

# The American Road to Capitalism

This essay is an attempt to examine the theoretical and historiographic debates on the development of capitalism in the United States between 1790 and 1877. The realization of the necessary conditions for capitalist production in the United States took place through the articulation, expanded reproduction and transformation of three forms of production, and through a process of political class struggle that culminated in the Civil War. Each of these forms of production—slavery, petty-commodity production and capitalist manufacture—has been the subject of theoretical and historiographic controversy. These debates will be reviewed in order to determine the place of each productive form in the development of US capitalism. The Civil War's place in the history of US capitalist development has also been the subject of well-known controversy; these discussions will be scrutinized to determine how the class struggle that culminated in the War affected capitalist development in the United States.

## I. Plantation Slavery

The overall question of the relationship between plantation slavery as a social system and the development of American capitalism must be apprehended, first of all, through a survey of discrete historiographic debates on slavery's profitability, its relations of production, its impact on the South's social division of labour and industrialization, and its contribution to the total volume of commodity circulation within the boundaries of the antebellum United States. Only through a careful examination of the empirical and theoretical issues posed by each of these debates can we ultimately arbitrate in what manner slavery was either an obstacle or spur to the process of national capitalist development.

The question of slavery's profitability was initially raised in 1905 with the publication of U. B. Phillips's article, 'The Economic Costs of Slaveholding in the Cotton Belt'.<sup>1</sup> Arguing on the basis of price series for cotton and prime male fieldhands, Phillips claimed that plantation production was an increasingly unprofitable investment in the antebellum period, and that the only profits gained from slave-owning were derived from the speculative purchase and sale of the slaves themselves. Phillips's thesis remained the orthodox view of the subject for over fifty years until it was contested by Conrad and Meyer in 1955.<sup>2</sup> Utilizing the more sophisticated statistical tools of neo-classical economics, Conrad and Meyer asserted that slavery was actually a comparatively profitable investment compared with other sectors of the antebellum economy. While technical questions concerning the exact rate of return on plantation investments remain unanswered,<sup>3</sup> it is clear that slave production of cotton was a profitable investment prior to 1860. However the implications of this profitability for the social character of slavery remain open to question.

On the basis of further research into the profitability of slavery, two economic historians, Robert Fogel and Stanley Engerman, have claimed that Southern plantation slavery was a capitalist form of commodity production, governed by profit-maximization and characterized by the efficient allocation of factors of production.<sup>4</sup> Leaving aside the massive critical literature on Fogel and Engerman's 'cliometric' techniques and use of evidence,<sup>5</sup> we must consider the theoretical implications of the attempt to build a concept of capitalist production on the basis of profit maximization and commodity production. Fogel and Engerman are not alone in conceiving of American plantation slavery as a capitalist form of production. A number of writers from outside the tradition of the 'new economic history', including Lewis Gray, Louis Hacker and Immanuel

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<sup>1</sup> Reprinted in G. D. Nash (ed.), *Issues in American Economic History*, Boston 1964.

<sup>2</sup> Alfred H. Conrad and John R. Meyer, 'The Economics of Slavery in the Antebellum South', in *ibid.*

<sup>3</sup> Most of the contributions to the debate are reprinted in H. Aitkin (ed.), *Did Slavery Pay?*, Boston 1971. Cf. also Robert Fogel and Stanley Engerman, *Time on the Cross: The Economics of American Negro Slavery*, Boston 1974; and Gavin Wright, *The Political Economy of the Cotton South*, New York 1978.

<sup>4</sup> Fogel and Engerman, pp. 67–78.

<sup>5</sup> Cf. Paul A. David, et al., *Reckoning with Slavery*, New York 1976; and Herbert Gutman, *Slavery and the Numbers Games: A Critique of 'Time on the Cross'*, Urbana 1975.

Wallerstein,<sup>6</sup> have characterized plantation slavery in the American South as a variant of capitalist production on the basis of its commodity producing and profit-maximizing character. While Wallerstein's 'world-systemic' perspective allows us to grasp the relationship of US slavery to the development of industrial capitalism in England, and in other parts of the emergent capitalist world economy, the notion that slavery is a variant of capitalist production tends to obscure the specificity of slave and capitalist relations of surplus appropriation and their effects on the dynamics of their respective labour processes.

Fogel and Engerman's arguments concerning the capitalist character of plantation slavery bring out the problems with this conception most clearly. Fogel and Engerman locate the source of plantation slavery's profitability in the high quality and productivity of black slave labour, which combined with the plantation's factor combination, made the Southern plantation equally or more efficient and productive than other forms of agriculture in the antebellum period. The source of this high quality, efficient and productive black labour under slavery was the internalization by the slave population, through numerous non-coercive incentives offered by the planters, of the 'Protestant work ethic' of the master class.<sup>7</sup> Fogel and Engerman's claims concerning the nature of labour productivity and the determinations of plantation profits are contradicted by both their own evidence and recent research. Gavin Wright<sup>8</sup> has convincingly argued that the source of the cotton plantations' profitability was neither the high productivity of slave labour, nor economies of scale achieved under the plantation regime, but the demand for raw cotton by industrial capitalists in England, and the complete domination of the world market for raw cotton by the plantations of the American South. This produced continually high prices for raw cotton prior to the Civil War, which buoyed up the planters' profits.

In *Time on the Cross* we are presented with a detailed description of the labour-process under slavery, which is purported to be highly efficient and productive.<sup>9</sup> However when one scrutinizes Fogel and Engerman's description of the plantation labour-process, one finds that it is characterized by gang-labour and the production and appropriation of absolute surplus-labour. The labour-process under slavery was organized to maximize the use of human labour in large, co-ordinated groups under the continual supervision of overseers and drivers. The instruments of production used were simple and virtually unchanged during the antebellum period. Such a labour-process leaves only a few options to the planter seeking to increase labour productivity: increasing the pace of work, increasing the amount of acreage each slave or slave-gang cultivated, or moving the plantation to more fertile soil. These methods

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<sup>6</sup> Lewis C. Gray, *History of Agriculture in the Southern United States to 1860*, New York 1933, p. 302 ff; Louis M. Hacker, *The Triumph of American Capitalism*, New York 1947, pp. 280–320; and Immanuel Wallerstein, 'American Slavery and the Capitalist World Economy', *American Journal of Sociology* 81, 5 (March 1976).

<sup>7</sup> Fogel and Engerman, pp. 38–43, 144–57, 209–23. For a detailed criticism of their data on incentives and coercion in the plantation labour process, see Gutman, pp. 14–87.

<sup>8</sup> Wright, pp. 90–106, 176–84.

<sup>9</sup> Fogel and Engerman, pp. 203–06.

of increasing labour productivity expanded absolutely the amount of surplus labour performed by the direct producers, while leaving the amount of necessary labour performed constant. This stands in sharp contrast to the capitalist organization of the labour-process, where labour productivity is increased by the continual introduction of new instruments of production which reduce the amount of necessary labour performed in relation to surplus labour.

