

VIEWPOINT

THE UNITED STATES AS A DEVELOPING NATION: REVISITING THE PECULIARITIES OF AMERICAN HISTORY*

In the decades between 1850 and 1950, the United States decisively transformed its place in the world economic order. In 1850, the US was primarily a supplier of slave-produced cotton to industrializing Europe. American economic growth thus remained embedded in established patterns of Atlantic commerce. One hundred years later, the same country had become the world's undisputed industrial leader and hegemonic provider of capital. Emerging victorious from the Second World War, the US had displaced Britain as the power most prominently situated — even more so than its Cold War competitor — to impress its vision of a global political economy upon the world. If Britain's industrial revolution in the late eighteenth century marked the beginning of a 'Great Divergence' (Pomeranz) of 'the West' from other regions around the world, American ascendance in the decades straddling the turn of the twentieth century marked a veritable 'second great divergence' (Beckert) that established the US as the world's leading industrial and imperial power.¹

The very triumph of the US has obscured how peculiar this trajectory, in fact, was. Not only did the US overcome its status as a peripheral exporter of cash crops; it also managed to defy the global division of labour that buttressed the liberal-imperial world order of the late nineteenth and early twentieth centuries. That era's 'Great Specialization' (Findlay and O'Rourke),

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¹ Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton, 2001); Sven Beckert, 'American Danger: United States Empire, Eurafica, and the Territorialization of Industrial Capitalism, 1870–1950', *American Historical Review*, cxxii (2017).

moulded by European and particularly British imperialism, divided the world into exporters of raw materials and primary products, on the one hand, and exporters of manufactured goods, on the other. Under this division of labour, the industrial core, primarily in Western Europe, turned ever more intensely to manufacturing, drawing for raw materials and agricultural produce on the resources of other countries far and wide. Countries elsewhere around the world, in turn, exported primary commodities in return for European finished goods.² The trajectory of the US, however, ran askew of this divide. Neither core nor periphery, the country simultaneously exported an ever-growing stream of raw materials and agricultural produce *while* also rapidly industrializing. By the First World War, this former slave-owning, cotton-producing republic had become a net exporter of manufactured goods.³

How was the US, unlike other peripheries, able to break out of the stark geography of specialization that characterized the world economy before the First World War? Revisiting different literatures on global economic history, American history in the late nineteenth and early twentieth centuries, and the history of capitalism in the US, we are tempted to conclude that this question remains to be adequately formulated, never mind persuasively answered. In hindsight, America's path seemed too necessary and familiar, inspiring a tendency to simply narrate it, rather than interrogate it as a highly unlikely process. Indeed, the relative lack of scholarly reflection on the economic foundations of America's ascendance is itself evidence of the widespread acceptance of this process as largely unproblematic. The rise of Western Europe, and of the United Kingdom in particular, has

² Ronald Findlay and Kevin H. O'Rourke, *Power and Plenty: Trade, War, and the World Economy in the Second Millennium* (Princeton, 2007), 365–428.

³ 'Broadly speaking, however, it is not inaccurate to view world trade in the nineteenth century in North–South terms, with the rich and industrialized North exporting industrial goods in return for the primary exports of the poor and agricultural South . . . The biggest caveat concerning this simple characterization was that the New World was both rich and increasingly industrial, but was also a major exporter of primary products', Findlay and O'Rourke, *Power and Plenty*, 413–14. Quite a caveat. O'Rourke and Williamson's recent contribution to the debate about industrialization on the periphery short-circuits analysis of the US by simply grouping it as a 'core' country, see Kevin H. O'Rourke and Jeffrey G. Williamson (eds.), *The Spread of Modern Industry to the Periphery since 1871* (Oxford, 2017).

exercised scholars for decades, and the search for its causes has spawned a colossal literature along with fierce (and unresolved) debates.⁴ Meanwhile, the fact of America's twentieth-century industrial hegemony appears to have aroused interest only recently, not coincidentally as American power no longer appears unassailable.⁵

To point out the historical atypicality of the American case, it bears emphasizing, is hardly to revive the idea of American exceptionalism. Quite the opposite. It is, rather, to tackle one of the fundamental tenets of exceptionalist thinking and insist that America did *not* in fact stand outside of 'the universal tendencies of history, the "normal" fate of nations'.⁶ It seems to us more plausible to assume instead that the gravitational pull of political-economic constraints applied in the US, the same as everywhere else, and thus diverging outcomes must be

⁴ See, for example, Eric Eustace Williams, *Capitalism and Slavery* (Chapel Hill, 1944); W. W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge, 1960); David S. Landes, *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750 to the Present* (London, 1969); E. J. Hobsbawm, *Industry and Empire: The Making of Modern English Society, 1750 to the Present Day* (New York, 1968); Immanuel Maurice Wallerstein, *The Modern World-System* (New York, 1974); T. H. Aston and C. H. E. Philpin (eds.), *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe* (Cambridge, 1985); Douglass C. North and Barry R. Weingast, 'Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England', *Journal of Economic History*, xlix (1989); Joel Mokyr (ed.), *The British Industrial Revolution: An Economic Perspective* (Boulder, 1993); David S. Landes, *The Wealth and Poverty of Nations: Why Some Are so Rich and Some so Poor* (New York, 1998); Findlay and O'Rourke, *Power and Plenty*; Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Times* (New York, 2010); Niall Ferguson, *Civilization: The West and the Rest* (London, 2011); Sven Beckert, *Empire of Cotton: A Global History* (New York, 2014); Joel Mokyr, *A Culture of Growth: The Origins of the Modern Economy* (Princeton, 2017).

⁵ The rise of the US as an industrial nation in its own right is a pivot in A. G. Hopkins, *American Empire: A Global History* (Princeton, 2018), see ch. 7 in particular. For renewed attention to the economic foundations of American power, see Paul A. Kramer, 'Power and Connection: Imperial Histories of the United States in the World', *American Historical Review*, cxvi (2011); Sven Beckert, 'American Danger'; Megan Black, *The Global Interior: Mineral Frontiers and American Power* (Cambridge, Mass., 2018). Similarly, the first Great Divergence received more intense scrutiny as British world hegemony waned and — along with it — British Whig history lost its persuasive force.

⁶ Daniel Rodgers, 'Exceptionalism', in Anthony Molho and Gordon S. Wood (eds.), *Imagined Histories: American Historians Interpret the Past* (Princeton, 1998), 23. See also Ian Tyrrell, 'American Exceptionalism in an Age of International History', *American Historical Review*, xcvi (1991) and Robert C. Allen, 'American Exceptionalism as a Problem in Global History', *Journal of Economic History*, lxxiv (2014).

rigorously accounted for. To do so requires situating the US within a comparative history of development not built on analytical benchmarks derived from the American experience. It means recognizing the slave economy as the point of origin for American capitalism, akin to other New World colonies. It means pushing back against a literature that has cast industrialization — an excruciatingly elusive goal throughout the global periphery — as an irresistible juggernaut in the case of the US, an overwhelming process that no measure of government corruption, business ineptitude, economic crisis, grass-roots resistance and ideological dissent seemed able to derail. Our goal is to provincialize American development from the perspective of historical experience elsewhere, to treat it as one path among many, rather than the analytical template for all.⁷

The task of revisiting America's 'second great divergence' seems particularly pressing today as the historical study of economic change is experiencing what might be called a post-Polanyian paradigm shift. On the one hand, the successes of state-driven capitalism in East Asia, most recently in China, have called into question the market axioms of the 'Washington Consensus'. From a broad comparative historical perspective, it seems clear that state-orchestrated growth has been the rule, rather than the exception.⁸ This raises sharply the question of just why the US, with its allegedly non-interventionist government institutions, should have been able to depart from this norm. On the other hand, there is an increasing awareness that so-called 'free' markets are historical unicorns; they do not exist. *All* economies are politically designed, institutionally governed, and socially embedded, including a fortiori (neo)liberal ones.⁹ All economic institutions are political; they

⁷ For a related perspective, see Pamela K. Crossley, 'China Normal', forthcoming in *Modern Asian Studies*, liv (2020).

⁸ See Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective* (London, 2002).

⁹ This was, of course, Polanyi's central insight in Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston, 2001 [1944]). For recent work in this vein, see Vanessa Ogle, 'Archipelago Capitalism: Tax Havens, Offshore Money, and the State, 1950s–1970s', *American Historical Review*, cxxii (2017); Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge, Mass., 2018); Greta Krippner, 'Polanyi for the Age of Trump', *Critical Historical Studies*, iv (2017); Steven Kent Vogel, *Marketcraft: How Governments Make Markets Work* (New York, 2018); Mariana Mazzucato, *The Entrepreneurial State: Debunking Public vs. Private Sector Myths* (London, 2013);

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result from and remain subject to political contest and compromise. The old zero-sum dichotomies, between markets and planning, between state ‘intervention’ and ‘spontaneous’ market activity, are now generally accepted as wanting. These insights call for renewed attention to the political architecture of American industrialization. How did state institutions forge, mobilize and ring-fence markets? How did political actors, social alignments and policy battles drive institutional change?

With these questions in mind, we formulate conceptual starting points and delineate a research agenda. We prod existing literature for answers and formulate some preliminary hypotheses. In the following, we interrogate in order of appearance: (1) global economic histories, especially those that focus on questions of comparative development with an emphasis on trade and ‘factor endowments’ (territory, resources, population, geography, and so on); (2) Americanist historiography since the Cold War; (3) more recent attempts, among both historians and social scientists, to make sense of the American state. Along the way, we identify allies in unexpected places, for example in the sociology of comparative political economy and the literature on East Asian developmental states. To anticipate our conclusions: both strengths and shortcomings of existing accounts arise from a set of analytical tendencies in which diverse schools of scholarship converge, namely an over-reliance on modernization templates, at the expense of an incisive political analysis of institutions. Against the traditional view of the US as a market society, we call attention to a wide range of interventionist and entwined — but usually uncoordinated — policies emerging from American state institutions on different geographical scales. These policies, shaped on the contested terrain of politics, added up to what may properly be called an American developmental state: a state

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Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (Oxford, 2014). In Slobodian’s words, this approach identifies neoliberalism as ‘one body of thought and one mode of governance among others — as a form or variety of regulation rather than its radical Other’, 3. Note that this perspective differs from Northian institutionalism, which privileges certain institutions (the rule of law, secure property rights, limited government) as the ‘right’ (i.e. growth-inducing) ones. The Northian perspective is hence implicitly normative and prescriptive, whereas we would stress that all institutional set-ups involve trade-offs, and hence are both effect and cause of political contestation. Like ‘free’ markets, ‘ideal’ institutions are ideological expressions more than analytical tools.

whose institutions collectively exerted discipline over economic actors and fuelled the reorientation of American capitalism from agrarian exports to domestic industrialization.

