Lesson, Portraiture, Method, Myth:
Richard Bensel's *The Political Economy of American Industrialization, 1877-1900*

Daniel Carpenter
Department of Political Science
The University of Michigan

In three books spanning three decades, Richard Bensel has accomplished for the history of the United States what Fernand Braudel did for the Mediterranean world. Bensel has supplied his readers with a methodology for studying 19th and 20th century American political history (*Sectionalism and American Political Development*), a narrative of the emergence of a centralized state in the U.S. after the Civil War (*Yankee Leviathan*) and, now, a deeply political account of the underpinnings of U.S. economic growth. Where Braudel rendered on vast canvases a patterned movement of materials, trade, labor, and climactic patterns in the Mediterranean littoral, Bensel has mapped the political and economic history of the industrializing United States as a struggle between three great sections. The industrial East, the ore-rich and grain-farming West, and the backward South fought for more than a century over the terms of international trade, the size and reach of the federal government, the conduct of state and national elections, and the currency of modern finance. This core insight – that sectional conflict fundamentally conditioned the nature of industrialization, state formation, the progress of civil and human rights, and other historical processes – is novel, richly documented and attuned to particularity. Far more than a simple rehearsal of previous sectionalisms (Frederick Jackson Turner's, for instance), Bensel's methodological and textured sectionalism remains his greatest contribution to social science history.

Bensel's newest effort is a mixture of tangible triumphs, superb research, and one measurable failure. It combines lessons, portraiture, method and myth. The *lesson* is the principal argument of the book. The federal industrial tariff of the nineteenth century was at once the political price of the gold standard and unregulated markets, the main policy propping up the Republican Party in the late nineteenth century, and the bribe that kept labor from a full Democratic embrace. The upshot of these three points is that a seemingly anti-developmental policy – an enduring protectionist tariff – was the political linchpin of American industrialization. The book's *portraiture* consists of its Braudelian depiction of the three great sections and the relations and flows between them, all the while paying due heed to the anomalies (New York City, for instance) that disturb Bensel's categorization yet do so in theoretically meaningful and tractable ways. The *method* is a narrative in its own right. *The Political Economy of American Industrialization* makes consistent and shrewd use of new data sources on state party platforms, interest rate differentials, bids and prices for municipal bonds, the

import and export of gold, congressional votes on the tariff and monetary policy, and numerous other social facts.

The mythic component of the book amounts to its most tangible failure. Bensel voices a rather explicit lesson in finance, ever more moralistically rehearsed as *American Industrialization* approaches its conclusion. It is a fantastic portrait of American economic growth of which Milton Friedman would be proud. The U.S. grew so rapidly in the nineteenth century, the myth goes, because the Republican Party kept pro-silver legislators at bay from the gold standard and because Republican federal judges kept regulation-hungry state legislatures at bay from interstate commerce, particularly railroads. The unregulated national market and the gold standard were thus the twin institutional engines of economic growth; there were not any other pillars nearly as important. The only thing restraining growth, hence, was state regulation and pro-silver advocacy. So boldly is this portrait presented that the entire depression of the 1890s is apparently placed upon the shoulders of the pro-silver wing of the Democratic Party (Chapter Six). This narrative, little of it supported by the sort of careful and prodigious research that undergirds Bensel's other claims, functions as a subtext for much of the volume. Occasionally it leaps out of the footnotes, but by the book's conclusion, it emerges fully dressed to shake the reader's hand. At its best, this myth amounts to a biased reading of the late nineteenth century economy through the *Commercial and Financial Chronicle*, the New York-based trade paper that supplies Bensel with so much (too much) raw material for his analyses in *Yankee Leviathan* and his newest tome. At its worst, it amounts to partisan history, and weakly supported partisan history at that.

My own view is that Bensel is right to emphasize the gold standard and limits on state regulation as power factors contributing to American economic growth. I also believe that he is wonderfully correct to point to the industrial tariff as a political necessity for supporting these policies. Yet the other claims – moderate state regulation would have killed the railroads, pro-silver advocacy generated the depression of the 1890s, the gold Standard Act of 1900 induced fifteen years of economic growth – do not follow from this account. In short, Bensel could have written his book without these overreaching assertions. In making them he weakens an otherwise grandly conceived and deftly executed endeavor. In concluding I offer a brief, sensible alternative to Bensel's subtext on American industrialization, one that emphasizes, in addition to fiscal stability and free commerce, raw materials, cheap land and yes, the tariff, as contributing factors to American industrialization. This fault detracts only slightly from what will remain a classic contribution to the historical political economy of the United States for decades to come.

