Cambridge University Press
978-0-521-70989-7 - The Market Revolution in America: Liberty, Ambition, and the Eclipse of the Common Good
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Introduction

What Do We Mean by a Market Revolution in America?

At the end of its War for Independence, the United States comprised thirteen separate provinces on the coast of North America. Nearly all of 3.9 million people made their living through agriculture while a small merchant class traded tobacco, timber, and foodstuffs (flour, rice, livestock, salted meat, and fish) for tropical goods, useful manufactures, and luxuries in the Atlantic commercial community. By the time of the Civil War, eight decades later, the United States sprawled across the North American continent. Nearly 32 million people labored not just on farms, but in shops and factories making iron and steel products, boots and shoes, textiles, paper, packaged foodstuffs, firearms, farm machinery, furniture, tools, and all sorts of housewares. Civil War–era Americans borrowed money from banks; bought insurance against fire, theft, shipwreck, commercial losses, and even premature death; traveled on steamboats and in railway carriages; and produced $2 to 3 billion worth of goods and services, including exports of $400 million.[1] This dramatic transformation is what some historians of the United States call the "market revolution." For antebellum Americans, this revolution stood near the center of the experience of what happened to the United States during its grand experiment in republican government. For many modern historians, it does so still.

[1] *Statistical History of the United States from Colonial Times to the Present*, ed. Ben J. Wattenberg (New York: Basic Books, 1976), 239, 885.

ATLANTIC NETWORKS

The market revolution sprang from widely shared causes and conditions that surrounded American Independence and drew significant new energy from that revolutionary development. But to understand either the American independence movement or the market revolution that followed, we must first review certain features of the process of colonization. The rebellious British colonies – like other Atlantic provinces – owed their existence to commercial exploitation and exchange reaching back to the sixteenth century. Shortly after the famous voyage of Columbus in 1492, Spanish, Portuguese, French, Dutch, and finally British adventurers probed the "New World" (new to them, anyway) for riches and opportunities. Where they could, they stole gold and silver from indigenous people and enslaved the natives to mine more of the same. In most of the Caribbean and North America, however, colonization came to depend on coarser natural resources (fish and fur) and on slave-grown crops of tobacco and sugar. So it was profiteering through long-distance trade, by a relatively small class of merchants and adventurers, that drove colonial development from the earliest days.

The kind of merchant capitalism that flourished in this Atlantic economic community linked networks of African slave traders, island producers of sugar and wine, mainland planters, fur traders, fishermen, and farmers. Some still worked through state-sponsored firms such as the Royal Africa Company or the famous British tea monopoly, the East India Company; but by the eighteenth century, most were free agents seeking profit wherever they could. True commercial pioneers, these adventurous individuals rode transatlantic winds of supply and demand in a game of profit and loss that was altogether different from economic life inside their own countries. Over time, this new wealth pouring in from the colonies could not help but alter relations among the imperial powers and between the landowners of Europe (who once thought of themselves as the sole custodians of national wealth) and a rising class of entrepreneurs. In the English case, this resulted in a struggle between friends of the monarchy at "court" and "country" squires who pledged to defend ancient customs and traditions – including Parliament's right to control royal spending. But the money and power to be had in the Atlantic commercial economy proved irresistible to governing elites. As a result, the early modern system of merchant capitalism sank deep roots into the structures of British governance and set the stage for wrenching upheavals to come.

To shape and control these colonial networks, England and its rivals imposed systems of regulation based on mercantilist assumptions. Believing that real money (gold and silver) was a finite commodity, mercantilist policy makers tried to direct commerce in ways that brought control of the money into national hands (where kings and queens might deploy it – through armies and navies if necessary – in the interest of the nation-state). Competition pitted *countries* against one another (not individuals or firms), and the point of the game was to keep the flow of money away from one's enemies. England's many imperial wars with its Dutch, Spanish, and French rivals (1652, 1664, 1672, 1689, 1702, 1739, and 1754) all related to this goal and produced, by 1763, a state of effective British hegemony over the Atlantic commercial system.

What differentiates colonial merchant capitalism from its mature, modern successor is the extent of penetration of market forces and values into the daily lives of ordinary people. Capitalistic in many ways, New World commerce did not wholly transform the economies from which leading players ventured. Its impact on some Africans and indigenous Americans was dramatic and immediate, but colonial trade touched poor farmers in the provinces and most consumers back home infrequently until the middle decades of the eighteenth century. Cash prices, contracts, and speculation – all hallmarks of the capitalist system – could be found in the world of colonial merchants no matter how primitive the structures and instruments of their transactions. (Bills exchanged in a coffeehouse instead of a bank or bourse were no less binding or capitalistic.) But the vast majority of free provincials as well as Europeans played out their economic lives in local communities where markets and exchange continued to operate as they had for generations. "Just" prices, sometimes fixed by law, kept food and household necessities affordable; local producers and vendors dominated trade; and an individual's good name and character ensured the support of neighbors regardless of fluctuations in distant, speculative markets. Even staple-crop planters, whose fortunes depended on long-distance market forces, often lived and kept their household books just as if they were country squires in rural England. Ironically, it was the slaves more than anyone who felt the sting of these early capitalist networks that reduced them to pawns at the base of colonial plantation commerce.

