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Consolidating Power: Technology, Ideology, and Philadelphia's Growth in the Early Republic

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Few contemporary American issues are more controversial than the powerful role of corporations (both business and municipal) in society, politics, and the economy. Yet strikingly, few scholars have investigated the deepest historical roots of American corporate power. Most historians who have considered this issue have focused their research on the Gilded Age and beyond because of the post–Civil War rise of industrial capitalism, the increased prominence of corporations on the national scene, and the dramatic growth of city governments in the context of late nineteenth-century large-scale immigration and the provision of citywide service and transportation infrastructure.[1] Consequently, they have minimized the origins of American corporate power in the first decades of the republic, a crucial issue in the development of American business, American cities, and the nation.

In this dissertation I examine the ways moneyed Philadelphians invented corporate power in America during the first half-century of the federal republic, specifically focusing on business corporations such as canal companies and banks and on a public corporation,

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1. See for example William G. Roy, *Socializing Capital: The Rise of the Large Industrial Corporation in America* (Princeton, N.J., 1997); Alan Trachtenberg, *The Incorporation of America: Culture and Society in the Gilded Age* (New York, 1982); and Harold L. Platt, *The Electric City: Energy and the Growth of the Chicago Area, 1880–1930* (Chicago, 1991).

Philadelphia's municipal government. Using evidence from company and municipal records and publications, the private papers and correspondence of corporate officers, newspapers, pamphlets, and legislative acts and proceedings, I identify the people and the technological and financial processes that contributed to the establishment and entrenchment of corporate economic and political power. I argue that corporate leaders, responding to the demands of the Philadelphia region, used technology, ideology, and finance to create a social space, neither public nor private, that I have called the "corporate sphere."

Early republican Philadelphia provides the perfect site for such inquiries into the role of corporations in American life. After the American Revolution, Philadelphia-area residents demanded a better supply of fresh water, more efficient transportation to and from a developing hinterland, increased opportunities for cash and credit, and stable investments. Accordingly, in the 1780s and 1790s prominent Philadelphians turned to a proven British institutional structure that could provide the framework to address these demands: the corporation. Leaders of business corporations and the city corporation of Philadelphia—the Quaker City's municipal government—pioneered the legal, financial, technological, ideological, and social foundations for the spectacular rise of corporate power during the second half of the nineteenth century. The city was home to America's first incorporated bank (the Bank of North America) and the first and second Bank of the United States, and was becoming a banking center for the entire Delaware Valley, as well as the Commonwealth of Pennsylvania. Philadelphians founded America's first successful turnpike corporation, its first fire insurance corporations, many pioneering marine insurance corporations, and one of its first life insurance corporations. They formed some of the nation's most prominent internal navigation companies. These companies were testing grounds for later corporations such as the Pennsylvania Rail Road, which became the quintessential (and largest) American corporation in the third quarter of the nineteenth century. In addition, the construction and maintenance of the country's first major municipal waterworks system, first at Centre Square and then at Fairmount, facilitated the financial and administrative growth of the city corporation and served as a model for other American cities.

Many late eighteenth-century Americans were confident that their revolution would result in increased political and economic opportunity for the many while breaking the influence of local elites. Two central issues in the study of the early republic have been the intensification of market participation—the "market revolution"—and the decline of elite authority in both social and political terms.[2] The early republic witnessed a diffusion of local political and social power, as well as great consolidations of economic and political strength by holders of great amounts of capital. I argue that business corporations and large municipal corporations formed a crucial connection between these phenomena by facilitating centralization in some cases and diffusion in others.

In the Philadelphia region during the first third of the nineteenth century, new physical and financial infrastructures allowed many people to enter the market far more actively than before. The Schuylkill navigation, owned and run by the Schuylkill Navigation Company, made the river passable by boat from the Schuylkill anthracite fields to the wharves of Philadelphia, and by doing so led to the agricultural and industrial development of the entire Schuylkill River Valley. The Lehigh Coal and Navigation Company soon did the same for the Lehigh River. The Philadelphia waterworks provided not only safe drinking water but also water for brewers, tanners, soapboilers, inns, and other businesses. Financial institutions such as the Farmers and Mechanics Bank, the Bank of Pennsylvania, the Mutual Assurance Company for Insuring Houses from Loss by Fire, and the Philadelphia Contributionship for Insuring Houses from Loss by Fire made capital available for a wide variety of small- and large-scale investments. At the same time, the increasing concentration of ownership and control of these projects allowed a small minority to exert increased economic and eventually political influence over the great number who used them.

