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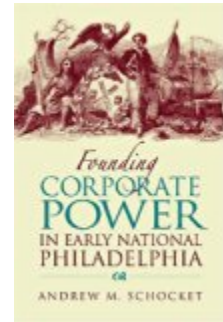
in the Humanities & Social Sciences

Andrew M. Schocket. *Founding Corporate Power in Early National Philadelphia*. Northern Illinois University Press, 2007. 274 pp. \$42.00 (cloth), ISBN 978-0-87580-369-2.

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Power in the Early Republic, Inc.

Andrew M. Schocket begins his study of early Philadelphia corporations with what at first seems to be a paradox. The early republic was an era of unprecedented participatory democracy and economic access. It was also a period in which political and economic power became concentrated. Much recent historiography has focused on just these phenomena, with some historians arguing that the dominant reality of the early republic was expanded political and economic opportunity, and others countering that above all the Market Revolution limited meaningful political participation and fostered economic dependence. Schocket argues against choosing one or another as the truer story line, but also against perceiving the simultaneous realities of diffusion and concentration as in any way a contradiction. He sees them as complementary developments engendered by a phenomenon as new as the nation itself—the corporation.

Corporations usually enter the historical narrative much later. We do not associate them with the era of maritime trade or, with the prominent exception of the Lowell mills, early industrialization, but with the giant enterprises of the Gilded Age and beyond. Similarly, we associate the consequences of corporate power—from corrupted politics to monopoly control—with massively capitalized, vertically and horizontally integrated companies employing thousands of wage laborers. Before the Civil War, mercantile and manufacturing enterprises were indeed largely a matter of individual entrepreneurs and business partnerships, but, Schocket points out, corporations dominated other sectors of the economy. Not

ships and shops and factories, but banks, canals, and perhaps most surprisingly, urban governments, are where we should look for the critical beginnings and effects of the corporation in America. For these early corporations, he argues, were critical to the transformation of the American polity and economy in the early republic, and they set the pattern for the political and economic workings of later corporations.

Schocket chooses to focus his examination on Philadelphia, arguing that this city served as a bellwether for both democratic politics and corporate power. His narrative thus concentrates on Philadelphia's corporate promoters and their allies in the state legislature and judiciary, the city's banks, its municipal waterworks, the Schuylkill Navigation Company, and the Lehigh Coal and Navigation Company. After independence, members of Philadelphia's pre-Revolutionary elite found themselves in the unfamiliar and unpleasant position of diminished political power. Some of these wealthy and powerful men—most prominently, financier Robert Morris, lawyer James Wilson, and merchants Thomas Willing and William Bingham—turned to the corporate form as an alternative method of controlling economic policy and maintaining economic dominance. As part of an Anglo-American elite, they were familiar with the use of corporations in Britain. For its part, the state legislature, which until the passage of general incorporation laws in 1847 granted corporate charters one by one, saw corporations as ways to achieve public goals without the politically sensitive commitment of public funds. Predictably crit-

ics raised the specters of speculators and stockjobbers, economic inequality, and special privilege. In reply to these fears, promoters initially argued that corporations fostered statewide economic growth and unified a population divided by region, politics, and interest. By the 1820s they had shifted to more liberal arguments about the happy coincidence of the profit motive and the public interest.

Meanwhile, state legislators responded to popular resistance by including such ostensibly democratic provisions in corporate charters as popular representation on corporate boards and the promise of legislative oversight. But if corporate promoters got their charters after all, it was less because of such claims and concessions and more, Schocket argues, because not all anti-corporate sentiment was a matter of principle. In many cases, opposition stemmed from hostility to particular corporations or from a perceived threat to rival economic interests. The way around political opposition was to issue more corporate charters, diffusing the advantages and privileges of corporate banking and internal improvements throughout the state. If, for example, opponents of bank charters acted not upon some theoretical concern about privilege but resentment at being locked out of credit, why not give them a piece of the action, a bank of their own? Philadelphia's corporate elite resisted this kind of diffusion only to discover that it smoothed the way to acquiring and maintaining their own corporate charters, leaving them free to gain an ever greater share of economic power and profits. Banks faced the stiffest opposition by far, and with good reason, Schocket argues. His detailed examination of banking practices establishes just how banks, despite their high-minded rhetoric of the public good, limited shareholding and extended credit to a select group of corporate insiders.

But Schocket does not deny the many benefits that came with other kinds of corporate enterprises. In the aftermath of the yellow fever epidemic of 1793, the city of Philadelphia, in its capacity as a municipal corporation, built a public water system unparalleled in the United States. It brought clean water to residents throughout the city and fostered new business enterprises. Even more dramatic was the economic effect of the canal systems developed by corporations along the Schuylkill and Lehigh rivers by the 1820s. The waterways created new markets for the hinterland's agricultural goods and its natural resources. Farmers cashed in on new economic opportunities, while the owners of anthracite mines, stone quarries, and lumber mills shipped their goods to Philadelphia. An even greater tonnage of goods moved the other direc-

tion, meeting the growing demand for consumer goods in the backcountry and fueling the growth of canalside towns. Philadelphia itself was transformed from an Atlantic port into a manufacturing center, as anthracite coal literally fueled a host of new industries. And all these developments brought economic opportunity to farmers, artisans, shopkeepers, and corporate employees, underwriting the expansion and prosperity of a new middle class.