Supply and demand always threatened to derange local community markets, leading men and women into temptation from the earliest days in Jamestown and Boston; but these were not yet accepted as "iron laws," nor did they always trump questions of justice, tradition, and brotherhood. In the seventeenth century, sumptuary laws had tried (in vain) to stop rude men with ready money from buying the costumes of gentility. Private contracts freely made were still found unenforceable if the outcome (perhaps unforeseen at the time of the agreement) struck authorities as patently unfair. Widows and orphans relied on entitlements as innocent victims of misfortune; men could be punished by law and custom for exhibitions of naked greed. There was an undeniable difference between the embedded commercial values of the early colonial markets and the anonymous cash transactions of nineteenth-century capitalism.

The eighteenth century appears to hold the fulcrum on which modern capitalism leveraged its way into Anglo-American culture. However humane and benevolent it seemed in retrospect, early provincial economic culture produced by the eighteenth century a certain restlessness in British North America. Colonists bought more imported manufactures to replace homemade articles and the products of local artisans. Gradually, sugar, tea, and tobacco found their way into larger and larger consumer markets. American trade grew enormously in volume and importance to the mother country. When it served their interests, Americans labored contentedly inside the framework of protection and promotion laid down by the Navigation Acts; the rest of the time, they bribed and cheated their way around the rules. Once their "starving times" were lost to memory, men and women now born in America (some not even of British parents) focused their energies on bringing the provinces up to speed with British fashions. Planters built country seats and landscape gardens in pale imitations of the English rural gentry. They sent their sons to study at the Inns of Court in London. Merchants in Baltimore, Philadelphia, and Boston furnished their urban palaces with fine furniture, carpets, and wall coverings, ate dinner off English china, and served their guests imported wines. Colonists devoured English books and periodicals. And during the imperial wars, they rose to defend as their own the glorious British Empire.

If Americans saw themselves as partners in the eighteenth-century British Empire, English governors and metropolitan commercial patrons continued to treat them like dependent servants. American planters – landed gentry in their own minds – fell into the clutches of English and Scottish creditors who did not extend the same considerations they might offer great landed families in Britain. Seaport merchants lived off credits offered by London correspondents who could just as easily, without cause, call in or cancel their loans. Colonists created real new wealth, but England's reluctance to allow local banking or expand local currencies left them struggling with so little ready money that Virginians set prices in pounds of tobacco. No matter how steeped they were in English country values, Britons in America had been forced from the start to accommodate long-distance market forces influencing the price of everything from cooking pots to servants and slaves. (It is hard to imagine that buying and selling Indians and Africans as workers – and sometimes sexual playthings – did not erode traditional values in the colonies.) Finally, entrepreneurial innovation, even in the smallest degree, rewarded American colonists with greater prosperity and happiness than careful attention to tradition or mercantilist regulations. Long before Adam Smith codified the principles of liberal political economy in *The Wealth of Nations* (1776), many Americans – not just merchants but also urban shopkeepers, market farmers, small backcountry planters, and certain skilled artisans – had begun to experience aspects of modern "liberalism."

By the middle decades of the eighteenth century, commercial men in London and Glasgow and political leaders at Whitehall recognized the rising importance of imperial trade as a vent for consumer goods and not just a source of New World staples. Accordingly, they moved to close off "leaks" in the system and maximize the flow of wealth in ways that mercantilist theory prescribed – unaware (by and large) that it was leaks and lapses that accounted for much of the wealth pouring in from the provinces. Further, in the wake of two long wars, officials sought to ease the burden on taxpayers at home by capturing greater revenues from the parties they thought most benefited from imperial protection – the colonists. In other words, the governors of empire moved to integrate provincials who had grown accustomed to suiting themselves unseen by any regulators' eyes. Precisely because mercantilist thinking placed the state in control of economic conditions, when economic conditions began to change in the mid-eighteenth century, colonists turned to *political* science to explain their discomforts.