The Lessons of Tariff Politics

The triumph of *American Industrialization*, and it is a beautiful one, is historical puzzlework. For two generations, scholars have largely ignored the nineteenth-century American tariff as a subject worthy of study. They have written the late 1800s as a time of farmer and labor agitation, as emergent cultural conservatism (Comstockery, Victorian moralism, temperance), as racial and ethnic suppression, as gender politics, as welfare state building, as regulatory or environmental struggle.[1] The tariff has been largely excised from this history, relegated to the scrap heap of policies whose implications are assumed to be purely economic, purely industrial. One of Bensel's principal accomplishments, then, is to have neatly fit the tariff within a complex of other policies that defined late-nineteenth-century political economy and society. He places this policy at the core of the Republican Party coalition from 1877 to 1900. He demonstrates how the tariff garnered geographically and ideologically pivotal votes for the Republicans in Gilded Age national and state elections. He shows how pensions for Union veterans of the Civil War would not have been possible in the absence of the tariff. A major pork-barrel program of the Republican Party – and one that as Theda Skocpol has written was a massive social policy in its own right – rested upon the industrial tariff. The tariff, then was much more than protection for a political set of interests. It was political sustenance for the Republican party-state.

Unlike Bensel's subtextual history of the American economy, which should please conservative readers, Bensel's argument regarding the tariff will not. This is for two reasons. First, it shows that protectionism was at the core of the emergent Republican Party. The Republicans' ideological and programmatic foundation of the party was less human rights -- it may have been, say, in the 1850s, but in *Yankee Leviathan* Bensel shows us that the party's finance capital Republicans abandoned this stance during Reconstruction. Nor was it sound money or antiregulatory posturing. It was industrial protection. Second, the more conservative and libertarian of the Republican Party's policies were not popular ones. Without the industrial tariff, the Republican Party would have lost millions of votes in the East and Great Lakes regions in late nineteenth century elections. The tariff bought crucial votes among industrial laborers – including steelworkers, miners, and machinists – and farmers (who benefited from the tariff on wool). In other words, most of the nineteenth century American public never accepted

[1] See, for example and most recently, Elizabeth Sanders, *Roots of Reform: Farmers, Laborers and the American State, 1877-1917* (Chicago: University of Chicago Press, 1999); Alan Dawley, *Struggles for Justice* (Cambridge: Belknap Harvard Press); Nicola Beisel, *Imperiled Innocents: Anthony Comstock and Family Reproduction in Victorian America* (Princeton: Princeton University Press, 1997); Patricia Limerick Nelson, *The Legacy of Conquest: the Unbroken Past of the American West* (New York: Norton, 1987); Scott James, *Presidents, Parties and the State: A Party System Perspective on Democratic Regulatory Choice, 1884-1936* (New York: Cambridge University Press, 2000); Daniel P. Carpenter, *The Forging of Bureaucratic Autonomy: Networks, Reputations and Policy Innovation in Executive Agencies, 1862-1928* (Princeton: Princeton University Press, 2001).

the sound money, limited regulation ideology of Old Guard Republicans. If it had, the tariff would not have been necessary, or put differently, the Republicans would not have embraced it.

Embrace it they did. In a careful and informative review of over 1,000 state party platforms written from 1877 to 1900, Bensel shows (in Chapter Three) that the tariff was the most common issue addressed in major party platforms (pp. 124, 184-187), was usually the central element in party platforms (pp. 125, 184-87), figured as critically in state contests as in federal ones (p. 125), and composed the chief wedge dividing Republicans from Democrats (pp. 128-29). Republicans of all stripes, including Southern Republicans (pp. 128-29), trumpeted the tariff as loudly as Democrats decried it. These findings are all the more striking given the relative invisibility of other issues in party platforms – labor rights and worker safety, railroad and industrial regulation, public land disposal, temperance, suffrage rights and election reform, foreign affairs, government reform, and others (pp. 143-183). These are precisely the issues that historians and political scientists have embraced to the exclusion of the tariff in recent decades. Among the major political questions of the Gilded Age, only the gold standard emerges with near the frequency and conflict as does the tariff in state party platforms.

In this vein, another of Bensel's superb contributions comes in Chapter Seven when he tackles tariff politics directly. Here Bensel outlines one of his central historical claims, namely that the industrial tariff was "the policy foundation of the party's national coalition" (p. 488). More specifically, Bensel shows that there were five elements in the Republican coalition that probably would not have been there but for the tariff: (1) votes related to the iron and steel producing industries, (2) wool manufacturers (concentrated in the industrial northeast), (3) the cane sugar industry of Louisiana, (4) sheep farmers, and (5) Union veterans whose lavish pensions were bankrolled by the tariff. There are two rather novel claims here. The first is that the political coalition supporting the tariff was far broader than political historians have thought. Tariffs protected farmers and sugar growers as well as iron and steel producers, and included (as an implicit beneficiary) Union veterans. In much the same way that the AARP and other advocates of the elderly are wary of tax cuts today – fearing their adverse fiscal consequences for Social Security and Medicare – Union veterans in the late nineteenth century watched the federal surplus with a keen eye as to how it would affect future pension outlays. Second, the tariff brought into the Republican fold many voters who would otherwise have been attracted to the Democrats. The marginal vote-buying value of the tariff was high precisely because it was targeted at such voters. These include Union veterans and farmers (who might otherwise have voted upon midwestern and western sectional loyalties), to Louisiana cane growers and allied laborers, and to industrial laborers (whose attraction to the Democrats was strong throughout the late 1800s).[2]

