

## BUSINESS IN AMERICAN HISTORY

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By the late nineteenth century, acute observers of American society both foreign and native were impressed by the uniquely important position of business. Herbert Spencer spoke of Americans' "sole interest -- the interest in business."<sup>1</sup> Lord Bryce saw preoccupation with business as the result of extraordinary material development. "It is natural," he wrote, "that in the United States, business. . . should have come more and more to overshadow and dwarf all other interests, all other occupations. . . Business is king."<sup>2</sup> At the turn of the century Woodrow Wilson said: "Business underlies everything in our national life."<sup>3</sup>

Yet neither these scholars, nor their colleagues, seemed to think it necessary to write or think in detail about this institution that "underlies" all others, constituted Americans' "sole interest," and dominated the culture as a "king." In contrast they devoted themselves respectively to detailed discussions of the implications of science, the nature of politics and the conflicts of political and military institutions. If business was referred to it was usually either as an undefined and sinister force standing in the way of good government and a higher civilization or as exemplified in the illicit exploits of certain Robber Barons. "The supreme vice of what is called commercialism," wrote the widely popular commentator, Bishop Henry Codman Potter, "is that it is without an ideal."<sup>4</sup>

### I

Regarded as lacking in dignity and intrinsic importance by academic historians, business fared equally badly in the hands of the economists. The heritage of British classicism that formed the main stream of American economic thinking had little place for the effect of social institutions. The historical school, stemming from German ideas, on the other hand, saw law and government as important, but did not value an internal knowledge of the institutions of business. Consequently, the rise of economic history from 1900 on failed to produce any comparable history of business. For example, the history

of the influence of the railroads on national development was written about, but not their pioneer role in creating the new world of corporate management; the antitrust movement was duly recorded in all history texts, but nothing was written about the internal nature and dynamics of these rapidly growing business empires; economic pressures on government were discussed in terms of congressional leaders and votes without analyses of the business attitudes of the congressman and his important constituents.<sup>5</sup>

Not until business was undergoing critical analysis in the great depression of the thirties was a history of business written, in English. Miriam Beard's A History of the Business Man<sup>6</sup> was, however, more a series of sketches of various business scenes and figures from ancient times on than an analytical account. The following year Professor N. S. B. Gras published Business and Capitalism,<sup>7</sup> which, in the course of 400 pages, traced the rise of business from medieval times to contemporary America. While this was the work of a scholar who had devoted most of his career to the study of business, the scope was so broad that only an outline of a few major developments in American business emerged.

Meanwhile, the writing of individual company histories had been proceeding at a moderate pace. Neglecting earlier volumes of attack and defense written in the early twentieth century period of muckrake journalism, books scarcely concerned with the institutional problems of business, the scholarly type of company history began to appear in the twenties. Stimulated by increasing company grants to scholars or universities, such histories multiplied rapidly during the forties and fifties. By 1960 there were about fifty substantial, scholarly volumes on a wide range of companies. Studies of old medium-sized firms were the most numerous. Among the giant companies only Sears, Roebuck and some of the Standard Oil companies had histories in scholarly form. In addition the first three decades of the Ford Motor Company were fairly well covered in a two-volume biography of Henry Ford. The volumes as a whole, plus scores more done for public relations purposes by journalists, offered unsynthesized historical knowledge of a wide range of business practice and motivation.

Synthetic studies, efforts to see the business scene as a whole, have not, however, made any comparable progress. There are a few discussions of colonial or early 19th century artisans, shopkeepers and merchants, a few industrial studies which included information on the development of business practices, and a few analyses of business thought and attitudes. The only general histories that have appeared are still too brief to satisfy the need for an account of the many

facets of the institutions of business in their American setting. Yet the materials now exist in both the books just indicated, and in hundreds of articles and monographs, for an adequately structured synthesis of the history of business in the United States.

## II

Undoubtedly synthesis within the conventional field of business history will proceed rapidly. Several projects for one or more such volumes are already underway. The major unresolved problem of business history now appears to be: how shall it establish itself as an integral part of total American history ranking equally with politics, law or the conventional topics of social history? How shall business history, now regarded as an esoteric specialty scarcely more than peripheral to textbook discussion, move to a central position in the reconstruction of the American past?

The kind of popularization that business history is gaining in books such as Stewart Holbrook's the Age of the Moguls,<sup>8</sup> John Chamberlain's 1961-1962 series in Fortune on the history of American business, or a number of articles in American Heritage are not getting at the problem. They are adding an interesting folklore to the traditional historical narrative, but are not analyzing changing business institutions or building them into the popular conception of our history. The basic stuff of business history, to be sure, is difficult to popularize, but no more so than the really important material of political or social change.

