H-Net Reviews
in the Humanities & Social Sciences

Michael Zakim, Gary John Kornblith, eds. *Capitalism Takes Command: The Social Transformation of Nineteenth-Century America.* Chicago: University of Chicago Press, 2012. 368 pp. $90.00 (cloth), ISBN 978-0-226-45109-1; $30.00 (paper), ISBN 978-0-226-45110-7.

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Published on H-SHEAR (August, 2012)
Commissioned by Brian Luskey

The Financialization of American Capitalism

This collection of essays represents a stark departure from the historiography on capitalism from twenty or thirty years ago. Many of the themes that once dominated the study of American capitalism are noticeably absent: the authors largely ignore the proletarianization of labor, factories, working-class resistance, the moral economy, consumerism, and the hegemonic role of middle-class respectability.[1] Rather, they focus on the ways in which corporations, financial instruments, and modern bookkeeping came to dominate the American economy and shape how Americans perceived economic change. By shedding light on neglected topics in the study of American capitalism, this essay collection deeply enriches our understanding of the process through which the United States became a capitalist nation.

The first major theme in the essays is the role of the countryside in the capitalist transformation of nineteenth-century America. Christopher Clark rejects economic models that show a progression from "primary" economic activities such as agriculture toward more "advanced" activities such as manufacturing. He argues that capitalism and small-scale agriculture grew in tandem in the United States until 1920, when large-scale agriculture began supplanting small farms.

And agriculture also contributed to the development of American finance: Jonathan Levy and Edward Baptist show that mortgages, commodity exchanges, and futures grew out of the commercialization of small-scale agriculture. Levy highlights a little-known fact in the history of American finance: mortgage-backed securities appeared long before the real estate bubble of the late 2000s. Initially, land symbolized independence and was seen as the ultimate "hedge": real property or land would not suffer from the vagaries of the market and could be passed from generation to generation. Levy argues that the popularization of mortgages marked the end of landed independence: western farmers turned to mortgages in the late nineteenth century to help them start their farms. New financial firms bought up large numbers of mortgages, pooled them together, and securitized them. Investors bought debenture bonds, which represented a small share in a collection of mortgages. Farmers were no longer free from the vicissitudes of the market: they relied upon investors they did not know. And farmers bought life insurance to protect against themselves against the insecurities of life. Land was no longer viewed as the greatest hedge. Levy points out that the market for debenture bonds collapsed in the Panic of 1893, much as collateralized debt obligations did in the 2007 crisis.

Baptist's essay also addresses the role of agriculture in the emergence of markets in asset-backed securities. Comparing the Panic of 1837 with the current financial crisis, Baptist finds some similarities between financial innovations of the 1830s and those of the early 2000s. Through an organization known as the Consolidated Association of the Planters of Louisiana (CAPL), slaveholders mortgaged their slaves and issued securities backed by their slaves. Securitizing slaves permitted slaveholders to gain access to credit they could use for further investments, and slaves also served as collateral in case of failure. In other words, securitizing slaves created credit and hedged against risk. Copycat institutions soon emerged In an interesting twist, debts collateralized by slaves became "toxic": due to a plummet in the price of cotton during the Panic of 1837, planters lost their ability to pay off their debts, and financial institutions found themselves saddled with insurmountable debts on their books.

Estate management went through a similar process of financialization. Elizabeth Blackmar's essay charts important changes in the ways in which inherited property was managed. Initially, heirs relied on an executor–typically a member of the family–to administer the estate. Executors often had to collect rents on land not under direct use by the family. Increasingly, heirs turned to life insurance and trust companies and real estate trusts to administer their estates. These corporate trustees tried to convert the real property into paper wealth: they swapped land for stocks and bonds. And the real estate trusts pooled their clients' estates and converted them into more economically productive ventures such as commercial real estate.

Corporations were at the helm of this financial revolution. Robert Wright argues that antebellum America was the quintessential "corporation nation" among industrializing countries prior to 1861. Twenty-two thousand corporations were chartered before the Civil War in America, and they played a greater role in the American economy than in any other emerging industrial power. They fulfilled a variety of important economic functions. Corporations enabled large-scale operations because limited liability encouraged risk taking. Decision-making processes were more effective in corporations, and corporations were more stable in the long term. Sean Patrick Adams contends that the Civil War was a transformative moment in the growth of American corporations. During the Civil War, Americans faced "an unprecedented challenge in recruiting, equipping, feeding, and transporting large armies" (p. 255). In response, states fostered the expansion of corporate capitalism. To encourage corporate growth, states relaxed regulations governing corporations and simplified corporate tax codes. The particular institutional shape of American corporate capitalism, Adams posits, was a product of the Civil War.

