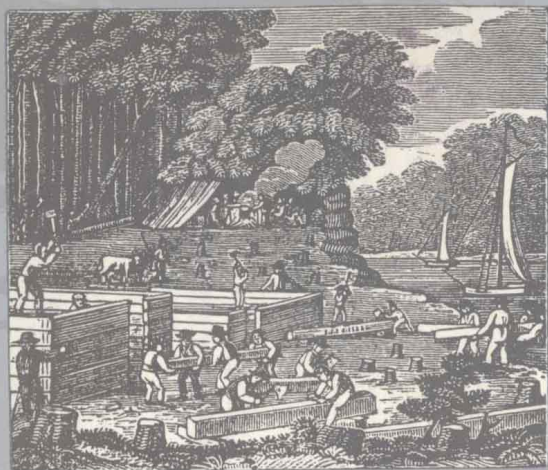


The Economic Transformation of America: 1600 to the Present



Second Edition

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Preface

For all intents and purposes, this Second Edition of *The Economic Transformation of America: 1600 to the Present* is a new book. It is nearly fifty percent longer than the first edition, it includes a wide range of issues that were not included in the original, and it follows a theme that will, we think, open new possibilities for the teaching of American economic history.

As in the first edition, the narrative line of the book is the development of American capitalism. Since the publication of that earlier edition, however, the work of Fernand Braudel has deeply influenced modern historiography, and we have availed ourselves of his distinctions among material life, economic life, and capitalism proper to place our narrative in a new light. Thus the reader will quickly discover that our book moves on three planes: the steady, dramatic change in the physical modes of transforming nature, the quickening pace and increasing complexity of the market nexus, and the overriding adventure—the “great maneuvers,” in Braudel’s words—of capitalism itself.

The book opens with a “voyage” to England to familiarize the reader with the material, economic, and capitalist (mercantilist) setting from which the American venture began, and then traces in detail the problems of establishing the original colonial footholds. Chapters 3 and 4, in particular, discuss colonial demography, commerce, social classes, and foreign economic relations—all new material.

Part Two treats more fully a number of topics that fit within our thematic scheme. The Hamiltonian program is discussed in Chapter 5; the birth of the factory system and the Transportation Revolution in Chapter 6; the role of slavery as a cause of the Civil War (and of course the war itself) in Chapter 7. We have utilized recent scholarship in these areas not only to bring the student to the frontiers of our present knowledge, but also to make clear where the areas of uncertainty and controversy lie.

Part Three, on the industrialization of the economy, is the least changed in organization, although the Braudelian schema allows us

to add a new dimension of significance to many familiar subjects. The organization of the industrial process, the changing shape of the labor market, the rise of the visible hand—in Alfred Chandler's terminology—and the movement toward business consolidation all receive expanded treatment in Chapters 8–11. The ghetto, the entry of women into economic life, and the “homogenization” of labor also find their places in our expanded treatment.

In Part Four we bring the reader into the present phase of American economic development. We have added an extensive review of the ordeal of the Great Depression and the legislation that resulted, and of the rise of the welfare state under Presidents Truman and Eisenhower. At the end of our text, in Chapters 15 and 16, we come down to the uncertainties of modern times, in which a new international phase of capitalism seems to be testing the adaptive capabilities of our country. Although circumspect, as befits historians, we have ventured some speculations as to the causes and possible consequences of this unfinished chapter of our history.

Collectively these revisions represent our best effort to make comprehensible, plausible, and above all interesting the extraordinary drama of America's “transformation.” If we have one primary objective, it is to make students conscious of the fact that this transformation has been a drama and that it is not yet complete. We have been enormously gratified by the positive response to our first edition that has made this second one a possibility. We look forward eagerly to hearing—affirmatively or critically—from students and teachers regarding our present effort.