The fact is that if as varied a set of institutions as those of business are properly to be included, a fundamental reorganization of the synthesis of American history is necessary. Within the last twenty years anthropologists, sociologists and social psychologists have provided usable models of how society functions. Models that do not need to be accepted by the historian as wholly correct, but rather as systems by which he can organize his material into a coherent whole. For to-night's discussion let us take the simplest type of model, one with which few social scientists would disagree, to wit, the importance and interdependence of major social institutions in determining the directions of cultural change. Such a model may, of course, be further refined by introducing status relations, roles, modal personalities and other social norms, but at this point there is neither time nor need for exploring these elaborations. From the standpoint of this discussion it is only necessary to define a social institution.

Robert C. Hanson of Michigan State University has made a study of the definitions of the term "institution" by sociologists, social

psychologists and cultural anthropologists between 1945 and 1956. He has found the following set of definitions widely acceptable: an institution is a complex of norms or rules regulating activity, or a set of behavioral patterns, a code of behavior, or a standardized group reaction pattern.<sup>9</sup> Professor Hanson distinguishes three characteristics inherent in any specific institution: first, organized social groups such as political parties or corporations; second, complex behavior patterns such as marriage, or competition in markets; and third, physical complexes such as churches, stores or factories.

Other sociologists stress the normative character of institutions. They are built around values that are supported by prescribed norms of conduct.<sup>10</sup> Institutions are also built around the performance of one or more social functions.<sup>11</sup>

Although in sum these definitions are precise and inclusive, they do not appear to depart significantly from the use of the term "institution" by historians. Therefore, without elaborating the problem of definition further, I will assume that such phrases as political institutions, religious institutions or business institutions convey enough shared meaning to permit useful discussion.

If American history is to be resynthesized on the basis of the importance of social institutions in causing change, it will be necessary to find ways tentatively to estimate both the importance of the institution and its causal relation to change. For these purposes, the importance might be rated on the basis of its influence on the goals of social behavior and the means of attaining them. Relation to change would then depend on how the particular goals and means emphasized by the institution altered previous goals and means. Means, in turn, involve both attitudes that encourage or discourage action and the effectiveness of the action itself.

Expressed in terms of social role, the institution of business comprises a number of social statuses and associated social roles. The roles are normally played in ways that will serve the goals of the institution, but successful innovations in role playing may alter behavior and ultimately the goals themselves. These alterations will react upon other major institutions and the whole top-level complex of goals and values.

In shaping American attitudes and personality in general, business institutions had one source of power that politics, religion or social activities lacked. The necessities of earning a living in past centuries forced townspeople to spend the greater part of their daily lives in contact with business institutions. And the evolving towns and cities came to dominate the society. Thus what was businesslike became the habitual norm and what was unbusinesslike had to struggle for survival.

### III

It is easy and beguiling to make up models for what ought to be done; the problem, however, is what can be done from historical records. The inclusion of business in the existing fabric of American history drops off sharply back of about the 1870's. To place business properly in the whole narrative, therefore, more work is needed in the earlier than in the later period. Both logic and need dictate starting with the beginning of the colonies.

When the specific question is posed: what were the goals of the early colonists and what were the institutions for achieving these goals, a basic problem is at once evident. The necessary goals of all people are such achievements as making a living, loving, marrying and propagating. Therefore any useful assumptions regarding change have to do with differences in the definition of these goals. For example, making a living for the English agricultural worker of the 17th century was probably limited to bare essentials with few practical aspirations for betterment. To a large part of the population attracted to the colonies, material betterment was surely added to the goal of making a living. Even the more privileged classes of the aristocratic societies of Europe had an ambivalent attitude toward the pursuit of wealth, as illustrated by Sir Francis Bacon's remark: "Riches were to virtue like baggage to an army: they hindered the march but could not be spared or left behind."<sup>12</sup> In most parts of the colonies there was no fear of riches hindering the march.

This redefinition of the goals of the institution of making a living came no doubt from both the emigration process which inevitably drew on the alienated, restless or more ambitious younger men, and on the situation that confronted them in the colonies. This type of population in this environment desired to make the transition from merely making a subsistence to profit-making activity, and found opportunities to do so to a degree unlikely in any of the older areas of out-migration.

The major institutions whose goals frequently competed with those of business were the state, the military, the church, and the gentility or nobility supported by revenue from land. Of these competitors the military was non-existent as a steady career for colonists, the state offered no positions of real importance, and few landowners could afford idleness. Many landowners found it advantageous to supplement their income by business activities. Only the church for a brief period in New England offered real competitive opposition to the goal of profit-making.