### Genovese and the 'Irrationality' of Slavery

Eugene Genovese, fully cognizant of the non-capitalist character of slavery's labour-process, has attempted to explain this by reference to slavery's non-capitalist relations of production. While making many advances over those who consider plantation slavery a form of capitalism, Genovese's analysis remains theoretically unsatisfying. Genovese's characterization of Southern slavery as non-capitalist rests on a comparison of the 'rationality' of capitalism with the 'irrationality' of plantation slavery. Relying on Weber's discussion of slavery, Genovese sees four major irrational features of slavery: 'First, the master cannot adjust the size of his labor-force in accordance with business fluctuations . . . Second, the capital outlay is much greater and riskier for slave labor than for free. Third, the domination of society by a planter class increases the risk of political influence in the market. Fourth, the prices of cheap labor usually dry up rather quickly, and beyond a certain point costs become excessively burdensome'.<sup>10</sup> These irrational features of slavery, combined with the non-bourgeois and aristocratic ideology of the planters, and their propensity toward conspicuous consumption, led to continual investment in more land and more slaves, rather than new and more productive instruments and tools, with consequent technological stagnation and low labour productivity.<sup>11</sup>

Genovese's arguments remain theoretically problematic because of his failure to produce a concept of the necessary relations that constitute the slave form of production, thereby weakening his analysis at two major points. First, the 'irrational' features of slavery he borrows from Weber are based on a comparison of the observable features of slavery with those of capitalism; no necessary relationships are drawn between the 'irrationality' of slavery and the 'rationality' of capitalism, and their respective relations of production. In particular, the inability of masters to adjust the size of their labour-force remains undetermined by the structure of the master-slave relation. This lack of theoretical specification leaves Genovese's analysis of slavery's dynamics at the level of abstracted empirical generalization. Second, Genovese's failure to produce a concept of a slave form of production forces him to rely on notions of 'human motivation' in his discussion of the productivity of slave labour. Genovese relies heavily on the nineteenth-century English economist, J.E. Cairnes, for his discussion of the slave labour-process. According to Cairnes, the slave's unfree legal status deprives him of any interest in the

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<sup>10</sup> E. D. Genovese, *The Political Economy of Slavery: Studies in the Economy and Society of the Slave South*, New York 1967, p. 16.

<sup>11</sup> Genovese's empirical findings of a complete technical stagnation have to be revised in the light of recent research that shows a highly episodic process of technical change in the plantation South. See R. D. Garrett, 'Primitive Accumulation in the Antebellum Cotton South', Dissertation, New School for Social Research 1978, Chapter 4.

production process, making him a reluctant worker whose labour can be utilized only under close supervision of highly repetitious tasks. By making 'human motivation' a determination of labour productivity, Genovese falls into a similar problematic as Fogel and Engerman. While Genovese's slaves are unmotivated labourers because of their lack of personal freedom; Fogel and Engerman's slaves are imbued with their masters' Protestant spirit which compels them to efficient labour and 'achievement under adversity'. By placing human motivation at the centre of their discussion of labour-productivity, Fogel, Engerman and Genovese ignore the structural determinations of labour-productivity given by the specific and antagonistic relations of production in different forms of production.<sup>12</sup>

Neither the notion that slavery is a variant of capitalist production, nor Genovese's formulations on the non-capitalist character of slavery are satisfactory. Those who conceive of slavery as a form of capitalism ignore the specificity of the relations of surplus appropriation that define slavery and capitalism; while Genovese fails to present a rigorous concept of the necessary relations that constitute slavery as a form of production. The conceptual *differentia specifica* of slavery and capital as forms of social labour can be understood along the following lines: Under capitalist social relations of production, the direct producers are excluded from the effective possession of both the means of production and subsistence. The direct producer enters the capitalist production process as a *variable* element of production, capable of being fired or replaced by machinery. This relation gives capital the powers of real possession and the ability to introduce new techniques into the labour process, increasing the productivity of labour and the appropriation of relative surplus-labour. Under the relations of production that characterize slavery, the direct producers enter the plantation slavery production process as *constant* elements of production, entitling them to access to the means of subsistence in order to reproduce their value as means of production. The character of slaves as both direct producers and means of production, severely limits the ability of the masters to regulate the size of their labour force, burdening the non-producers with inflexible costs of reproducing their direct producers. These structural features of slavery's antagonistic relations of production, which shape the daily economic class struggle under plantation slavery, block the masters' ability to reorganize the labour-process through technical innovation. The masters are forced to organize the production process along the lines of closely supervised gang-labour, making the only possible methods of increasing labour productivity the intensification of labour and the migration of production to more fertile soils. These forms of absolute surplus-labour appropriation made geographic expansion (addition of more slaves and more land) the most 'rational' mode for increasing production under slavery—a tendency accentuated in the American South by soil exhaustion and changes in textile production to which slavery was subordinated.<sup>13</sup>

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<sup>12</sup> J. E. Cairnes, *The Slave Power*, New York 1862; Fogel and Engerman, pp. 258–264; Genovese, pp. 43–44.

<sup>13</sup> For data on differential soil productivity in the antebellum South, see James D. Foust and Dale S. Swan, 'Productivity and Profitability of Antebellum Slave Labor: A Micro-Approach', *Agricultural History* 44, 1, pp. 44–45.

The non-capitalist character of plantation slavery had important effects on the social division of labour and the development of industry in the antebellum South. The 'traditional' historical interpretation of plantation slavery's impact on Southern economic development emphasized the incompatibility of slavery with the development of industry. The advocates of this thesis pointed to several factors that posed obstacles to the industrial capitalist development of the antebellum South: the political hostility of the planters to the emergence of a wage-earning class, the small-scale of immigration to the South created by fears of slave competition on the labour market, and the shallow markets provided by the plantations for the products of industrial enterprises. Criticisms of 'traditionalism' have centred on the size of the market created by the plantations. Fogel and Engerman have challenged the notion that the plantations provided a small market for industrial goods. They claim that the 'traditionalists' estimates of per capita income in the South, including the incomes assigned to the slaves, are too low. Fogel and Engerman found that per capita income in the South was reasonably high compared with the antebellum North and was growing at a faster rate. On the basis of these calculations, Fogel and Engerman concluded that the plantations could have provided a large and growing market for industrially produced commodities.<sup>14</sup>

### Plantations and Markets

There is a theoretical problem posed by the attempt to measure the size of the market provided by the plantations of the cotton South with per capita income statistics. Such an attempt obscures the fact that the size of the home market for commodities, the depth of the social division of labour, is determined by the extent to which the means of production and means of subsistence are reproduced through commodity circulation. In other words, the 'effective demand' generated is determined by the extent to which non-producers *purchase* objects and instruments of production, and direct producers *purchase* their means of consumption. As we have seen, slave relations of production block the process of technical innovation, thus limiting the demand generated by the cotton plantation for objects and instruments of production. This places definite limits to the development of industries producing means of production. In addition, slaves have direct access to means of subsistence provided by their masters. No matter how large the amount of use-values the slaves *consume* (the basis of the various estimates of slaves' 'per capita income'), the amount they *purchase* is negligible. This feature of slavery's relations of exploitation block the emergence and expansion of industries producing means of consumption.<sup>15</sup>

In the antebellum South, the structural isolation of the slave plantation from commodity circulation was accentuated by the planters' attempts to make the plantations 'self-sufficient' in food, clothing and tools. The

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<sup>14</sup> For the 'traditional' historical approach see W. N. Parker, 'Slavery and Southern Economic Development' *Agricultural History* 44, 1, pp. 115–126; also, Fogel and Engerman, pp. 247–57.

