

Introduction

THE BUSINESS OF AMERICA

In democracies, nothing is more great or more brilliant than commerce; it attracts the attention of the public, and fills the imagination of the multitude; all energetic passions are directed towards it.

– Alexis de Tocqueville

ANYONE WHO DOUBTS THE IMPORTANCE OF BUSINESS HISTORY should keep in mind this salient fact: It concerns not merely the history of business in the United States but even more the process by which business came to dominate every aspect of American life. Business is not simply an important element of American life; like it or not, it has become the dominant force in American culture. Try to think of a single human activity that has not been organized into a business of some kind, and in most cases a very large business.

This book is not a comprehensive history of American business. It is rather an interpretation of the most seminal period of that history and seeks to explain how business came to occupy the center stage of American life. The story begins with the most revolutionary process that the world has experienced. Industrialization remains the great divide in human history, separating past from present cultures, transforming values as well as life styles, leaving a monumental imprint on the environment, and setting in motion forces that drove its impact inexorably onward. It transcended ideologies, defied political strictures, ignored moral dictums, overturned social orders, and unraveled the fabric of tradition. In the process American industrialization created the infrastructure for what became the richest and most influential material civilization in history.

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Industrialization occurred at a time and place ideally suited for rapid economic development. The United States after the Civil War was a hothouse for economic growth, one large enough to spawn giants and to absorb the excesses and aberrations that flowed from their creation. From this fertile seedbed grew three primary paths of innovation in the areas of power, transportation, and communication. These in turn nurtured the growth of large enterprises that forged complex industrial systems within a remarkably short time. It took only half a century for the United States to emerge as the largest and most dominant industrial society on the planet.

The industrial revolution made modern America, and the power revolution made industrialization possible. After 1800 new sources of fuel, most notably coal, gas, and oil, ushered in a new age of machines that created striking advances in the fundamental areas of transportation, production, communication, heating, and lighting. Their impact did more to change the material conditions of human life than had occurred in all prior human history. New technologies developed by an unprecedented generation of inventors and entrepreneurs drove this creation of the world's most advanced material civilization. "Historians looking back," wrote historian Thomas P. Hughes, "may well decide that the century of technological enthusiasm was the most characteristic and impressively achieving century in the nation's history, an era comparable to the Renaissance in Italian history, the era of Louis XIV in France, or the Victorian period in British history. During the century after 1870, Americans created the modern technological nation; this was the American genesis."

The steam engine launched the power revolution by liberating people from the ancient restraints of wind, wood, water, and muscle. From its development flowed the steamboat, the railroad, and a host of machines capable of performing work and producing goods on an unprecedented scale. The harnessing of electric power elevated this revolution to dizzying new heights, creating the most indispensable technology of the twentieth century. At the same time, the transportation revolution performed the seemingly impossible feat of opening up a vast continent rich in resources that were too remote to reach. The railroad became not only the engine of economic development but also the prototype for big business in all its many facets. Similarly, the communication revolution tied together the distant extremes of an enormous nation and expedited the flow of information just as the railroad had the flow of goods and people. More than that, the telegraph and the telephone redefined the meaning of time and space.

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Together these three revolutions filled the American landscape with new cities, new enterprises, new peoples, and eventually a new kind of society. They also gave birth to a fourth primary force: the organizational revolution. The industrial economy came to be dominated increasingly by giant firms that threw all existing relationships with the government, the public, and their own workers out of balance. Indeed, their very existence confounded law and tradition alike with the lack of useful precedents for integrating them with other institutions. Viewed at first as anomalies, giant corporations became the harbingers of what evolved into a corporate society that was far more formalized, organized, and integrated than its predecessor.

The giant corporations did much more than reshape the business arena. Their presence spurred the growth of cities, widening the traditional gap between urban and rural life and shifting the balance of population toward the former. They fostered a social credo that came ever more to regard material goods as the primary source of happiness. From this economic hot-house that produced so dynamic a capital-goods economy there gradually emerged a second and more potent phase of growth: the consumer-goods economy with its dependence on mass production, marketing, advertising, and emphasis on defining status in terms of possessions. Lavishly decorated department stores became the most conspicuous temples of consumption, although the more modest chain stores and mail-order houses did far more business.

