



ENCYCLOPEDIA OF AMERICAN ECONOMIC HISTORY

STUDIES OF THE PRINCIPAL MOVEMENTS AND IDEAS

Glenn Porter
Editor

I

Encyclopedia of
**AMERICAN
ECONOMIC
HISTORY**

*Studies of the Principal
Movements and Ideas*

Glenn Porter, *EDITOR*

University of Delaware / Eleutherian Mills-Hagley Foundation

Volume I

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PREFACE

PERHAPS more than any other nation, the United States has always found its sense of purpose primarily in materialism. The pursuit of ever higher levels of material living has had a most profound influence on the history of American culture and institutions. Joined with a deep sense of optimism, idealism, and egalitarianism, materialism has given American civilization its distinctive cast.

Since the 1960's, Americans have had occasion to wonder whether in the future society can continue to be organized around the same set of values and goals. Many have been deeply concerned about such problems as the environmental consequences of continued economic expansion, the future availability of adequate supplies of energy and raw materials, and the risks of increasingly complex and dangerous technologies, such as nuclear power. Although somewhat similar concerns have appeared at points in the past, each time they have eased as economic progress reappeared and as American institutions and attitudes proved sufficiently resilient and flexible. Whatever may lie ahead, the cumulative force of the American economic experience from the seventeenth century to the present will strongly influence the future. The material past may have prepared us well or ill, but it has prepared us.

Despite its central place in the evolution of American civilization, economic history has never been very well integrated into most historians' or most educated Americans' view of the past. The aim of the *Encyclopedia of American Economic History* is modest. It makes available in more or less cohesive form the views of many specialists on a number of aspects of the collective American economic experience as it is understood in the latter part of the 1970's. The editors have tried to encourage the authors of these articles to write for the educated, intelligent layman, not just for other specialists. On the whole, I believe that this objective was achieved. It is too much to hope that a single reference work can significantly alter the prevailing general level of understanding of the economic history of the United States. But it is reasonable to hope that this *Encyclopedia* makes a contribution toward that end.

As it does so, the *Encyclopedia* manages the task through bits and pieces rather than by presenting a single, all-encompassing framework. Even more than most academic disciplines, economic history has been prone to balkanization in the last couple of decades. These splits, these differing perspectives and approaches, are clearly reflected in the various articles in these volumes. The "old" and the "new" economic history are represented here; the questions and methods of the formerly dominant historians as well as those of the currently dominant economists. In addition, the *Encyclopedia* contains articles on some aspects of American social history that are closely related to the American economic past. That last approach may offer the best hope of avoiding what seems to be the clear and present danger of economic history's becoming cut off from the mainstream of the study of American history.

Economic history has always seemed a bit dry, intricate, and arcane to

PREFACE

nonspecialists, and it has doubtless seemed even more so in recent years. In exercising my own catholic tastes in defining and organizing the field for the purposes of this work, I have attempted to preserve and present a range of valuable perspectives from a subdiscipline very much in flux. In the early planning stages of this *Encyclopedia* it was decided to have a collection of moderately lengthy essays on major topics, rather than a series of many short entries on events, institutions, and individuals. There are advantages to, and problems with, both approaches, but I wanted to give many of the talented practitioners of economic history enough "elbow room" to display their particular interests and methods. As is the case with all collective undertakings, the results are not uniform, but I hope that the resulting *Encyclopedia* at the very least will seem worthwhile and at its best perhaps even distinctive.

The organization of this work deserves comment. Any historical field has its own past, and it seemed appropriate to begin with a section on historiography. The chronological section is an attempt to provide brief overviews of major economic trends, within the boundaries established by the traditions of political history. The topics discussed under the growth rubric reflect primarily the approaches taken by economists and the "new" economic historians, who emphasize the use of theory and a focus on the aggregate expansion of the economy. The institutional section is, generally, representative of the questions and methods of those trained in departments of history. Finally, the social history articles incorporate some of the work of scholars trying to assess the human consequences of changing institutions and shifting aggregate patterns. I have sought some degree of balance and variety in defining and subdividing what I see as the several dimensions of American economic history.

The selection of topics and of contributors involved, inevitably, a certain degree of editorial bias. Others would surely have fashioned a somewhat different list of subjects and would have sought different authors. While there were some contributors and some topics we tried unsuccessfully to include, on the whole it was gratifying to find that so many highly able and busy people were willing to take part. What appears here is substantially what we hoped for when the project was initiated. I am extremely grateful to all those who contributed articles.

