

DEMOCRACY AND DEVELOPMENT

Economic development within democratic institutions has been rare because transitions from agrarian to industrial societies almost always generate intense conflict over the distribution of wealth.[3] Rapid transformation of a society from labor-intensive agrarian and artisanal production into energy- and machine-intensive industry necessarily requires vast amounts of capital. At the same time, nations on the threshhold of rapid industrialization usually contain large populations for whom food and shelter are immediate and pressing preoccupations. These preoccupations often emerge into politics as powerful demands for a sweeping redistribution of income; these demands have had a clear target because the rapid accumulation of capital in plant, equipment, and infrastructure exposes a

[2] For more on the complicated history of lower-class alliances in national politics between the end of Reconstruction and World War I, see Elizabeth Sanders, *Roots of Reform: Farmers, Workers, and the American State, 1877–1917* (Chicago: University of Chicago Press, 1999).

[3] See, for example, Edward Mueller and Mitchell Seligson, "Inequality and Insurgency," *American Political Science Review* 81:2 (June 1987): 425–451; Gunnar Myrdal, *Economic Theory and Under-Developed Regions* (London: Gerald Duckworth, 1957), pp. 82–83.

highly visible and potentially divertible stream of wealth. If such popular claims on wealth succeeded, capital formation could be seriously inhibited, thus precluding investment in industrial plant and supporting infrastructure. Thus, for industrialization to proceed, these claims must be suppressed or deferred.

Democratic institutions are more or less efficient transmitters of redistributive claims on wealth, because competition in electoral politics often produces at least one party that responds to the pressing material needs of impoverished classes and thus compels, in or out of power, the adoption of redistributive policies.[4] In less democratic or authoritarian regimes, however, redistributive claims can be repressed or deflected by political institutions specifically adapted for that purpose. In such regimes, capital formation and investment can be carried out by private or public institutions at the comparatively high rate needed to advance within the world economy. In contrasting the United States with other comparative cases, Walter Dean Burnham once said:

> The take-off phase of industrialization has been a brutal and exploitative process everywhere, whether managed by capitalists or commissars. A vital functional political need during this phase is to provide adequate insulation of the industrializing elites from mass pressures, and to prevent their displacement by a coalition of those who are damaged by the processes of capital accumulation. This problem was effectively resolved in the Soviet Union under Lenin and Stalin by vesting a totalitarian monopoly of political power in the hands of Communist industrializing elites. In recent years developing nations have tended to rely upon less coercive devices such as non-totalitarian single-party systems of personalist dictatorship to meet that need, among others. The 19th century European elites were provided a good deal of insulation by the persistence of feudal patterns of social deference and especially by the restriction of the right to vote to the middle and upper classes.[5]

In sharp contrast, the political economy of the United States constrained the shape of party coalitions in such a way that policy competition between the major parties effectively substituted for institutional authoritarianism. Put another way, redistributive claims on wealth were discouraged by the nature of the social coalitions supporting competition between the major

4 This conception of democracy focuses upon the formal characteristics of the political process. The crucial feature of a political system that defines it as "democratic" is the extent to which votes cast by a large electorate select officeholders who, in turn, shape government policy. For a now classic statement, see Robert A. Dahl, *A Preface to Democratic Theory* (Chicago: University of Chicago Press, 1963), esp. pp. 84–86.

5 Walter Dean Burnham, "The Changing Shape of the American Political Universe," *American Political Science Review* 59 (1965): 24. As Burnham so ably describes in this article, the United States was a striking exception to this general pattern of authoritarian rule.

political parties.[6] These social coalitions, in turn, were decisively shaped by the underlying structure of the national political economy.[7]

The most influential factors shaping national party coalitions were wide regional imbalances in the pace and extent of economic development and a deep schism between agrarian and industrial elites in the United States that underpinned the inverted, sectionally based class structure of the party system. In many ways, uneven regional development lay at the foundation of both elite schism and party competition – so much so that, if pressed for a single factor explaining the absence of a major political movement for a radical redistribution of wealth during the late nineteenth century, that factor would be vast differences in the nature and trajectories of the nation's regional political economies.[8]

OVERVIEW OF AMERICAN INDUSTRIALIZATION

Industrialization transformed the United States from an agricultural, commodity-exporting dependency of Great Britain into an independent, leading force in the international system. In a number of ways, this rapid industrial expansion broke with prior patterns of growth in the United States.[9]

6 During the late nineteenth century, both economic growth generally and capital investment in the industrial sector proceeded at a faster pace in the United States than almost anywhere else in the world. Angus Maddison, *Dynamic Forces in Capitalist Development* (New York: Oxford University Press, 1991), pp. 41, 49.