ROOTS OF REBELLION

A quick series of events in the 1760s transformed these underlying features of colonial history into the crisis that resulted in the American independence movement. In 1760, George III succeeded to the British throne. Determined to rule effectively, the young monarch set out to drive from his court the corruption that had typified governance during his grandfather's reign. Alas, his "reforms" brought an end to the lax ways that American merchants understood as customary – and *right*. The quick passage of the Proclamation Act (1763, closing the mainland western frontier to trespassing settlers), the Sugar Act (1764, *lowering* duties but sharply increasing enforcement in the Caribbean sugar trade), and the Stamp Act (1765, imposing a small but novel direct tax on colonists at home) signaled new and forceful hands on the reins of power. Colonists perceived this new energy in government not as reforming but corrupt and tyrannical. Borrowing deeply from the "Old Whig" or "country" critics of influence peddling at court, Americans took offense at these policy initiatives. The new king and his ministers, they concluded, intended to sacrifice the colonists to gratify their own whim and fancy.

The case for revolution was hardly self-evident in 1765, and the leaders of the independence movement labored for a decade, interpreting events and orchestrating responses, to cultivate rebellion. For many colonial residents, changes in the markets resulted in lower prices and better selections on the shelves of country stores. Backcountry farmers and upland planters found Scottish tobacco factors ready to exchange their crops for cash and goods without the services of wealthy tidewater "grandees" who previously held them in chains of "friendship" (that is, dependency). Economic rationalization of the empire hurt provincial elites more than ordinary people, and the burden of new taxes – soon to be the pivot of rhetorical rebellion – was altogether trivial for most colonists. But American radicals spun out a different story in which the king and his lackeys, stuffed with colonial revenue and freed from Parliament's restraining hand, had embarked (like the tyrant Charles I) on a campaign of absolutism to subvert that glorious, balanced wonder of political equipoise, the British Constitution. Members of the House of Commons claimed to represent all the people of the empire, including colonial subjects; but any fool could see that the people *in England* would abridge the rights of provincials if it served their convenience at home.

Viewed from the western end of the scope, the progress of this evil was shocking, and its ultimate end could not be in doubt. American elites – commercial men in Boston and New York, radical artisans in Philadelphia, planters in Maryland and Virginia – began discussing among themselves these dire prospects. Only one form of government they knew could frustrate this evil and survive in an imperfect world: republicanism. To America's revolutionaries, this meant rule by the people's representatives, who could not tyrannize the people because they shared with them a basic common interest. No sane man would tyrannize himself, and as long as the governors were drawn from (and returned to) the ranks of the governed, no durable, external schemes could gain any traction against the interests of the people. Independence would remove the immediate threat of enslavement through corruption, but only *republican* government could guarantee liberty (and with it, prosperity) forever in the newly formed states.

As luck would have it, Americans thought they were ready-made for republican government. If you overlook the Indians and slaves (a huge condition, yet one nearly all white colonists accepted), virtually all British colonists were commoners. Having no separate, hereditary ranks to accommodate, Americans met the first republican criterion: one universal common interest. Equally important was an independent citizenry, sustained by widespread ownership of property. Here again Americans seemed uniquely positioned: The vast majority owned land or a shop and a trade. That proportion diminished as one moved southward, but even where the labor force consisted primarily of black slaves (not included in such calculations), abject dependency among *white* households was nowhere near as common as in Europe. The final criterion, according to classical theory, was sufficient virtue that the people could set aside self-interest in favor of the common good. The heroic exploits of colonial founders – risking all to succeed while the rulers back home paid so little regard – indicated matchless virtue, at least in the first generation. And by the early 1770s, in the popular mind, the willingness of colonists to rebel against the greatest power of the age suggested an abundance of virtue still. In short, by 1775, when the shooting war began, America's leaders had translated economic grievances into a utopian quest on behalf of human liberty. Whatever material ambitions underlay anyone's decision to join the patriot cause (and these were numerous and usually ambivalent), an ideological hymn to liberty and equality bound them together. The promise of republican government conjured up a vision of a future more "free" than anyone had known, even in the extraordinarily free societies of British North America.

Dissonance probably best characterized Americans' economic values as they entered the imperial crisis and the Revolution. They thought they were restoring traditional rights and customs even while they lived on the ragged edge of a competitive commercial empire. They had not yet read Adam Smith (when they did, many were appalled by his startling view of economic life), and they had not yet fully rejected the mercantilist principles by which their world had been governed for a century. Still, their experience *as lived* had taught them something about freer markets, innovation, and economic liberty. Their obsessive reading in the tracts of Whig country critics of the Georgian court convinced them that royal favorites, not deserving entrepreneurs, gained the most from government policy. When they cried out for liberty and equality, they instinctively imagined a greater degree of economic freedom as one of the objectives of regime change. Thus a revolution *intentionally* political fostered an economic revolution in its turbulent wake. At the same time, the conflict between virtue and self-interest – an ethical conundrum at the core of republicanism – marked many arguments in the generation after independence and lay at the heart of people's experience of the market revolution.

