



America's “exceptional” transition to capitalism: A counter view



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ABSTRACT

This paper is a response to part two of Rob Bryer's (RB) analysis of the development of capitalism in the US, focusing on the second half of the 19th century when the nation was transformed into the world's largest industrial power. We argue that RB's view that America became a capitalist economy only post-1900 is counterintuitive given the scale of output, the rate of acceleration, and the accumulation and concentration of capital prior to that date.

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1. Introduction

There can be no doubt that US capitalism underwent a century-long development between 1800 and 1900. In Rob Bryer's (RB) first of three articles (RB1) on the timetable of American capitalism, the focus was on the first half of the 19th century when the accounting signatures RB identified as indicative of capitalism, such as return on investment (ROI) and systematic depreciation, were rarely in evidence. In this environment when the US economy was primarily agrarian, RB's contentions that the US economy was not capitalist are not particularly refutable although we and others would argue that evidence of a “capitalist mentality” can be clearly supported among entrepreneurs such as the leaders of the New England textile industry and the owners of large slave plantations. It is also the case that RB's research methodology is suspect given his dependence on secondary sources and his dismissal of scholarship based on paradigmatic interpretations other than his own.

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By the close of the 19th century, covered in the later sections of RB's second installment (RB2), the US had arrived on the threshold of capitalism. Although once again, methodological issues continue, there is not that much to argue about given that the magnitude of capitalism's hold on the country's economy is widely accepted.

The real battleground for debate is the second half of the 19th century which will be examined in this rebuttal paper. The New England textile industry is revisited because RB has chosen to include his analysis in RB2 when it probably should have appeared in RB1. However, it is the development of American railroading, the iron and steel industry, the exponential growth of coal, and the patterns of working class resistance and immigration that collectively serve as our major areas of disagreement with RB's timetable for the advent of American capitalism.

In a very clear introduction to the current paper (RB2, pp. 273–276) and a recapitulation of RB1, RB sets out the parameters of his argument. Salient points include:

- America was not born capitalist in a Marxist sense since capitalism was not in evidence until circa 1900 and did not surpass the British model until the 1920s.
- Features of Marx's definition of "capitalist mentality" (or RB's interpretation) include focusing on return on investment (ROI), defining the labor process as the "real subsumption of labor," holding managers and workers accountable for the "circulation of capital," and defining capitalist social relations of production as "free capital employing free wage labour" (RB2, p. 274).
- Nineteenth century entrepreneurs of substantial power and wealth who ran American enterprises of substantial size did not satisfy these criteria and were branded "semi-capitalist" at best. These include the owners of large slave plantations, the railroad giants, the factory owners of the New England textile industry, and the masters of the iron and steel firms.

There are numerous problems with this picture. First of all, RB's definition of a "capitalist" is very idiosyncratic. How many historians would actually accept the notion that "capitalist" can actually not be applied to the stalwarts of the mid-19th century American economy? Also, the maddening lack of specific page references to Marx throughout the paper causes us to wonder if the definitions of terms such as "capitalist" and "capitalist mentality" are really Marx's, RB's, or RB's interpretation of what Marx actually wrote or might have written. Marx's dialectical materialism reflected differing stages of "capitalism" and "capitalist mentality." One of the vibrant features of Marxist scholarship has been its revisionists (e.g., Braverman, Burawoy, Hobsbawm, E.P. Thompson, Tinker, Toms) who have adapted Marxist theories to changed economic conditions that have developed historically. We doubt therefore that Marx would have agreed on a set of definitions that RB (2005, 2006) could employ in describing Charles Gascoigne of Carron and Matthew Boulton of Boulton & Watt as capitalists could be equally applicable to J.P. Morgan and John D. Rockefeller but not to Andrew Carnegie.

RB (p. 273) writes:

The paper re-examines the 'costing renaissance', the introduction and spread of product costing, standard costing, ROI and flexible budgets, and the evidence of... Johnson and Kaplan's studies of the DuPont Powder Company and General Motors. This suggests that capitalism only appeared in America by around 1900...and became established by the 1920s.

This attribution is a total distortion of what Johnson and Kaplan actually wrote in the introduction to *Relevance Lost* (1987), a distortion designed to support RB's argument. Johnson and Kaplan (1987, p. 10) actually saw the DuPont phenomenon as "the final developments [e.g., ROI] in management accounting systems." The early American industrial revolution featured as examples "successful, hierarchical organizations...the textile mills founded in the first half of the nineteenth century" (Johnson and Kaplan, 1987, p. 7), the railroads formed around mid-century, and the steel companies created in the second half of the century. In the words of Paul Harvey, the famous American news commentator, "that is the rest of the story." Why would a scholar, other than one writing to his own paradigm, take refuge in the interpretations of scholars, albeit of undeniable talent, who had no occasion to do archival research on the topic? For example, Hopper and Armstrong (1991), authors of a seminal article on American labor history to be sure, were understandably taken in by Clawson's (1980) faulty analysis of the Waltham Watch Company archive (see Fleischman and Tyson, 1996). And what insight gives RB the knowledge to judge who is right and who is wrong not having done primary source research himself?

Further support for Johnson & Kaplan's position is provided by Lind (2012, p. 263) who states: "As early as the 1870s, the United States overtook Britain as the world's largest economy. In 1913, the United States had 35.8% of global manufacturing capacity." Also, Wright's (1882, p. 9) data from the 10th US Census (1880) reveal that the number of employees per factory in the US exceeded that of Britain. For the cotton industry alone, British factories averaged 181 employees per factory in 1878, while the corresponding number for the US was 228. Swank (1882, p. 1) reported from the same Census that 1005 establishments were engaged in the manufacture of iron and steel in the US, employing an average of 140 persons per factory. This represented nearly a 25% increase in the number of establishments and a 45% growth in the number of employees from 1870. Thus, it is not at all clear by what measures the US was behind Britain. While we do not subscribe to the concept that an absolute date can be identified which represents the onset of America's progression toward capitalism, we find it counterintuitive that America was not a capitalist economy by 1900 given the scale of its output and the speed of its industrial revolution following the Civil War.

RB spends much of the initial section discussing the theories of Chandler (1977) and Williamson (1985) that "the modern business enterprise [was created] to maximize profit by minimizing 'transaction costs'" (RB2, p. 274, referencing Chandler,

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