

My dissertation is essentially a study of the impact of American industrialism on the wholesale jobbers of hardware and drugs. In the last three decades of the 19th century these two middlemen were presented with great economic changes. Earlier in the century, their business had been characterized by its dependence on goods imported from England, uncertain transportation, and relatively stable and limited markets in the East. In the last three decades of the century, however, the character of the trade was permanently altered as communications and transportation improved, American manufacturers supplanted English imports, and markets expanded in both the West and the East. The concern of my dissertation is to trace the effects of these changes on the drug and hardware wholesale jobbers, and their response to the problems created by this development of an industrial economy.

Other wholesale agents like the commission agent and the broker enter into my study, but the jobber--or simply as he came to be called, the wholesaler--was the predominant middleman in both trades. He, unlike the commission agent or broker, took title to the goods in which he dealt. Originally in America the jobber was the man who assembled goods from importers and broke them down into job lots, which were more easily sold to other wholesale agents. By the period of my study, however, the term had lost its original meaning, as American manufacturers of patent medicines and hardware were becoming the major suppliers of the American market. The jobber or the wholesaler had become the most common intermediary between the manufacturer and the retailer.

My major sources of information are the trade or commercial press of the hardware and drug trade and the published proceedings of the national wholesale associations that were formed in these two trades. I have examined the business papers of some wholesale firms, but generally the papers that are available pertain to the decades before 1870. They are nevertheless quite useful in that they provide a good perspective on the earlier experience of the jobber. But the commercial press and the proceedings of national and regional associations, pertaining as they do to the last decades of the century, are an especially good source. They allow me to take a national view of the problems of the trade, a view which even the most complete papers of individual firms would not allow.

As I said, industrialization brought great changes and problems to the wholesale jobbers of hardware and drugs. Business practices were altered, often with difficulty and financial loss. The great problem of both trades in the decades after the Civil War was the decreased profitability of selling goods. Most obvious of the reasons for fewer profits was overproduction, a result of improved production methods. The new markets, extensive as they were, could not absorb goods fast enough. The problem of overproduction was heightened during the depressions of the 1870s and 1890s, but remained into the relatively better times of the 1880s. The manufacturers of patent medicines were completely demoralized by overproduction, in addition to a plethora of imitations which forced prices down on those goods with relatively good reputations. Similarly, in most hardware lines, overproduction led to disastrous price-cutting.

The effect of price wars and cutthroat competition on jobbers was simple. The wholesaler was injured when he purchased a good at one price only to find that by the time he went to sell it the manufacturers had reduced the original retail price in a price war. Manufacturers announced prices through the trade press. Generally they were set by manufacturers at retail, followed by the discount allowed on the price for wholesale dealers. The

jobber had to take a loss because when he came to sell the prevailing market price was below that at which he had purchased. Equally serious was the manufacturers' tendency to cut the percentage allowed a wholesale jobber. Where once he might have expected a 10 percent reduction over the retail price set by the manufacturer, serious competition forced the manufacturer to allow the jobber a price, for example, only 5 percent less than that charged at retail.

If these problems were not enough for the wholesaler, he was troubled also by an increase in the costs of doing his business. First of all, in both trades, not only the numbers, but the varieties of goods increased. As a result, the jobber had to maintain a larger stock to consider himself adequately supplied, increasing the size and expenses of his business. Secondly, to deal with the decreasing profitability of what were considered the standard, traditional goods in both trades, the wholesalers began to carry lines and specialties that promised a greater profit, but nevertheless were expensive to store and sell. Drug merchants, for example, introduced cosmetics, mirrors and brushes; hardware dealers added lamps, sporting goods and toys to their traditional lines. Moreover, as the retail business became more and more competitive, and transportation and communications improved, retailers bought more often and in smaller quantities. They did not want to be overstocked. As a result, the jobber had to increase the number of his transactions, and each transaction was more expensive since it was necessary to break down large packages from manufacturers into small parcels suitable to new retail ordering practices.