7 As used here, the "political economy" is a combination of *economy* and *state policy*. The *economy* is composed of all forms of material production and exchange. In capitalist nations such as the United States in the late nineteenth century, much of this activity was carried out by private actors in markets characterized by greater or lesser degrees of competition. The distribution of production and consumption results from the extent to which these actors can compete effectively with other actors and/or control the terms of exchange within their markets. *State policy* consists of the various interventions through which the government influences private production and exchange. State commands can shape markets and market relations in a number of ways by: altering the incentives motivating private actors; radically changing how markets are organized and who participates in them; or abolishing markets altogether, perhaps replacing them with government-sponsored production. The *political economy* is a dynamic organizing structure within society that shapes the potential replication of social groups and activities, permits or retards the emergence of novel forms of social organization, and thus determines the developmental trajectory of the nation. Within this conceptualization, *institutions* can be either creatures of the market and/or state policy or semiautonomous social forms within communities whose origins are only obliquely related to markets and states.

8 For a similar conclusion, see Linda Weiss and John M. Hobson, *States and Economic Development: A Comparative Historical Analysis* (Cambridge, Mass.: Polity Press, 1995), pp. 219–223.

9 W. W. Rostow has called this period of rapid industrialization a "drive to technological maturity." For the United States, he dates this period as bounded by the years 1870 and 1910 by way of setting up comparisons with Great Britain (1830–70),

First, much of economic growth up until 1870 had been more or less extensive in nature, associated with the cultivation of new lands and their integration into the national economy. In the last three decades of the century, growth was increasingly intensive and transformational in character as agriculture more fully realized the productive capacity of the land, and, more important, the major locus of economic activity shifted from the farm to the city, from the cultivation of crops to the factory production of manufactured goods.

Second, economic growth in the late nineteenth century was much more uneven in its rate and sectoral characteristics than was the case previously. Until about 1870, for example, a description of the United States as an agricultural nation would have applied in many ways to all sections of the country, with the exception of some parts of the Northeast. In this earlier period, those sections with relatively large frontiers grew much more rapidly than long-settled regions. After 1870, sectional divergences in both the rate and type of economic growth widened considerably in ways that made American industrialization an extremely disjointed process in regional terms – so disjointed, in fact, that we could raise the question of whether or not economic development in the United States should be treated as a national process during this period.

Political conflict over industrialization intensified in the decades following the Compromise of 1877, the political settlement that ended Reconstruction in return for the elevation of Rutherford Hayes to the presidency. Less than two years later this settlement was followed by the return of the United States to the international gold standard – the culmination of a long process that began in 1865 and roughly paralleled the progressive abandonment of the effort to reconstruct the South. The abandonment of Reconstruction in fact facilitated the return of the United States to gold payments by reducing federal military expenditures, promoting resumption of cotton cultivation in the South, and, to most foreign observers at least, promising greater political stability for the nation as a whole.[10] In turn, the reduction in federal spending allowed the national government to contract the circulation of paper dollars (greenbacks), to repay a substantial portion of the

France (1870–1910), Germany (1870–1910), Sweden (1890–1920), Japan (1900–40), the Soviet Union (1900–1960), Italy (1920–40), Canada (1915–50), and Australia (1920–40). He gives slightly different dates for the "most rapid overall industrial growth, or the period when large-scale industry matured . . . Britain . . . 1819–1848; the United States . . . 1868–1893; Sweden . . . 1890–1920; Japan . . . 1900–1920; Russia . . . 1928–40." *The Stages of Economic Growth: A Non-Communist Manifesto*, 3rd ed. (New York: Cambridge University Press, 1990), pp. xviii, xxxix–xl, xliii, 9–10, 12–15, 40, 59, 71–72.

10 For a description of these policies and their relation to resumption, see Richard Franklin Bensel, *Yankee Leviathan: The Origins of Central State Authority in America, 1859–1877* (New York: Cambridge University Press, 1990), chap. 4.

national debt that had been incurred during the Civil War, and to stockpile gold bullion in anticipation of a return to gold payments. The monetary discipline imposed by resumption and the subsequent maintenance of gold payments produced an extremely severe deflation – more severe, in fact, than was experienced by any other industrializing nation during the same period. The political consequences of this deflation were, from a developmental perspective, equally traumatic.[11]

The turn of the century brought both a final resolution of the great struggle over the gold standard in the form of the Gold Standard Act of 1900 and a refocusing of political debate on the territorial expansion of the United States. While many aspects of industrialization, particularly the growth of the nation's cities, continued to color national politics, new disputes over colonial acquisitions and the quieting of public debate over monetary policy marked very important turning points in American political development. While the great sections continued to struggle over which developmental trajectory the United States should follow, most politically viable alternatives would henceforth assume that the nation would continue to be a major industrial power and would accept policies closely related to that position, such as adherence to the gold standard, as uncontested realities.[12]