The technologies used by business and municipal corporations exemplify what I call "nexus technologies," so labeled because of their centrality to mass-market economic activity. Early nineteenth-century corporate boards and municipal councils manipulated nexus technologies and others' dependence on those technologies for market participation in order to consolidate capital and to break the power of local elites, setting both centripetal and centrifugal forces in motion. Thus, the centralization of capital and political power and the diffusion of local power were not in any way antithetical: rather these developments were the necessarily interrelated results

2. See Paul Gilje, ed., *Wages of Independence: Capitalism in the Early American Republic* (Madison, Wisc., 1997); Charles Sellers, *The Market Revolution: Jacksonian America, 1815–1846* (New York, 1991); Alan Taylor, *William Cooper's Town: Power and Persuasion on the Frontier of the Early American Republic* (New York, 1995); Harry L. Watson, *Liberty and Power: The Politics of Jacksonian America* (New York, 1990); and Gordon Wood, *The Radicalism of the American Revolution* (New York, 1992).

of the ways that early nineteenth-century Americans exploited nexus technologies.

Nexus technologies had great potential for extending power across vast distances. Eighteenth-century American relations were inherently local and personal, based on the extension of family credit and constant reinforcement through face-to-face encounters—for example, in churches, on court days, at militia musters, and during election campaigns. This personal touch made such influence difficult to project over space, but controllers of nexus technology could cast their shadows as far as their technologies would reach. The Schuylkill Navigation Company's board of managers made decisions concerning capacity and shipping rates that affected thousands of people living within 20 miles of their navigation, an area of 2,000 square miles, for the Schuylkill was now the local connection to markets regional and beyond. The Watering Committee, the subcommittee of the Philadelphia city corporation that oversaw the Philadelphia waterworks, enacted taxes and regulations enforced not only within the city but also throughout the surrounding suburbs. Banks' discounting policies had broad ramifications for regional money supply. More subtly and more profoundly, controllers of nexus technologies exploited them to create a new kind of power. The employment of nexus technologies created new dependencies among their customers that did not rely on face-to-face contact. At the same time, thousands of individuals, indeed entire communities, used the canals, the waterworks, and capital loans to increase their market participation, bypassing local patrons to do so. They now depended on the continued operation of the infrastructure to protect their newfound opportunities. Thus, they discovered themselves in an uneasy alliance with the controllers of nexus technologies, even as local patrons saw their clients and clout slip away.

Corporate leaders also pioneered new financial methods to further their goals. In 1790 Philadelphia had inadequate transportation to its growing hinterland, no centralized water supply system, and no institutional methods for financing the necessary improvements. Despite demanding these services, the public was unwilling to pay cash up front for expensive technologies that fostered Philadelphia's growth but wanted to reap the rewards of greater economic opportunities. Taxpayers wanted fresh water and better transportation without substantially higher taxes. Accordingly, through the clever use of a sinking fund supported by bond issues, the city corporation officers found a way to eliminate risk for investors. By budgeting for interest payments rather than for the actual capital expenses of the waterworks, the corporation insulated financial decisions from the political process. Internal improvement companies did the same by offering interest-bearing mortgages to big investors. Banks, meanwhile, served as investments so safe that investors gave managers great freedom to pursue their own ends. The public reaped the immediate benefits of these investments, but later paid dearly in tolls and water rents and even more in lost control over some of the most important institutions governing the city's economic future. Corporate leaders pioneered financial methods that allowed them to amass capital while shielding their ability to control it.