I

FACTOR ENDOWMENTS?

The recent comparative literature on global development since the nineteenth century starkly bears out America's unusual trajectory. It reveals that despite key patterns that had many analogues elsewhere around the world, the US nevertheless emerged in unique ways. The US notably partook in a widespread late-nineteenth-century pattern of hinterland penetration. During this period, it expanded towards a 'Great Frontier', the Great Plains rising in tandem with the Canadian prairies, the Argentine pampas, the South African veldt, the Central Asian steppes and the Australian outback. Much like these rapidly expanding economic regions, the US violently conquered territory, absorbed large amounts of European capital, and attracted large numbers of immigrants, facilitating massive agricultural production that poured into world markets.¹⁰ Alongside its extensive 'horizontal' frontier, the US also developed a robust 'vertical' frontier. As in other peripheral regions of the world economy during the heyday of 'imperial geology', Americans excavated fossil fuels, ores and minerals at escalating speeds. The US thus became the site of intensive extraction of the earth's bounty, including copper (alongside Mexico, Chile, Peru and the Congo), coal (Russia, India and China), tin (Malaya, Indonesia and Bolivia), silver (Mexico and Australia), gold (Australia and Russia), lead (Australia), zinc (Australia), and petroleum (Russia).¹¹

Both the vertical and horizontal frontiers of the US far exceeded those of other world regions in scale and diversity. This resource abundance was due, not simply to better natural endowment, but to more intensive and extensive exploration, cultivation and extraction, fostered by American institutions. The capacity to do so is, of course, part of the historical

¹⁰ Foreign investments reached 20 per cent of world GDP on the eve of the First World War, a figure that was not reached again until about 1980, Findlay and O'Rourke, *Power and Plenty*, 408.

¹¹ Jürgen Osterhammel, *The Transformation of the World: A Global History of the Nineteenth Century*, trans. Patrick Camiller (Princeton, 2014), 655–6, 658–9.

puzzle.¹² But even more notably, nowhere outside the US did frontier expansion trigger large-scale industrialization, let alone a massive economic transformation. Resource abundance elsewhere tended to become a curse, leading to ‘Dutch disease’ — excessive specialization on extraction or cultivation of primary commodities — and thus failure to industrialize.¹³ The economies of Argentina, Australia, Chile, Brazil and Russia, to name a few examples, grew very fast based on the export of primary commodities, but their industrial development remained comparatively limited.¹⁴ Home-grown industry in those countries concentrated narrowly on upstream processing of foodstuffs and other raw materials, not on a broad range of manufactured goods for domestic, let alone foreign, consumption.¹⁵ By sharp contrast, the US exploited its frontier expansion and its extractive industries to develop what became, by the First World War, the largest manufacturing economy in the world.¹⁶

To read accounts that grapple with the disparity between the US and other world peripheries is to encounter a literature rife with subtle elisions, circular arguments, shifting logics and contradictory claims. Scholars routinely attribute industrial development in the US to factors that only several pages later they invoke to explain failure to industrialize elsewhere. Crucial

¹² A. Paul David and Gavin Wright, ‘Increasing Returns and the Genesis of American Resource Abundance’, *Industrial and Corporate Change*, vi (1997).

¹³ Jeffrey D. Sachs and Andrew M. Warner, ‘The Curse of Natural Resources’, *European Economic Review*, xlv (2001). We are, of course, fully aware of the normativity built into the language here: ‘failure’, ‘curse’, ‘overspecialized’, ‘disease’, and so on. Provincializing the story of the United States would go a long way toward unpacking these built-in assumptions.

¹⁴ In Russia, continuous land expansion meant that over 60 per cent of national wealth was based on agricultural land at the end of the nineteenth century, which was more than India at that point (53.8 per cent). In the US, despite massive territorial expansion, the figure stood at 19.2 per cent. See Edward B. Barbier, *Scarcity and Frontiers: How Economies Have Developed through Natural Resource Exploitation* (Cambridge, 2011), 390.

¹⁵ Findlay and O’Rourke, *Power and Plenty*, 411. O’Rourke and Williamson usefully differentiate between the processing of primary commodities, mainly for exports, which are more characteristics of the periphery, and the production of ‘import- or export-competing’ goods. See O’Rourke and Williamson, *Spread of Modern Industry to the Periphery*, 2.

¹⁶ Gavin Wright, ‘The Origins of American Industrial Success, 1879–1940’, *American Economic Review*, lxxx (1990); David and Wright, ‘Increasing Returns and the Genesis of American Resource Abundance’; Gavin Wright and Jesse Czelusta, ‘The Myth of the Resource Curse’, *Challenge*, xlvii (2004).

preconditions are simply assumed, not interrogated. The same building blocks that historians deploy to chronicle the dazzling arrival of American modernity are used, with an abrupt change in background music, to chart impending doom in other contexts.

Consider, for example, how the literature contends with the issue of the size of each country's domestic market. At times, a small domestic market is cited as the *reason* for a country's failure to industrialize; on other occasions, it appears as a *consequence* of this failure. Sometimes, a large domestic market is presented as simply a felicitous geographical and demographic fact. At other times, a large domestic market is cited as a social and political project. Economist Edward Barbier, for example, in what is otherwise a well-crafted synthesis, explains in a typical string of non sequiturs, that 'the small size of the economy' of New Zealand 'limited its diversification beyond its main agricultural industries'. Argentina, on the contrary, was by no means small, and yet it nevertheless had 'very little domestic industry', which in turn failed to generate effective demand for resource extraction. Finally, Australia also had a sizeable territory and a small domestic market but nonetheless saw the growth of extractive industries. These extractive sectors, however, developed 'no linkages with any domestic industry' and therefore generated 'little effort to diversify the economy'.¹⁷ In the case of the US, by contrast, Barbier (and others) confidently announce the presence of optimal 'linkages and complementarities to the resource sector' that allowed the natural bounty of North America to fuel US industrialization.¹⁸ A pre-existing 'huge domestic market', it is stated almost as a matter of course, supported both intensified extraction and growing manufacturing capacity, while still leaving plenty of room for exports.¹⁹

The role of transatlantic shipping costs is yet another example of slippery causality in accounting for American industrialization.

¹⁷ Barbier, *Scarcity and Frontiers*, 412, 408, 410.

¹⁸ Findlay and O'Rourke, *Power and Plenty*, 411.

¹⁹ Alfred Chandler similarly identified 'the geographical size and very rapid growth of [the American] domestic market' as a key factor in US industrialization, but without actually explaining how it came about or why it grew so rapidly, Alfred D. Chandler, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass., 1994), 51–2. Richard Bense has usefully focused critical attention on the geographical size of the market, its boundedness and internal coherence as politically determined. See Richard Franklin Bense, *The Political Economy of American Industrialization, 1877–1900* (Cambridge, 2000).

In their authoritative canvas of global trade and development, Ronald Findlay and Kevin O'Rourke argue that the US benefitted from high transport costs of minerals such as iron. Instead of trading internationally, those minerals stimulated national industry. Unlike raw cotton, which was easily carried across the Atlantic, the high cost of shipping heavy minerals 'crowded in' manufacturing domestically, rather than 'crowding it out'. This, they readily concede, 'does not apply to Latin America . . . whose exports' — despite equally high transatlantic shipping costs, we assume — 'mainly consisted of primary products', including, of course, many important industrial minerals. Barbier follows a similar line of argument when he celebrates the US's ability to flourish due to its 'economic distance' from the rest of the world. The American economy's virtual 'isolation' — the death knell of development everywhere else — in fact allowed it to nurture internal commerce and industrial expansion. In the case of Latin American countries, however, Barbier makes clear that 'prohibitive' shipping costs did not crowd in much of anything, but instead stifled the incentive for exploration. Likewise, in places such as South Africa and Australia, 'formidable transportation costs' and distance 'from the main international trade routes' to major European markets operated, not as a spur to domestic industrialization, but as an impediment to more intensive mineral extraction.²⁰

The fact that analysis of 'factor endowments' generates more questions than answers can be illustrated another way, by considering a salient country-to-country comparison. The case of Argentina's 'Belle Époque' from 1875 to 1913 is very telling, especially since it in many ways mirrored the experience of the US (as scholars of Latin America are much more aware than those of the US). In those years, a newly consolidated Argentinian state, having overcome a series of constitutional crises, asserted itself in its borderlands. Launching its infamous *Campaña del Desierto* or 'Conquest of the Desert', it violently decimated and removed the native population, more firmly establishing national sovereignty on the far peripheries of its territory. Easy access to ever-growing reserves of fertile land — from 400 to 858 thousand

²⁰ Findlay and O'Rourke, *Power and Plenty*, 420; Barbier, *Scarcity and Frontiers*, 427–8, 409.

square kilometres between 1867 and 1890 alone — supported the growth of a vibrant agro-pastoral export economy in the interiors of the Southern Cone. Huge infusions of outside capital financed the massive expansion of the railroad system, facilitating the influx of a large settler population. Grain agriculture — wheat, corn and linseed — took off, alongside cow and sheep raising. In consequence, the region forcefully transcended its early origins as a satellite of the extractive economy of the Central Andes, which had earlier been the region's main source of wealth.²¹