Three great developmental policies underpinned American industrialization in the late nineteenth century: the political construction of an unregulated national market, adherence to the international gold standard, and tariff protection for industry. The national market gave rise in the United States to the "modern multiunit business enterprise [which was] central to the process of modernization in the Western world." Taking for granted the political preconditions for the national market in the United States, Alfred Chandler has contended that American industrialization was an inevitabil-

[11] For comparative trends in consumer prices between 1870 and 1913 for sixteen now advanced capitalist nations, see Maddison, *Dynamic Forces in Capitalist Development*, p. 174. Aside from the United States, only two other nations, Denmark and Great Britain, experienced a deflationary trend in consumer prices in this forty-year period, and the trend in the United States was significantly more severe than either one.

[12] The consolidation of this industrial regime is often described in class terms. For example, Martin Sklar has described corporate reorganization and consolidation around the turn of the century, along with a myriad of other trends in American society, as the result of a more or less hegemonic social movement in which a neo-Marxist dominant class (the corporate business elite) guided modernization in the United States. "Periodization and Historiography: Studying American Political Development in the Progressive Era, 1890s–1916," *Studies in American Political Development* 5 (Fall 1991): 173–213; Steven Hahn, "Response to Sklar," in ibid.: 214–220. Also see James Livingston, "The Social Analysis of Economic History and Theory: Conjectures on Late Nineteenth Century American Development," *American Historical Review* 92 (February 1987): 70; and Lawrence Goodwyn, *Democratic Promise: The Populist Moment in America* (New York: Oxford University Press, 1976), pp. xii, 523–531.

ity, originating in the conjunction of a specific set of technological innovations and opportunities for large-scale production:

> The rise of modern business enterprise in American industry between the 1880s and World War I was little affected by public policy, capital markets, or entrepreneurial talents because it was part of a more fundamental economic development. Modern business enterprise . . . was the organizational response to fundamental changes in processes of production and distribution made possible by the availability of new sources of energy and by the increasing application of scientific knowledge to industrial technology. The coming of the railroad and telegraph and the per-fection of new high-volume processes in the production of food, oil, rubber, glass, chemicals, machinery, and metals made possible a historically unprecedented volume of production. The rapidly expanding population resulting from a high birth rate, a falling death rate, and massive immigration and a high and rising per capita income helped to assure continuing and expanding markets for such production. Changes in transportation, communication, and demand brought a revolution in the processes of distribution. And where the new mass marketers had difficulty in handling the output of the new processes of production, the manufacturers integrated mass production with mass distribution. The result was the giant industrial enterprise which remains today the most powerful privately owned and managed economic institution in modern market economies.[13]

However, the modern business enterprise described in this passage arose within a largely unregulated national market that was politically constructed by the Supreme Court.[14] The members of that tribunal were selected by presidents and confirmed by senators who carefully noted both their devotion to party principles and "soundness" on the major economic questions of the day. Among the most important was the nominee's attitude toward regulation of interstate commerce by the individual states – if the states had been able to regulate interstate commerce, the national market would have been balkanized into much smaller units in ways that would have seriously retarded industrial consolidation during the late nineteenth century.[15] Thus policy design and political contestation significantly

[13] Alfred D. Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass.: Harvard University Press, 1977), p. 376.

[14] On the primacy of the national market among the explanations offered for the early emergence of the modern business enterprise in the United States, see Chandler, *Visible Hand*, p. 498.

[15] The consolidation of a national market was a fairly common process among those nations with relatively advanced economies in the late nineteenth century. In addition to the United States, Belgium, France, Germany, Great Britain, and Switzerland all possessed by 1890 a national market for a broad range of products, accompanied by widespread reliance on wage labor, financial institutions for the mobilization of capital investment, and no significant "premodern restrictions" on trade. Of these six, the United States contained the largest national market, in terms of geographical extent, population, and size of economy. Cynthia Taft Morris and Irma Adelman, *Comparative Patterns of Economic Development, 1850–1914* (Baltimore: Johns Hopkins University Press, 1988), pp. 68–69.

shaped the realm Chandler and others imagine to have been a stateless economy. As a result, American industrialization was one outcome among a number of contingent possibilities.

The second great developmental policy was the federal government's adherence to the international gold standard which guaranteed exchange rate stability between the dollar and major foreign currencies, particularly the British pound. This guarantee removed a major source of uncertainty and risk from foreign investments in the United States and thus underpinned much of the relatively close integration of European and American capital markets.[16] While European investment in American railroad bonds and government securities was substantial, the most important result of this close integration was the retention of the vast profits generated by industrial corporations – wealth that might have been transferred abroad had the risk associated with American investments not been limited by the operation of the gold standard and its accompanying discipline on central state fiscal policy. That standard was attacked by Congress for much of this period, but the executive branch under presidents of both parties successfully defended gold in the political arena while competently administering the policy in financial markets.