<sup>15</sup> This discussion of the determination of the depth of the social division of labour by the specificity of different relations of production is drawn from V. I. Lenin, *The Development of Capitalism in Russia*, Moscow 1974, pp. 37–43, 68–70, 184–88.

slaves produced both cotton as a commodity, and corn, livestock and certain tools and implements as use-values.<sup>16</sup> This 'self-sufficiency' not only sheltered the cotton plantation from the fluctuations of the world cotton market, but, by removing the reproduction of the plantation production unit from the sphere of commodity circulation, severely limited the development of the social division of labour in the South. The limitations of the development of the home market posed by slavery's relations of production and the 'self-sufficiency' of the plantations had important implications for the development of non-slave agriculture and industry in the South. The 'self-sufficiency' of the plantations in foodstuffs meant that free farmers seeking to increase their production of commodities found a negligible market on the cotton plantations. This reinforced the tendency for non-cotton, non-slaveowning agricultural producers in the South to remain outside of the sphere of commodity production and circulation.<sup>17</sup>

The shallow social division of labour in the Southern countryside, created by the reproduction of both free farms and slave plantations outside of the sphere of commodity relations, severely limited the development and diversification of industry. While industrial production did develop on the basis of both free wage-labour and slave-rentals, the general diversification of industrial production was blocked by the shallow home market created by plantation slavery. As William Parker points out, the South lagged behind the North in all categories of industry, particularly the medium and large-scale production of iron, textile machinery and agricultural implements. Industry and manufacture in the South was limited to resource extraction (lumber, mining), plantation-auxiliary production (rope, ginning, sugar refining), and the production of low quality textiles and iron for the plantations' limited needs. In sum, the shallow home market dictated by plantation slavery left the South the least industrialized area in the antebellum US.<sup>18</sup>

The 'self-sufficiency' of the plantations helps to answer questions concerning the role of the expansion of cotton production in the expansion of commodity production and circulation in the trans-Allegheny West. Douglas North, following upon the work of Louis Schmidt, claimed that in the antebellum period the Southern plantations constituted a major market for Western foodstuffs.<sup>19</sup> Basing this assertion on the gross receipts of Western grain and flour at the port of New Orleans, North maintained that the expansion of Southern plantation production was a spur to the expansion of commodity production and circulation nationally. The first criticism of the North thesis came with Albert Fishlow's 'Antebellum Interregional Trade Reconsidered'.<sup>20</sup> Fishlow

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<sup>16</sup> Robert E. Gallman, 'Self-sufficiency in the Cotton Economy of the Antebellum South', *Agricultural History*, 44, 1, January 1970, pp. 2–24; G. Wright, pp. 55–74.

<sup>17</sup> G. Wright, 'Economic Democracy' and the Concentration of Agricultural Wealth in the Cotton South, 1850–1860', *Agricultural History*, 44, 1,

<sup>18</sup> Parker, 'Southern Economic Development', pp. 121–5. On the use of slaves in industrial production see R. Starobin, *Industrial Slavery in the Old South*, New York 1970.

<sup>19</sup> *The Economic Growth of the United States, 1790–1860*, New York 1966; see also Louis B. Schmidt, 'Internal Commerce and the Development of a National Economy Before 1860', *Journal of Political Economy* 47 (December 1939)

<sup>20</sup> In R. Andreano (ed.), *New Views on American Economic Development*, Cambridge (Mass.) 1965.

began his challenge to North's thesis with a re-examination of the receipts for foodstuffs in the port of New Orleans. In disaggregating this data, Fishlow made two interesting discoveries. First, New Orleans was a major trans-shipping centre for Western foodstuffs from at least the 1830s through 1860. Approximately one-half of the Western commodities shipped to New Orleans were re-shipped to the Northeast. Second, by comparing the proportion of Western goods consumed in the South with the proportion of Western commodities shipped via New Orleans, Fishlow discovered that the South consumed no more than 20% to 25% of Western commodities. On the basis of these findings, Fishlow claimed that the plantation South was not a major market for Western agricultural commodities, and that the major pattern of internal commodity circulation prior to the Civil War was between the West and Northeast. Thus, the expansion of plantation slavery, at least in terms of its direct effects on the development of agrarian petty-commodity production, cannot be seen as a spur to the process of capitalist development in antebellum America.

What can we conclude from our discussion of plantation slavery, concerning the place of this form of social labour in the process by which capitalist production's conditions of existence and dominance were realized? The expansion of cotton commodity production on the basis of plantation slavery was a spur, that was transformed into an obstacle, to the development of capitalism in the antebellum American social formation. Moreover the transition of commercial plantation slavery from a spur to an obstacle was determined by the process by which merchant capital created the conditions for its subordination to industrial capital. Northeastern merchants, who facilitated the trade of cotton with the capitalist world market, accumulated mercantile wealth from the circulation of cotton. Cotton, as the major export of the antebellum US, also created a favourable balance of trade and sound international credit for American merchants and bankers. The expansion of commercial slavery provided the basis for both the geographic expansion of merchant capitalist operations (land speculation) and the importation of money-capital from Europe for merchant-sponsored transportation projects in the 1830s. As we shall see, the increase of commodity production and circulation engendered through the agencies of merchant capital brought agrarian petty-production under the dominance of the law of value. This deepening of the social division of labour in the North transformed the agrarian West into the home market for industrial capital, creating the conditions for the subordination of merchants to industrial capital in the 1840s and 1850s.

The emergence and rise to dominance of specifically capitalist production, on the basis of the expansion of agrarian petty-commodity production, transformed the geographic expansion of slavery into an obstacle to the development of capitalism. The expansion of plantation slavery into the territories conquered from Mexico in 1845 would have posed economic and political obstacles to the dominance of industrial capital. Economically, the expansion of slavery would have stifled the development of agrarian petty-commodity production and the social division of labour, strangling the home market for industrial capital. Politically, the expansion of slavery would have increased planter

representation in the federal government, which would have blocked the implementation of such pro-industrial capitalist state policies as the Homestead Act and the protective tariff. In sum, the commodity producing character of plantation slavery was a catalyst to capitalist development as long as merchant capital was the major agency for the expansion of commodity production and the deepening of the social division of labor. As merchant capital created the conditions for its subordination to industrial capital, by generalizing commodity relations in the Northern US, slavery's non-capitalist relations of production became an obstacle to the dominance and expanded reproduction of capitalist production in the US social formation.

## II. Agrarian Petty-Commodity Production

In contrast with the debates about plantation slavery, where the crucial theoretical and conceptual issues remain embedded within historiographic controversy, analyses of agrarian petty-commodity production have found a much firmer conceptual basis. In particular, the exchange between James O'Connor and Robert Sherry,<sup>21</sup> though plagued by certain conceptual ambiguities, has posed the central questions concerning the concrete dynamics of family farming in the antebellum North and the place of this form of production in the process of primitive accumulation in the US. O'Connor's discussion of family farming is introduced in the course of his critical review of Douglas Dowd's *The Twisted Dream*. Pointing to the deleterious theoretical effects of Dowd's reliance on Veblen's notions of 'business' and 'industry', O'Connor accuses Dowd of failing to recognize, 'the theoretical distinction between capitalism and independent commodity production as modes of production'.<sup>22</sup> This conceptual failing leads Dowd to obscure what O'Connor sees as the obstacles posed by the 'independent mode' to the development of capitalism. According to O'Connor, independent commodity production posed an obstacle to capitalist production in the antebellum era because of its ability to provide the conditions of reproduction to the direct producers outside of the capitalist labour market. In other words, independent commodity production blocked the formation of a class of propertyless wage-earners forced to sell their labour-power to capital in order to obtain means of consumption.