[2] This section is not without its faults. It has been repeatedly demonstrated that the imposition and level of tariff rates responded directly to the revenue demands of the federal government. Bensel seems to

In his analysis of the tariff, then, Bensel has given us a new history of the United States political economy and a new history of the Republican Party. At the very minimum, the lasting success of this book will be the allure that it casts upon the industrial tariff as the worthy subject of analysis for political scientists and historians. Yet his book also urges us to re-examine the late-nineteenth-century Republican Party, the peculiar complex of policies passed (and not passed) into law during this period, and the place of protectionist policies in a democratic polity. If read properly, Bensel's latest volume asks us to reconceive the study of American political development not simply through a sectionalist lens but also through a lens of political economy in the deepest and most enduring meaning of that term.

The Methodological Portraiture of Sections

Bensel reads the history of the United States as a sequence of vast geographical tilts and shifts, a pattern of crosscutting flows of labor, votes, pork, capital and wealth from one region to another. What emerges even more clearly in *American Industrialization* than in *Sectionalism* or in *Yankee Leviathan* is that these patterns are part of a seismic geopolitical contest whose stark terms were clearly understood in the Gilded Age. In previous works in the "new sectionalism," including Elizabeth Sanders's *Roots of Reform*, the sections of the industrializing United States battle mainly in the legislature. Here in Bensel's book the sections war with one another in state and national electoral contests, in attracting capital investment and industry, in the aggregation and redistribution of wealth, and in the sheltering of industries. In other words, the North, South and West were engaged in a century-long economic, political and cultural race for supremacy and for the riches of national development.

To put it crudely, the North won that battle, and won it big. Constructing and analyzing a novel, five-indicator summary index of economic development, Bensel shows that with very few exceptions, the least developed counties in the country lay predominantly in the cotton South and the most developed lay in the industrial North and Great Lakes coastline (pp. 47-54). In some respects, this pattern will say nothing new to economic, social and political historians. In other respects, Bensel's account is original in that he is able to authenticate uneven regional development with a multidimensional empirical intensity that has eluded previous scholars. The sections diverged not only in per-capita wealth, but also in the price of capital, literacy and patent activity. Indeed, these variables were positively correlated across counties *within*

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condition his analysis upon partisan and political factors alone. For a cogent, long-term analysis of this relationship, see John Mark Hansen, "Taxation and the Political Economy of the Tariff," *International Organization* 44 (4) (Autumn 1990): 527-551.

sections as well as across sections.[3] Bensel's detailed maps – both the literal maps that pepper his statistical narratives (see pages 33, 51, 53, 216, and 441 for the most informative ones) and the figurative maps that readers conjure up when poring over his effluent statistics – offer a fresh cartography of American economic and political development. In short, the brute socioeconomic fact of uneven development, one which has received only summary analysis in previous scholarship, now has the benefit of precisely quantified and well-reasoned documentation.[4]

Behind these maps lie a multitude of forces, of course, but the tariff lurks among them. Such stark divergences in development indices trip up the predictions of neoclassical growth theory in economics that differences in real wealth across regions should gradually disappear over the long run as competition for labor and capital equalize real wages and interest rates.[5] What prevented this convergence from starting in the late nineteenth century was, among other factors, the tariff. (The others include but are not limited to the availability of key natural resources, including metal ores, and the relative absence of human capital and public infrastructure in the South.) The industrial tariff was not only explicitly redistributive in that it boosted consumer goods prices for southern and western citizens, but also implicitly redistributive in that it induced capital flows to Northern industries with artificially inflated profit margins and hence (at the margin) diverted scarce capital away from the investment-starved South (pp. 191-192, 350).

Yet the metaphor of contest is not the only one governing Bensel's analysis of regional economic development. As he did in Chapter Four of *Yankee Leviathan*, Bensel richly documents flows of capital and resources across the sections. He does so by examining patterns of nonresident ownership of national bank stock, and patterns of bids for county and municipal bonds (pp. 56-72). He finds, in essence, that much of the West and South was owned (or mortgaged) by the North and East. More specifically, stocks in East Coast companies were held by eastern and foreign investors, whereas asset ownership in western and southern firms and municipalities was concentrated in heavily among eastern finance firms in major cities. Bensel's analysis leads him to

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[3] I do think that Bensel could have done more to document this point in the way of bringing more rigorous statistical tests to bear upon his data. For this critique, see the next section.

[4] Like any good social scientist, Bensel exhausts considerable space in Chapter Two in a methodological *apologia*, justifying his five indicators of development and his aggregation of the five into a summary index. Among recent works in American political history, this effort constitutes a laudable and noteworthy exception to the failure of most scholars to consider thoroughly just what their statistics mean.