Not all Americans welcomed the growing legion of giant firms. Many shared the view of humorist Ambrose Bierce, who defined a corporation as “An ingenious device for obtaining individual profit without individual responsibility.” Their presence and proliferation generated a national debate on the virtues and vices of bigness. From this clash arose a new and unsettled relationship between government and business, one filled with ambiguities and complexities that reflected the public’s own mixed feelings about the new economic and social orders. Amid changing conditions businessmen were alternately elevated to the status of social heroes and cast out as pariahs. However, like it or not, the corporate economy and the organizational society had come to stay. So far reaching was the business ethos that by the end of the twentieth century it had permeated every corner of American life.

When Calvin Coolidge declared that the business of America was business, he uttered the fundamental truth of twentieth-century history. The

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broadest and most profound movement of the past century has been the irresistible tendency to transform every aspect of American life first into a business and then into a larger business. This metamorphosis began with the coming of industrialization and the rise of big business, which is the story this little book seeks to tell in brief. It departs from conventional business history in seeking to show the pervasive role of business in the broader society and culture. One example of this approach can be seen in the discussion of city bosses in Chapter 7. They offer one example of how politics, like everything else, became a business. In this sense business history serves as a primary doorway to understanding American civilization.

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Prologue

A HOTHOUSE FOR ECONOMIC GROWTH

Americans are constantly driven to engage in commerce and industry. Their origin, their social condition, their political institutions, and even the region they inhabit urge them irresistibly in this direction. Their present condition, then, is that of an almost exclusively manufacturing and commercial association, placed in the midst of a new and boundless continent, which their principal object is to explore for purposes of profit. This is the characteristic that most distinguishes the American people from all others at the present time.

– Alexis de Tocqueville

THIS OBSERVATION, MADE DURING THE 1830S BY ONE OF THE most astute foreign observers of American life, could not have been more accurate. Since the founding of the Republic in 1789 the business of Americans has always been business, though for most people in those early years that task amounted to little more than scratching a living from the soil. Yet even the earliest settlers, despite all the hardships they had to endure, grasped the potential and sheer bounty of the new world that had become their home. It was in every respect a land of abundance, and one major American historian, David M. Potter, argued persuasively that economic abundance has been the dominant characteristic of American life. Thomas Dale, the governor of Virginia, observed in 1611 what would become a common theme when he said of his colony, “Take foure of the best kindomes in Christendome and put them all together, they may no way compare with this countrie either for commodities or goodness of soil.”

The United States always possessed the potential to become an enormous hothouse for economic growth. But resources alone were not enough; it took human enterprise and ingenuity to turn them into usable goods.

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A host of factors during the nineteenth century transformed the potential of nature's abundance into a reality that would have astonished earlier generations. By century's end the nation, having survived the horrors and disruptions of civil war, managed to create the largest, most productive economy on the planet. In the process it also changed the way people lived in ways that forever separated them from all the generations that had come before.

One way to grasp this change is to think of the United States in the nineteenth century as an economic hothouse. A hothouse is an artificial environment in which plants can be grown under ideal conditions. The American economy, or at least its potential, had always been robust even in its natural state. It offered newcomers staggering amounts of land teeming with resources ranging from thick forests to ample quantities of game and fish to mineral ores. Nature provided a plentiful supply of water, fertile soil, and a variety of climates for growing crops. Hard work and dogged perseverance was required to wrest a living from this strange and often hostile world, but the resources for success were always there. Without them no amount of diligence and ambition could have transformed the wilderness into an economic powerhouse. Without diligence and ambition little would have been done with the most abundant supply of resources.