So much for the diffusion end. For Schocket also argues that, however much ordinary Pennsylvanians profited from these corporate enterprises, some lost out, and, more critically, corporate insiders profited far more. Corporate men mobilized their enormous capital; control of credit, natural resources, and technologies; and power of eminent domain to shape economic policy and development. When they sold stock and ruled on loan applications, mapped water main lines and canal routes, contracted for labor and supplies, and set water and toll rates, their actions were designed to benefit some more than others. The economic muscle that came with the authority to make such decisions translated into concrete rewards and penalties. Bank insiders, for example, could extend a thirty-day loan indefinitely to one of their own, and could also intimidate a critical newspaper editor with the threat of withholding credit. State authority backed corporate power. Legislators, often influenced by corporate lobbyists, included provisions in corporate charters that only appeared innocuous, while like-minded judges on the higher courts issued advantageous rulings. A clause in the Schuylkill Navigation Company's charter, for example, allowed the company, when calculating monetary damages owed to those harmed by canal development, to offset the negative impact with the increase in land value. The landowner, who could not feed a family with the increased valuation, came out the loser.

Above all, Schocket stresses the systematic manner in which corporations shielded their operations from public input, view, and oversight. Amendments to corporate charters that replaced the required month's notice for directors' meetings with a week's notice effectively kept out those directors who could not scramble on such short notice, namely those who did not live in Philadelphia. Regardless of what corporate charters said about annual reports to the legislature, lawmakers tended to ignore corporate activities, leaving insiders to do as they pleased. That included bending and even breaking laws: recording only the barest, most opaque of minutes; keeping legislatively-appointed directors off important committees; ignoring charter provisions aimed at prevent-

ing a permanent or revolving directorate. Even the public committee responsible for Philadelphia's waterworks was able to hide its decision-making processes in the financial cover provided by bond issues and a sinking fund. Through such subtle, behind-the-scenes mobilizations of power, and through the further device of interlocking directorates, Philadelphia's corporation men consolidated their power into a regional elite in which enormous political and economic power was concentrated.

Schocket's narrative is at its most convincing when detailing the inner workings and economic and political impact of corporations. His account is less precise when he considers the motives of his cast of characters. At points, Schocket's portrayal of corporate insiders is unrealistically conspiratorial; unrealistic because he suggests not only that these men were out to benefit themselves and their class—clearly the case—but also that they consciously set out to achieve the even more profound, long-term effects of corporate activity that he so skillfully details. Furthermore, given the proliferation of corporations Schocket describes—most dramatically, forty-one bank charters granted in 1814—one wonders just how tightly and exclusively the links between elite power and the corporate form per se can be drawn.

Schocket's analysis could have benefited from a broader consideration of the use of corporations and of alternatives to it. Even as Philadelphia's earliest banks received corporate charters, for example, so too did the American Philosophical Society (1780), the Philadelphia Society for Promoting Agriculture (1785), the Pennsylvania Abolition Society (1790), and Mother Bethel African Methodist Episcopal Church (1796). What does the use of the corporate form by these kinds of institutions, many but not all elite-dominated, tell us about corporations in

the early republic? If the imprimatur of a corporate charter conferred not only legal and economic muscle but also social and cultural status, historical analysis of corporate power must consider the many motives of those who sought corporate charters and their success in doing so. Furthermore if the corporation is best understood as a strategy for elite control over economic policy and expansion, then the simultaneous existence of other models of economic development, such as the publicly funded Erie Canal or the partnership-led industrialization of Philadelphia, requires more than the brief examination Schocket affords.

Nonetheless, Schocket's approach to corporations and their consequences is both innovative and powerful. He translates the abstraction of corporate power into concrete devices for and consequences of wielding that power. The devil was in the details, often of the most mundane and obscure sort that can escape the historian's notice, especially when the historical actors in question aimed for opacity. But Schocket's imaginative and painstaking research has unearthed those details, and they lend powerful substance to his arguments. His recognition that American corporations shaped the distribution of power and wealth long before the end of the nineteenth century allows us to reconsider the nature of the "revolutionary settlement" and the seeming paradox of inequality and democracy in the early republic. That broad perspective alone warrants our close attention. Furthermore, his analysis illuminates the formation of that much under-studied class, metropolitan elites, but also the many ways, both direct and indirect, that corporations contributed to the growth of a market-oriented middle class. Schocket's book thus stands as an important contribution to our understanding of class and power in the early republic.

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