Search for the Capitalist System

Finally, what of capitalism and the capitalist system? Historians and economists argue bitterly over the meaning of these terms and when they apply to early American society. Much of the quarrel can be attributed to precise (but different) definitions that make it possible to date the "rise of capitalism" to the 1620s, the 1740s, the 1790s, or the 1830s. A second line of controversy swirls around slavery and the nature of slave-based enterprise within a free-market system. Generations of historians, building on theoretical distinctions rooted in the writings of Karl Marx, portrayed the plantation economies of the southern colonies and states as fundamentally different from the mixed commercial-agricultural systems found in middle and northern states. More recent students have called attention to hard-driving, man-on-the-make planters, especially in the new slave states of the antebellum West, and question just how "backward" slaveholders really were.

At the center of all these arguments lies the question: When did the cold calculus of the marketplace trump other considerations in the making of private decisions by ordinary individuals? Long ago, Marx predicted that market forces would displace sentimental, familial, religious, or humanitarian values in a mature capitalist system; but while the tendency has been in that direction, it remains unclear just when – if ever – such a total transition took place. Before the market revolution, there were markets, to be sure: Profits were taken, greed exhibited, goods produced and exchanged. But greed was not normative, and an individual's behavior might as often contradict as conform to the dictates of economic interest. After the market revolution, "hard-headed" economic logic sought to dominate the process of evaluating all things. Individual identity dissolved into anonymity, commitment into contract, vocation into work, a living into a wage. The transformation never was absolute or complete. Long after the market revolution, people continued (and continue still) to exhibit behaviors (labeled "irrational") that contravened the expectations of economists. But there must have been a tipping point in history before which people did not believe – or did not accept it as natural and inevitable – that the market should be the universal arbiter of interests. After that point, whether happily or not, people came to believe that social and material life likely would not (could not?) be otherwise. At that point, which may have lasted a generation, a year, or one "eureka" moment, people experienced the market revolution and entered an era of capitalist relations.

That market revolution is the subject of this book. It is this tipping point for which we search in the lives of antebellum Americans, when they came to believe (correctly or not) that impersonal market forces had disabled the fabric of personal, familial, and cultural connections by which people earlier had tried to mitigate the hard facts of material life. It probably does not explain every personal and political decision made during the antebellum decades, but this market revolution was on the minds of nearly everyone in the United States between the Revolution and the Civil War, and it colored (if it did not dictate) their reaction to a host of public issues ranging from banking and money to bankruptcy, land policy, tariffs, manufacturing, democracy, and the expansion of slavery.

What follows are chapters that recount both the unexpected, overwhelming force of economic changes *and* the positive aspects that made it difficult for people who experienced the market revolution to know whether they were rising in a privileged class or falling victim to an economic juggernaut. Chapter 1 explores the impact of political liberation on a people already "free" by the standards of the day. The "first fruits of independence" included basic policy foundations regarding private property, law, contracts, money, corporations, and the limits of entrepreneurial freedom to act. Chapter 2 then re-creates the whirlwind of innovation and "progress" that left an entire generation, by 1860, literally gasping with exhilaration. Chapter 3 revisits the same antebellum decades to examine the consequences of all this accumulating "progress" as it restructured "life as lived" for individual farmers and their children, artisans and factory workers, clerks and entrepreneurs, women, immigrants, free blacks, Indians, and slaves. Much about these changes appeared as loss to persons experiencing them, yet not everyone recognized "progress" as the cause or connected the dots between innovations that brought them improvement and those that cost them independence or security.

Between Chapters 1, 2, and 3 fall brief interludes dedicated to the phenomenon known as the "panic." Panic was the name for sudden economic downturns that later would be seen as recurrent features of the capitalist "business cycle." In the early nineteenth century, they could be interpreted either as wicked and purposeful attacks on virtuous innocents by greedy evil-doers or as accidental shocks in a dynamic new system nobody quite yet understood. Severe panics returned periodically (very nearly every twenty years after 1819) until the onset of the Great Depression in 1929, since which time modern governments around the world have exercised policy leverage over natural business fluctuations. Because they created "hard times" – high unemployment, plummeting prices, credit contraction, bankruptcies, and other painful forms of failure – these episodes became flash points in the contemporary struggle to adjust to and understand the emerging capitalist system. If people could recall a single moment when the market revolution engulfed them, odds are that moment belonged to a panic event.