[5] See, for instance, Robert J. Barro and Xavier Sala-i-Martin, "Convergence," *Journal of Political Economy* 100 (2) (1992), 223-251; Barro, N. Gregory Mankiw and Sala-i-Martin, "Capital mobility in neoclassical models of growth," *American Economic Review* 85 (1) (1995), 103-115; Dan Ben-David and Michael Loewy, "Free trade, growth and convergence," *Journal of Economic Growth* 3 (1998), 143-170.

deposit a valuable and informative classification of trade regions in the late nineteenth-century political economy (p. 70).

> In sum, bids for county and municipal bonds suggest a two-dimensional pattern of capital flow in the late nineteenth century. On the one hand, capital flowed horizontally through the national economy from the major urban centers of the manufacturing belt into the peripheral regions of the South and West. The stronger flow, by far, connected the East with the West. … In other hand, capital also flowed vertically through the national city hierarchy, from the major financial centers of the nation in New York, Chicago and Boston to smaller regional cities such as Albany, Buffalo, Detroit, and Milwaukee.

Within the raw variation of wealth across the great sections, Bensel describes a pattern of capital exportation and importation that differentiates the most capital-rich areas of the "intermediary" Northern core from less salient cities in the national capital market, and distinguishes the most capital-starved of southern and western areas from those more integrated areas of the "periphery" economy (Louisville, Denver, San Francisco).

Stepping back from the present volume and examining the summary contribution of Bensel's work, I would argue that much of what we learn from his exhaustive numerical narratives are more accurate portraits of these flows and contests. Much in the way that Fernard Braudel narrated vast movements of capital, labor, pilgrimages and resources in *The Mediterranean World*, Bensel has achieved a similar feat in his narratives of the political economy of the United States. This is, of course, not to equate Bensel's new sectionalist history with Braudel's "longue-duree" narrative. In many respects, Bensel's work is far more careful than Braudel's, not least because the flows and patterns he describes are more richly and precisely narrated.

Bensel's Empirical and Methodological Innovations

Among the rich accomplishments of Bensel's book is its exhaustive search for, and collection of, new data on a range of political and economic activity in the Gilded Age United States. I hope that Professor Bensel chooses to make his data sets generally available to future researchers; even if he does not, he will have performed a lasting service to the historical profession by documenting exactly how his data were obtained. In any case, the sheer volume of information collected, the care with which it was retrieved, and the precision with which is it presented make *American Industrialization* an empirical effort of rare diligence in the social sciences. In this section I point to several of the most noteworthy empirical contributions of the book. I also allude to some of the specific shortcomings of Bensel's analyses.

Perhaps the most opulent and novel of Bensel's data consist of observations on over 1,100 state party platforms hewn between 1877 and 1900. Bensel collects platforms from Republicans, Democrats, Populists, Greenbackers, and the pro-temperance Prohibition party. He ignores neither northern Democrats nor southern Republicans. Using this

data, Bensel documents the presence or absence of issues on platform planks for a variety of concerns in the late nineteenth century. These include the tariff, the gold standard and its alternatives (e.g., free coinage of silver), temperance, labor questions (including the use of convict labor, workers' rights and worker safety), issues of foreign affairs, the regulation of national elections (including suffrage rights), and railroad regulation. The upshot of this analysis, as I mentioned before, is that the tariff emerges as the dominant issue splitting Republicans from Democrats. Most interesting is that, unlike the gold standard, the tariff *never* splits Republicans or Democrats *from themselves*, at least for the sample and the period studied (p. 107). More specifically, no "party bolt" of the late nineteenth century can be attributed to divisions over the tariff.

Yet just how much these state party platforms constitute a statistical sample? The Gilded Age, recall, was the era of institutional and statutory copycatting among states. In was in Bensel's period that the model state law emerged, and it was in this period that interstate professional associations such as the National Association and Railroad and Utility Commissions (NARUC) and the Association of State Food and Drug Commissioners surfaced as well. Just as states copied each other's regulatory and social welfare statutes though interstate professional associations, might not state party organizations have copied one another's platforms through the influences of "model planks" distributed through national party networks? In short, is the striking uniformity of the parties on some issues a "bottom-up" emergence of order or was it superimposed by national party elites desirous of programmatic purity at the state level? Bensel might have investigated this question by examining how some of the platforms he analyses were put together, or by examining textual or rhetorical commonalities among the platforms in his sample.

Bensel might respond to this query that such copycatting simply reflects the deeply entrenched cross-partisan and cross-sectional divisions in the national party system. After all, the Populists were not plagiarizing planks from the Republicans; neither were Texans copying from Vermont, in all likelihood. Perhaps so, but if substantial copying occurred among platforms within national parties and within (or across) regions, it points to a fundamentally different mechanism by which regional and partisan unity was achieved. If national party elites and organizations enforced platform uniformity at the state level, this fact would suggest that the tariff, which Bensel describes as crucial to state electoral competition, was perhaps only epiphenominally so. If the tariff (or another issue) were more energetically voiced by national than by state party elites, it might appear in a state party platform *even if was not the fundamental issue dividing Democrats from Republicans in that state*. The tight line toed by southern Republicans on the tariff issue is perhaps better evidence of this fact, and might point to a general lack of platform autonomy among many state party organizations in the late nineteenth century.