Argentina became a leading example of liberal economic policy during this period. It was firmly committed to secure property rights (for settlers), global commerce, open immigration, a non-interventionist government, and the gold standard. The country's elite, made up of merchants and export producers, grew confident and embraced a forward-looking spirit of improvement. They aggressively promoted scientific agriculture, breeding sheep and cattle to maximize meat production and to better meet consumer demand. As a result, the Argentinian economy generated remarkable rates of growth. As the gateway to the bountiful pampas grasslands, the city of Buenos Aires grew by leaps and bounds, from a small provincial town to a metropolis of over 1.5 million people by the First World War, the largest city in Latin America and second only to New York on the Atlantic seaboard. The Argentinian capital's docks, rail yards and warehouses connected the commodity flows from the rapidly expanding hinterland to consumers in urban-industrial markets in Europe. A local manufacturing sector emerged based on food processing for export. All told, between 1880 and 1914, Argentina's gross domestic product per capita increased at an

²¹ Argentina was the wealthiest country in Latin America at the time and yet 'a major disappointment' in terms of industrialization, with levels of manufacturing per head below that of European countries with lower income per person, see Victor Bulmer-Thomas, *The Economic History of Latin America since Independence*, 3rd edn (Cambridge, 2014), 154. For more on Argentina, see Gerardo Della Paolera and Alan M. Taylor (eds.), *A New Economic History of Argentina* (Cambridge, 2003), 235–7; Colin M. Lewis, *British Railways in Argentina, 1857–1914: A Case Study of Foreign Investment* (London, 1983); Eduardo Elena, 'Commodities and Consumption in "Golden Age" Argentina', *Oxford Research Encyclopedia of Latin American History* (New York, 2016). On the shared commitment to frontier settlement and railroad expansion in the US and Argentina, as well the similar collision with indigenous resistance, see Charles S. Maier, *Once Within Borders: Territories of Power, Wealth, and Belonging since 1500* (Cambridge, Mass., 2016), 139–45, 204, 207.

annual average of 3.3 per cent, a pace that surpassed that of Great Britain (1 per cent), Canada (2.2 per cent) and even that of the US (2.1 per cent).²²

What is striking about this profile from the perspective of US historiography is its close similarity to oft-invoked ‘explanations’ of American industrialization during the same period: an expanding frontier, the ethnic cleansing of indigenous people, the massive expansion of a railroad network into the interior of the continent, the rapid influx of European settlers, the growth of a commercial agricultural landscape that yielded staggering volumes of market commodities, heavy investment in scientific agriculture and other technologies and, finally, the rise of urban centres oriented around the gathering, processing and distribution of this natural bounty. William Cronon’s canonical *Nature’s Metropolis*, to take an obvious example, attributes Chicago’s rapid growth precisely to its position as a gateway hub to the incessant flow of primary commodities, including wheat, meat and lumber.²³ Cronon’s melancholy about this economic expansion notwithstanding (more about this soon), his account leans heavily on these factors to account for developmental ‘success’. In the case of Argentina, by contrast, the scholarship interprets the same processes as a very mixed economic blessing, if not as a harbinger of a century of crises and decline.

In marked contrast to the literature about the American West, the Argentinian scholarship on Buenos Aires and the pampas has viewed growth that remained export-focused and ‘predominantly agriculturally based’, not as a sign of relentless capitalist development, but as cause for grave worry.²⁴ The Argentinian

²² There is some disagreement about the precise numbers but not on the overall trend. Roberto Cortés Conde, ‘The Vicissitudes of an Exporting Economy: Argentina, 1875–1930’, in Victor Bulmer-Thomas, John H. Coatsworth and Roberto Cortés Conde (eds.), *An Economic History of Twentieth-Century Latin America*, i (Oxford, 2000), 267.

²³ William Cronon, *Nature’s Metropolis: Chicago and the Great West* (New York, 1991).

²⁴ Barbier, *Scarcity and Frontiers*, 406. For a good overview of these debates in the context of Latin America, with a focus on Argentina, see Matthew Brown (ed.), *Informal Empire in Latin America: Culture, Commerce and Capital* (Malden, Mass., 2008). See also, most recently, a special issue on ‘Argentine Exceptionalism’ in the *Latin American Economic Review* (2018). See Edward L. Glaeser, Rafael Di Tella and Lucas Llach, ‘Introduction to Argentine Exceptionalism’, *Latin American Economic Review*, xxvii (2018); Filipe Campante and Edward L. Glaeser, ‘Yet Another Tale of

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capital's emphasis on meatpacking, flour milling and wool-washing, alongside other resource-based goods such as leather, wood products and glass, created only a narrow foundation for manufactures. At least since the 1930s, several generations of scholarship on Argentina have grappled with 'what went wrong' — a problematic framing, to be sure. They have interrogated the severe structural 'malaise' caused by export-led growth, which set the country on a course towards endemic balance-of-payments difficulties, public debt crises, and political and social instability.²⁵ In other words, what Cronon and other Americanists could take for granted as a sure path to an economic miracle, was often — in the absence of other, unaccounted for factors or forces — the road towards dependency and crisis.²⁶ Most recently, in his magisterial exploration of the global 1800s, Jürgen Osterhammel concedes the issue: 'Why did the countries of Latin America not succeed in linking up with the industrial dynamic . . . before the experiments

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Two Cities: Buenos Aires and Chicago', *Latin American Economic Review*, xxvii (2018).

²⁵ As of 1900, manufacturing output was only 15 per cent of GDP and remained closely linked to export sectors. Foodstuffs, beverages and tobacco were 56.5 per cent of Argentinian manufacturing. Other resource-based products — leather, wood products, stone, glass and ceramics — were 18.8 per cent, see Lloyd George Reynolds, *Economic Growth in the Third World, 1850–1980* (New Haven, 1985), 88. For revisionist studies of Argentinian industrialization but those that can only partially soften earlier findings, see Fernando Rocchi, *Chimneys in the Desert: Industrialization in Argentina during the Export Boom Years, 1870–1930* (Stanford, 2006); Yovanna Pineda, *Industrial Development in a Frontier Economy: The Industrialization of Argentina, 1890–1930* (Stanford, 2009).

²⁶ Campante and Glaeser's recent study confirms our own sense that Chicago and Buenos Aires were similar types of cities in the nineteenth century, primarily as railway hubs to continental hinterlands and conduits for the massive flow of grain and meat. Chicago was distinguished, economically, by its ability to nurture a broad manufacturing base and become an industrial city, not only a centre of commerce and food processing. Their analysis emphasizes in particular Chicago's large employment in an advanced sector of foundry and machine-shop products, catering to a population of relatively affluent Midwestern farmers, which set Chicago apart from Buenos Aires (but gets little attention in Cronon's account). See Campante and Glaeser, 'Yet Another Tale of Two Cities'. Cronon's analysis of Chicago, we conclude, is a much better fit for Buenos Aires. For more on the diverse manufacturing base of Chicago, see Robert D. Lewis, *Chicago Made: Factory Networks in the Industrial Metropolis* (Chicago, 2008).

with state-sponsored import substitution in the period between the two world wars? This remains an unanswered question'.²⁷ If that is indeed the case, we must similarly acknowledge that the reason why the US *did* succeed remains equally unclear.

II

THE THREE WEBERIAN MODES OF AMERICAN HISTORY

Histories of the US during the Gilded Age and the Progressive Era have long addressed America's rise from the perspective of national historical parameters, without explicitly asking global comparative questions. Scholars such as Alfred Chandler, Louis Galambos and Robert Wiebe — a group one might call American Whig historians — deployed an array of *-izations* (industrialization, urbanization, professionalization) to narrate the rise of a more efficient, more rational and more modern American capitalism.²⁸ Their accounts portrayed the period between the Civil War and the Great Depression as a social, political and economic transformation both vast and progressive. Competitive markets of small proprietors yielded to managerial capitalism, mass-production industries obliterated obsolete craft distinctions, local economies integrated into a national market, a capacious federal administration superseded an archaic state of 'courts and parties', Progressivism and the New Deal eclipsed Populism. These scholars perceived the process, not only as generally welcome, but even more significantly, as essentially without alternative. To the extent that this literature had a comparative bent, it assumed American exceptionalism. To the extent that it deployed a theory of development, that theory was

²⁷ Osterhammel, *Transformation of the World*, 660. For another marvelous account, see Steven C. Topik and Allen Wells, *Global Markets Transformed: 1870–1945* (Cambridge, Mass., 2014). Topik and Wells are attentive to continued heterogeneity within the interconnected world economy but do not shed light on the American case.

²⁸ Alfred D. Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, 1977); Louis Galambos, 'The Emerging Organizational Synthesis in Modern American History', *Business History Review*, xlv (1970); Robert H. Wiebe, *The Search for Order, 1877–1920* (New York, 1967). Wiebe is a lot less sanguine about the process. See Martin Sklar's insightful reflections on how modernization thinking permeated US historiography in the form of 'evolutionary positivism': Martin J. Sklar, 'Studying American Political Development in the Progressive Era', in *The United States as a Developing Country: Studies in U.S. History in the Progressive Era and the 1920s* (Cambridge, 1992).

modernization. Stripped of its historical contingency and associated with historical progress itself, American development could be identified with modernization as such. The result was a deep tautology: America most successfully modernized, as it were, because it became most successfully modern.

Of course, the more or less muted triumphalism of the American Whigs was never universally shared. Sceptics of different stripes have developed competing theoretical and narrative modes, of which two are most conspicuous. One alternative mode may be called melancholy. Rather than celebrating America's modernization, these histories have stressed its deleterious effects. The process disempowered workers and assured the triumph of capital.²⁹ It commodified and devastated the environment.³⁰ It foreclosed more democratic political alternatives.³¹ Another alternative mode, which may be labelled normative, has challenged the Whig assumption of increasing efficiency and rationalization. This mode finds little that was rational in America's transformation, and certainly no movement towards order. It instead emphasizes skulduggery, waste, manipulation and corruption.³²

These three explanatory modes — the Whig, the melancholy and the normative — certainly do not exhaust the historiography, but they represent patterns that pervade it. What explanatory power do each of these modes have for the question of American development? The sceptics have charged — correctly, in our view — that the Whigs have uncritically channelled a Weberian equation of capitalist modernity with rationalization, and thus delivered an unconvincingly sanguine and overdetermined account of

²⁹ David Montgomery, *The Fall of the House of Labor: The Workplace, the State, and American Labor Activism, 1865–1925* (Cambridge, 1987); Leon Fink, *Workingmen's Democracy: The Knights of Labor and American Politics* (Urbana, 1983); Herbert G. Gutman, *Work, Culture, and Society in Industrializing America: Essays in American Working-Class and Social History* (New York, 1976). For a critique of labour history's tendency to assimilate assumptions about modernization, see Daniel T. Rodgers, 'Tradition, Modernity, and the American Industrial Worker: Reflections and Critique', *Journal of Interdisciplinary History*, vii (1977).