ROBERT HEILBRONER
AARON SINGER

Contents

Preface **v**

PART I **THE COLONIAL STRUGGLE** **1**

- 1** **Economic Transformation as a Theme of History** **2**
 - What Is History? 3
 - The Intertwined Strands of History 5
- 2** **Out of the European Cradle** **16**
 - Material Life in Europe 17
 - Economic Life 19
 - The Age of Mercantilism 25
- 3** **The Colonization of America** **28**
 - First Settlements 30
 - Material and Economic Life in the Colonies 35
 - Systems of Servitude 40
 - Currents of American Trade 42
- 4** **Setting the Economic Stage** **50**
 - Population Explosion 52
 - Social Classes 55
 - Riches and Poverty 60
 - The Momentum of Growth 62

PART II **AN AMERICAN ECONOMY TAKES SHAPE** **66**

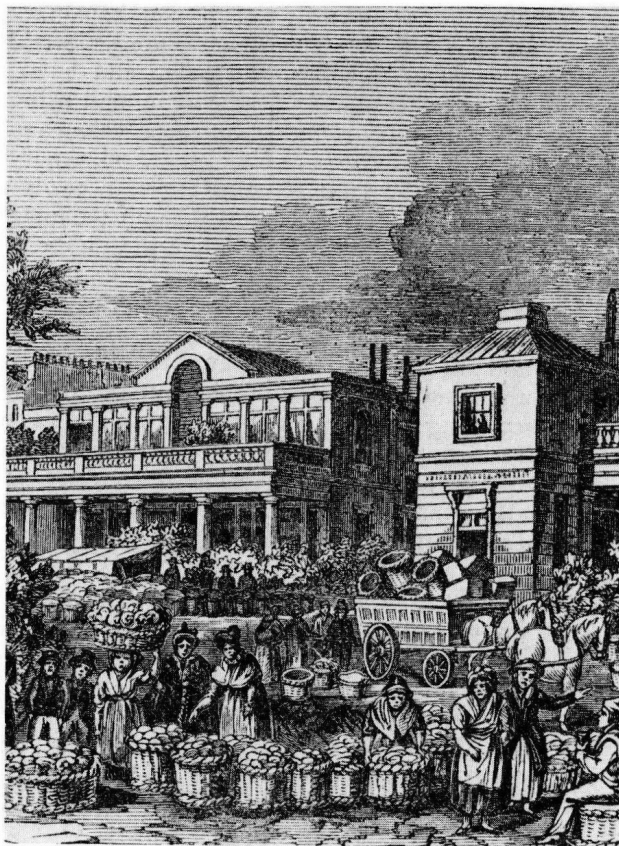
- 5** **The Declaration of Economic Independence** **68**
 - Economic Frictions 70
 - Political Self-Determination 71
 - Doubts, Misgivings, and False Starts 74
 - The Turn Toward Industry 81
- 6** **Preparations for the Age of Manufacture** **88**
 - The Web of Transportation 91
 - Forging a Labor Force 101
 - Technology and Growth 108

7	The Structural Transformation	116
	Economic Growth and Change	118
	The Coming of the War	125
	After the War	133
	Changes and Stimuli	134
PART III	INDUSTRIALIZATION TAKES COMMAND	140
8	The Age of the Businessman	142
	The Business Thrust	143
	The Robber Barons	149
	The Celebration of Wealth	153
	From Baron to Bureaucrat	157
9	The Technology of Industrialization	168
	The Rise of Steel	169
	The Economics of Size	175
	The Technology of Organization	183
10	From Trust to Antitrust	192
	The Spirit of the Age	193
	The Merger Movement	202
	The Antitrust Movement	204
11	Workers and Work	218
	The Conditions of Work	220
	The Worker's Standard of Living	228
	The Worsening of Work	235
	Productivity	242
12	Industrialization Rubs Off on Life	248
	Urbanization	250
	Machinery and Material Life	258
	The Triumph of Industrialization	263
PART IV	FROM LAISSEZ FAIRE TO MIXED ECONOMY	268
13	The Great Depression	270
	The Stock Market Boom	272
	The Crash	274

	The Depression of the 1930s	277
	Behind the Collapse	282
	The Anatomy of Depression	287
14	The New Deal	296
	The Hundred Days	298
	The New Deal in Perspective	307
15	From Postwar Boom to Postwar Inflation	318
	Postwar Growth	321
	The Changing Role of Government	325
	From Growth to Inflation	328
16	American Capitalism: Retrospect and Prospect	336
	Material Life	338
	Economic Life	340
	Capitalism in America	346
	A Global Crisis for Capitalism?	351
	Suggestions for Further Reading	354
	Index	362

Part One

The Colonial Struggle



A London market in the seventeenth century

Chapter 1

Economic Transformation as a Theme of History

WE ARE ABOUT to begin the study of American history from an unaccustomed perspective—the perspective of the economic transformation of American life. And we are going to open our examination of this perspective by asking an unaccustomed question: *What is history?*

What Is History?