This analysis of the place of Northern agriculture in the process of capitalist development prior to the Civil War is based on O'Connor's analysis of the laws of motion of the 'independent mode of production'.<sup>23</sup> According to O'Connor, the family farms of the antebellum Northeast and Middle West were 'subsistence' units of production. Marketing only their surplus product, the family farms were not dependent on commodity circulation for the reproduction of their means of production and subsistence. This autonomy of the 'independent mode' from the

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<sup>21</sup> James O'Connor, 'The Twisted Dream', *Monthly Review* 26, 10 (March 1975); Robert Sherry, 'Comments on O'Connor's Review of *The Twisted Dream*: Independent Commodity Production versus Petty-Bourgeois Production', *Monthly Review* 28, 1 (May 1976); James O'Connor, 'A Note on Independent Commodity Production and Petty Capitalism', *Monthly Review* 28, 1 (May 1976).

<sup>22</sup> O'Connor, 'Twisted Dream', p. 46.

<sup>23</sup> O'Connor, 'Note', pp. 61-62.

market in its economic reproduction had two consequences for this mode's relation to the development of capitalism. On the one hand, the isolation of the antebellum farm from commodity exchange meant that 'market forces' alone were incapable of dislodging the direct producers from the effective ownership of the objects and instruments of production. This implies that the family farm was a real historical alternative to wage-labour before the Civil War. On the other hand, the family farm's logic of subsistence (which can be expressed in terms of the circuit, commodity-money-commodity; C-M-C), led to a stagnation of the productive forces. This implies that the 'independent mode's' dominance was an obstacle to the deepening of the social division of labour, the home market for industrial capital.<sup>24</sup>

O'Connor concludes his discussion of the 'independent mode' with an historical description of the relation of this form of social labour to capitalist production.<sup>25</sup> According to O'Connor, the logic of subsistence governed the agricultural production of the Northern states before the Civil War, retarding the development of capitalism by robbing industrial capital of its needed supply of wage-labour. Politically the emergent industrialists needed the support of the Western subsistence farmers in their struggle against the planters. With the end of the war and the defeat of the planters, the industrialists 'betrayed' their farmer allies and began to implement a series of state policies designed to smash the 'independent mode of production'. Through railroad and mining land grants, massive immigration and other state policies, the industrial bourgeoisie destroyed the 'independent mode', opening the possibility of large-scale capitalist production in the late-nineteenth century.

Sherry's criticisms of O'Connor focus on the dynamics governing Northern agricultural production, the conceptual status of the notion of an 'independent mode of production', and the place of this form of production in the process of primitive accumulation. Sherry begins by making a basic reassessment of the concrete dynamics governing the family farm of the antebellum North. For Sherry, the free farmers of the West and Northeast marketed not merely their surplus product, but nearly their entire product. As a result, the free farmers of the antebellum North were dependent on commodity production and exchange for their economic reproduction, and were not governed by the circuit of subsistence (C-M-C), but by the circuit of competition and accumulation. (M-C-M'). The competitive and accumulationist dynamic forced the family farmers to undertake the continual technical reorganization of their labour processes in order to survive. This process of competition, innovation and accumulation led to a process of concentration and centralization of objects and instruments of production (tools, imple-

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<sup>24</sup> This is a consequence that O'Connor fails to recognize when he claims that the family farms did provide a mass market for industrial capital. (See 'Twisted Dream', p. 48.)

<sup>25</sup> Ibid, pp. 47-52. O'Connor's analysis of pre-Civil War Northern agriculture and its transformation only after the war is shared by a number of authors: Kevin D. Kelly, 'The Independent Mode of Production,' *Review of Radical Political Economics* 11, 1 (Spring 1979); Michael Merill, 'Cash is Good to Eat: Self-Sufficiency in the Rural Economy of the United States', *Radical History Review* 3, 4 (September 1976); Rosa Luxemburg, *The Accumulation of Capital*, New York 1968, esp. pp. 396-411.

ments and land); a process of social differentiation into an agrarian petty-bourgeoisie on the one hand, and a growing mass of propertyless wage-labourers on the other. These laws of motion, the product of the subordination of this productive form to the simplest form of the law of value,<sup>26</sup> lead Sherry to challenge O'Connor's notion that self-organized commodity production constitutes a 'mode of production'. For Sherry, 'It does seem that for a social form to be elevated to the position of a mode of production, rather than being seen as an aspect of some other more encompassing mode of production, the form being considered must have an existence and a dynamic that can be isolated from those of all other social forms one considers to be modes of production.'<sup>27</sup> Since self-organized commodity production shares a dynamic of accumulation with the capitalist mode of production, Sherry rejects giving it the conceptual status of a 'mode of production'. Instead, Sherry conceives of self-organized commodity production as a form of capitalist production, the 'petty-bourgeois form of capital'.

By recasting the laws of motion governing Northern agriculture prior to the Civil War, Sherry is able completely to alter O'Connor's interpretation of the place of this form of production in capitalist development.<sup>28</sup> Rather than an obstacle to capitalist development, free farming in the North becomes a central mechanism in the emergence of manufacture and industry in the nineteenth century. The dependence of the family farms on commodity circulation for economic reproduction, and their continual improvement of their objects and instruments of production, made Northern agriculture into a massive home market for capitalist produced means of production and consumption. The expansion of agricultural commodity production stimulated the emergence of capitalist processing of agricultural produce. Nor did the Western frontier constitute an escape from wage-labour. As concentration and centralization of farming raised the costs of establishing a viable farm, increasing numbers of ex-farmers and their children were forced into wage-labour. This interpretation transforms the petty-bourgeois farmers from a passive and foolish group, manipulated by the industrialists, into a class struggling to advance its position, by promoting the development of commodity production and circulation.

Although Sherry's analysis marks a theoretical advance over O'Connor's notion of an 'independent mode of production', his concepts remain ambiguous in two areas: his analysis of Northern free farming as a form of capital, and his notion that the subordination of self-organized commodity production to the dictates of the law of value is a 'natural' consequence of commodity circulation. Sherry's analysis of Northern agricultural production as a form of capital rests on the fact that both

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<sup>26</sup> On the operation of the law of the value in petty-commodity production, see Engels, 'Law of Value and Rate of Profit' in *Capital*, Volume 3, New York 1967, pp. 891–907; Ernest Mandel, *Marxist Economic Theory*, New York 1968, pp. 65–71; and Maurice Dobb in Rodney Hilton (ed.), *The Transition from Feudalism to Capitalism*, London NLB 1976, pp. 60–65, 167. While Dobb and Engels differ from Sherry on the question of whether petty-commodity production constitutes a 'mode of production', they share the view that this form of production is governed by a competitive and technically innovative dynamic.

<sup>27</sup> Sherry, 'Comments', p. 55.

<sup>28</sup> *Ibid.*, pp. 57–60.

forms of production are governed by the logic of self-expanding value,  $M-C-M'$ , which Marx called the 'general formula for capital.'<sup>29</sup> It is only in this most general sense that self-organized commodity production governed by the law of value can be conceived as a form of capital. The conception of capital solely as self-expanding value, shared by both O'Connor and Sherry, tends to obscure the fact that capital is a specific *relation*. The relation that characterizes capital defines two antagonistic social classes, the bourgeoisie and the proletariat, which engage in a specific form of class struggle. Self-organized commodity production subordinated to the law of value defines only one class, the petty-bourgeoisie. By conceiving of Northern farmers as 'capitalist' producers, Sherry runs the risk of conflating the class location and appropriate forms of class struggle of two distinct social classes, the bourgeoisie and the petty-bourgeoisie. Such a conflation of these two classes could lead to ignoring the possible and specific antagonisms between the petty-bourgeoisie and industrial capital. In the case of the political struggles in the antebellum US, this conflation could lead to obscuring the changing class alliances that produced the political crisis that led to the Civil War.<sup>30</sup> In order to maintain a clear understanding of the specific determinations of the class location of the petty-bourgeoisie and industrial bourgeoisie in their respective social relations of production, we will conceive of self-organized commodity production governed by the law of value as petty-commodity production—a form of production, distinct from, but transitional to, the capitalist mode of production.