Bensel also gets significant mileage out of other new data. In Chapter Two, he examines the geographical distribution of bids for municipal and county bond issues in 1899 and 1900. He uses these data to portray inter-regional capital flows in the late nineteenth century. In Chapter Six, Bensel looks at annual data on the import and export of gold bullion to make some points about the effect of the Sherman Silver Purchase Act on the national political economy. Also in chapter Two, Bensel collects census data on interest rate differentials (which are used to construct the development index that lies at the heart of that chapter's empirical analysis). To this data effort he adds his customary careful examination of congressional votes on the tariff, business regulation, monetary policy, and other issues.

One of the visible successes of Bensel's effort has been to collect these new data and present them to the reader with relative clarity. If so, then one letdown of his book is his consistent failure to make sure of rudimentary statistical methods to back up some of his claims. In some cases, it would help to know whether a statistical correlation to which Bensel points does in fact pass standard levels of statistical significance. In others, some statistical controls would undoubtedly assist Bensel's causal inferences. Consider the following examples where claims could have been directly tested using simple multiple correlation or regression analysis.

- "Throughout the South, then, tenantry was strongly and positively associated with the proportion of blacks in the local population and, even when all these were taken into account, what had been the territorial limits of the antebellum plantation economy" (p. 219).

- "…the inverse relationship between relative development and electoral support for the Populist party is quite strong despite the fact that the degree of abstraction in these categories is very high" (p. 242).

- "Within each range of strike activity, from no strikes to a frequency of over 100 per thousand, the Populist percentage almost invariably declined with increasing economic development" (p. 249).

- "Simply put, workers not only rejected Populist appeals because they feared that their own income shares would be reduced; they were also strongly attracted to a development program that further increased the share of national wealth accruing to the industrial sector" (p. 251). [Note that these statements could have been tested in any number of ways. We could assay the first by looking at correlations between tariff impacts, real wage changes and voting patterns at the county level. More qualitative evidence would help for the second, perhaps by examining archival and contemporary evidence that industrial workers did in fact buy into the Republican development program, especially the tariff.]

- "In fact, when the nation's trade areas are regrouped according to their prevailing interest rates, *the result is an almost perfect correlation between rates and support for Bryan*" (p. 264; emphasis added).

- "Of the five developmental dimensions (value-added in manufacturing, interest rates, wealth, patents and literacy), the spatial pattern that most closely mimicked support for the gold standard was, not surprisingly, relative interest rates. …[T]he two patterns are almost a match. … Put another way, *relative interest rates best account for congressional support for the gold standard when combined with both the direction and size of intersectional capital movements*" (p. 442; emphasis added).

In all of these cases, and many others, Bensel is making statements about the correlation between two or more variables. Where his statement is intended as a correlation across trade areas, less refined methods may be needed. (Even here, however, readers would be more convinced if a micro-level correlation between the variables in question could be shown for the counties that composed the trade areas.) Yet most of the statements Bensel advances in these and like passages are general and causal ones. In these cases, rudimentary statistical methods such as multiple correlation and regression would have helped.

The benefit of correlation-based methods would not come in their replacement of the analyses that Bensel skillfully conducts. They would come in a more precise criterion by which the specific associations he advances could be rejected or supported. In other cases, he could examine and elaborate some apparent nonmonotonicities in his data. There does not, for instance, appear to be a linear relationship between the indicators of development and the 1892 Populist vote, judging from Table 4.5 (pp. 245-46). Instead, the Populist vote appears to be concentrated in the highest and lowest quantiles of the distribution of patents, per-capita wealth, manufacturing value-added and interest rates. A closer analysis of the voting data, one that disaggregated trade areas, would have helped immensely to clarify these associations.

The Myth of Unregulated, Sound Money Growth

Some of the boldest claims advanced in Bensel's book appear in secondary discussions and footnotes. Underlying and suffusing much of the discussion of Republican Party politics, democracy and development, uneven economic growth and the like is a simple thesis concerning the two central causes of economic growth in the Gilded Age United States. These were the *gold standard*, which functioned to integrate the capital markets of London and New York, and the *national market*, which allowed immense gains from intra-national trade only because state regulation of interstate commerce was stifled.

That the gold standard as a form of conservative monetary policy generally promoted national growth cannot be denied. A vigorously inflationary policy, as Bensel notes when discussing the specter of free coinage of silver in the late nineteenth century, would have been ruinous to investment and industrial activity. So too, the value of an unfettered national market for goods and capital is difficult to gainsay.