At the same time, competition increased among wholesalers for new markets. Price was not the only means of competition; shipping and packing charges were reduced or eliminated in order to make sales. The largest wholesalers, who were better able than smaller jobbers to take advantage of new and expanding markets to keep their prices up, did away with carting and packing charges, causing difficulties for the rest of the trade which had to follow suit. Thus these costs came to be borne entirely by the jobber.

Other added costs to the businesses were a result of the need for the traveling salesman. In the early part of the 19th century, orders came twice a year, and shipments usually took about three months. But the increasing speed and competitiveness of the trade, along with its decreasing profitability, made traveling salesmen necessary. They kept in close contact with the retail trade to supply the retailers' traditional needs, while hoping to induce the purchase of new and more profitable lines of goods. To be sure, as salesmen widened the markets (especially of the larger jobbers) and pushed new profitable lines for the jobber, they helped his business. But on balance they were an expense, and as such were another cost which reduced the profitability of the jobbing trade in hardware and drugs from what it had been earlier in the century.

To meet the problems of the trade, the squeeze of declining profits and rising costs, the wholesalers formed associations. The most serious concern of associations in both the hardware and drug businesses was control over prices. In the quest for control both had the sympathy and often the support of the manufacturers. The production of drugs and patent medicines in America was particularly chaotic and disorganized. Expanding during the Civil War, it became a trade of quick entry and usually equally quick departure. Patent medicines, not crude drugs, were the most profitable of goods handled by the drug wholesaler. Although the manufacturers were enterprising in the new patent medicines they developed, their mode of business was atomistic, which made difficult the formation of organizations for stabilizing prices or production. On the other hand, drug wholesalers were well-established merchants, with a long and profitable history of importation from England. To make some order out of the chaotic situation following the Civil War, the wholesalers organized regional associations in the late 1870s, which then joined together in 1882 to form a national wholesale druggists' association. The wholesalers agreed upon what they believed to be fair prices for the best known patent medicines, and then approached prominent manufacturers for aid. By the mid-1880s, the association had al-

most 250 manufacturers cooperating. The jobbers induced the manufacturers to include with each sale a contract that the purchaser signed promising to sell at only the price agreed upon. In return, the manufacturers promised the association not to sell to jobbers who cut prices. Thus the national association among wholesale druggists was able to bring some stability to pricing and to make, as many wholesalers attested, the trade profitable again.

The experience of the hardware associations was fairly similar. In the hardware trade, though, the manufacturers themselves first organized into associations to stop price cutting or, what was the same thing, to control production. Most associations of manufacturers met with little success, and consequently the jobbers were still plagued with threats of a sudden price war. Moreover, among those few manufacturer associations that succeeded there was a tendency to forget the interests of the wholesalers; prices might be stabilized but the margin allowed between wholesale and retail price remained small. The jobbers, consequently, organized themselves into local, state, regional, and finally a national association in order to bring "countervailing" pressure on the manufacturers. The earlier local and state associations met with little success in maintaining prices, for the retailer could often easily go to another city or occasionally to another state to get a lower unmaintained price. Therefore, associations representing a substantial number of jobbers, regional groupings, and finally the National (Wholesale) Hardware Association, were formed. They were able to bargain effectively with the association of manufacturers to keep prices stable and more importantly to allow the wholesaler a greater margin of profit on each good. Many manufacturers also agreed to sell only to those wholesalers approved by the association; that is, to those jobbers who maintained agreed-upon prices.

In both trades, the national associations did more than try to keep prices stable. They also sought to study the nature of increased costs and with the knowledge gained advise on keeping costs as low as possible. Moreover, they examined problems that jobbers had with traveling salesmen, and recommended reforms in the payment of their salaries and expenses. Railroad rate classifications and manufacturer's packing policies were also studied, with recommendations for action by the association.

In conclusion, among manufacturers the standard response to falling prices between 1873 and 1896 was the formation of associations or cartels. But in areas where wholesalers were long established--as in hardware and drugs--they came to play as important a role as manufacturers in obtaining control over pricing. Undoubtedly this was one reason why large integrated manufacturing units were not characteristic of either the drug or hardware trade and indeed why well into the 20th century both trades remained small-unit operations.

William H. Becker, The John Hopkins University