The second problem involved in Sherry's analysis of the dynamics of petty-commodity production is his assertion that the dependence of petty-producers on commodity production for their economic reproduction is a natural result of the logic of commodity production and circulation. However, as Robert Brenner<sup>31</sup> has pointed out, it is possible to conceive of situations where direct producers are not *compelled* to specialize and market increasingly large portions of their production. In such situations, the direct producers maintain non-market access to their means of production and consumption. These producers are relatively impervious to the 'dictates of the market', and are under no competitive compulsion either to accumulate and innovate or to lose possession of their means of economic reproduction. Sherry's conception poses a dual problem. On the one hand, the possible existence of forms of commodity production governed by a logic of subsistence is denied, making all historical forms of self-organized commodity production merely 'moments' in the inevitable and teleological emergence of capitalist production. On the other hand Sherry's conception can lead to ignoring the specific historical mechanisms by which self-organized commodity production is subordinated to the law of value in the process of primitive accumulation.

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<sup>29</sup> Capital, Volume 1, Harmondsworth *NLB/Penguin* 1976, pp. 247–57.

<sup>30</sup> For the most rigorous discussion to date of the petty-bourgeoisie and its specific forms of class struggle, see Nicos Poulantzas, *Classes in Contemporary Capitalism*, London *NLB* 1975, pp. 191–336.

<sup>31</sup> Robert Brenner, 'The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism', *NLR* 104 (July–August 1977), pp. 51–55, 73–75.

## Demythologizing the Family Farm

We can conceive of the possible existence of two forms of self-organized commodity production. One form is governed by a logic of subsistence, the result of the independence from commodity production. This form is a variant of what Lenin and Luxemburg described as 'patriarchal peasant' or 'natural economy',<sup>32</sup> which poses obstacles to the development of capitalist production along the path suggested by O'Connor. The other form is governed by the law of value, the result of its production units' dependence on commodity production for their economic reproduction. Petty-commodity production does not pose any obstacle to capitalist development and can in fact be a spur to it along the lines discussed by Sherry. The question of which of these two forms of self-organized commodity production characterized free farming in the antebellum North can only be answered by reference to the historiographic material.

As Sherry points out, O'Connor's historical analysis of the dynamics of free farming and its place in the process of primitive accumulation in antebellum America is based on a 'very common and ancient populist interpretation of American farmers.'<sup>33</sup> The major representatives of this populist historiography are Mary and Charles Beard and Fredrick Jackson Turner.<sup>34</sup> The research of Turner and his students found the antebellum Northwest to be occupied by sturdy independent farmers, who, through selling a portion of their produce, were self-sufficient in foodstuffs and either made their own farm implements or bought them from a village blacksmith. Technological innovation in the agrarian labour-process was slow and competition among farmers was limited. Little concentration of land holdings took place, and with a vast area open to settlement, the West was a 'safety-valve' for impoverished farmers and urban workers seeking to escape permanent wage-labour. While Turner's schema did allow for the eventual subordination of independent farmers to the pressures of the market, the ever-expanding frontier allowed for subsistence production to be continually renewed both before and after the Civil War. If Turner and the Beards' historical description of antebellum Northern agriculture was accurate, then O'Connor analysis of antebellum history would be substantially correct. Northern free farming would be governed by a dynamic of subsistence which would produce technical stagnation of the labour process, the limitation of the development of the social division of labour, and would provide an escape for a large portion of the population from wage-labour. Through these processes the development of capitalist production prior to the Civil War would be retarded, and Northern agriculture, a form of 'natural economy', would stand in an antagonistic relationship with capitalism.

Unfortunately for O'Connor, research on antebellum agriculture in the North and West since the 1930s has progressively challenged the

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<sup>32</sup> Luxemburg, Chapters 27 and 29; Lenin, pp. 42-43, 68, 175-90.

<sup>33</sup> Sherry, p. 58.

<sup>34</sup> Charles A. and Mary B. Beard, *A Basic History of the United States*, Garden City 1944), pp. 24-36, 128-193, 246-86; Fredrick Jackson Turner, 'The Significance of the Frontier in American History', in S. Salisbury (ed.), *Essays on the History of the American West*, Hinsdale, Ill. 1975.

description of the Beards and Turner. The general trend of historical research has produced a description of antebellum agriculture more in line with Sherry's analysis: the development of Northern agriculture was governed by the dynamics of petty-commodity production, not those of 'natural economy'. By the 1840s and 1850s, at the latest, agrarian self-organized commodity production in the Northeast and West was governed by the law of value. Merchant capital, through the mechanisms of land law, land speculation and the promotion of internal improvements, was responsible for the enforced dependence of free farmers on commodity production for their economic reproduction. In particular, federal land policy promoted the transformation of land into a commodity through the public auction of the public domain. This policy encouraged the speculative purchasing of large blocks of land, which forced actual settlers to purchase land from large land companies at prices well above the minimal prices charged by the federal government. The cost of land purchases and the burden of mortgages to the land company forced the farmers to specialize their crops and increase their production of commodities, thus becoming dependent on the sphere of commodity circulation for their economic reproduction.<sup>35</sup> The merchants also promoted internal improvements projects, such as canals and railways in the 1820s and 1830s, which lowered the costs of commodity circulation, further promoting commodity production.

The subordination of free farming to the law of value unleashed a process of increasing labour-productivity, technical innovation and social differentiation in the 1840s and 1850s. This period saw a sharp rise in the productivity of the farms of the old Northwest and the eastern Great Plains. This increase in the productivity of labour was accomplished through the introduction of labour saving farm implements, such as the mechanical reaper, new seed drills and new ploughs.<sup>36</sup> This technical innovation aided in sharpening social differentiation in the West by raising the costs of 'farm-building', the costs of establishing a commercially viable farm. This process of social differentiation not only led to the dispossession of many petty-producers, but effectively eliminated any opportunity for urban workers to 'escape' wage-labour by settling in the West. For, as the critics of Turner have demonstrated, the cost of establishing a commercially viable farm in the late antebellum West was beyond the means of even the most well-paid and thrifty skilled worker.<sup>37</sup>

The development and expansion of Northern agriculture was shaped by the dynamics of petty-commodity production, not those of 'natural economy'. The subordination of self-organized commodity production to the dictates of the law of value, through the activities of merchant capital and merchant-sponsored state policies, had been completed by the late 1830s. From the early 1840s until the end of the nineteenth century, the expansion of petty-commodity production was the main motor for the expansion of industrial capital. The expansion of petty-commodity

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<sup>35</sup> Paul W. Gates, 'The Role of the Land Speculator in Western Development', in Nash.

<sup>36</sup> W. N. Parker and J. L. Klein, 'Productivity Growth in Grain Production in the United States, 1840-1860 and 1900-1910', in Peter Temin (ed.), *The New Economic History*, Harmondsworth 1973.