I would also like to express my thanks to a number of people who helped bring this collection to fruition. First on the list are the scholars who kindly agreed to serve as an editorial advisory board: Alfred D. Chandler, Jr., Harvard University; Stanley Engerman, University of Rochester; George D. Green, University of Minnesota; Nathan Rosenberg, Stanford University; and Harold D. Woodman, Purdue University. All assisted in the critical process of defining topics and suggesting authors. Merritt Roe Smith of the Massachusetts Institute of Technology generously played a similar role in an unofficial capacity. Marshall De Bruhl, Director of the Reference Book Division at Charles Scribner's Sons, was involved from the beginning of the undertaking, and he provided much-needed encouragement and reassurance at times when it seemed that we might never see the end. Elsie Kearns and Louise B. Ketz also worked on the book at Scribners in its early stages. David William Voorhees, the Managing Editor, labored tirelessly and well in the later phases, and I am particularly in his debt. His energy, dedication, and goodwill were vital elements in the completion of this *Encyclopedia*.

Glenn Porter

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Part I
THE
HISTORIOGRAPHY
OF AMERICAN
ECONOMIC
HISTORY

HISTORIOGRAPHY OF AMERICAN ECONOMIC HISTORY

William N. Parker

LIKE the agrarian and industrial culture that it treats, the writing on American economic history has derived to a large degree from European traditions. But until late in the nineteenth century, history in Europe meant political history, with military and diplomatic history as an adjunct. The deeds of the prince, the constitutions of states, wars and intrigues, and the dealings of states with one another filled the mainstream of history-writing from Herodotus through the historians of the European nation-states—Heinrich von Treitschke, James Froude, and François Guizot. The high literary accomplishment of Edward Gibbon and Thomas Babington Macaulay was continued in the school of the Boston historians of the 1840's—John Motley, William Prescott, and, later, Francis Parkman; but neither they nor the academic historians in America before 1890 dealt with social or economic history in any modern sense of the word.

THE EUROPEAN BACKGROUND

That history should deal with mankind's economic and social life was an idea implicit in the thinking of the Scottish philosophers and French philosophes of the eighteenth century—Adam Smith, John Millar, Montesquieu, and even Jean Jacques Rousseau. It owes much also to the early social scientists, Gregory King, the Physiocrats, and Jeremy Bentham. The democratic or romantic idealism of the decades in Germany and England following the French Revolution gave it further impetus. The primitive sociology of the British political economists Thomas Malthus and James Mill, or of Friedrich List, Wilhelm Roscher, and others of the older historical

school in Germany, emphasized dynamic social or economic processes—the growth of population, wealth, land rent, and productive forces. In their writings, historical fact and rudimentary anthropological observation are used as illustrative detail rather than as historical and sociological accounts for their own sake. These early impulses to examine changes in the economic life and activities of human society found their culmination in the historical portions of Karl Marx's work, particularly in Volume 1 of *Das Kapital*.

Following Marx, socialist historiography, resting on a materialist conception of psychology and of history, examined history, and even prehistory, as the struggle between classes built on the mode of production. German writers like Max Weber and Joseph A. Schumpeter produced startling and profound insights into the processes of socioeconomic change influenced by Marx, but without adhering to a Marxian psychology or sociology. In all these semi-philosophical systems, historical fact was a necessary ingredient, and the facts required were not those of politics and war but of the economic and social life of past ages. Theory was used to illuminate fact, although the theories themselves were hardly capable of testing or of refutation from the historical record.

The Enlightenment's faith in reason, in the deduction from first principles which gave the start to modern economic and social theory, was mixed with a willingness on the part of its thinkers to expose themselves to the observation of social life as exhibited in history and in the world around them. Curiosity and the examination of sense data—important ingredients in the scientific method—were given free vent, and from this the school of non-Marxian, realistic nineteenth-century historiography emerged. There are sev-

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eral sources for the extreme empiricism demonstrated in the attitudes and works of historians of the later, or younger, historical school in Germany—particularly Gustav Schmoller and his students—and in England. One is simply an aping of what was conceived to be the successful methods of the natural sciences, particularly of chemistry and biology, where observation and classification preceded theory and generalization. But a political and class bias was also not wholly absent and much of the empirical work was motivated by the desire to counter the apocalyptic vision of Marx and the socialists concerning the bourgeois world of the late nineteenth century.

Perhaps the strongest compulsion derived from the realist historians' familiarity with the traditional methods of political history and its reliance on scrupulous examination of documentary evidence. The significance of theory in scientific method was not fully understood in this historiography. But a more serious error was the failure to appreciate the special problems of evidence in a historical situation where the power of decision-making is widely diffused. Much as in biology, the development of valid scientific method in socioeconomic history had to await the appreciation of the importance of stochastic processes and statistical techniques in the treatment of the massy data of whole societies, particularly of democratic ones. The papers of a few key figures, the exact establishment of texts, and the interpretation of the motives of leaders—all the stuff of political and even intellectual history—became ludicrous as a method when transferred to the behavior of the swarm of mankind in its social and economic life.