The tariff protected American industry from foreign competition and thus aided rapid industrial expansion in the northern manufacturing belt. The agricultural exporting regions of the West and, particularly, the South were forced to buy manufactured goods from protected domestic producers while receiving prices for products, such as wheat and cotton, set by an openly competitive world market. The terms of trade under this tariff policy were thus set heavily against the South and West. In economic terms, what the tariff gave with one hand, it took away with the other; while the tariff certainly abetted capital accumulation in the industrial sector by raising prices on manufactured goods and thus increasing profits, the mass consumer base for those products, particularly in agriculture, was severely restricted by the redistribution of wealth the tariff imposed between the sectors. But in political terms, no other policy was as vital to the maintenance of the developmental coalition within the Republican party that supported all three policies. Despite episodic and largely ineffectual interventions by the executive branch, tariff policy was largely set by party coalitions in Congress. The Supreme Court played almost no role.

These three great developmental policies were mutually supporting and, thus, equally and inseparably necessary. In political terms, the protective tariff for industry, through its extensions into raw wool and the revenue it

16 As was the case with almost all nations prior to the late twentieth century, the United States internally generated "the great bulk of the savings needed for growth and industrialization." Kenneth Berrill, "Foreign Capital and Take-off," in W. W. Rostow, ed., *The Economics of Take-off into Sustained Growth* (New York: St. Martin's, 1963), pp. 286, 297.

provided for military pensions, was the central and indispensable element underlying the Republican coalition in the late nineteenth century. For that reason, the adherence of the United States to the international gold standard during this period is simply inconceivable without tariff protection – the political glue binding rural wool producers, Union veterans, and industrial labor to the Republican party and, thus indirectly, to gold. We can only speculate on the separate contributions of trade protection and the gold standard to industrialization (a staple of economic history); in practice, American adherence to the international gold standard politically depended on the protective tariff because the latter provided the foundation for the Republican coalition. For that reason, any late nineteenth-century combination of free trade and gold standard policies was politically impossible.

None of these developmental policies can be compared with counterparts in other nations without giving equal consideration to their interlocking political connections within the American party coalitions of the late nineteenth century. The protective tariff, for example, could not and did not stand alone; in order to impose high customs duties on manufactured goods, congressional tariff coalitions required the support of raw wool producers and Union pensioners. For its part, defense of the gold standard rested in important ways upon its thick insertion into the financial system by way of the national bank system. Left on its own, the nation's financial community in New York and other banking centers along the eastern seaboard would have been routed early and completely in the struggle over gold. The national bank system provided a strong political network that overlapped interests benefited by the protective tariff in much of the nation. Where this overlap was greatest, the Republican party emerged as the political vehicle for both the tariff and gold; in turn, the Republican coalition further deepened and strengthened political ties and policy logics that, considered separately on their own merits, would have otherwise been cast adrift.

Underlying both protectionism and gold was the most fundamental and characteristically American developmental policy of all, the political construction of an unregulated national market. Without the national market, both the gold standard and the protective tariff would have been useless, perhaps even pointlessly detrimental to the material well-being of the nation. This was also the most broadly conceived of the three developmental policies, demanding theoretical coherence without much day-to-day administration. For several reasons, the Supreme Court was particularly well-equipped to construct the national market. First, constitutional principles provided an effective framework for monitoring federal and state attempts to regulate corporate consolidation and interstate commercial transactions. Because the national market required no administrative activity beyond this close surveillance of state and federal policy, judicial review was a peculiarly well-adapted means of carrying out this responsibility. Second, as the least exposed of the three federal branches to societal influence, the Court was free to play the primary institutional role in the political construction of the national market. Hostile popular sentiment could only threaten Court doctrine over a period of years and then only if the mortality of justices was high enough to enable insurgent presidents to change the Court through new appointments. In addition to its political insularity, the Supreme Court was the only branch that had the power to span the divide between state and national authority. This combination of insularity and power made juridical construction of a national free market possible, even in the face of constant challenge by the individual states.

In strictly political terms, the protective tariff was the most important of the three developmental policies. Because the policy complex surrounding industrial protection rested on narrowly conceived and immediate material interests, the tariff defined numerous policy constituencies that required assembly into a prevailing legislative coalition.[17] Fragmented and decentralized in their representation of societal interests, both the House and Senate were particularly well-equipped to assemble these coalitions. Thus, Congress, the most societally penetrated of the branches, became the central institution for tariff policy.