<sup>37</sup> C. H. Danhof, 'Farm-Making Costs and the "Safety-Valve": 1850-1860', *Journal of Political Economy* 49 (June 1941).

production deepened the social division of labour, the home market for capitalist production of means of production and consumption. As we shall see, agrarian petty-commodity production in the antebellum period laid the basis for the development of an 'agro-industrial complex', a series of capitalist industries producing farm implements and supplies and processing farm produce.<sup>38</sup> This process of capitalist expansion, based on the subordination of petty-commodity production to the capitalist mode of production, faced only one obstacle prior to 1860: the expansion of the slave form of production, which would strangle industrial capital's home market and block its political policies at the level of the state.

### III. Capitalist Manufacture and Industry

Our discussion of capitalist manufacture and industry will revolve around three central problems: the process by which an industrial working class was formed; the origins of the industrial bourgeoisie; and the nature of the 'vanguard' branches of production in the capitalist industrialization of the US. The first two problems, the formation of an industrial bourgeoisie and proletariat, directly confront the question of the process by which the basic elements of capitalist production come into existence. The third problem, the identification of the 'vanguard' branches of industrial production, will allow us to determine precisely how non-capitalist forms of production, such as slavery and petty-commodity production, were either obstacles or motors of capitalist development in the antebellum US.

There is a general historiographic consensus on the formation of the antebellum American proletariat.<sup>39</sup> Prior to the 1840s, the differentiation of artisan producers and the progressive impoverishment of New England farm families produced an industrial and manufacturing labour force. However the restricted size of the available labour force posed problems for industrial capital, especially in cotton textile production. Various methods of securing an adequate labour-supply were introduced in cotton and other industries; the 'Waltham' system of employing single young women and housing them in company dormitories, and the 'Rhode Island' system of employing entire families who were paid in script redeemable at company-owned stores and housing offices. Both systems aimed to secure an adequate supply of labour-power for industrial capital, and to muffle the class struggle between labour and capital by creating 'paternalistic' cultural-ideological bonds between the two antagonistic classes. In both respects, these systems of labour-power procurement met with only limited success. Labour-power remained scarce and costly; and trade-union organizations, albeit unstable, emerged in the cotton industry and other branches of production in the 1820s and 1830s.

In the 1840s and 1850s, the obstacle to the development of capitalism posed by the shortage of labour-power was overcome by massive immigration from Europe. While immigration had taken place in the

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<sup>38</sup> Michel Aglietta, 'Phases of US Capitalist Expansion', *NLR* 110 (July–August 1978), pp. 19–21; Mike Davis, "'Fordism' in Crisis: A Review of Michel Aglietta's *Regulation et Crises*", *Review* (Binghamton) 2, 2 (Fall 1978), pp. 218–19.

<sup>39</sup> Herbert Gutman, 'Work, Culture and Society in Industrializing America, 1815–1919', *American Historical Review* 78 (June 1973).

1820s and 1830s, its volume was so small as to have little impact on the supply of labour-power to capital. In the 1840s the volume of immigration tripled, and doubled again in the 1850s. The commercial crisis of the mid-1840s, the potato famine in Ireland, and the active recruitment of immigrant workers by industrial capital produced this increase in the numbers of immigrants to the US in the twenty years prior to the Civil War. This massive inflow of workers, which could be conceived as capital's response to native labour's economic militancy, made the 'Waltham' and 'Rhode Island' systems redundant by creating the first permanent reserve army of labour in the US. Until the early twentieth century, European and Asian immigration would continually re-shape and supplement the American working class, giving this proletariat certain of its specific political and ideological characteristics.

In contrast to the historiographic consensus on the process by which the industrial working class was constituted, there is considerable disagreement on the origins of the industrial bourgeoisie in the US. At the centre of the debate is the question of what was the major source of industrial capital prior to the Civil War: the savings of artisan petty-producers or the wealth of merchants in the Northeastern commercial centres. While this debate has not, for the most part, been conducted within a Marxist framework, it does address certain questions raised by Marx's discussion of the 'two roads' to capitalist production in the third volume of *Capital*. According to Marx, the transition to capitalist production can proceed along two paths: 'The producer becomes merchant and capitalist, in contrast to the natural agrarian economy and guild-bound handicrafts of the medieval urban industries. This is the really revolutionary path. Or else the merchant establishes sway over production. However much this is a stepping-stone . . . it cannot by itself contribute to the overthrow of the old mode of production, but rather tends to preserve and retain it as its precondition.'<sup>40</sup>

The first and 'really revolutionary path' to capitalist industry is clear: the artisan becomes petty-commodity producer, competes and accumulates. The competition among petty-producers leads to a process of social differentiation, where the more productive direct producers become capitalists and purchase the labour-power of their less productive neighbours who have lost the effective possession of their means of production. The second path is more problematic, for it is not a path to capitalist production proper. Historically, the second path referred to the out-work, or *verlag*, system organized by merchant monopolists, which increased the volume of commodity production, but preserved the relations of production and the labour process of artisanal production. In attempting to resolve the problems presented by the 'second path', Marx offers us another variant of this path, in which, 'the merchant becomes directly an industrial capitalist'.<sup>41</sup> In other words, the second path can be conceived as the process by which merchant capital withdraws from the sphere of commodity circulation, purchases means of production and hires wage-labourers, becoming industrial capital proper.

The historiographic discussion of the origins of the industrial bourgeois-

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<sup>40</sup> *Capital*, Volume 3, p. 334.

<sup>41</sup> *Ibid*, p. 335.

sie in the US can be seen as revolving around Marx's typology of the paths to capitalist production: the 'artisan' road or the 'merchant' road. The supporters of the hypothesis that merchants were the prime movers of capitalist industry in the antebellum period, such as Lance Davis, have based their arguments on the financing of the New England textile industry.<sup>42</sup> Although small firms established by skilled artisans did dominate cotton textile production prior to 1815, they were rapidly displaced by the development of large-scale industrial production in the late 1810s and 1820s. The cotton factories established after the War of 1812 were financed by large merchants who sought alternative investments after the decline of the American carrying trade. As Davis has shown, merchants in cotton and other commodities were both the main purchasers of the stock of cotton textile firms, and the major source of both long and short term industrial credit. On the basis of the fact that cotton textiles were the first fully 'mechanized' and capitalist industry in the US, Davis and Ware concluded that the dominant path to capitalist production was the direct transformation of merchants into industrial capitalists.

In contrast, other historians have argued that the main path to industrial capitalist production was through the differentiation of artisanal producers. Supporters of this position (Louis Hacker and Herbert Gutman) have based their arguments on the study of industries other than cotton textiles: iron, farm implements, railroad supplies and machine-making.<sup>43</sup> Beginning with the observation that the shift from commerce to industry was unique to a small group of New England merchants, proponents of this hypothesis have sought the origins of the industrial bourgeoisie in the self-exploitation and accumulation of skilled artisans. Some of these skilled artisans, particularly in locomotive and machine production, began as skilled workers in the textile machine shops that were part of most textile mills prior to the 1830s. Other artisans, particularly in farm implements and iron production, began as blacksmiths and small-scale refiners of iron. Through self-exploitation and partnerships with well-off petty-bourgeois farmers and shopkeepers, these skilled artisans and workers were able to acquire additional objects and instruments of production, hire wage-labourers, and transform themselves into industrial capitalists. For these historians, the role of merchant capital was marginal to the development of an industrial bourgeoisie, limited to making occasional loans and marketing commodities produced by the artisan *cum* capitalist.