These corporate leaders understood, however, that they could not operate in a complete political vacuum. They needed legal sanction from the state government for their charters and often lobbied for laws that benefited their operations at the expense of other economic actors. When they did enter public debate, they manipulated the republican and libertarian strains of early republic rhetoric. On the one hand, corporate leaders pointed out that their ventures served the greater community: that the banks, insurance companies, and internal improvements they administered were in the public interest. Thus, they appealed to a communitarian sense of the general public interest in their requests for laws that gave the corporations leverage against other economic interests that ostensibly were less central to the common weal. On the other hand, when their motives were called into question, corporate boosters argued that corporations, too, had an interest, and that the pursuit of that interest was as legitimate as anyone else's, reflecting a libertarian ethos. By claiming to represent the public as well as themselves, corporate leaders used seemingly contradictory terms to buttress the legitimacy of their projects and actions; this welding of republican and libertarian rhetoric formed a powerful precedent for the political rhetoric of both business and municipal corporations in their dealings with state governments.

Despite their efforts to influence state policy, corporate officers and their friends increasingly found their views, interests, and personal political influence pushed aside in the rough and tumble of early republic Pennsylvania politics. Accordingly, they endeavored to carve out an economic realm—a corporate sphere—beyond the reach of grasping politicians and hidden from the eyes of a suspicious but equally fickle electorate.[3] Corporate board members and the city councils worked to make their corporations independent from the state government and to create structures to administer policies among corporations. The banks, for example, began cooperating

3. This is a formulation adapted from Jürgen Habermas's consideration of the "public sphere" as defined in *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society*, trans. Thomas Burger and Frederick Lawrence (Cambridge, Mass., 1989).

on matters of money supply, effectively setting their own policies for the state economy. Philadelphia's corporate leaders also decided which internal improvement projects they would fund, setting regional development policy. By having its own rules of conduct and membership and being in many ways shielded from the public, yet having influence over economic and political decision making, the corporate sphere became the third arena of American life.

That the creation of the corporate sphere accelerated the centripetal and centrifugal tendencies of American political economy became the fatal irony of the republican vision of America. Expansion through space, republicans hoped, would forestall the United States from evolving into an industrial state by keeping power locally structured and restraining the growth of cities, with their armies of dependent workers. To spread across the land, however, people needed credit and internal improvements to keep their connections with urban and overseas markets. Everyday farmers as well as ambitious tradespeople did help to break the power of their patron elites, but they did so at the expense of falling under the influence of the even greater power of the corporations that controlled access to the wider world. The early nineteenth-century phenomena of centralization, diffusion, and decline of patron-client relations were not independent or contradictory events: they were the complementary effects of the rise of corporations.

Such effects manifested themselves in a variety of ways. Lehigh Coal and Navigation Company president Josiah White could successfully exhort hundreds of men who depended on the company for a living to sign petitions to the Pennsylvania General Assembly supporting legislation that favored the corporation over the mill owners who previously ran their counties. Furthermore, the village around which the corporation's mining operations centered, Mauch Chunk, grew exponentially but became a company town far more oppressive than any regime that local patrons might have imagined. Manufacturers in Philadelphia's northern suburbs exploited the availability of water from the waterworks to run their steam engines, while the city's government used regulations over water distribution to bring suburban governments into the big city's orbit. In addition, printers who were able to expand their businesses through bank credit found themselves reluctant to criticize banks lest the banks call in their loans. Corporate leaders created new opportunities but constrained others.

In this project I integrate the scholarship of business, economic, and legal history, the history of technology, and the history of the early republic, positing insights made by no one of these disciplines alone. Most significantly, I argue that the creation of the corporate sphere held serious consequences for the legacy of the American Revolution. Philadelphia corporations provided broader political and economic independence for many people; indeed, these companies grew because of the great demand for their services. They sponsored and fostered great regional economic growth. Still, as corporate insiders consolidated their hold over institutions, they gained command over the direction of that growth and the distribution of its rewards. Through consolidation of public power and control of local infrastructures, Philadelphians made their city a corporate capital. These phenomena, as much as any others, transformed America from a gentry-dominated society in the eighteenth century to the corporate-dominated one of the nineteenth and twentieth centuries.