In these currents of late nineteenth-century social thought, where the influences of Charles Darwin and Marx mingled with the older, more austere rationalism and empiricism of an earlier science and historiography, the writing of the account of socioeconomic change in Western civilization got under way. In each of the major Western countries, economic history developed in similar schools along many of the same lines, with, however, national differences arising both out of the national cultural style and intellectual traditions, and out of the historical materials and phenomena with which historians had to deal. Each of the national schools had an influence on American historiography, which adapted the

European forms with distinctive features and some originality as it tackled the problems unique to the American experience.

Until recently, French historiography—brilliant and prolific on its own soil—had the least direct influence. In the works of an earlier academic school, typified by Henri Sée, the emphasis was directed to illuminating the socioeconomic background to political history, particularly, in the line of Marxian socialist historiography, the social interpretation of the French Revolution and of the political upheavals of the nineteenth century. At the same time, the great French geographer Paul Vidal de la Blanche developed a naturalistic or environmentalist approach to the study of man and society—an approach that accorded well with a certain strain of romantic enthusiasm that French regional historians exhibited toward the totality of life in their chosen provinces. It proved not beyond the ingenuity of French literary art to combine the materialism of the Marxist with that of the geographer to produce the strong and warmly human work of the *Annales* school, in which many ingredients, as in a hearty provincial soup, were blended. The translation into English of major works of the French writers Marc Bloch, Fernand Braudel, Georges Duby, and Emmanuel Le Roy Ladurie has made an impact on American social historians. At the same time the American enthusiasm for quantitative measurement and data has been anticipated or taken up by some notable French economic historians (Ernest Labrousse, Maurice Lévy-Leboyer, and Jan Marczewski). In American historiography too, the social structure and the influence of the physical environment form the themes of two major schools—the institutionalist and the Turnerian. But the blending of the two into powerful regional and epochal studies like the French has not been achieved.

The English historiographic tradition is closer to the American than is the French, but not so close as the German. It was dominated by a contest between a socialist school, beginning with Arnold Toynbee, the elder, and containing such distinguished representatives as Richard H. Tawney, Sydney and Beatrice Webb, John and Barbara Hammond, and a Liberal or Tory school—William Ashley, John H. Clapham, Lillian Knowles, and Thomas S. Ashton. Emphasis in

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the English writing was on economic policy, particularly on the struggle between mercantilism and laissez-faire. Socialist writers—Fabian, Christian, or Marxian—tended to employ the history in the remote service of polemics, producing from it, in Tawney in particular, a critique of modern capitalism. “Bourgeois” writers claimed to write history in a neutral fashion, “as it really happened,” supplying economists with the facts from which economic theory might spin out its generalizations. The relation of economic history to economics in England has been indeed a curious one since very little economics was used in the history and very little history in the economics, yet both fields maintained a certain distant respect for one another.

The English economic historian William Ashley was responsible for establishing academic work in economic history in the United States when in 1892 he accepted a chair in the field at Harvard. But Ashley himself was strongly under the influence of the contemporary German scholarship, and his successor in the field at Harvard, Edwin F. Gay, was even more so. Gay, indeed, was a unique figure in the establishment of the field in the United States and in directing the attention of American historians and economists to it. A man of some personal means and of commanding presence, Gay went from Michigan in 1890 to graduate work, first in medieval and ecclesiastical history at Leipzig, then at Berlin, where he became converted to economic history by attending the meetings of Schmoller’s famous seminar in 1893. Although he wrote very little, Gay introduced into the United States by precept, and by sheer entrepreneurial vigor, the standards and techniques of German empiricism in economic history, supplementing in this way the similar transfer in political historiography by Henry Carter Adams at Johns Hopkins University. Emphasis was placed in the German work on accurate descriptive studies of economic forms—manors, guilds, industrial organizations, and the evolution of a material economy. The socialist strain, prominent in French and English writing, was decidedly muted in this fact-minded, nationalistic historiography.

French, English, and German historiography in economic history from the late nineteenth to the mid twentieth century exhibited some common traits—in particular a concern with aspects of socioeconomic life below the immediate de-

tails of political, diplomatic, military, and intellectual history; a sense of social evolution and adaptation; and some more or less self-conscious attitudes toward contemporary issues of economic policy and reform. The influences of Darwin and Marx are everywhere apparent, in varying proportions and degrees. But in the United States these tendencies expressed themselves with neither so strong an emphasis on regional physical environment as the French made, nor so keen an interest in economic policy as the English work reflected.