³⁰ Cronon, *Nature's Metropolis*.

³¹ Lawrence Goodwyn, *Democratic Promise: The Populist Moment in America* (New York, 1976).

³² Matthew Josephson, *The Robber Barons: The Great American Capitalists, 1861–1901* (New York, 1934); Richard Hofstadter, *The American Political Tradition and the Men Who Made It* (New York, 1948); Richard White, *Railroaded: The Transcontinentals and the Making of Modern America* (New York, 2011).

America's late-nineteenth-century transformations. But the sceptics protest too much. Melancholy and normative modes are not so much alternatives to the Whig narrative as their photonegatives. Despite the differences in temperament, they nonetheless reproduce the contours of the very modernization narrative they set out to critique.

The melancholy mode reverses the value judgements of the Whig narrative but essentially leaves its contours unaffected. For example, few readers would confuse the profound sense of regret that permeates Cronon's history of Chicago — his lament over the loss of individual autonomy, the degradation of the environment, and eradication of indigenous cultures — with the triumphalism of Chandler's account. Yet in his economic interpretation, Cronon fully follows Chandler's lead. Similar to Chandler's Weberian managers, Cronon's capitalists 'worship[ped] at the altar of efficiency' and made 'war on waste' as they administered the ceaseless flow of livestock, lumber and grain. Like Chandler, Cronon emphasizes the decisive role of technology, especially the railroad and the telegraph (alongside more prosaic inventions such as grain elevators, refrigerated cars, barbed wires and McCormick reapers). Cronon readily concedes that 'no historian has shed brighter light' on the economic forces behind this process than Chandler himself.³³ Dismissing political opposition to corporate power in the late nineteenth century as misguided, he casts corporate consolidation, in Chandlerian terms, as driven by a deep-seated 'logic of capital' — and thus beyond the reach of social contestation and political influence.³⁴

If melancholy accounts share with the Whigs a sense of inevitability, the third, normative, mode narrates events against the implicit counterfactual of a preferable alternative. It thus introduces modernization through the back door. Here, America's history is seen to have fallen short of certain — often not fully articulated — benchmarks. A more orderly, equitable

³³ Cronon, *Nature's Metropolis*, 410, see also 442, 458.

³⁴ *Ibid.*, 81, 139. Cronon, for example, asserts that political agitation of farmers reflected lack of understanding of 'structural' economic imperatives that were 'built into the very system' of grain marketing on a mass scale — see *ibid.*, 139. The book thus converges with Chandler's contention that the rise of managerial capitalism was a strictly 'economic phenomenon' and thus impervious to politics; see Chandler, *Visible Hand*, 497.

and benign development *might* have happened if America's capitalists had not been so reckless, if the American state was more capacious, bureaucratic and immune to corruption, if workers and farmers had not been enthralled by pervasive market mythologies. In his *Railroaded*, for example, Richard White has recently sought to distance himself from Wiebe and Chandler, whom he identifies as 'children of Max Weber' and to whose equation of modernity 'with order imposed by impersonal large-scale organizations' he objects.³⁵ The canvas that *Railroaded* paints of capitalist modernity, however, is not so much different but, in fact, a mirror image of the one delivered by the Whigs: instead of rational, efficient and productive, it is volatile, chaotic and wasteful. Far from sober and impartial mandarins, his capitalists are corrupt, inept and greedy. The state is populated not by diligent bureaucrats but by profiteering politicians. Functionality is thus replaced with dysfunction, order with disorder, and fulfilment with failure. This normative historiography implicitly preserves the Chandlerian paradigm as a necessary point of reference. The conclusion to *Railroaded* demonstrates this as it contemplates an alternate history of capitalism: an American West where railroads were built 'more cheaply, more efficiently, and with fewer social and political costs', an economic transition with 'fewer rushes and collapses, fewer booms and busts'. This counterfactual history is one where economic change proceeded at a slower and more deliberate pace, a history 'where railroads were built as demand required'.³⁶ Alternative paths remain unfathomable, including the possibility that the US might have followed a more typical route for New World economies. Cronon and White, then, illustrate how difficult it is for even the most vigorous departures to break out of Chandlerian coordinates.

How deeply all three modes identified here ultimately fall back on notions of modernization may be gauged by the fact that all three are already deployed in Max Weber's master narrative of Western capitalism. As readers will recall, the culmination point of this master narrative was the 'modern capitalist

³⁵ White, *Railroaded*, xxx–xxxii.

³⁶ *Ibid.*, 516–17.

enterprise'.³⁷ As a thoroughly rationalized, bureaucratic organization, the modern enterprise was superior to all previous forms of businesses.³⁸ It was this depiction of the modern firm that Alfred Chandler took up enthusiastically and made into the theoretical anchor for understanding the development of the American corporation. Indeed, in the passages about bureaucracy from *Economy and Society*, Weber comes closest to sounding like the herald of business modernization that Chandler took him to be.³⁹ The sceptics are certainly correct in connecting Chandler's Whig history to Weberian inspirations.

But Weber also deployed melancholy, especially when he moved from the level of organization to the *social* level. Describing the structural coercion that capitalism exerted over individuals, Weber tended to indulge a certain fateful inflection that Chandler blissfully ignored. To Weber, the rationalization of life implied a distinct loss. As he explained in *The Protestant Ethic*, capitalism was 'an immense cosmos into which the individual is born; it is presented to him, at least as an individual, as a housing that in practice cannot be modified, and in which he must live'.⁴⁰ It engendered an 'infinitely burdensome, deeply serious regimentation of the whole conduct of life'.⁴¹ The flip side of this lament, however, was that capitalism took on an inexorable quality. Like the cosmos itself, capitalism was overpowering, beyond political agency. Seen in this light, Weber's

³⁷ Max Weber, *Economy and Society: An Outline of Interpretive Sociology*, trans. and ed. Guenther Roth and Claus Wittich (Berkeley, 1978), 1394–5.

³⁸ That was because the 'purely bureaucratic type of administrative organization' was 'capable of attaining the highest degree of efficiency and is in this sense formally the most rational known means of exercising authority over human beings. It is superior to any other form in precision, in stability, in the stringency of its discipline, and its reliability . . . The needs of mass administration make [bureaucracy] today completely indispensable. The choice is only between bureaucracy and dilettantism in the field of administration' (Weber, *Economy and Society*, 337–8).

³⁹ By his own admission, Chandler was deeply influenced by 'Max Weber's single chapter on bureaucracy written before World War I' (as quoted by Thomas K. McCraw, 'Alfred Chandler: His Vision and Achievement', *Business History Review*, lxxxii, 2008). When Chandler lauded the 'continuing, dispassionate, rational, calculating, and essentially pragmatic approach to the problems of management' that he saw developing at General Motors in the 1920s — Alfred D. Chandler, *Strategy and Structure: Chapters in the History of the Industrial Enterprise* (London, 1964), 142 — his terminology was lifted right out of Weber.

⁴⁰ Quoted in Peter Ghosh, *Max Weber and The Protestant Ethic: Twin Histories* (Oxford, 2014), 300.

⁴¹ *Ibid.*, 300.

‘iron cage’ implied not so much a critique of capitalism but the assertion that there was no alternative to acceding to its logic.

Finally, Weber entertained a deeply normative distinction between two types of capitalist behaviour: one sober, steady, shrewd, the other illicit, rapacious and irrationally acquisitive. Weber saw a world of difference between ‘the calculation of profitability that is characteristic of the bourgeois rational conduct of business’ and ‘the kind of capitalism which lives from some momentary, purely political conjuncture — from government contracts, financing wars, black-market profiteering, from all the opportunities for profit and robbery, the gains and risks involved in adventurism’. These ‘two different types of capitalism’ were ‘as mutually opposed as it is possible for two mental and moral forces to be’.⁴² As examples of the latter type, Weber wheeled in the usual suspects of American capitalism: Henry Villard’s attempt to corner the shares of the Northern Pacific Railroad in 1889 exemplified modern-day ‘grandiose robber capitalism (*Beutekapitalismus*)’.⁴³ Other examples were J.P. Morgan, Jay Gould and Rockefeller — ‘economic *Übermenschen*’ who stood ‘beyond good and evil’.⁴⁴ Weber repeated that ‘the structure and spirit of this robber capitalism differed radically from the rational management of an ordinary capitalist large-scale enterprise’. It was, instead ‘most similar to some age-old phenomena: the huge rapacious enterprises in the financial and colonial sphere, and occasional trade with its mixture of piracy and slave hunting’.⁴⁵ Drawing on the American scene (as he did in a variety of ways), Weber helped forge the dichotomy between the villainous ‘robber

⁴² Max Weber, ‘Suffrage and Democracy in Germany’, in Peter Lassman and Ronald Speirs (eds.), *Weber: Political Writings* (Cambridge, 1994), 89.

⁴³ Weber, *Economy and Society*, 1118. Villard’s financial shenanigans with the Northern Pacific, including his recruitment of German investors, again take centre stage in White, *Railroaded*. That White unwittingly steps into a Weberian echo chamber despite his own professed desire to transcend Weberian analytics is a good example of Weber’s resilient influence. Incidentally, in retelling this episode, White confuses Weber the sociologist with his father, Weber Sr, who journeyed to the American West on behalf of German banking interests, inspiring his son’s initial (and formative) understanding of American capitalism. See White, *Railroaded*, 220; Lawrence A. Scaff, *Max Weber in America* (Princeton, 2011), 12.