When the American nation was born, it consisted overwhelmingly of family farms. More than 72 percent of all workers toiled on farms, and only about 5 percent of Americans lived in towns or villages of more than 2,500 people. Most goods were made at home for family use. Artisans did most of the modest manufacturing outside the home along with workers at shipyards and ropewalks, candle makers, and rum distillers. Industry scarcely existed. Virginia had the only working coal mines, and their output scarcely reached a thousand tons a year. Some iron was produced, largely on special plantations, but other metals had to be imported. The general merchant remained the dominant business figure in the economy, serving as financier, distributor, arranger of transportation, and, in league with his fellow merchants, insurer of ships and cargos. In the few cities a sprinkling of shopkeepers emerged. Most of them bought their goods from the general merchants, who sold at both wholesale and retail.

These early generations of Americans reshaped the wilderness into their own vision of civilization. By 1800 their world had come a long way from the first primitive settlements in the early seventeenth century. Forests,

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their supply of game depleted, had been converted into tidy fields or large plantations, the native Americans subdued or alienated, the imported black people fastened into the chains of slavery, and the population of European immigrants and their descendents growing steadily. Two tiny settlements had mushroomed into thirteen states, and restless pioneers poured across the Appalachian Mountains into the back country, planting the seeds for national expansion by repeating the scenario of converting wilderness into civilization.

As the nation grew larger, problems of transportation and communication grew greater. As the population increased, so did the demand for goods and materials. As the economy expanded, it became more specialized. Growth created political strains as well. If the Constitution created a new American nation in place of a weak Confederation, Thomas Jefferson's purchase of Louisiana in 1803 gave that nation a future it had scarcely dreamed of: the potential to occupy the entire continent. Embracing 529 million acres of land, the purchase more than doubled the size of the United States. Some people doubted whether one government could effectively represent or control even its existing amount of territory, let alone this enormous addition.

The United States had been created a mere fourteen years earlier by a document that gained approval only by sweeping several key issues such as slavery and secession under the rug. Influential people in New England and elsewhere still harbored separatist ambitions. The political and economic desires of New England often clashed with those of the southern states led by Virginia. The region west of the Appalachian Mountains amounted to a wild card in the nation's destiny, perpetually upsetting the balance of power between the original northern and southern states. As settlers poured into its lands, many easterners doubted the ability of the new government to organize or rule the area effectively. They also saw in the rise of new western states a dilution of their own political influence. Their fears were compounded by the presence of foreign powers on every side: the British in Canada, the Spanish in Louisiana (before Napoleon returned it to French control) and Florida, and the French in the Caribbean.

Surprisingly, the Louisiana Purchase did not sate the American appetite for growth even though its huge expanse took decades to digest. Rather it unleashed in Americans a comparable lust for expansion and empire

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that continued unabated through the nineteenth century. This pattern of rapid growth, fed by a buoyant ideology that came to be popularly known as “Manifest Destiny,” bred conflict and soon exposed a glaring clash between American ideals and ambitions, one that gnawed deeply at Jefferson’s soul from the beginning. It demonstrated that to many if not most Americans, expansion and acquisition, for all the agonizing and hand wringing that accompanied it, mattered more than anything else.

Among other things the Louisiana transaction compelled Jefferson to go against his own deeply held belief as to the limits of federal power under the Constitution. At a time when the infant nation was struggling to turn its new founding framework into a working system, the purchase provoked a constitutional crisis by undermining the position of those who advocated a strict construction of the document. That a president who had always been a strict constructionist reversed his position so blatantly in the case of the purchase made the effect even more telling. The precedent of this broader approach to interpreting the Constitution proved crucial in the nation’s future growth and development. It also opened the door to later expansion of executive power.

Nor was that all. The Louisiana Purchase also sowed the seeds for an expansion of slavery and with it the rise of secessionist theory that ultimately brought to an explosive head the differences between North and South already evident at the dawn of the century. It helped deliver much of the prime land of the South into the hands of planters rather than yeoman farmers, thereby fastening the institution of slavery onto the region. The fragility of American nationalism, so painfully apparent at the time of the purchase, mutated into an even greater and more potent schism during that next half century. With the purchase began a pattern in which expansion inflamed differences between the sections and often provoked political crises ranging from the Missouri controversy of 1819 to the debate over slavery in the territories that followed the Mexican War. It also accelerated the pressure to remove those Indian tribes that occupied land coveted by settlers and planters.