The industrial tariff, along with its extensions into both an ever-expanding system of military pensions and protective duties on raw wool, became the primary policy foundation for the Republican party. Aside from the suppression of southern separatism, no other principle so defined the party's character and purpose. As for its economic impact on industrialization, the importance of the tariff rested on its redistribution of wealth from the agricultural to the industrial sector. Within the broad scope of that redistribution, policy coherence was not a salient consideration, leaving the Republican party free to build a diverse social coalition that included sheep ranchers and Civil War pensioners, as well as industrial producers.

Somewhere in between, less politically important than the tariff and less

[17] Minor parties sometimes declared the tariff to be merely a "technical issue," particularly when they felt that taking any position on industrial protection might destabilize their coalitions. With this partial exception, tariff policy was rarely evaluated on objective economic standards. Contemporary economic theory, in fact, strongly preferred free trade. However, whether or not free trade was more advantageous for American development was seen by most observers as beside the point, because the tariff played a much larger and more important role in structuring the social coalitions backing the major parties. The relevant test for tariff protection was thus whether or not the political viability of the Republican party was enhanced, not how economically well designed the policy was in actual practice. On the dominance of free trade as theory, see Edward C. Kirkland, *Industry Comes of Age: Business, Labor, and Public Policy, 1860–1897* (Chicago: Quadrangle Books, 1967), p. 187.

economically significant than the national market, was the gold standard. Here the abstract designs of monetary theory were not as central to policy as constitutional doctrines were to the construction of the national market. Instead, the policy test was relentlessly material and comparatively mundane: whether or not the Treasury could give gold upon demand to all those who presented currency and silver at the counter of one of the subtreasury offices. While the gold standard was certainly discussed in highly theoretical terms, the day-to-day administration of the system was the greatest challenge facing monetary policy. Unavoidably, for that reason, the executive branch was the primary institutional agent for the gold standard's operation and defense. In terms of operation, the gold standard required more policy coherence than the tariff but less than the construction of a national market. In terms of political support, gold required more active intervention in national politics than the market but was much more constrained by the system's operating requirements than Congress was with reference to the tariff. In terms of societal penetration, the executive branch's relative autonomy permitted effective administration of the gold standard even when, as during Cleveland's second term, popular opinion was extremely hostile. On the other hand, the presidency, precisely because of its active participation in popular politics, was better equipped to promote the gold standard than the comparatively isolated judiciary. Neither Congress nor the Supreme Court could have negotiated the often convoluted moves that conduct of fiscal policy required under extreme political and economic stress. For all these reasons, when viewed from the perspective of democracy and development, the political economy within which the United States industrialized in the late nineteenth century was thoroughly grounded in the separation of powers between the three institutional branches of the central state.

The identification of the tariff, gold standard, and national market as the fundamental underpinnings of American industrialization rests on their interrelated importance to both politics and economics. In strictly economic terms, a host of additional factors, such as private property, could also be nominated, but because these were not politically challenged in the late nineteenth century, they can be taken as background features of the national political economy. Thus, the three developmental policies were fundamental in that they met two conditions: (1) they were central to the process of capital accumulation and investment that spurred on industrial expansion, and (2) they were strongly and persistently contested in national politics. The question then becomes how these policies were carried out in the face of these political challenges. The first part of an answer has been suggested in the brief survey of their institutional loci within each of the three federal branches. But the Supreme Court, the presidency, and Congress were in each instance policy-making bridges between popular claims and economic development.

POPULAR CLAIMS ON WEALTH

Popular claims on wealth focused on two very different aspects of the late nineteenth-century political economy. The first was the redistribution of wealth from agriculture to industry. Most popular claims associated with this redistribution targeted one or more features of the three great developmental policies: the tariff, the gold standard, and regulation of the national market. The second involved the distribution of income between labor and capital within each of the economic sectors. Here claims involved contestation over income shares within factories, plantations, and farms.

The radically uneven pattern of regional development structured the popular struggle over the redistribution of wealth from agriculture to industry. Industrialization was concentrated in the economic core of the nation, the manufacturing belt in the Northeast and Great Lakes littoral. Commodity agriculture remained the mainstay throughout the economic periphery of the South and West. This pattern made the flow of wealth from agriculture to industry an interregional movement as well as an intersectoral redistribution. In practice, each of the major developmental policies redistributed national income between the great sections. The increasing integration of the national market, for example, tended to eliminate small-scale factory production and petty merchants throughout the country, consolidating such activity in the much larger firms of the manufacturing belt. Within the economically advanced core, this was simply a consolidation of operations within the region. But for most of the South and West this process represented both a loss of locally controlled businesses and the transfer of wealth, through the repatriation of profits, from those sections toward the core. Thus, while underwriting the emergence of the large-scale modern business enterprise, the expanding national market also entailed a redistribution of wealth from the agricultural periphery to the manufacturing belt. The tariff reinforced this flow, particularly for heavy industry, by protecting domestic producers from foreign competition and thus enhancing corporate profits. The gold standard and the deflationary regime that it imposed on the nation through the mid-1890s directed wealth along very similar lines, more or less systematically redistributing assets from capital importers in the West and South to capital exporters in the East.