⁴⁴ Quoted by Ghosh, *Max Weber and The Protestant Ethic*, 315.

⁴⁵ Weber, *Economy and Society*, 1118.

baron' and the noble 'industrial statesman' that later became the defining typology of American business history.⁴⁶

Weber reveals that for full effectiveness the modernization narrative requires not only the triumphalist mood but also its supporting acts, the melancholy and the normative. With some selective reading, one can — as Chandler did — deploy Weber for a triumphalist narrative of modernization. Pushing back against triumphalism by emphasizing loss and structural coercion — as Cronon did — echoes Weber's 'melancholy' mode. But by the same token, doing so runs the risk of inviting, if unwittingly, TINA (there-is-no-alternative) politics by capitulating to capitalism's putative historical and political ineluctability. Finally, normative volleys against capitalist adventurism do not in themselves destabilize the background framework of overdetermined historical change. On the contrary, this type of muckraking (popular among Americanists) only reaffirms an ideological distinction between legitimate and benign capitalist behaviour and its illicit counterparts.

But for our purposes — the question of US development in comparative perspective — the main problem lies deeper. Indulging in Weberian narrative modes means, at least to a degree, remaining hostage to specific political assumptions about capitalism. To spell out some of these: on the one hand, Weber ascribes capitalism's rise to a well-defined set of actors: the heroic, rational bourgeoisie. On the other hand, the capitalism that this class created results in a type of structural coercion (the 'iron cage') from which there is no escape and to which there is no alternative: the denial of actors. Thus capitalism is at once a historical creation and beyond political design; it is at once malleable and closed. In the hands of the enterprising bourgeoisie, capitalism is a creative historical project. Confronted with suggestions that capitalism's contours are susceptible to alternative political designs, however, it becomes an unalterable

⁴⁶ See Richard R. John, 'Robber Barons Redux: Antimonopoly Reconsidered', *Enterprise and Society*, xiii (2012). John has fruitfully traced the invention of the 'robber barons' stereotype to the 'Brahmins' of Boston (without acknowledging the concept's resonances in Weber), but in our view his reading of it is not appreciative enough of how this discourse served to rehabilitate, rather than discredit, finance capitalism (as long as it was of the 'rational' kind). For an engagement with the self-serving and obfuscating nature of this bourgeois discourse in the American context, see Noam Maggor, *Brahmin Capitalism: Frontiers of Wealth and Populism in America's First Gilded Age* (Cambridge, 2017).

system that requires complete conformity. It is worth appreciating what this gesture does: modern capitalism is at once proudly established as the project of a heroic set of actors, to whom the accomplishment belongs; at the same time, this class project is universalized as without alternative. Contingency, conflict and political contestation surrender to pre-determined outcomes. Questions of power melt into stale debates about character, efficiency and ethics. Unable to escape the heavy hand of Weber's legacy, these frameworks offer limited purchase for questions of comparative development.

III

TOWARDS A POLITICAL HISTORY OF AMERICAN CAPITALISM

Not too long ago, modernization theory provided ready-made typologies that analysed comparative development in terms of class formation and class alliances. A lot of ink was spilled on the long-term impact of various social alignments, using these assessments to make confident explanations for diverging national trajectories. Wherever landed elites retained their power, scholarship in this vein proposed, these classes 'impeded' successful modernization, that is, the 'arrival' of a central national authority, liberal labour markets, land redistribution, and democratic politics. They thereby either locked in their country's pattern of 'underdevelopment' or, alternatively, set it upon the dreaded top-down 'Prussian path'. By contrast, wherever the industrial bourgeoisie gained dominance, their countries progressed along their merry way towards liberal capitalism, ensuring the spread of market relations, secure property rights, codified laws and a vibrant civil society. Studies closely scrutinized the similarities and differences between American cotton planters, Brazilian sugar lords, Prussian Junkers, and Russian nobles, as well as the impact of taken-for-granted historical 'pivots' such as the Civil War in the US, the Crimean War in Russia, the Napoleonic Wars and Revolution of 1848 in Prussia, and the Paraguayan War in Brazil.⁴⁷

⁴⁷ See, of course, Barrington Moore, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston, 1967). For examples of how this worked in the context of US historiography, see Steven Hahn, 'Class and State in Postemancipation Societies: Southern Planters in Comparative Perspective', *American Historical Review*, xcvi (1990); Sven Beckert, *The Monied Metropolis: New York City and the Consolidation of the American Bourgeoisie, 1850–1896* (Cambridge, 2001);

(cont. on p. 21)

This mode of explanation has suffered several crippling blows, including a discerning dissection from David Blackbourn and Geoff Eley, from which we draw inspiration. Blackbourn and Eley's canonical intervention not only critiqued the idea of the German *Sonderweg*, but, more broadly, rejected schematic notions of bourgeois revolution and the liberal normativity these notions reified. They raised questions about the liberal commitments of all bourgeois classes and the unquestioned equation of Western European liberal democracy as a stand-in for successful modernization as such. What is the point of ascribing historical roles to highly essentialized social classes, they asked, then calling them out for falling short of fulfilling these roles? Upon closer scrutiny, the entire framework appeared to be based on evolutionary teleologies, normative assumptions and arbitrary juxtapositions.⁴⁸

In regard to the antebellum period, US historiography has fully followed Eley and Blackbourn's theoretical lead. Over the last two decades, the organizing assumptions of post-war historiography unravelled one by one. Southern planters, long held to be defenders of a 'seigneurial' pre-capitalist regime, have been recast as dynamic, forward-looking, and aggressively capitalist, like the unfree labour system over which they presided. The same could be said about mercantile elites, who had been assumed to be at odds with the rising industrial order. Industrial capitalists, in turn, have been revealed to be much more politically conservative, less democratic, and friendly to the expansion of slavery and to coercive labour regimes more generally. As the literature became less comparative and more globalist, scholars began to emphasize long-distance connections that made regional patterns intimately linked and interrelated, not

(n. 47 cont.)

Elizabeth Fox-Genovese and Eugene D. Genovese, *Fruits of Merchant Capital: Slavery and Bourgeois Property in the Rise and Expansion of Capitalism* (New York, 1983); Barbara Jeanne Fields, 'The Advent of Capitalist Agriculture: The New South in a Bourgeois World', in Thavolia Glymph and John J. Kushma (eds.), *Essays on the Postbellum Southern Economy* (College Station, Tex., 1985).

⁴⁸ David Blackbourn and Geoff Eley, *The Peculiarities of German History: Bourgeois Society and Politics in Nineteenth-Century Germany* (Oxford, 1984). More recently, the same critique has been brilliantly extended to the unexamined assumptions about Western modernity in the basis of postcolonial theory, see Vivek Chibber, *Postcolonial Theory and the Specter of Capital* (London, 2013).

separate and distinct.⁴⁹ The clearly demarcated building blocks that formed the basis of classic modernization histories — the geographical units, the divide between state and market, free and unfree labour, the class typology — now seem too muddled to be of any use.

This revisionist wave of scholarship about American slavery and capitalism has offered powerful and persuasive insights. It has established the centrality of the cotton-slavery complex, not only to the economy of the US in the early decades of the nineteenth century, but to the formation of American commerce, financial organizations, business practices, and political and legal institutions. It has challenged the Civil War as a self-evident watershed in the transition to ‘modern’ capitalism. In the process, however, this scholarship has also undermined the grand explanatory framework that historians had long relied on. This work has torn down an entrenched theoretical foundation — no small accomplishment — but to date no alternative framework has taken its place, leaving us with some key historical questions in search of new answers. In the absence of antagonistic regional elites, for example, how are we to make sense of antislavery or the root causes of the Civil War? How was a confident, profitable, and relentless slave empire defeated, by whom, and why? Did the war indeed mark the triumph of industrial capitalism over a political and ideological rival? Was it a contingent historical blunder or perhaps a non-event, one massive meaningless bloodshed? Given the new scholarly emphasis on the limits of emancipation and on the easy reconciliation between sectional elites, could the war still

⁴⁹ Beckert, *Empire of Cotton*; Walter Johnson, *River of Dark Dreams: Slavery and Empire in the Cotton Kingdom* (Cambridge, Mass., 2013); Edward E. Baptist, *The Half Has Never Been Told: Slavery and the Making of American Capitalism* (New York, 2014); Sven Beckert and Seth Rockman (eds.), *Slavery's Capitalism: A New History of American Economic Development* (2016); Matthew Karp, *This Vast Southern Empire: Slaveholders at the Helm of American Foreign Policy* (Cambridge, Mass., 2016); Calvin Schermerhorn, *The Business of Slavery and the Rise of American Capitalism, 1815–1860* (New Haven, Conn., 2015); Caitlin Rosenthal, *Accounting for Slavery: Masters and Management* (Cambridge, Mass., 2018). For critiques in this vein, see Stephanie McCurry, ‘Plunder of Black Life’, *Times Literary Supplement* (17 May 2017); James Oakes, ‘Capitalism and Slavery and the Civil War’, *International Labor and Working Class History*, lxxxix (2016); Scott Reynolds Nelson, ‘Who Put Their Capitalism in My Slavery?’, *Journal of the Civil War Era*, v (2015); Erik Mathisen, ‘The Second Slavery, Capitalism, and Emancipation in Civil War America’, *Journal of the Civil War Era*, viii (2018).

account for why the US emerged along a different path to any of the other New World republics?

Into this impasse enters the other significant revisionist effort in US historiography, namely the reinvigorated scholarship about the American state. Long viewed as slow, weak or deficient, the new consensus is that the American state has always been 'more powerful, capacious, tenacious, interventionist, and redistributive than was recognized in earlier accounts', to use William Novak's bold formulation.⁵⁰ This sharp reversal, while insightful, is not without its perils. The temptation to lean heavily on 'the state' as a *deus ex machina* that solves all riddles in a broad set of historical topics, from racialized suburbanization to global economic hegemony, is great, as is the tendency to overstate the state's coherence, capacity and accomplishments.⁵¹ Nevertheless, this scholarship regains explanatory traction that has been lost elsewhere. If the late-nineteenth-century US indeed departed from the prevailing global patterns, this must in some way be attributed to the particular features of American state institutions.