Yet Bensel's claims for the centrality of the gold standard are flawed in several respects. First, Bensel may have the fundamental periodization wrong, at least partially. As Paul Bairoch's analyses of international industrialization have shown, U.S. per-capita industrial production did not surpass that of Great Britain until after 1900. The greatest annual average gains in per-capita industrialization also occurred in the early twentieth century. These were precisely the years when broad federal and state-level economic regulation and popular influence upon monetary policy emerged.[6]

Second, and more important, Bensel's account of American industrialization often advances far beyond his core political economy arguments into much more contentious and less solid territory. So dedicated is he to demonstrating the economic centrality of the gold standard and the unfettered national market that Bensel appears compelled to cast significant doubt on other possible contributing factors to national economic development in the Gilded Age. One example comes in Bensel's discussion of federal land policies.

> "…even though disposal of the public domain through sale, homestead settlement, railroad grants, and distribution to the state were all self-conscious central state policies, the net effect was only to place that land in private hands just about as fast as the expansion of the national market could put a price on it. *The federal government otherwise did little to guide western development*" (p. 294; italics mine).

As I discuss below – and as historians of the West from Donald Pisani (who forcefully attributes the rise of unique forms of large-scale agribusiness in the West to federal policies) to Patricia Limerick Nelson have made plain – this last statement is almost surely mistaken. In other cases, Bensel argues, inaccurately, that the federal government was a weak regulatory force in the late 1800s.

> "As it turned out, Congress was remarkably restrained in the last decades of the nineteenth century. … *Only four significant federal laws directly regulating commerce were passed before 1900*: the 1887 Interstate Commerce Act, which address railroad competition and rates; the 1890 Sherman Antitrust Act; the 1893 Safety Appliance Act…; and the 1893 Harter Act, which limited the liability of water carriers" (p. 348; italics mine).

Any historian or political scientists surveying would find this statement surprising if not altogether wrong. Consider a few of the "direct" regulations of interstate commerce that Bensel's survey ignores. In 1885 Congress passed the Meat Inspection Act, which empowered a force of hundreds (very quickly becoming thousands) of USDA inspectors to oversee the quality of livestock and butchered meat. The Act gave a federal agency the plenary power of commodity removal to any meat deemed unsafe

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[6] Paul Bairoch, "International Industrialization Levels from 1750 to 1890," Journal of European Economic History 11 (Spring 1982), 269-310; quoted in Gavin Wright, "The Origins of American Industrial Success, 1879-1940," *American Economic Review* 80 (4) (September 1990) 651-668.

for consumption. This act powerfully influenced the market structure of western cattle ranching as well as meat-packing and other food-processing industries. Twelve years before Congress had passed the Comstock laws, whose enforcement under the Post Office Department cut deeply into the market for pornography and contraceptives on the East Coast. In a similar statute, the Anti-Lottery Act of 1890, Congress declared non-mailable all materials (including lottery tickets) distributed by interstate gambling operations. The largest lottery in the nation, based in Louisiana, was effectively shut down, and the business of the New Orleans post office dropped by two-thirds in the months following the statute's enactment. All three of these laws regulated well-established markets that were entirely legal before the laws were passed – the market for meats and processed meats, the market for erotic literature and contraceptives, and the market for interstate lottery betting. The federal regulation of these markets carried economic impacts in the tens of millions of dollars.

At its most extreme, however, Bensel's account of the role of federal government in national economic development proceeds less by dismissing the relevance of federal policy, and more by assigning blame for industrial depression to pro-silver votaries. Consider the following statements.

> "Political attacks on the gold standard, when persistent and powerful as they were during the first half of the 1890s, seriously distorted what would otherwise have been the course of American economic growth" (p.370, fn 26).
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> "…the onset of renewed silver agitation in 1889 was followed by six more years of adverse gold movements [net exports of coin and bullion]….These developments had the twin results of throwing the nation into what became a prolonged depression and threatening the stability of the financial system (by draining the banking system and the Treasury of gold reserves)" (p. 408).
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> "[Immediately after the 1896 election], the premium on the gold in the bullion market disappeared, and the stock market…welcomed McKinley's victory with booming prices. *As a result, business conditions immediately turned for the better*, but *the economic crisis that attended Bryan's nomination and the subsequent presidential campaign continued to take its toll on insolvent banks and bankrupt companies that had been weakened during the four months between June and November*" (p. 426; italics mine).