While the materials for a re-evaluation of business in the colonial period are available, success must also depend on developing

a workable sub-model or conception of the structure of early business institutions. Such a model has been conceived by social scientists as so simple that they tend to dismiss all need for understanding business before the period of the modern corporation. Yet it is in this initial adjustment of relatively simple institutions that the enduring patterns of American society were formed, and can, perhaps, best be understood.

Starting from the top down, the goals of business were personal profit and the social prestige that could come from wealth. The initial means to these ends were buying and selling in competitive markets, which also involved manufacturing and transporting. The successful operation of these institutions required proper education, discipline, protection for property and some degree of freedom of opportunity.

Two processes appear to be involved in erecting an institutional synthesis: first, an analytical narrative of the developments in each major institution such as business or the church; and second, an effort to find materials that will serve as indexes of the influence of the major institutions upon each other. The first task is theoretically easy and much of the research has already been done. (In addition, however, representative career lines and ultimate goals should be assembled for individuals.) The second task poses new methodological problems. For example, can categories for content analysis be devised that will indicate business influences on sermons or legislative debates? Will more careful analysis of voting behavior indicate the public effectiveness of business arguments? Do the occupations of benefactors of charity and learning, or of directors of organizations for such purposes, accord with the prestige of these occupations in society? Dozens of other indexes could be suggested. Their effectiveness can only be judged after a trial. Comparative studies of other periods and cultures will also help to indicate differences in the relations of major institutions to each other.

Against the substitution of such considerations for the old politico-economic narrative it is frequently argued that political activity forms a natural core for historical synthesis because it is clearly prescribed by charters, constitutions, laws, and legally defined offices. This view is fast becoming indefensible. Studies of political behavior indicate the unreliability of legal provisions and necessitate the creation of abstract models. Furthermore, there seems no basic reason why an abstract historical model should be harder to employ than a prescribed legal one, nor why the multiple leadership of businessmen should be less susceptible to analysis than the multiple leadership of legislators. To be sure, there is no president or even a governor around whom to build dramatic narrative, but most such narrative obscures rather than illumines the major trends of history.

#### IV

The work of Bernard Bailyn, Carl Bridenbaugh, Frederick Tolles and many others points to the fact that colonial society was increasingly shaped to satisfy the needs of business institutions. As further research substantiates this view, as I feel sure it will, colonial history should be presented in a different way. Instead of major emphases only on political relations with Great Britain, religious differences between the colonies, and contrasts in productivity resulting from geography, more emphasis should be put on the different forms taken by emerging business institutions north and south and the speed with which they altered opposing patterns inherited from Europe or present in the new situation.

For an example that can be elaborated from existing research, let us look briefly at the degree to which the importing and exporting merchant shaped the activities around him to suit the needs of his role and influenced the character of other institutions in the culture. In addition to being the big businessmen of the colonial period, the merchants carried on a wide variety of activities that later became separate types of business. Through ownership of the vessels that carried the imports and exports, merchants were usually the largest employers of labor. They acted as investment houses and took care of the savings and trust funds of widows and orphans. They bid in the town's poor when the latter's labor was put up for auction. They loaned the money to build homes, shops, churches and schools. Publicly, their interests were as broad as the activities of the community.

The dominance of the merchant in the life of New England is fairly well recognized. After a brief seventeenth-century struggle with the church, business won an impressive victory. Bailyn reports as follows: "Economically all-powerful, politically influential but circumscribed, the merchants willingly or not were prime movers in a gradual, subtle but fundamental transformation of New England society. . . . Most of them did not seek the destruction of the Puritan society; but they could not evade the fact that in many ways commercial success grew in inverse ratio to the social strength of Puritanism."<sup>13</sup> The ultimate subjugation of the institutions of religion by those of business had been noted from other contemporary materials a generation earlier by Vernon L. Parrington. He concluded that "In the three hundred years of New England history the minister has enjoyed two periods of intellectual ascendancy; the first during the early days of the theocracy. . . and the second, between the years 1830 and 1850. . . . Between these brief periods of ethical enthusiasm lies the

main history of New England. This long stretch, arid and unlovely, was dominated wholly by the merchant."<sup>14</sup>

In New York the merchant had to contend for social prestige with the strongest landed aristocracy north of Maryland, but in contrast to Europe the landholders were not in a position to maintain a society superior to trade. The families of merchants, lawyers, and Hudson River landlords all intermarried until there was no sharp distinction between trade and the land.<sup>15</sup> Except for the Morrises of Morrisania, all the wealthy families of the colony were in trade.<sup>16</sup> The part played by merchants in various civic activities illustrates the predominance of mercantile wealth in New York and the resulting social leadership. Of the eighty-three original subscribers to the New York Society Library in 1784, fifty-seven were merchants. Of the ninety-two initial contributors to the Society of the New York Hospital in 1771 all but twelve were merchants, and there were no non-merchants on its board of governors.<sup>17</sup> In spite of the importance of a few Hudson Valley families like the Livingstons, who to be sure had members in trade, merchants steadily dominated the Governor's Council. Life was as completely ordered to suit the role of the successful merchant in New York as in its more Calvinistic rivals, Boston and Philadelphia.