We identify *three* important currents in the contemporary historical literature about the American state: the territorial, institutionalist, and pragmatic. Each current yields significant insights, but each also remains in some ways incomplete, especially for our own comparative purposes. The first, the territorial, associated with Charles Maier, emphasizes the state's spatial aspects, particularly its ability to enclose land, establish and protect clear borders, and bureaucratically administer its domain. Maier discusses the US alongside other states, identifying in the US an equivalent 'Leviathan 2.0' to those that were in play elsewhere, similarly equipped to 'permeate and master territory'.⁵² Steven Hahn has followed suit, likewise placing the rise of the central territorial state in the late nineteenth century at the core of his own recent synthesis. Hahn emphasizes the federal government's ability to contain challenges against central state authority on several fronts (Southern secessionists, Native Americans, Mormons, privately

⁵⁰ William J. Novak, 'The Myth of the "Weak" American State', *American Historical Review*, cxiii (2008).

⁵¹ For a critique in this vein, see Gary Gerstle, 'A State Both Strong and Weak', *American Historical Review*, cxv (2010).

⁵² Charles S. Maier, *Leviathan 2.0: Inventing Modern Statehood* (Cambridge, Mass., 2014); Maier, *Once Within Borders*.

funded filibusterers), and its capacity to ‘extend its arms’ across the Trans-Mississippi West.⁵³ Sven Beckert is most explicit about the direct economic implications of American state capacity, particularly the drive to ‘capture a huge continent by force and then, critically, to integrate that territory administratively into its state structures’.⁵⁴

Maier’s framework undoubtedly illuminates key features of state formation in the late nineteenth and early twentieth centuries. This framework, however, is geared to explore commonalities and generalize across cases, not make sense of variations and anomalies. Moreover, as is also the case for Hahn and Beckert, this approach seems more concerned with the outer bounds of sovereignty — the integration of frontiers and peripheries — than with how national space in turn became economically productive. They imply that the very act of enclosing territory allowed it, as Maier puts it, to ‘crackle with productive potential’.⁵⁵ However, territorialization and the administration of space via the railroad and the telegraph was not unique to the US. While these accomplishments fuelled economic growth, they — as shown previously — did not normally result in national industrialization. The use of tariff protections — an important aspect of the postbellum political economy — was also not unique to the US. Latin American countries deployed similar policies with very different results.⁵⁶ To fully understand the unique path of the US, it seems, the analysis of territoriality is necessary but not sufficient. It must be combined with greater attention to domestic legal architectures and political arrangements — the political tendons, muscles and sinews that pervaded national space.

The relative neglect of interior arenas in the literature on territoriality has been most recently taken up by institutionalist

⁵³ Steven Hahn, *A Nation without Borders: The United States and Its World in an Age of Civil Wars, 1830–1910* (New York, 2016). See also Emma Teitelman, ‘The Properties of Capitalism: Industrial Enclosures in the South and West after the American Civil War’, forthcoming in *Journal of American History* (2020).

⁵⁴ Beckert, ‘American Danger’. See also Bense, *Political Economy of American Industrialization*; Brian Balogh, *A Government Out of Sight: The Mystery of National Authority in Nineteenth-Century America* (Cambridge, 2009).

⁵⁵ Charles Maier, ‘Transformations of Territoriality, 1600–2000’, in Gunilla Budde, Sebastian Conrad and Oliver Janz (eds.), *Transnationale Geschichte: Themen, Tendenzen und Theorien* (Göttingen, 2006), 45.

⁵⁶ John H. Coatsworth and Jeffrey G. Williamson, ‘Always Protectionist? Latin American Tariffs from Independence to Great Depression’, *Journal of Latin American Studies*, xxxvi (2004).

economists Naomi Lamoreaux and John Wallis. Aiming to interrogate the domestic intricacies of the American political economy, the two have directed their attention away from the national government and towards the states.⁵⁷ ‘Most of the important development that propelled . . . economic modernization in the nineteenth century’, they argue, ‘occurred at the state level’.⁵⁸ They emphasize in particular the Jacksonian-era eradication of special legal privileges in favour of new impersonal rules in the areas of infrastructure, banking and incorporation. Building on the work of Douglass North, they theorize this shift as a transition from a ‘limited access’ to an ‘open access’ system. They propose that the new ‘open access’ society ‘eliminated the discretionary authority of state legislatures’, a presumed source of ‘systemic corruption’, and replaced it with impersonal processes that encouraged the creation of a ‘vibrant competitive economy’.⁵⁹ Their analysis points to this competitive market environment, fortified by state institutions, to explain rapid American economic development.

The distinctive characteristics of the American state that Lamoreaux and Wallis identify, particularly their emphasis on the states, go some way towards separating economic development in the US from that of other countries. Whereas the pursuit of territoriality preoccupied all states in this period, American political institutions on the subnational level were much more specific to the US, especially in the context of the New World. They are thus better able to explain the particularities of the American case.⁶⁰ Lamoreaux and Wallis’s

⁵⁷ Naomi R. Lamoreaux and John J. Wallis, ‘States, Not Nation: The Sources of Political and Economic Development in the Early United States’, Working Paper, Yale University (2015).

⁵⁸ There is a long tradition of inquiry in this vein. See, for example, Oscar Handlin, *Commonwealth: A Study of the Role of Government in the American Economy. Massachusetts, 1774–1861* (New York, 1947); Harry N. Scheiber, ‘Federalism and the American Economic Order, 1789–1910’, *Law and Society Review*, x (1975); George Hall Miller, *Railroads and the Granger Laws* (Madison, 1971); Carter Goodrich, *Government Promotion of American Canals and Railroads, 1800–1890* (New York, 1960); Colleen A. Dunlavy, *Politics and Industrialization: Early Railroads in the United States and Prussia* (Princeton, 1994); Richard R. John, *Ruling Passions: Political Economy in Nineteenth-Century America* (University Park, Pa., 2006).

⁵⁹ Lamoreaux and Wallis, ‘States, Not Nation’. See also Douglass C. North, John Joseph Wallis and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge, 2009).

⁶⁰ Stanley L. Engerman and Kenneth Lee Sokoloff (eds.), *Economic Development in the Americas since 1500: Endowments and Institutions* (Cambridge, 2012).

reading of this history, however, is too restrictive to fully capture how state policies operated. Temporally, for example, they focus on economic liberalization in the 1830s and 1840s as a historical pivot towards a market society, dealing only cursorily with long-term historical development and later turning points. But state constitutions were written, revised and re-written throughout the century. Why privilege one moment over others, especially the moment that followed state debt defaults in the aftermath of the panic of 1837? Lamoreaux and Wallis likewise magnify some features of the state-level constitutional order — general incorporation, ‘free’ banking and fiscal limitations — at the expense of others. State constitutions in the nineteenth century indeed included many restrictions on their legislatures. In an effort to promote a more even playing field, they prohibited, at least in principle, the granting of special privileges to well-connected groups of investors and encouraged lawmakers to use general rather than special legislation. They also restricted lawmakers from investing in private corporations or lending the public credit to private entities.⁶¹

Did these provisions, however, signal the end of the ‘manipulation of the economy for political purposes’? It seems more plausible instead to see in these clauses one instance of a continuous process of reshuffling the political terrain within which economic policy making was embedded. This was clear in state constitutional clauses declaring railroads to be ‘common carriers’ and thus subject to government regulation, in continued (in fact, growing) government subsidies to infrastructure projects, in court decisions establishing many types of corporations as ‘public utilities’, as well as in hundreds if not thousands of states statutes affecting every aspect of economic life.⁶² ‘The market’ never shed its deeply political nature.⁶³

⁶¹ Charles W. McCurdy, ‘Justice Field and the Jurisprudence of Government-Business Relations: Some Parameters of Laissez-Faire Constitutionalism, 1863–1897’, *Journal of American History*, lxi (1975).

⁶² William J. Novak, ‘Law and the Social Control of American Capitalism’, *Emory Law Journal*, lx (2010), 377; William J. Novak, *The People’s Welfare: Law and Regulation in Nineteenth-Century America* (Chapel Hill, 1996); Noam Maggor, ‘To “Coddle and Caress These Great Capitalists”: Eastern Money and the Politics of Market Integration in the American West’, *American Historical Review*, cxxi (2016).

⁶³ In this critique, we follow the constitutional approach in legal history. See, for example, Desan, *Making Money*. See also, naturally, Polanyi, *Great Transformation*.

Finally, William Novak, James Sparrow and Stephen Sawyer have proposed a pragmatic idea of the American state. Too familiar with the ‘maddening plurality’ of public institutions in the US, they reject a view of the American state as an all-powerful monolith. They usefully caution against a normative notion of the state that resembles ‘something of a Prussian “tank”: unstoppable, impenetrable, autonomous, mechanically bureaucratized, and manned by a regimented officialdom driving it down undeviating tracks’. They instead propose a more realistic and supple ‘infrastructural’ state — diffuse, decentralized, always incipient, and yet remarkably effective.⁶⁴

Without reproducing normative ideas about state bureaucracy, Novak, Sparrow and Sawyer make room for a more robust conception of public power in American history. They uncover a rich and dense history of government action during the crucial decades of American industrialization. They highlight in particular the effects of the Supreme Court’s decision in *Munn v. Illinois* — a ruling that validated the authority of state governments to regulate private industries that affected the public interest — in Novak’s terms, as ‘the very superhighway down which reformers drove a truckload of far-reaching experiments in the state regulation of new economic activity’.⁶⁵ Novak and his co-authors nevertheless steer clear of the full implications of their own conceptual breakthrough. Their very formulation confines state actors to their traditional role as ‘reformers’ — that is as *reactive* to what is otherwise assumed to be autonomous ‘economic’ change, driven by private interests. Such a perspective takes for granted an implicit distinction between political and economic action, between private and public. It denies political actors full participation in shaping and re-shaping the economic order, rather than merely remedying its worst tendencies after the fact. This conception also tends to underplay the broad range of political visions that contributed to this state project.