The American industrial experience in the nineteenth century was like that of the German in many ways, and the emphasis of both on industrial forms and industrial growth, and on the development of a national market and national institutions, was not an unnatural one. But in German historiography there was a certain schizophrenia, a bifurcation so to speak, between the minute and the mystical; exhibited on the one hand in the excessively detailed factual descriptive studies of some of the students of Schmoller, and on the other in the erection of schematic generalizations and ideal types in the work of Karl Bücher, Werner Sombart, Max Weber, and Schmoller himself. These extremes were somewhat attenuated in the English and American work, which appears therefore more “sensible” and at the same time less thorough and less profound.

THREE CENTRAL FIGURES

Under these precedents and subject to most of these same currents in Western thought, the study by Americans of the economic history of their country began to take shape after 1900. Its great figures among American historians were Frederick Jackson Turner, for the history of geographical expansion to the west, Charles A. Beard, for the history of industrial society, and Ulrich B. Phillips, for the history of the southern economy under slavery. The magisterial work of these historians exhibits both a sweep and an originality, deriving from a sympathetic intimacy with human and economic reality that is present to a less striking degree in works of more limited and academic a character.

Frederick Jackson Turner is without doubt the central figure in American economic and social

HISTORIOGRAPHY OF AMERICAN ECONOMIC HISTORY

historiography, for the phenomena and institutions he undertook to explain are most characteristically American. Frontier life and agrarian settlement are not unique to the American continent, but the American frontier is certainly the most conspicuous in modern Western history. The occurrence of the frontier in the eighteenth and nineteenth centuries, with free land and an astonishing abundance of resources—so near and yet so far from Europe—provides a dramatic example of the processes of institution-formation by free men on virgin soil which history had not furnished since the Germanic or even the neolithic migrations and settlements in Europe. Turner was an environmentalist, almost (but not quite) a geographical determinist; and his vision of an American character in political, social, and economic life—a character set by the struggle of hunters, miners, settlers, and farmers in successive waves with the raw material of the continent—gave American historians a history of their own to work from, and inspired a vast succession of regional and local studies. Frederick Merk and Ray Billington, to name only two “Turnerians,” carried on the tradition in close, thoughtful, accurate, and dramatic detail. Turner’s essays and classes were in a sense to American historiography what Mark Twain’s central books were to American literature—a truly native statement of what was distinct from Europe, at once provincial and universal, in the American experience. He was an economic historian in that he held to a nineteenth-century materialistic explanation not only of economic, but of social and political institutions, and indeed of human character. To him, Americans had rushed across the continent like water into an empty vessel, assuming in the process the shape of the container.

What Turner and his school lacked was a close awareness of the immediacy, almost the primacy, of capitalist motivations and market institutions in American economic life. In their effort to distinguish American political and cultural traits and history from the European, they neglected to observe the obvious fact—that American civilization, although shaped by a struggle with an untamed continent, had used tools forged in Europe, tools peculiarly adapted, as it happened, to this struggle. Small-scale capitalism, which trappers, prospectors, hunters, settlers, speculators, and early farmers expressed, flourishes best

and is most effective in situations of high uncertainty and high payoff. But what develops from such an economic experience is not the simple agrarian society of the Wisconsin of Turner’s youth, but the tangle of modern competitive and corporate business. In this, America appeared not simply as derivative from Europe, but as the ground on which the tendencies of Western capitalism could find fullest and most uncontrolled expression.

The commercial and industrial aspects of American society found a historian in Charles A. Beard, particularly in the book done jointly with Mary Beard, *The Rise of American Civilization* (1927). Their treatment showed American history as the formation, out of native materials, of the main features of industrial capitalism as Marx delineated them—of social classes derived out of economic interests, and of a northern bourgeoisie triumphant over southern slaveholders and western agrarians, organizing a powerful urban-industrial society and a national economy and polity in its interest. Both Turner and the Beards based their syntheses of American history on economic phenomena; both saw those as determining American society and the American character. Together they offered a nearly complete economic interpretation of American history.

Yet in any American history, the South is a special topic, with an economy, society, and folkways apart from the main lines of northern and western development. Compared to Turner and Beard, U. B. Phillips is a less significant figure and one less easily classifiable as an economic determinist. Like every Southerner, he had to come to terms, as Turner and Beard did not, with the paradox of racism and chattel slavery in a free democratic society and of the patriarchal plantation within a commercial capitalism. That he understood the economy of the antebellum South is amply illustrated by his early book on the railroad in the eastern cotton belt, and he pushed this understanding on to sympathetic explanation and description of southern mores and social relations. Perhaps, like Turner, he understood and loved his material only too well, and failed quite to probe the economic dynamic and accompanying social antagonisms that carried the body of southern civilization into war and a tragic postbellum career. Like Turner, Phillips inspired a number of local and state studies of his region—of southern slavery and agriculture