CHAPTER TWO

The Appearance and Spread of Big Business

The Advent of Industrialization

When General Pierre Gustave Toutant Beauregard ordered the shelling of Fort Sumter in Charleston's harbor in the spring of 1861, there was only one sector in the economy that included firms that could legitimately be called big businesses in the sense in which the term was used in the preceding chapter. That was the railroads, and at that point in our national history, they were still widely regarded as an almost unalloyed good. By the time of the Supreme Court's dissolution of Standard Oil, American Tobacco, and Du Pont a half-century later, such firms dominated much of the center of the American economy. They came slowly at first, appearing here and there in manufacturing by the 1880s, adding to the concerns that produced the Sherman Antitrust Act in 1890. The pace then quickened, and they came in a torrent in the last years of the nineteenth and the first years of the twentieth century.

We often think of industrialization and factories in conjunction with the rise of big business, but in fact the appearance of the factory did not at first call forth giant enterprises. Although industrialization certainly had its greatest impact in the age of big business, it had begun before mammoth enterprises appeared in manufacturing, and it continued in many medium and small firms after the spread of the large corporation. Both Western Europe and the United States had moved decisively into the era of the industrial revolution before the appearance of giant, bureaucratically administered firms. Beginning late in the eighteenth century, new technologies of production, novel machines, and the classic combination of steam, coal, and iron had given the world powerful ways of increasing the supply of goods. Britain led the way, with the young United States quickly joining in the exploration along what Thomas C. Cochran called economic and social *Frontiers of Change* (1979). And at least as early as the time of the War of 1812, the American textile industry operated what one could call true factories. Francis Cabot Lowell founded the Boston Manufacturing Company in 1813, and that firm created in Waltham, Massachusetts, the nation's first textile mill combining weaving and spinning operations within a single factory. Caroline F. Ware's classic book *Early New England Cotton Manufacture* (1931) documented the spread of similar "Lowell Mills" throughout other parts of New England where water power was available. In the initial decades after the passage of the Constitution, early factories appeared in many other industries as well. Along the lovely Brandywine River in Delaware there arose a cluster of early factories, including the water-powered gunpowder mills of what would one day become become one of the largest corporations in the nation, Du Pont. New York City and Philadelphia (including their environs) became great centers of manufacturing in the young republic. Throughout the Northeast, particularly along the "fall line," where the drop of rivers and streams approaching the Atlantic provided water power, industrialization had its beginnings in America.

By the 1840s the factory came to many industries. Although American producers were slow to adopt both steam technology and the advances in ironmaking underway in Britain by the

1830s, the 1840s and 1850s saw the spread of steam power and great progress in the American metalworking industries. As steam became available as a source of power for manufacturing, businesses could locate factories in new places, even sites that did not enjoy access to water power. This made it much easier for producers to operate near or in any urban center that offered a labor force or a potentially large market. Similarly, manufacturers could choose sites closer to raw material sources if they wished. In industries such as the manufacture of firearms, clocks, and nails, Americans led the world into new methods of mass production using specialized machines, a set of arrangements that later came to be known as "the American system" of manufactures. At the London Crystal Palace Exhibition in 1851, the world's manufacturers displayed the best of their goods and machines, and the American displays attracted great attention and admiration. As Brooke Hindle and Steven Lubar indicated in their *Engines of Change* (1987), the American triumph at that first of the great international world's fairs symbolized the industrial maturity of the United States on the global stage. By the close of the 1850s, then, the American economy was well launched into industrialization and rapid, sustained growth. A strong increase in the demand for goods arose within the developing regional hinterlands as the population spread westward, and established manufacturing centers such as Philadelphia grew rapidly, as shown in Diane Lindstrom's *Economic Development in the Philadelphia Region, 1810–1850* (1978). The economy now grew at a rate consistently higher than in previous eras of history. While scholars have argued for many years about the timing and sources of the transition to faster, sustained economic growth, most would agree that the United States was well on the road to industrialization and virtually continuous, long-term economic growth by 1860.

The national march toward mechanized production and the spread of factories did not, however, immediately trigger the appearance of big business in manufacturing. For many years thereafter, business continued to be done in single-plant operations, ownership of individual units was still concentrated


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