Those claims that involved contestation over income shares between labor and capital were much more local in character. While there were a great variety of such claims in the late nineteenth century, three of them stand out, dominating their respective regional economies and societies. In the northeastern and midwestern manufacturing belt, the archetypal struggle over income shares was between workers and capital on the industrial shop floor. Tens of thousands of industrial disputes, work stoppages, lockouts, and strikes raged throughout the northern manufacturing belt during this period and contributed to what became one of the most tumultuous and violent labor experiences in the history of industrialization.[18] Many of these disputes were resolved through judicial and military intervention.[19] Even so, labor issues seldom played a large role in either national politics or major party platforms; much more numerous and far more detailed were those platform planks devoted to the developmental policies that divided the interests of the industrial East and commodity-exporting South. In fact, one of the central problems of this period is explaining why the claims on wealth so poignantly expressed in industrial labor disputes failed to significantly influence major party competition in the late nineteenth century.[20] Northern labor clearly made strong and

[18] With respect to northern labor, Philip Taft and Philip Ross described the United States as having had "the bloodiest and most violent labor history of any industrial nation in the world." "American Labor Violence: Its Causes, Character and Outcome," in Hugh D. Graham and Ted R. Gurr, *The History of Violence in America: Historical and Comparative Perspectives* (New York: Praeger, 1969), p. 281. See pp. 281–304 for an overview of labor violence in the late nineteenth century.

[19] For a summary of the use of the national guard and federal troops in response to strikes and against workers generally, see David Montgomery, *Citizen Worker: The Experience of Workers in the United States with Democracy and the Free Market during the Nineteenth Century* (New York: Cambridge University Press, 1993), pp. 89–104. For a statistical survey of the use of federal troops and national guards in the United States during this period, see David Adams, "Internal Military Intervention in the United States," *Journal of Peace Research* 32:2 (May 1995): 200–203. Also see Gerald Friedman, "Strike Success and Union Ideology: The United States and France, 1880–1914," *Journal of Economic History* 48 (March 1988): 14.

[20] As Eric Foner puts it, "what needs to be explained is the coexistence in American history of workplace militancy and a politics organized around non-ideological parties appealing to broad coalitions." "Why Is There no Socialism", *History Workshop* 17 (Spring 1984): p. 59. P. K. Edwards notes that the American "strike rate has been very high compared with that of other countries, but its labour movement has been among the least radical in political terms." From his perspective, this pattern has been a "paradox of militancy combined with conservatism." *Strikes in the United States, 1881–1974* (New York: St. Martin's Press, 1981), p. 3. Also see Leon Fink, *Workingmen's Democracy: The Knights of Labor and American Politics* (Urbana: University of Illinois Press, 1983), p. xi; John Laslett, "Reflections on the Failure of Socialism in the American Federation of Labor," *Journal of American History* 50 (March 1964): 651. The most complete general overview is perhaps David Montgomery's *The Fall of the House of Labor: The Workplace, the State, and American Labor Activism, 1865–1925* (New York: Cambridge University Press, 1987). As Karen Orren emphasizes in her *Belated Feudalism: Labor, Law, and Liberal Development in the United States* (New York: Cambridge University Press, 1991), this lack of involvement in national party politics did not prevent labor from openly challenging the federal judiciary. Setting the conditions for governance of the industrial shop floor, judicial interpretation was heavily contested by labor and capital throughout the late nineteenth century. For a comparative perspective on class construction

persistent claims on the stream of wealth flowing into industrial expansion, but these claims were made on the shop floor and in the streets, rarely finding an echo in national politics.[21]

In the South, the archetypal claim on wealth involved a very different type of struggle between sharecroppers and tenant farmers, on the one hand, and planters and merchants, on the other. The focus of this struggle was the contractual forms and arrangements determining control of the cotton crop. In many ways this contestation was inextricably bound up with both race and national loyalty, with blacks comprising a disproportionate share of both sharecroppers and federal loyalists. For southern whites, the consolidation of planter and merchant influence within the cotton economy appeared to be a necessary step in gaining political autonomy from northern rule. In fact, elite influence in local areas and regional autonomy in national politics were often seen as just different sides of the same coin. Using both terror and economic intimidation to return to power throughout the South, former Confederate nationalists gradually disfranchised black and lower-class white voters so that, by the turn of the century, planters were once again a hegemonic force in regional politics. In the years just after the Compromise of 1877, Republicans bitterly complained of southern "atrocities" in their national party platforms, but these complaints became increasingly perfunctory as the years passed. In any event, platform demands which focused on suffrage and the conduct of elections did not begin to address the desperate situation of southern sharecroppers in their relations with planters and merchants. For the southern farmer, black or white, life was a continuous struggle with economic exploitation, grinding poverty, and diseases arising from dietary deficiencies and parasites.