All of this new economic activity–the expansion of corporations and complex financial instruments–was part of the "business revolution" that Michael Zakim describes in his contribution to the volume. Capitalism is as much a "knowledge economy" as a mode of production. The day-to-day functioning of the market economy relied upon paperwork: duplicating correspondence, maintaining accurate ledgers, and submitting invoices were just as critical to the emergence of industrial capitalism as the factory and the telegraph. And the need to manage information required clerks–nonmanual laborers whose ambition and striving symbolized the "go-ahead" spirit of the culture of capitalism. Zakim argues that clerks and invoices were the true faces of capitalism, not looms and bosses.

The remaining essays in the volume address the complex ways in which Americans perceived the economic changes of the nineteenth century. Tamara Plakins Thornton's essay studies American visitors to England and how they understood the docks they encountered in their travels. She argues that the docks symbolized modern capitalism. These visitors liked what they saw at the docks: important agents in the economic changes of the nineteenth century, including John Lowell, the brother of Francis Cabott Lowell, were inspired by the scale, rationality, order, and impersonality of the English docks' economic activities. Thornton argues that "the docks aestheticized modern capitalism itself" (p. 172). The most important implication of her argument is that aestheticizing a landscape is "in some sense to legitimize the social facts and cultural values that landscape embodies" (p. 198).

Much as American travelers understood capitalism through English docks, Jacksonian Democrat William Leggett comprehended the market through melodrama. Jeffrey Sklansky uses Leggett to analyze the complex worldview of Jacksonian Democrats. Leggett's work as an actor in melodramas as a young man spilled into his career as a political writer. His political writings contain classic traits of melodrama: in Leggett's melodrama of the market, the unfettered market was a hero imperiled by the arch villains of paper money, corporations, and special privilege.

Even ideas about self ownership, love, and reproduction were woven into nineteenth-century Americans' perceptions of the market, as Amy Dru Stanley shows. Abolitionists and proslavery ideologues wrangled over the ethical dilemma of slave reproduction. Both abolitionists and proslavery ideologues agreed that slave breeding was a particularly distasteful practice. To northerners, the "slave breeding" problem provided proof of the immorality of southern slavery. Slavery's commodification of sexuality and debasement of love presented irrefutable evidence of the superiority of northern free society: in free society, individuals were free to choose those whom they loved. And abolitionists argued that slavery commodified reproduction. In their minds, northern free society was morally superior because it did not commodify everything. Southerners, on the other hand, argued that the personal bonds of slavery prevented any immoral behavior. Southerners retorted that the impersonality of northern society was more wicked than slavery: in the North, employers and employees had no personal connections or obligations to one another. Slavery was more humane because slaveholders knew and loved their slaves. And love, southerners argued, grew out of dominion rather than equality. Force reinforced love, whereas equality led to sexual depravity.

This collection of essays is broad in scope and is a valuable contribution to the historiography on capitalism in nineteenth-century America. The only weakness to my mind is the volume's neglect of criminality and the underground economy as part of capitalism's revolution. Capitalism and economic crime expanded together: paper money was widely counterfeited, securities were easily forged, and the chaotic financial system contributed to major financial scandals.[2] Corporations were connected to major episodes of fraud, from well-known instances such as the Credit Mobilier Scandal of the early 1870s to lesser-known episodes like the frauds at the New York and New Haven Railroad and the Bank of Maryland in the antebellum period.[3] Furthermore, the informal and underground economies were important areas of market activity, and they provided opportunities for profit to those who lacked the cultural capital to engage in the legal marketplace. Yet this volume makes it seem as though fraud and the underground economy had no place in the emergence of capitalism, even though fraudulent banknotes and secondhand shops lubricated trade. But this is a minor complaint, and the volume's merits far outweigh its weaknesses.

Notes.

[1]. See Scott C. Martin, eds., *Cultural Change and the Market Revolution in America, 1789-1860* (New York: Madison House, 2005); Paul Gilje, ed., *The Wages of Independence: Capitalism in the Early American Republic* (Madison: Madison House, 1997); Stephen Conway, ed., *The Market Revolution in America: Social, Political, and Religious Expressions,1800-1880* (Charlottesville: University Press of Virginia, 1996); and Jonathan Prude and Steven Hahn, eds., *The Countryside in the Age of Capitalist Transformation* (Chapel Hill: University of North Carolina Press, 1985).

[2]. See Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Con Men, and the Making of the United States* (Cambridge: Harvard University Press, 2007); Jane Kamensky, *The Exchange Artist: A Tale of High-Flying Speculation and America's First Banking Collapse* (New York: Penguin, 2008); and Ray Shortridge, "The Indiana 'Bonds' Fraud, 1861-1862," *Indiana Magazine of History* 99 (2003): 25-47.

[3] Robert Shalhope, *The Baltimore Bank Riot: Political Upheaval in Antebellum Maryland* (Urbana: University of Illinois Press, 2009).

Citation: Corey Goettsch. Review of Zakim, Michael; Kornblith, Gary John, eds., *Capitalism Takes Command: The Social Transformation of Nineteenth-Century America.* H-SHEAR, H-Net Reviews. August, 2012.
URL: http://www.h-net.org/reviews/showrev.php?id=35315