The thesis of the shaping of Colonial society to fit the merchant role scarcely needs arguing in the case of the greatest trade center of the late colonial period, Philadelphia. Here the merchant influence in secular affairs was never seriously challenged. The doctrines of the Society of Friends, or Quakers, were more closely attuned to the needs of capitalist enterprise than those of any other colonial church. William Penn, Proprietor of Pennsylvania, a landed aristocrat who created his colony to benefit members of the Quaker faith, wrote in an essay on economic virtues: "Seest thou a Man diligent in his Business he shall stand before Kings."<sup>18</sup> An anonymous critic of the Quakers wrote in 1700 that they were "Men of Industry and Experience, such as were intent upon their Business, Cunning in their Bargains and Crafty upon all Occasions for their own Ends."<sup>19</sup> In reality the Friends were unusually honest and reliable, traits that added still more to their business success.

The Monthly Meeting of the Society of Friends in Philadelphia regulated the economic life of the first generation of Pennsylvania settlers much as the Massachusetts General Court had in an earlier day. The leading members of the Meeting controlled the provincial legislature, which passed wage- and price-fixing laws. The Meeting also exhorted its members to be strictly honest and to give to charity. But there was a significant difference in spirit between early regulation



in Massachusetts and Pennsylvania. The former was a curbing of mercantile activity by theologians hostile to the merchant influence, the latter a regulation of trade by the merchants themselves.

While the Quakers ultimately became a minority group, they continued to control most of the wealth of the colony. In 1769, when Friends were only about a seventh of Philadelphia's population, they accounted for more than half of those who paid taxes in excess of one hundred pounds.<sup>20</sup>

South of Philadelphia, in the Chesapeake society of Tidewater Maryland and Virginia, merchant influence was obviously less dominant. The biggest planters, living on navigable rivers and parts of the bay, had direct trade relations with London. They did not flock to Baltimore, Williamsburg or Norfolk for a winter season. Unlike the northern colonies, the centers of colonial social and political influence were not the port cities. "In the Chesapeake society," writes Professor Bridenbaugh, "provincial assemblies were but planters' clubs ordering affairs for a class and deeming that what was best for the class was also fit for all."<sup>21</sup>

Yet even in this society the merchant role had its influence. Some planting families had always had members in trade, and as the fertility of Tidewater land declined, interest in non-planting activities increased. "In the eighteenth century," writes Professor Bridenbaugh, "iron and lumber manufacture, ship-building, and trade frequently proved lucrative additions to the activities of the Byrds, Carters, Spotswoods and Taskers. Many Tidewater gentlemen successfully combined trade with planting, and a few like Carter Braxton, found profits in the convict and slave traffic."<sup>22</sup>

As one went further south the northern pattern of a countryside attached to a port city reappeared. Charleston was the social and economic center of the deep south. Within South Carolina the chief plantations, regardless of distance, were virtually suburban to Charleston. "Thus," writes Professor Bridenbaugh, "the gentry led a peripatetic life that was ultimately more influenced by the urban than the rural environment. . . . The union of merchant and planter, of counting house and field, was the rule rather than the exception."<sup>23</sup>

The intermingling of merchant and planter is further indicated by the alternate roads to success. Men who started on the land and became prosperous planters entered into trade, and wealthy merchants like Henry Laurens became plantation owners. Leila Sellers writes: "The Charleston factor invested in lands and slaves and operated plantations to such an extent that it was often difficult to determine whether his dominant interest was planting or merchandizing."<sup>24</sup> Slaveholders put their younger sons into commercial offices and sent

them on the grand tour of Europe to finish their education and to make valuable mercantile contracts.

The merchants of all colonies were the principal agents in spreading a common American urban civilization. They traded actively up and down the coast, visited each other and exchanged news. Constant communication arising out of the needs of commerce fused the urban communities into an integrated society. The attitudes and customs of the urban elite were far more alike from colony to colony than were those of the people of the back country. The key to integration was in the uniform demands of the merchant role including its emphasis on close connections with London as a common center.