The southern wing of the Populist party sought to connect regional political autonomy to a redress of agrarian class grievances by making the sharecropper and yeoman farmer the agent of resistance to northern economic

and politics in the United States, see Ira Katznelson, "Working-Class Formation: Constructing Cases and Comparisons," and Aristide R. Zolberg, "How Many Exceptionalisms?," in Katznelson and Zolberg, *Working-Class Formation: Nineteenth-Century Patterns in Western Europe and the United States* (Princeton, N.J.: Princeton University Press, 1986), pp. 3–41 and 397–455.

21 For evidence that strike participation, as a percentage of the nonagricultural labor force, was much higher in the United States than in comparable European nations during the late nineteenth and early twentieth centuries and that strike-related violence was exceeded only by Czarist Russia, see Michael Mann, *The Sources of Social Power*, vol. 2: *The Rise of Classes and Nation-states, 1760–1914* (New York: Cambridge University Press, 1993), pp. 632–633, 644–647. At many points in his analysis, Mann also demonstrates that worker support for socialist parties and principles in the United States was much weaker than in comparable European nations. See, for example, pp. 634, 638. Also see David A. Shannon, "Socialism and Labor," in C. Vann Woodward, ed., *The Comparative Approach to American History* (New York: Basic Books, 1968), pp. 238–252.

exploitation. With this exception, the desperate conditions on the southern plantation, afflicting a sizable fraction of the country's population, never gave rise to significant claims on the wealth of the nation. Although more influential in southern local politics than shop-floor claims were in the North, class contestation over control of the cotton crop was almost completely ignored in national party competition.

On the recently settled western frontier, the archetypal claim on wealth involved yet a third kind of struggle. In this case, contestation was most intense over the terms under which the agents of eastern capital would integrate yeoman farmer settlers into the national economy. This integration assumed two primary forms: the extension of mortgage credit to settlers and the transportation of the commodities they produced to eastern markets. Much of the capital that underwrote farm mortgages in the West was imported from the East. In addition, many of the banks in the Plains and Mountain states, as well as the railroads that transported crops, were owned by eastern investors. The archetypal western claims on wealth thus tended to pit yeoman farmers against banks and railroad corporations that were often controlled by eastern interests. For a number of reasons these claims moved quite easily into local politics and, through third parties, into national politics. One was that yeoman farmers in the Plains and Mountain states were more economically independent than either eastern industrial workers or southern sharecroppers and were thus more likely to organize politically. But, more important, their class opponents in this struggle over income shares were primarily nonresident capital-holders who were represented in local politics by much less powerful agents. In terms of national politics, this was the one instance where claims on income shares within a sector more or less coincided with the redistribution of wealth between the nation's great regions. Only a slight refocusing of the lens of politics was required to transform local class claims into issues implicating the great developmental policies of the nation.

If the popular side in each of these archetypal struggles over wealth could have allied together in the late nineteenth century, American industrialization would have either been quite a bit slower or taken on a radically different form. Such an alliance was attempted by the Populists in 1892 and by the Democrats in both 1896 and 1900. In both cases, industrial workers refused their support while tension between the southern sharecropper and western yeoman producer made alliances between these two groups very volatile. It should be stressed that popular claims on wealth pervaded almost every aspect of late nineteenth-century American society and captured the attention of almost every community. Yet the way in which the national political economy was organized frustrated even the simple recognition of such claims in major party platforms and, even when they did emerge as platform demands, turned one or more elements of what could have been a national insurgency away from the struggle.

OVERVIEW OF THIS BOOK

Most of the current literature on the United States in the late nineteenth century falls into two general categories: electoral politics emphasizing the local basis of party competition and purely economic analyses of industrialization.[22] These literatures are almost hermetically isolated from one another in ways that have discouraged all but the most superficial answers to the question of why robust democratic institutions and rapid industrialization coexisted in the United States. In contrast to the existing literature, this book exposes strong connections between electoral party competition, central state institutions and developmental policy, and industrialization as a developmental process.[23]

These connections challenge some of the distinctive orientations of the now-reigning literatures. With respect to the literature on parties and voting, national developmental issues, not ethno-cultural conflict, are shown to be the dominant preoccupation of state party competition. With respect to the expansion of central state institutions, the integration of party organization into national policy administration is shown to have been a necessary element in the successful combination of democracy and development in the United States.