When contrasted to the prodigious research that underlies Bensel's other claims – those about uneven development, or the political coalitions undergirding the tariff and the gold standard – Bensel's support for these statements is threadbare. The first statement simply points to Milton Friedman and Anna Schwartz, who in *A Monetary History of the United States* made a habit of *post hoc* backdating virtually every recession in American history (including the Great Depression of 1929-1937) to the fiscal machinations of federal officials. It is worth noting that neither Friedman nor any other social scientist has provided any rigorous statistical support for the argument that pro-silver agitation induced the Depression of the 1890s. (Friedman and Schwartz's account is purely

descriptive, again with the copious backdating and hindsight regression that marks their other analyses.) Indeed, such would be a hard argument to make, for several reasons. First, the anti-silver President Grover Cleveland (who had pushed through a repeal of the Sherman Silver Purchase Act) was in the White House during the entire downswing. Second, Bensel's argument simply cannot reconcile (a) passage of the repeal of the Sherman Silver Purchase Act in 1893 and (b) overwhelming Republican victories in the 1894 midterms (in which they achieved large majorities in both chambers of the national legislature) with (c) the continuation of the industrial depression until 1897. Exactly how investors could possibly have feared free silver coinage in the environment from 1894 to the fall of 1896 *more than they feared it from 1889 to 1893* is beyond cogitation. Third, pro-silver agitation rose in 1889 *but the years 1889 to 1893 (up until the Panic) saw vigorous industrial growth*, even though Benjamin Harrison was arguably less committed to the gold standard than was Cleveland and even though Populists recorded their most startling gains in the 1890 and 1892 elections.

Bensel's third claim is even less defensible. After presenting a table of net gold imports and exports from 1877 to 1900 (p. 409), he claims that large and decisive outflows of gold coin and bullion followed upon affirmations of the gold standard, while net exportations followed just as quickly from silver advocacy. Despite Bensel's claim that national capital and industrial markets responded ever so quickly to gold imports in the entire period 1877-1900, we are somehow asked to believe that the crisis of the late 1890s, placed squarely on the Bryan campaign's shoulders, required extra time to disappear. If capital and industrial markets worked so efficiently that they quickly penalized political affirmations of silver, why did they work so inefficiently to embrace political affirmations of gold?

Even this argument assumes that we buy Bensel's reading of net gold movements in Table 6.11 (p. 409), but there are reasons to doubt it. For one, the year 1891 saw, to date, the greatest net exportation of gold in the Gilded Age United States ($37 million, twice that of any previous year since 1877). Yet no industrial recession was forthcoming in 1891. Or consider that the value of domestic gold production reached a Gilded Age high of $47 million in 1895. Since gold production was highly attuned to expected movements in price (as well as uncertainty over price), how can the industrial recession be attributed to nervousness over gold when domestic gold producers were increasing production as never before? In fact most students of the period attribute the price inflation and industrial growth of the post-1897 period to a fact that receives only passing mention by Bensel: the late 1890s gold strikes of the Yukon and Rand.

A Different Account: Subsidized and Lucky Growth, plus the Simple Wisdom of Progressive Taxation

While already superb, Bensel's volume would have been a sounder contribution to the study of American industrialization had he avoided these claims. In its purest sense,

economic growth occurs when aggregate productivity increases in an economy, in part through increases in individual-level productivity and returns to capital, in part because factor inputs become cheaper or (the same) more plentiful. American industrialization, then, was an increase in aggregate *industrial* productivity, in part fueled by increases in the per-capita productivity of laborers, in part led by increases in aggregate investment, in part caused by declining relative prices for factors of production.

That the gold standard and the unregulated national market contributed greatly to cheap factors of production and increases in productivity through enhanced fixed capital investment I do not dispute. Yet other factors – singly or in concert –played at least as large a role in American industrialization. Consider the following:

1. *Abundant Resources and Cheap Land*. The United States entered an industrializing era with far greater natural resource endowments than any other comparable nation of the time. Virtually all of these endowments were on cheap private land or, more commonly, on public land that was granted wholesale or sold at an artificially deflated price to private speculators or resource extraction firms. It is now clear that America's resource abundance was a "rent" enjoyed by U.S. firms at the expense of their international (British, French, Dutch and Prussian/German) competitors. In a now famous article in the *American Economic Review* entitled "The Origins of American Industrial Success, 1879-1940," Gavin Wright argued forcefully that the genuine advantage of the United States in the era of industrialization lay not in capitalization, not in the efficiency of commercial or railroad economies, but in non-reproducible natural resources and their contribution to manufacturing exports.[7]

Wright examines factor-intensity differentials – the differences in the productive content of exports and that of imports – for the period 1879 to 1940. As Wright reports, "easily the largest factor-intensity differentials were in nonreproducible natural resources." Excluding agricultural and raw materials exports, he "still find[s] not only that U.S. exports had far higher natural resource content than imports but that this trend was growing both absolutely and relatively over *precisely the historical period when the country was moving into a position of world industrial preeminence*" (658). The reason for this factor differential was the unique and broad resource abundance of the United States. As Wright so succinctly puts it:

> …copper, coal, zinc, iron ore, lead and other minerals were at the core of the industrial technology for that era [1879-1940], and in every single case the United states was the world's leading producer by a wide margin. In an era of high

[7] Wright, "The Origins of American Industrial Success, 1879-1940," *American Economic Review* 80 (4) (September 1990) 651-668. While Bensel's bibliographic research in American Industrialization is, as usual, quite exhaustive, Wright's article is (unless I have missed a reference to it) a noteworthy and puzzling absence from the book's secondary sources.

transport costs, the country was almost uniquely situated with respect to almost every one of these minerals. Even this understates the mater. Being the number one producer in one or another mineral category is less important than the fact that the range of mineral resources abundantly available in the united States was far wider than that in any other country. Surely the link between this geographic al status and the world success of American industry is more than incidental. Wright 1990: 661]

Of course, the value of geographic endowments and the pace of industrial development are endogenous historical variables. Yet vast geographic endowments of minerals were a historically necessary condition for American industrialization.