This may seem a roundabout and pointless way to broach our subject. Why not proceed directly to the matter at hand? What is to be gained by asking so simple a question? Is history not the record of what has happened, the chronicle of what we know about the past?

The question is not so simple, however. For *which* among many

pasts is our history? Is it the past that we learn when we memorize lists of presidents? Is it the past memorialized by the dates of wars? Is it the past reflected in the archives of newspapers? Or is it all these pasts together, some immense volume in which we find presidents, wars, the news, and all else?

The inquiry brings us to a disconcerting recognition. There is no such immense volume. Indeed, none is possible. A history that included all the threads of our past would require us to know everything that had ever happened. That is more than we can know about our own lives, much less the lives of others. History in this all-encompassing sense can never be written.

We are left, then, with the need to write history from some perspective, highlighting one theme or another from our "total" history. There are innumerable such possibilities. We can write histories of American politics, art, social life, crime—each with its own cast of characters and plot. Needless to say, the same event may enter into more than one such history, and different histories may feature quite different events. The assassinations of Lincoln and Kennedy, for example, certainly bulk large in the history of politics, but they would figure as well in a history of American crime—although in that context they would be reduced to the insignificant status of mere homicides. The development of jazz figures large in American social history but not in American diplomatic history. *Thus the choice of a theme is a decisive determinant of what we will find in "history."*

These brief reflections help us when we now turn to the theme of this book. For the choice of economic transformation causes us to view events from a perspective different from that of the usual American history. Its cast of characters features business leaders, working men and women, inventors, not the usual presidents, generals, or patriots. Its plot ignores the great epic of American democratic development and dwells instead on the less familiar currents of economic expansion and conflict. Technical processes, such as steelmaking, play a role as central as those usually accorded to political processes such as lawmaking. Enormous events like the Civil War appear only in the background, whereas matters that we ordinarily hardly bother to notice, such as J.P. Morgan's purchase of the Carnegie Steel Company, suddenly loom very large.

Why study the past from such an unusual angle? The answer is that our perspective has an extraordinary power of illumination. Not all themes of history shed equal light on other themes. It is the property of the theme of economic transformation that it touches on so many others. In fact, it is not too much to say that without a comprehension of the American economic transformation many other histories of American life remain unintelligible. Certainly the great drama of our democratic evolution loses most of its meaning unless we project it against the changeful backdrop of economic events. So, too, the histories of social change, of science or literature or even fashion—in short, most of the innumerable histories that can be written about America—require for their full understanding a grasp of the profound economic transformation through which America has passed.

The Intertwined Strands of History

MATERIAL LIFE

And so we arrive at our beginning and can put the question we have been waiting for: What do we mean by the economic transformation of America?

In one sense we know immediately what we mean. America in the beginning was a vast, untamed wilderness; today it is a complex industrial civilization. Where there were once virgin forests there are today interstate highways. Where rivers met in solitude there are great cities. Where the voice of the continent was the murmur of nature it is now the chatter of trade and commerce. The economic transformation of America is the narrative of that all-embracing change, a change we are all generally familiar with, however imprecisely we can describe its historic course.

But we need something more sharply focused if we are to study the transformation in a systematic rather than an impressionistic way. Here it is useful to view the great transformation in terms proposed by the great modern French historian Fernand Braudel.¹ Braudel sees in history three intertwined but distinguishable strands.

One of these he calls *material life*. By material life Braudel means



Peasants plowing with wooden plow and sowing by hand

the routines of daily work, the everyday round of the the tasks by which we sustain ourselves. Thus material life covers the means by which we travel to work, the efforts we perform there, the products we make and use. We would not be far wrong if we thought of material life as the technology at hand and the goods we enjoy. Needless to say, both change dramatically over history: compare the material life of the peasant walking to his task, swinging his scythe, eating his coarse bread, with that of today's worker, driving to his office, using his computer, shopping on the way home.