While the merchant has been studied much more than smaller colonial businessmen, it seems probable that the latter also exercised an unprecedented, and increasing, degree of influence on social institutions. Rural storekeepers tended to be key men of their communities. Their shops were the centers of news, political discussion and general social influence.<sup>25</sup> Manufacturers, particularly owners of foundries, shipyards and other relatively large scale operations were men of importance in local affairs. In the twenty years before the Revolution these men began to share political influence with the merchants.<sup>26</sup>

## V

The new synthesis of the colonial period should not discard the importance of British political institutions or dissenting religions. But it should portray capitalist business as a set of institutions as distinct as those of representative government or Protestant religion. The hypothesis is that when these latter institutions were transplanted to America they quickly fell under the influence of colonial business which altered their forms and future development.

The character of American immigration and the physical situation led to an acceptance of business as a prestigious occupation by the colonial upper class, and a development of businesslike social customs. The ablest citizens, those who elsewhere might have favored the church or government service, or have continued on the land, were attracted to careers in business. Recruitment of entrepreneurs from the upper social strata strengthened the business influence in shaping political, legal, religious, educational and philanthropic institutions. Businessmen did not necessarily have to put pressure on other groups to win respect for what was expedient and profitable, rather the American situation of developing a relatively uninhabited continent with great natural resources put a premium upon businesslike procedures. Businessmen were ubiquitous, they came to be

leaders on the remote frontiers as well as in the great cities, in the ministry and the law as well as in factories or banks.

Time will not permit further elaboration of this argument or its application to later periods, where there is also the product of a great deal of existing research waiting to be used. The two points I have tried to make are: first, that business institutions have not been properly included in the present conventional synthesis of American history; and second, in order to include them a quite new type of behavioral synthesis should be attempted. It is not a case of tacking on information concerning business here and there, but of building a new synthesis from the ground up with the tools and concepts of the social sciences.

#### Footnotes

1. America Through British Eyes, Allan Nevins, Comp. (New York: Oxford University Press, 1948), p. 356.
2. Ibid., pp. 385-86.
3. As quoted in Christopher Tunnard and Henry Hope Read, Jr., American Skyline (New York: The New American Library, 1951), p. 18.
4. The Citizen in his Relation to the Industrial Situation (New York: Scribners, 1902), p. 162.
5. Lincoln Steffens frequently alluded to these relationships, but attempted no analysis of the nature of small town or city business and its political interests.
6. Miriam Beard, A History of the Business Man (New York: Macmillan, 1938).
7. N. S. B. Gras, Business and Capitalism (New York: Crofts, 1939).
8. Stewart Holbrook, Age of the Moguls (New York: Doubleday, 1953).
9. "Institutions" in Contemporary Sociology, ed. by Joseph S. Roucek (New York: Philosophical Library, 1958), p. 65.

10. Robin M. Williams, American Society (New York: Alfred A. Knopf, 1951), p. 31.
11. Kingsley Davis, Man and Society (New York: Macmillan, 1949), p. 71.
12. From Joseph Dorfman, The Economic Mind in American Civilization (New York: Viking, 1946), I, 5.
13. Bernard Bailyn, New England Merchants in the Seventeenth Century (Cambridge: Harvard University Press, 1955), p. 105.
14. Vernon L. Parrington, Main Currents of American Thought (New York: Harcourt, Brace, 1927), II, 272-73.
15. Virginia D. Harrington, The New York Merchant in the Eve of the Revolution (New York: Columbia University Press, 1935), pp. 10-14.
16. Dixon Wecter, Saga of American Society (New York: Scribners, 1937), pp. 59-60.
17. Harrington, New York Merchant, p. 36.
18. Frederick B. Tolles, Meeting House and Counting House: The Quaker Merchants of Colonial Philadelphia, 1682-1763 (Chapel Hill: University of North Carolina Press, 1948), p. 45.
19. Ibid., p. 58.
20. Ibid., p. 49.
21. Carl Bridenbaugh, Myths and Realities (Baton Rouge: Louisiana State University Press, 1952), p. 15.
22. Ibid., p. 10.
23. Ibid., pp. 67, 70.
24. Leila Sellers, Charleston Business on the Eve of the American Revolution (Chapel Hill: University of North Carolina Press, 1934), p. 58.

25. Lewis E. Atherton, The Pioneer Merchant in Mid-America (Columbia: University of Missouri Press), passim.
  26. Carl Bridenbaugh, Cities in Revolt: Urban Life in America 1743-1776 (New York: Knopf, 1955).
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