Finally, the literature on American economic history has long interpreted major features of industrialization, such as an unregulated national market, as historical "givens," placing them beyond politics and thus dismissing politics and central state policy as playing only superficial roles in economic expansion.[24] In sharp contrast, this book demonstrates the existence of popular challenges to each of the major developmental policies followed by

22 The best recent synthesis of late nineteenth-century politics is Joel H. Silbey's *The American Political Nation, 1838–1893* (Stanford, Calif.: Stanford University Press, 1991), esp. pp. 225–232.

23 But also see Walter D. Burnham's "The System of 1896: An Analysis," in *Evolution of American Electoral Systems*, ed. Paul Kleppner et al. (Westport, Conn.: Greenwood Press, 1981), pp. 147–202.

24 For example, Chandler views federal regulation of the railroads and antimonopoly policies as unimportant factors in the expansion of the transportation network and consolidation of industrial production in the late nineteenth century. Otherwise his work assigns almost no political or governmental role in American industrialization before the Progressive Era. See his *Visible Hand*, pp. 13, 174–5, 331–333, 494–495. In his comparative study of the United States, Germany, and Great Britain, Chandler explicitly leaves the impact of government on the development of industrial capitalism to "historians of business-government relationships." *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass.: Harvard University Press, 1990), p. 13. For a slightly more political account of the late nineteenth-century financial system, see Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton, N.J.: Princeton University Press, 1963), pp. 3–188.

the United States. Analysis of these popular challenges, in turn, necessarily compels a reevaluation of both the developmental impact of national party competition (in terms of platform commitments) and the relative integration of party organizations into central state institutions. Politics and economic development were not separate processes, unfolding according to distinct logics; they were, instead, inseparably and intimately interconnected in ways that ultimately produced rapid industrialization within a robust democratic polity.

The following chapter lays out the social and economic topography of the United States during the late nineteenth century. The first part of the chapter describes the uneven regional pattern of economic development of the United States and provides explanations for its persistence. This description sets up an analysis of the national financial system emphasizing the importance of both intersectional capital flows and the varying extent of regional integration within the national financial system.

Building on these preceding discussions, Chapter 3 takes up questions related to the expression of class claims in politics by exploring the connection between national developmental policies and party competition within the individual states. This exploration challenges the prevailing notion that electoral politics in the late nineteenth century was predominantly local in nature and heavily colored by "ethno-cultural" conflict over issues such as temperance and secular education.[25] The reinterpretation proposed in this chapter resolves the long-standing paradox between the nature of national party competition (almost universally conceded to be focused on developmental issues such as the tariff and the monetary system) and the local basis of electoral behavior (which has been described as centered on locally framed issues of social norms and identity). Although ethno-cultural issues were certainly important in local politics during this period, an exhaustive survey of state party platforms between 1877 and 1900 demonstrates that a host of national developmental issues of many kinds in fact dominated state party declarations of principle, just as they did at the national level.

Following up on this discussion of platform demands, Chapter 4 demonstrates that most electoral behavior was shaped by developmental forces in ways that are incomprehensible in ethno-cultural terms. The chapter opens with an outline of the archetypal claims on wealth that characterized class conflict over income shares within each of the nation's major regions. The focus in this discussion is on these claims and their origin within the regional economy, whether or not they assumed an overtly political form. The sub-

[25] Some contemporary political historians have, in fact, subscribed to "ethno-cultural" interpretations of late nineteenth-century electoral behavior that almost entirely dispense with economic factors. See, for example, Paul Kleppner, *The Third Electoral System, 1853–1892: Parties, Voters, and Political Cultures* (Chapel Hill: University of North Carolina Press, 1979), pp. 10–11, 58–63, 366–373.

sequent analysis of election returns reveals the different ways this contestation over income shares influenced the construction of national party coalitions.

The next three chapters examine the politics of the three legs of the Republican developmental tripod: the unregulated national market, the gold standard, and tariff protection. Chapter 5 takes up the growth and consolidation of the national market, emphasizing the dominant role of the Supreme Court in the political construction of the market economy. Chapter 6 begins with a discussion of the institutional characteristics of monetary policy, later shifting to an analysis of legislative coalitions and the persistent support of the executive branch for the gold standard. This discussion establishes the strong connection between contestation over the monetary standard and economic development. Chapter 7 takes up the last of the major developmental policies, the tariff, examining the centrality of trade protection to the national Republican coalition. The conclusion provides a formal interpretive summary of the argument.