⁶⁴ James T. Sparrow, William J. Novak and Stephen W. Sawyer (eds.), *Boundaries of the State in US History* (Chicago, 2015). For another account that emphasizes the state’s infrastructural power, see Richard R. John, *Network Nation: Inventing American Telecommunications* (Boston, 2010).

⁶⁵ Novak, ‘Law and the Social Control of American Capitalism’.

IV

THE AMERICAN DEVELOPMENTAL STATE

But let us return to our starting question: how did the US manage to break from the position it inhabited in the global division of labour during the nineteenth century? That is, how did this nation not only accelerate growth, but also effect a profound *structural transformation* of the economy, register not only quantitative increases, but *qualitative* economic change? A framework that persuasively engages with this shift has to go beyond models that associate development, alternately, with territorial consolidation (Maier), competitive markets (Lamoreaux and Wallis), or a well-regulated corporate economy (Novak, Sparrow and Sawyer). It ought to grant political institutions an even more pervasive role than conquering and administering territory, liberalizing economic life and overseeing private firms. The only framework that has extensively dealt with these types of structural shifts in global economic history emerges from the literature on ‘developmental states’. This heterodox literature has drawn its insights from the experience of East Asian ‘catch-up’ developers such as Korea, Japan, Taiwan and, most recently, China.⁶⁶ Just like the US a century earlier, these nations have managed to pull off something extraordinarily difficult and rare: they radically altered their positions in the global division of labour by way of sustained industrial and technological development. Is there anything to be learnt from this literature that may apply to the US?

⁶⁶ Stephan Haggard, *Developmental States* (Cambridge, 2018). For the core building blocks of this literature, see Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975* (Stanford, 1982); Alice H. Amsden, *Asia’s Next Giant: South Korea and Late Industrialization* (New York, 1989); Alice H. Amsden, *The Rise of ‘the Rest’: Challenges to the West from Late-Industrializing Economies* (New York, 2001); Peter B. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton, 1995); Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton, 1990); Chang, *Kicking Away the Ladder*; Atul Kohli, *State-Directed Development: Political Power and Industrialization in the Global Periphery* (Cambridge, 2004). On China, see Yuen Yuen Ang, *How China Escaped the Poverty Trap* (Ithaca, 2016); Ling Chen, *Manipulating Globalization: The Influence of Bureaucrats on Business in China* (Stanford, 2018); Giuseppe Gabusi, “‘The Reports of My Death Have Been Greatly Exaggerated’: China and the Developmental State 25 Years after Governing the Market”, *Pacific Review*, xxx (2017).

At first glance, the core features identified by this literature seem hopelessly at odds with conventional understandings of the US since the nineteenth century that cast it as the quintessential market society.⁶⁷ East Asian nations developed in direct violation of stylized notions of Anglo-Saxon market dispensations. They were (often authoritarian) states with strong bureaucracies pursuing purposive industrial policies. They defied ‘Washington Consensus’-style liberalization and instead protected and subsidized domestic firms, built up ‘national champions’, and strategically controlled the inflow and outflow of foreign capital. Their governing ideologies arose from the predicament of the late developer.

Nevertheless, the ‘developmental state’ literature can deliver a strong tonic to how we think about development more broadly, including in the American case. That is because the generalizable kernel of this literature does not reside in its empirical descriptions, but in its analytical insights. The most instructive lesson of the literature on ‘developmental states’ is the deconstruction of received dichotomies between state policy and market development.⁶⁸ Successful developmental states did not create spaces for competitive markets to operate freely, as neoclassical models, or indeed the prescriptions of Northian institutionalism, would expect them to. Instead, they harnessed, managed and manipulated markets. Rather than receding from the flows of supply and demand, developmental state institutions nested themselves in them and channelled them by tinkering with price incentives.⁶⁹ They cajoled, nudged and pushed private interests in economically desired directions by tying ‘carrots’ — subsidies, protection and incentives — to the ‘discipline’ of demands such as moving investment towards industrial development and technological upgrading, which capitalists, despite their much inflated reputation as ‘risk-takers’, did only

⁶⁷ The best recent elaborations of this view appear in Michael Zakim and Gary J. Kornblith (eds.), *Capitalism Takes Command: The Social Transformation of Nineteenth-Century America* (Chicago, 2012).

⁶⁸ ‘The very contrast between industrial policy and market forces is false and probably ideological’, Johnson, *MITI and the Japanese Miracle*, 48. We would strengthen this assertion and strike ‘probably’.

⁶⁹ What Alice Amsden famously called setting ‘relative prices deliberately “wrong”’, Amsden, *Asia’s Next Giant*, 13.

reluctantly.⁷⁰ Successful development, understood as engendering not only ‘growth’ but structural economic transformation, required not institutions that ‘protect’ markets, and ‘encase’⁷¹ or ‘preserve’⁷² them, but rather, development arose from institutions that disciplined and channelled the generative power of markets.

The second important lesson of this literature is about the politics of development. Though developmental states were ‘strong’, they were not aloof, monolithic behemoths but rather regimes with deep support in development-oriented social coalitions.⁷³ Within an overarching ideological and social commitment to development, there was ongoing contestation between bureaucrats and industrialists over resource trade-offs, or over strategy, direction and the speed of economic transformation. Developmental policies involved state institutions and private actors in tense and ongoing confrontations and re-alignments. Nowhere did developmental states arise fully fledged — instead, they grew out of friction-ridden processes of trial and error, of overcoming political antagonisms and creating new institutional compromises.⁷⁴ From this literature emerges an image that matches neither the Hayekian caricature of an all-powerful and impervious state of planner-bureaucrats nor the Smithian metaphysics of a beehive of self-interested economic actors magically creating superior outcomes. Development, this literature suggests, arose from the politics of institutional wrangling.

⁷⁰ The most incisive description again comes from Amsden: developmental states created ‘institutions that impose discipline on economic behavior’. Discipline involved ‘monitorable performance standards that were redistributive in nature and results-oriented’. It ‘thus transformed the inefficiency and venality associated with government intervention into a collective good’, Amsden, *Rise of ‘the Rest’*, 8.

⁷¹ Slobodian, *Globalists*.

⁷² North and Weingast, ‘Constitutions and Commitment’.

⁷³ Evans, *Embedded Autonomy*.

⁷⁴ ‘The leaders of MITI and other Japanese realized only very late in the game [the 1960s] that what they were doing added up to an implicit theory of the developmental state’. Johnson, *MITI and the Japanese Miracle*, 32. ‘Forging effective industrial policies . . . did not involve insulated bureaucrats “picking winners” but rather political institutions that facilitated coordination among states and private actors engaged in an iterative process of learning’, Haggard, *Developmental States*, 91–2. China worked with ‘gradualism and experimentalism . . . unclear and hybrid systems of property rights . . . the pervasive presence of an authoritarian — though “fragmented” — political system’, Gabusi, “‘The Reports of My Death Have Been Greatly Exaggerated’”, 238.

Both of these key insights — the emphasis on market-managing institutions and on ongoing political contestation over their precise set-up — offer rich potential for an analysis of development in the US. In contrast to Weberian narratives, which insinuate the inexorable fashion of capitalist development and remove it from the realm of political conflict, the insights of the ‘developmental state’ literature put politics and contestation squarely at the centre. Where Northian institutionalism is interested in political contestation *up to an inflection point* that gives birth to the ‘highest’ form of institutions — ‘open access’ systems, and the state as parsimonious arbiter of functioning markets — the ‘developmental state’ literature insists on *ongoing* conflict and the *immersion* of institutions in creating, shaping and harnessing markets. The US in the late nineteenth century harboured nothing resembling the powerful East Asian state bureaucracies that supervised and orchestrated development. The American state, we contend, nevertheless gained the ‘institutional capacity’ to effect and sustain structural economic change. It gained, that is, the capacities of a developmental state.⁷⁵

Where might we begin to discern the sources of this institutional capacity? Where did the American state gain the most traction vis-à-vis private actors? Here, we point to the state’s highly decentralized and devolved structure. Contra the territorialists’ emphasis on the federal government’s role in integrating a coherent national market, American institutions in fact engendered remarkable regulatory unevenness and variability. This was not simply a feature of ‘federalism’ as such, but the product of historically specific political arrangements. As Gary Gerstle has recently argued, federal authorities and state governments in the US did not merely differ in terms of geographical scale. The two levels of government deployed fundamentally different — almost contradictory — modes of

⁷⁵ As recent work in this field suggests, what matters for development may not be ‘state capacity’ as traditionally understood but ‘institutional capacity’, which does not necessarily imply strong state bureaucracies (see Miguel Angel Centeno *et al.* (eds.), *States in the Developing World* (Cambridge, 2017), ch. 1). Put differently, ‘an integrated statement of the political model undergirding the developmental state is surprisingly hard to find’. Haggard, *Developmental States*, 45. This view seems compatible with Novak’s own critique of the equation of state capacity with bureaucracy, see William J. Novak, ‘Beyond Max Weber: The Need for a Democratic (Not Aristocratic) Theory of the Modern State’, *Tocqueville Review/La Revue Tocqueville*, xxxvi (2015).

power. Whereas the liberal Constitution strictly constrained federal authority, state governments were endowed with broad ‘police power’. They enjoyed a much more capacious mandate to proactively shape economic life, a mandate that showed no sign of eroding at the end of the nineteenth century. Collectivist and majoritarian, rather than liberal, state governments also allowed greater space for contentious politics to set priorities, with fewer layers of mediation between electoral outcomes and the formation of policy.⁷⁶

The majoritarian political drive behind state activism during the critical decades of American industrialization came most forcefully (but of course not exclusively) from rural constituencies, mostly located in the country’s periphery and semi-periphery. As Elizabeth Sanders and Monica Prasad have pointed out, farmers in this period mobilized to advance an aggressive regulatory agenda. They sought broad access to credit, leverage against railroad corporations, and protection from the competitive advantages of monopolies, even at the cost of higher prices for the goods they acquired and consumed.⁷⁷ They enacted not liberal non-interventionism but an intensely proactive agenda, including progressive taxation, robust anti-trust policies, bankruptcy protections, banking reform, and corporate regulation (of railroad freight rates in particular). These measures were launched in different iterations and configurations by state-level legislation before migrating — only partially and with much difficulty — to the federal level in the twentieth century. The net result was not a level playing field shaped by liberal policy but a dense patchwork of overlapping, unevenly regulated and highly politicized markets. This ‘productive incoherence’ (Hirschman) — disconnected, experimental, even erratic procedures that were forged politically over time — generated a long catalogue of incentives and constraints.⁷⁸ Cumulatively, we surmise, these policies obstructed the drive towards economic specialization, channelled and

⁷⁶ Gary Gerstle, *Liberty and Coercion: The Paradox of American Government from the Founding to the Present*, rev. edn (Princeton, 2015), 55–7, 74–8.