### The 'Really Revollutionary' Path

Neither of these historiographic theses, either of the transformation of merchants into industrialists or the autonomous emergence of industrial capitalists from the ranks of the artisanal petty-bourgeoisie, is historically complete. Those who see a variant of Marx's 'second path' as dominant,

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<sup>42</sup> L. Davis, 'The New England Textile Mills and the Capital Markets: A Study in Industrial Borrowing', in A. W. Coates and R. M. Robertson (eds.), *Essays in American Economic History*, New York 1970.

<sup>43</sup> Hacker, pp. 257–66; Herbert Gutman, 'The Reality of the Rags to Riches "Myth": The Case of Patterson, New Jersey Locomotive, Iron and Machinery Manufacturers, 1830–90', in *Work, Culture and Society*, New York 1976.

base their assertions on very shaky empirical evidence. Not only was cotton textile production unique in the transformation of merchants into industrialists, but, as we shall see, the centrality given to cotton textiles in the industrial revolution in the USA by most economic historians is misplaced. However, those historians who see the origins of the American industrial bourgeoisie solely in the self-exploitation and differentiation of artisanal petty-producers tend to obscure the complex historical relationship between merchant and industrial capital in the antebellum period.

While 'men of small means', skilled workers and artisans, were the major agents of the organization of capitalist production in the antebellum era, they were very dependent upon merchant capital for both long and short term credit.<sup>44</sup> While merchants rarely took up the powers of industrial capital to allocate productive resources or reorganize the labour process, their control of money-capital ensured their dominance over industrial capital before the Civil War. In the 1840s and 1850s, however, some manufacturers, especially those producing means of production, began to dispense with the services of merchants, as their markets became centralized with the concentration of various industries. But it was only during the Civil War that the majority of industrial capitalists were able to break from financial dependence upon merchants, and subordinate merchant capital to the logic of industrial capital. In sum, the origins of the American industrial bourgeoisie are found in the social differentiation and transformation of artisanal petty producers, not in the direct transformation of merchants into industrial capitalists. However, the transformation of the artisanal petty-bourgeoisie into an industrial bourgeoisie did not take place simply through the self-exploitation of the petty-producers. Merchant capital, as the source of money-capital in the form of credit, was able to maintain its dominance over industry until the Civil War.

In the light of the historical experience of the US, we can begin to refine Marx's cursory discussion of the first, 'really revolutionary' path to capitalist production. The path by which the direct producer becomes her/his own merchant, and is transformed into a capitalist, must not be conceived in a highly abstract manner. The emergence of an industrial bourgeoisie through the autonomous self-exploitation of artisans and skilled workers has occurred very rarely, if at all. Instead, merchant capital intervenes in the process of the social differentiation of petty-producers as the primary source of money-capital to continue and expand production. The 'revolutionary' path must be conceived in terms of the process by which the artisanal petty-commodity producers come to exercise the characteristic powers of industrial capital, those of economic ownership and real possession. This road to capitalist production implies a two-fold struggle on the part of the artisanal petty-bourgeoisie *cum* industrial capital; to secure an adequate supply of labour-power, and to gain independence from, and subordinate to its own logic, merchant capital.

Our discussion of the origins of industrial capital in the United States has already touched upon the question of the 'vanguard' or leading branches

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<sup>44</sup> H. C. Livesay and G. Porter, *Merchants and Manufacturers*, Baltimore 1971.

of capitalist production in the antebellum period. While certain business historians, such as Alfred Chandler,<sup>45</sup> define leading branches of industry solely in terms of innovations in the internal organization of the firm, a more comprehensive definition is needed. Leading or vanguard branches of capitalist industry are characterized by both innovative labour processes and by their revolutionizing effects on the social division of labour. In other words, a central characteristic of a leading complex of branches of production is its ability to call forth new developments in the labour-process and create new branches of production in Department I (the department of social production producing objects and instruments of production).

The majority of the historians of antebellum American industrialization have drawn their explanatory model from the English industrial revolution.<sup>46</sup> Both Marxist and bourgeois historians of American industrial capital have given the 'vanguard' role to the textile, shoe/boot, and railroad industries in the American industrial revolution. According to this model, the development of textile and shoe/boot production were characterized by the first development of specifically capitalist labour processes, and these industries, along with the railroads, called into existence new machine-making industries and innovations in the production of iron.<sup>47</sup> Such a conception has led Allen Dawley, in his study of the class struggle in the Massachusetts shoe industry to claim that the shoe industry constituted a 'microcosm of the industrial revolution' in the USA.<sup>48</sup> According to the traditional historiography of American capitalist industrialization, 'the USA parallels Great Britain in terms of its leading branches of production and their effects on the social division of labour. However, this traditional historiographic model is both conceptually and historically flawed. Conceptually, the adaptation of a model of capitalist development based on empirical generalizations from the British example obfuscates the concrete historical specificity of different social formations' processes of capitalist development. Historically, the 'textiles' model fails to account for the much more central role played by the 'agro-industrial complex' in the development of capitalist industry in the US both before and after the Civil War.

The complex of industries producing farm-machinery, tools and supplies, and processing agricultural raw materials (meat-packing, leather tanning, flour milling and baking), were at the centre of the American industrial revolution. These branches of production were characterized by both technical innovation in their labour-process and either constituted or stimulated transformations in key branches of Department I. Farm implement and machine production alone made up 19.4% of all machine production by 1860, rising to 25.5% by 1870.<sup>49</sup> While statistical data on

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<sup>45</sup> Alfred D. Chandler, *The Railroads: The Nation's First Big Business*, New York 1965.

<sup>46</sup> For a thorough discussion of the specificity of the English Industrial Revolution, see Eric Hobsbawm, *Industry and Empire*, Harmondsworth 1969.

<sup>47</sup> Alan Dawley, *Class and Community*, Cambridge (Mass.) 1976.

<sup>48</sup> *Ibid.*, pp. 1–6.

<sup>49</sup> Computed from *Manufactures of the United States in 1960: Compiled from the Original Returns of the Eighth Census*, Washington D.C. 1865, pp. clxxvii–ccxvi; *Ninth Census, 1870 Volume III: The Statistics of Wealth and Industry in the United States*, Washington, D.C., 1872, pp. 588–89, 614–5.

the consumption of iron by different industries is not available for the antebellum period, the transformation of Northern agriculture and the formation of the agro-industrial complex was a major determinant of the technical development of the American iron industry. Louis Hunter has argued that the centralization of and technical innovations in the processes that constituted iron production in the 1840s and 1850s were determined by changes in the character or the market for iron goods.<sup>50</sup> The replacement of rural blacksmiths and farmers, who required high quality and versatile bar iron to produce a wide variety of products, by specialized industrial producers, who required lower quality and less versatile iron for a smaller number of commodities, was the main impetus for technical change in the late-antebellum iron industry. This advance in the social division of labour, the transition from rural to specialized industrial producers, was the product of the subordination of agrarian production to the law of value. Commodities that farmers had purchased from local blacksmith or had made themselves were now produced by capitalist industries who purchased their raw materials from a technically transformed iron industry.