The policy link here is land. Unlike mineral endowments in European countries, most of the resource endowments lay upon public (previously unoccupied or Native American tribal) lands. By expropriating much of this land from its previous owners, and by then freely granting or cheaply selling millions of acres to firms and individuals, the federal government essentially bankrolled the mineral endowment so necessary to American industrialization.

Had the federal government sold this at its near-term expected value, a major factor price in American industrialization (land, raw materials) would have been much higher. Or, to render a much more fanciful and abstract counterfactual, had decades of federal treaties been properly honored and had Native American tribes been allowed to sell their lands at equilibrium prices that reflected their underlying value, the mineral deposits necessary to industrialization would have come at a much, much higher price. The fact that neither of these scenarios came close to happening suggests that the federal government – through its "Indian policy" and through its century long disposal of the public domain – subsidized American industrialization.

2. *Advertising and the Postal System*. There is perhaps no industrializing economy in the history of the modern world that has enjoyed greater market integration by virtue of advertising than has the United States. Whether through emotive and cognitive attraction, or through the rational provision of information to consumers, advertising almost always increases aggregate consumer demand. It matches idiosyncratic consumers with the exact products they want, and often keeps them from consuming the ones they do not. As William Leach has thoughtfully detailed in his *Land of Desire: Merchants, Power and the Rise of a New American Culture*, the early twentieth-century United States was a consumer culture driven by mass distribution of newspapers, magazine, circulars and advertising bulletins.

This is the consumer side of the national market. The creation this market was in part the result of constraints on state regulation, as Bensel argues. The other factor was an active state policy: the national postal system and the long-running subsidy of second-

class mail matter (including newspapers and magazines). As Richard john has richly narrated in *Spreading the News* (1995), the U.S. postal system created a national market for information fully three decades before a national market for manufactured and consumer goods arose. As Bensel notes, institutional changes in the postal system after the Civil War only enhanced the carrying capacity of the Post Office. The Department's Railway Mail Service paid railroads to ferry through mail between large cities, cutting distribution time for national advertisers. The creation of a Rural Free Delivery Service in 1891 took advertisements and goods from national wholesalers to the rural consumer for the first time. Again, a distinctive feature of the U.S. market – one that undoubtedly raised industrial profits and thereby enhanced capitalization – was the direct result of federal institutions and subsidies.[8]

3. *Immigration*. Because it has been the subject of so many cultural, labor and ethnic historians, I mention the role of immigration only briefly here. Suffice it to say that immigration – also subsidized and otherwise facilitated by federal policy – provided the industrializing economy with cheap labor and, by some accounts, created a degree of worker heterogeneity that undermined the collective action necessary for sustained labor agitation and organization.

4. *Tariff*. The tariff promoted not only protection but also industrialization. It raised (albeit artificially) the profits of industrial firms in the United States, thereby boosting capitalization in such firms. While its net effects may not have been salutary – a point Bensel argues cogently, rendering it in terms of uneven economic development – the tariff's effect on U.S. industrialization was purely positive.

Tariffs, like monopolies, give rents to producers who enjoy their shelter. The net effect of these protections, again, is to divert capital flows to rent-possessing firms. (Witness the healthy capitalization enjoyed by public utilities in the twentieth-century United States before deregulation.) Investors care little about how such profits are derived, whether through increases in firm efficiency or through exploitation of rents.

Bensel actually considers this argument, but disavows it because in his estimation the tariff made. He is undoubtedly right, but net welfare is actually besides the point. Remember that Bensel's book is *an explanation for American industrialization*, not an explanation of aggregate economic growth or improvements in consumer welfare. If we seek to explain rising capital investment in U.S. industry, the welfare of southern consumers and producers is, for all intents and purposes, irrelevant. What foreign and domestic financiers wanted in their investments was stable and high profits, and the tariff provided both. The tariff is at least as strong an explanation for industrial

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[8] I have narrated some of these reforms in *The Forging of Bureaucratic Autonomy*. See also Hal Barron, *Mixed Harvest: The Second Great Transformation in the Rural North, 1870-1930* (Chapel Hill: University of North Carolina Press, 1997).

investment in the late nineteenth century, then, as the gold standard or the unregulated national market.

Despite these and other flaws, Richard Bensel's *Political Economy of American Industrialization* will remain a classic treatise of historical political economy for many years to come. It offers fresh insight and copious empirical study of previously neglected patterns and politics in American political and economic history. While I think that some of its sections would be better served by rhetorical temperance (and occasionally statistical indulgence), its value for readers of many disciplines will be enduring.