The Louisiana Purchase had still another long-term consequence. Unwittingly it fashioned a precedent for the creation of a republic that embraced diversity with all its strains and dangers. The acquisition of New Orleans with its Creole, French-speaking, Catholic population brought into the United States a culture unlike any other. Whatever diversity

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already existed in American culture paled in comparison with this new addition to the national mix. During the nineteenth century this pattern of adding new cultures continued at an ever accelerating pace but with a significant difference. Immigrants to the United States brought their strange customs, languages, and values into an unfamiliar setting; Louisiana's residents brought to the Union the place or source of their exotica as well, as did the Southwest territories wrested from Mexico later in the century.

But all these developments lay in the future. At bottom the Louisiana Purchase revealed yet again the willingness of Americans to embrace economic opportunity in the short term regardless of what long-term consequences might ensue. Opportunity was the magic word. As early as the 1770s Hector St. John de Crèvecoeur, a transplanted Frenchman living in Orange County, New York, articulated the essence of what became known as the American Dream:

There is room for everybody in America: has he any particular talent, or industry? he exerts it in order to produce a livelihood, and it succeeds. Is he a merchant? the avenues of trade are infinite; is he eminent in any respect? he will be employed and respected. Does he love a country life? pleasant farms present themselves; he may purchase what he wants, and thereby become an American farmer. Is he a labourer, sober and industrious? he need not go many miles . . . before he will be hired, well fed at the table of his employer, and paid four or five times more than he can get in Europe. Does he want uncultivated lands? thousands of acres present themselves, which he may purchase cheap.

Nor was Crèvecoeur alone in this view. In 1815 Hezekiah Niles, proprietor of the influential *Niles Weekly Register*, noted the “almost *universal ambition to get forward*” among his countrymen. How different this was, he thought, from the Englishman, where “once a journeyman weaver always a journeyman weaver.” In the United States, Niles reported, “one half of our wealthy men, over 45 years of age, were once common day laborers or journeymen, or otherwise very humble in their circumstances when they began.” More than a decade later Tocqueville noticed the same characteristic. Americans, he declared, were “haunted by visions of what will be.” To that end they were willing to take up any calling or work. “Americans therefore change their means of gaining a livelihood very readily,” added

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Tocqueville, “and they suit their occupations to the exigencies of the moment. . . . No natural boundary seems to be set to the efforts of man; and in his eyes what is not yet done is only what he has not attempted to do.”

From the very first this desire to make a new life, to get ahead, lay at the core of American values. Freedom and liberty mattered greatly, but freedom to do what, if not to better one’s material lot in life? To worship the god of one’s choice counted for much, but even those fleeing religious persecution were eager to improve their social and material standing as well. No one ever accused the Puritans of a lack of ambition or acquisitiveness. In their rush to get ahead, only a few Americans cared or even thought about what effects their actions of today might have on tomorrow or the next day. And the American environment encouraged this way of doing things. If farmers exhausted the soil or chopped down a forest, they need only move farther west to find fresh soil or new forests. In this manner they depleted the resources of whole regions in a remarkably short time.

Slavery offered a prime example of this pattern. It did not arrive in America full-blown but rather evolved gradually into an institution designed to serve immediate economic needs. As it became clear that certain crops, most notably cotton, tobacco, and rice, could be grown profitably in large quantities, planters organized plantations to produce on scale. However, plantations or even smaller farms required a reliable labor force. Indentured servants, whose lot was not far removed from slavery, proved inadequate to the need. Their term of service expired at some point, and many ran away before that time to start their own life in some distant place. White indentured servants simply vanished into the population, but black servants could not. Eventually the status of black servants mutated by law into the institution of slavery in those states where captive labor was needed even though the arrangement ran counter to the most basic American principles. Other states abolished slavery (but not their prejudice against black people), thereby setting the stage for the worst and most enduring conflict in American history.

Put another way, slavery began as a solution to a short-term labor problem and escalated into a rigid, archaic institution grounded in racial as well as economic issues. Few early Americans imagined even remotely the nightmare it would become. Slavery also became widespread because of another crucial element in the creation of the American economic hothouse: technology. The invention of the cotton gin by Eli Whitney