Part of the economic transformation therefore consists of the evolving technology with which we undertake our worldly tasks. Braudel has a phrase that highlights vividly its importance: material life, he says, sets "the limits of the possible." We cannot understand the overarching narrative of our economic transformation without understanding how those limits have changed.



Modern four-wheel-power tractor

ECONOMIC LIFE

A second strand of our economic transformation touches on a level that Braudel calls *economic life*. Braudel does not mean the whole range of activities that we think of as “economic,” but a level of activity just above the routines and techniques of workaday activity itself. Mainly it encompasses market activity—the jostling of buyers and sellers on the market square, the complex acts of offer and bid, purchase and sale, that make possible the essential social relationship of exchange.

Perhaps we would not ordinarily think of economic life as constituting an aspect of economic experience of equal importance with material life. But we would be wrong. As Braudel points out, it is in the marketplace that the peasant first transcends the narrow world of family and friends and fellow workers to enter relationships with

utter strangers, thereby becoming aware, however dimly, of a world beyond that of his or her immediate experience. In the same way, economic life today continues to bind us into a larger (and still often dimly perceived) world when market forces that we ordinarily ignore suddenly take on hurricane force and raise the price of oil fivefold, or blow away the whole market for the goods we produce or the skills we offer.

Thus another strand of our overall theme is the evolution of our involvement with the market, both as buyers of goods and as suppliers of our energies. A vital part of the economic transformation of America is the enlargement of economic life, from the near self-sufficiency of Pilgrim days, when market influences were reduced to a minimum, to contemporary life when its forces affect our destinies as decisively as the material foundation on which we stand.

CAPITALISM

Third, Braudel refers to *capitalism* itself. Capitalism is not an easy term to define. It embraces material and economic life, but it is also something more than the concrete processes of production and the realities of consumption, something larger than the skein of market relationships. Capitalism is a historic structure—a framework of forces, an ongoing process of historic change—that arches over both material and economic life, imbuing them with its particular dynamism, its unique influence.

And what is that dynamism, that influence? There is no single, and certainly no simple way of describing how capitalism molds and shapes and impels material and economic change. But we can gain some understanding of the nature of capitalism as the third, and most all-inclusive aspect of our economic transformation, if we pay heed to three elements that it introduces into material and economic life: capital, the market mechanism, and the division of economic and political activity.

1. *Capitalism is oriented to the continual accumulation of material wealth—as capital.*

Capitalism is not unique in its quest for wealth. All social systems above the level of the most primitive cultures accumulate wealth.

Indeed, one might say that one of the hallmarks of the first formation of “states”—whether they be kingdoms, empires, or what Karl Marx called “Asiatic despotisms”—is that they seek to amass wealth. Moreover the wealth amassed by these early imperial states can be dazzlingly great. The Great Wall of China, the immense pyramids of Egypt, the temple complexes of India or of the Incan and Aztec civilizations all testify to the ability of societies with low levels of material life to accumulate vast surpluses from sheer human labor. What is quintessentially different about capitalism is that its wealth takes on a form unlike that of any of these societies—the form of productive *capital*.

Precapitalist societies all used their accumulations of wealth for consumption purposes. The consumption was partly private—the luxuries made available to the ruling strata—and partly public—the great works whose splendors were shared by the populace, even though they were mainly intended to glorify the name of some ruler. Thus many centuries of Asian and European history present us with endless variations on a common theme—a vast, usually impoverished peasantry on the bottom, a ruling personage, with his entourage, on top celebrating his power with lavish consumption and magnificent works to immortalize his name.

Capitalism also has a ruling stratum that enjoys the wealth the system produces, and capitalism also builds mighty public works. But under capitalism the accumulation of society's wealth is put to a use that cannot be found in prior societies. *Wealth is used to build machines and equipment whose sole purpose is to create still more wealth.* The primary purpose of capitalist accumulation is not consumption for the upper classes or public monuments, but the creation of *capital*—wealth-in-general, produced for the sake of producing still more wealth. The nature of this wealth often takes the form of things that would never even be considered as wealth in a precapitalist society—steel ingots, or vats of chemicals, or parts of machines. The form does not matter, as long as the products can be sold and proceeds invested to create still more saleable wealth, more “capital.” As a consequence of this search for capital—wealth in any saleable form—capitalism takes on a property not to be found in prior societies. It becomes *expansive*—not so much in geographic extent