Thus in the late antebellum period (1840–60) the basis for the later acceleration of US industrial capitalism in the 'Gilded Age' was laid with the development of agrarian petty-commodity production and the agro-industrial complex. Only one obstacle stood in the way of this 'frontier regime of accumulation': the geographic expansion of plantation slavery. It was this economic contradiction between the necessary conditions for the expansion of slavery and capitalism in the 1840s and 1850s that determined, in the last instance, the political class struggles that culminated in the Civil War of 1861–1865.

#### IV. Conclusion: The Civil War

It remains to briefly consider the impact of the Civil War on the American social formation.<sup>51</sup> Prior to the 1960s, Civil War historiography was dominated by the belief that the war dramatically spurred the growth of industrialism. As expounded by its main representatives, the Beards and Hacker,<sup>52</sup> this tradition argued that the war galvanized industrial capitalism both economically and politically. On the one hand, the war economy with its inflation, lucrative government contracts and contract immigration stimulated the reorganization of industrial labour processes and vastly increased the volume of production. On the other hand, the war allowed the political representatives of the rising industrial bourgeoisie to secure hegemony within the federal state apparatus and to pass a series of policies—tariff and monetary reform, unrestricted immigration, the Homestead Act, and so on—which secured the conditions for untrammelled industrial expansion.

The Beards-Hacker view of the Civil War was unchallenged historical

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<sup>50</sup> L. C. Hunter, 'The Influence of the Market Upon Technique in the Iron Industry in Western Pennsylvania up to 1860', in Coats and Robertson, *Essays in American Economic History*.

<sup>51</sup> A discussion of these problems is contained in my forthcoming doctoral dissertation: 'Primitive Accumulation, Class Struggle and the Capitalist State: Political Crisis and the Origins of US Capitalism', SUNY Binghamton.

<sup>52</sup> Beard and Beard, pp. 281–319; Hacker, pp. 339–439.

orthodoxy until the publication of Thomas C. Cochran's 'Did the Civil War Retard Industrialization?' in 1961,<sup>53</sup> which attempted to statistically demolish their interpretation. Utilizing new statistical series produced by the economist Robert Gallman, Cochran examined the differential performance of the American industrial economy before, during and after the war. His calculations showed that American industry as a whole, measured in terms of value added by manufacture, grew at a slower rate in the 1860s than during the 1850s. Pig iron, textile and railroad production all displayed sharp declines in their growth rates during the war years compared to the five-year periods immediately preceding and following 1861–65. Coal output remained more or less constant. Cochran therefore concluded that the Civil War, far from catalyzing industrialization, actually retarded its 'normal' expansion.

The historiographic debate sparked by Cochran's revisionist essay is only today coming to a close. In a recent article summarizing the voluminous literature, Steven Engelbourg<sup>54</sup> has concluded that the war economy was neither an impetus to the reorganization of the labour process nor to increased output in strategic industries. On the other hand, wartime inflation did provide a powerful lever for changing the relationship between merchant and industrial capital. As Livesay and Porter have pointed out,<sup>55</sup> manufacturers' 'profit inflation'—manifested in an increased cash-flow and combined with wartime rationalization of the currency system—allowed the industrialists to liquidate their debts to merchants and break their financial dependence upon merchant capital (while at the same time opening up room for the proliferation of new banking capital).

But the direct economic impact of the war on industrial capitalism was secondary to the war's *political* effects on capitalist development through the remainder of the nineteenth century. As Stephen Salsbury<sup>56</sup> one of Cochran's earliest critics—pointed out, the central thesis of Beards and Hacker was that the Civil War constituted a second phase of the American bourgeois revolution, which consolidated the hegemony of industrial capital at the level of the state. Salsbury emphasized that Cochran's claims that the war retarded industrial capitalist development only confused the economic stimulants or obstacles to industrial expansion posed by the war economy with the changes in political class relations and state policies that resulted from the victory of industrial capital. The effects of these political changes on the accumulation of capital are seen in the comparisons Salsbury made, again using Gallman's statistics, between the rate of growth of production in iron, coal and railroad lines in the decades before and after the Civil War. In all three branches of production the growth rate in the decade 1865–1875 was considerably higher than in the decade 1850–1860. From these comparisons, Salsbury asserted that the state policies implemented by the industrial-capitalist-led Republican bloc during the war removed obstacles and provided a powerful impetus to the expanded reproduction of capital.

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<sup>53</sup> Reprinted in Nash.

<sup>54</sup> The major contributions to this debate were republished in R. Adreano (ed.), *The Economic Impact of the Civil War*, Boston 1966. See also S. Engelbourg, 'The Economic Impact of the Civil War on Manufacturing Enterprises,' *Business History* 20, 2 (July 1979).

<sup>55</sup> Livesay and Porter, pp. 116–30.

<sup>56</sup> S. Salsbury, 'The Effect of the Civil War on American Industrial Development', in Nash.

What were the state policies implemented by the Republican industrial bourgeoisie during the Civil War and how did they secure the conditions for the expanded reproduction of capital in the United States? The first was the abolition of slavery, a measure forced upon the industrial bourgeoisie by military exigencies and the struggle of the slaves. Although the class struggles in the reconstruction period did not result in emergence of either capitalist plantation agriculture or the formation of a black petty-bourgeois farmer class; the non-capitalist form that did replace slavery, sharecropping, did not pose an obstacle to the development of capitalism outside of the cotton South. While sharecropping did pose definite limits to the transformation of the labour process, it did not have plantation slavery's geographically imperialist tendencies, which had posed an obstacle to the Western expansion of petty-commodity production. Sharecropping also eliminated plantation 'self-sufficiency', making the direct producers more dependent on commodity circulation for their reproduction and deepening the social division of labour in the South.<sup>57</sup>

While the abolition of slavery removed the obstacles presented by the expansion of the slave form; the Homestead Act, protective tariff and liberalized immigration laws provided a powerful impetus to the capitalist accumulation of capital. The passage of the Homestead Act of 1862 did not provide the agrarian petty-bourgeoisie with its long hoped for utopia of free land to the tiller and an end to land speculation and engrossment. The portions of the public domain reserved for free settlement tended to be of the worst soil quality and distant from the railroads. The railroads, on the other hand, were given, under the provisions of the Homestead and corollary land-grant acts, large alternating blocks of the public domain along their routes, while the Federal government reserved the other blocks of land for sale at public auction. This plundering of the public domain through huge land grants to railroads and mining companies, and the sale of government land at public auction, provided a tremendous lever for the commodification of the land and created a permanent obstacle to 'natural economy'.<sup>58</sup> The massive home market created by the expansion of petty-commodity production, the largest in the capitalist world economy, was unified by a transcontinental railroad system and monopolized for American industrial capital by the protective tariffs passed during and after the Civil War. Liberalized immigration laws allowed the continual inflow of European and Asian immigrants, who supplemented the industrial proletariat and reserve army of labour. By the end of the Civil War and Reconstruction, the conditions for the dominance of specifically capitalist production were secured. The Civil War and Reconstruction thus marked the end of the US social formation's 'phase of transition', dominated by the process of primitive accumulation, and the beginning of the phase of industrial capitalist expansion, dominated by the capitalist accumulation of capital.

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<sup>57</sup> On the dynamics of sharecropping, see Roger Ransom and Richard Sutch, *One Kind of Freedom: The Economic Consequences of Emancipation*, New York 1977; and Jon Weiner, 'Class Structure and Economic Development in the American South, 1865-1955', *American Historical Review* 84, 4 (October 1974).

<sup>58</sup> Paul Gates, 'The Homestead Act in an Incongruous Land System', in Scheiber.