⁷⁷ Elizabeth Sanders, *Roots of Reform: Farmers, Workers, and the American State, 1877–1917* (Chicago, 1999); Prasad, *Land of Too Much*, 37. See also Gerald Berk, *Alternative Tracks: The Constitution of American Industrial Order, 1865–1917* (Baltimore, 1994); Maggor, ‘To “Coddle and Caress These Great Capitalists”’.

⁷⁸ Ilene Grabel, *When Things Don’t Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence* (Cambridge, Mass., 2017).

disciplined the flows of capital, and nurtured a robust, diverse and technologically sophisticated manufacturing base.

The economic effects of this ‘productive incoherence’ could most readily be observed in the American Midwest. Here, as the literature on the developmental state would predict, the institutional capacity to exert public sway over market forces — by regulating railroad freight charges, combating monopolies and channelling the flow of credit — yielded impressive developmental effects. This frontier region departed from the prevailing patterns in other world peripheries, becoming not simply the site for the extraction and cultivation of primary commodities but also a heavily urbanized industrial market for those commodities. Michigan, to take one important state among many, grew as a resource-rich periphery over the second half of the nineteenth century. It absorbed huge infusions of out-of-state capital to build the necessary infrastructure for the removal of large amounts of lumber, iron and copper. Michigan was no different in this respect from Montana, Wisconsin or Nevada, but, more importantly, no different from Chile, Australia and South Africa. What set apart Michigan’s economic profile by the end of the century was the state’s broad and diverse manufacturing base, which other peripheries struggled to foster. In 1900, Detroit, Michigan, had a broad-based industrial foundation atypical for peripheral settlements, including nearly three thousand different manufacturing establishments of medium size in more than a hundred different industrial categories. On this frontier, Dutch disease was nowhere to be found. But to further magnify this point, Detroit, the largest city in the state, had only half of the wage earners within the overall manufacturing economy of Michigan. It accounted for only half of Michigan’s ‘value added’. The state had at least a dozen other lesser known cities and towns (Lansing, Muskegon, Saginaw, Grand Rapids, and so on), each with its own manufacturing base, ranging from ploughs, wagons and stoves to foundry machine shops, forks and hoes, furniture and chemical works.⁷⁹

Michigan’s dispersed urban–industrial pattern was representative of the Midwest as a whole. Throughout the nineteenth century, the

⁷⁹ Twelfth Census of the United States, taken in the year 1900, Census Reports, VIII, *Manufactures: States and Territories* (Washington, DC, 1902), pt 2, 413–39.

Midwest fostered home-grown manufacturing in a variety of sectors, beyond the processing of agricultural commodities.⁸⁰ This pattern accelerated after the Civil War, despite rapid improvements in transportation that drastically lowered the costs of interregional commerce. Midwestern industries like apparel, furniture, printing and publishing, building materials and fabricated metals that sold products in local and regional markets flourished and grew, despite competition from mass producers in the East that had access to national markets and thus, all else being equal, should have enjoyed a competitive advantage. But all things were *not* equal — state policies tipped the scale in favour of local producers — and so these regional industries continued to grow and employ large numbers of industrial workers, by some measures the majority of workers.⁸¹

The same policies also limited the gravitational pull of the region's largest cities. Despite their prodigious growth, the major metropolises of the Midwest operated as part of a broader territorial production complex that included a dense network of small- and medium-sized cities. Chicago's meatpackers famously dominated the meatpacking industry but never monopolized it. Its meatpackers worked alongside St. Louis, Omaha, Kansas City, St. Joseph and Sioux City, not to mention smaller centres like Cedar Rapids, Waterloo, Ottumwa and Indianapolis. McCormick and Co., also of Chicago, became the most well-known manufacturer of agricultural machinery, but it competed in a diversified industry with producers from Racine, Springfield, Peoria, Decatur, Rockford and South Bend. Overall, about half the industrial workforce of the Midwest, in a very wide range of manufacturing sectors, was employed in smaller cities. Meanwhile, workers in the top eight industrial cities (an unusually dense urban network) — Chicago, Cincinnati, St. Louis, Cleveland, Milwaukee, Detroit, Louisville and Indianapolis — represented a steady, and perhaps even *declining*, percentage of the overall Midwestern industrial labour force. The expansion of this multi-layered urban-industrial geography — at odds with the trend towards the growing

⁸⁰ On the case of Chicago, noted previously, see Campante and Glaeser, 'Yet Another Tale of Two Cities'.

⁸¹ David R. Meyer, 'Midwestern Industrialization and the American Manufacturing Belt in the Nineteenth Century', *Journal of Economic History*, xlix (1989).

dominance of single large metropolises in other countries, especially elsewhere in the Americas — continued into the twentieth century.⁸²

What was most remarkable about the economic geography of the region was not the differentiated sizes of its production units or their decentralized locations.⁸³ The regional pattern we observe did not simply enhance, diversify or spatially disperse the familiar arc of American capitalism. Rather, it cut hard against the dominant global trends of the late nineteenth century. Instead of regional specialization, in the Midwest, industry and agriculture intermingled. Instead of an exclusive focus on resource extraction and commercial farming for national and global markets, the Midwestern economic geography ensured that a significant share of accumulation redounded regionally. Instead of corporate behemoths sponsored by metropolitan finance, the region harboured a plethora of mid-sized shops in a wide array of sectors. If the dominant sectors of the age — railroads, steel, coal, resource extraction and food processing — followed the logic of the Great Specialization, the political economy of the Midwest pursued a competing logic of regional development, complementarity and economic diversification.

⁸² Brian Page and Richard Walker, 'From Settlement to Fordism : The Agro-Industrial Revolution in the American Midwest', *Economic Geography*, lxvii (1991); Meyer, 'Midwestern Industrialization and the American Manufacturing Belt in the Nineteenth Century'. Harriet Friedmann's classic work, in a similar vein, emphasized 'complementarity' between agriculture and industry in the case of the United States. Friedmann noted that the 'agro-food complex which emerged in the US in the nineteenth century' was unique in this period. The inter-sectoral dynamic that made agriculture into 'a source of demand for domestic industry . . . applie[d] possibly to one nation-state only', namely the United States. But she never explained why this pattern did not emerge in other major agricultural exporters. See Harriet Friedmann and Philip McMichael, 'Agriculture and the State System: The Rise and Decline of National Agricultures, 1870 to the Present', *Sociologia Ruralis*, xxix (1989). See also Harriet Friedmann, 'World Market, State, and Family Farm: Social Bases of Household Production in the Era of Wage Labor', *Comparative Studies in Society and History*, xx (1978); Harriet Friedmann and Jack Wayne, 'Dependency Theory: A Critique', *Canadian Journal of Sociology*, ii (1977). For work in a similar vein, see Charles Post, *The American Road to Capitalism: Studies in Class-Structure, Economic Development, and Political Conflict, 1620–1877* (Leiden, 2011).

⁸³ The point of emphasis of Philip Scranton, *Endless Novelty: Specialty Production and American Industrialization, 1865–1925* (Princeton, 1997); Charles Sabel and Jonathan Zeitlin, 'Historical Alternatives to Mass Production: Politics, Markets and Technology in Nineteenth-Century Industrialization', *Past and Present*, no. 108 (Aug., 1985); Charles F. Sabel and Jonathan Zeitlin (eds.), *World of Possibilities: Flexibility and Mass Production in Western Industrialization* (New York, 1997).

Not by coincidence, from this institutional and economic landscape arose the industry that encapsulated the ‘second great divergence’ like no other — the automobile industry.⁸⁴ It is rarely appreciated that automotive mass production was a sharp departure from the extractive focus of corporate-led growth during the late nineteenth century. The automobile emerged from the workshops of the Midwest’s skilled mechanics, who nurtured a particular vision of development, one that advocated growing regional independence from the circuits of Eastern capital and championed a political economy based on popular participation in both production and consumption. Indeed, automotive mass production grew, not from corporate headquarters, but from an eclectic industrial landscape of machine shops deeply embedded in the regional political economy. The product, the affordable automobile, shot across the grain of the specialization economy: neither good for large-scale extraction nor for long-haul transport, the car instead supported short farm-to-market commutes. The automobile’s success took financial elites by surprise, and they attempted to thwart the industry by cornering the patent rights over the gasoline-powered motor car. That scheme foundered upon a legal ruling that rejected a narrow conception of intellectual property rights in favour of the open-source stance towards technological innovation that animated the industry’s mechanics.⁸⁵ It was not before the 1920s that corporate capitalism began to assimilate automotive mass production, in the process transforming both it and itself.⁸⁶

V

CONCLUSION

This Viewpoint began with a puzzle: how come one of the most momentous shifts of global economic history, America’s second

⁸⁴ George Foreman-Peck, ‘The American Challenge of the Twenties: Multinationals and the European Motor Industry’, *Journal of Economic History*, xlii (1982); Stefan Link, *America’s Antagonists: Making Soviet and Nazi Fordism in the Global Thirties*, forthcoming (Princeton, 2020).

⁸⁵ William Greenleaf, *Monopoly on Wheels: Henry Ford and the Selden Automobile Patent* (Detroit, 1961).

⁸⁶ This process of assimilation into corporate capitalism left in its wake a string of carmakers that still bore the founding mechanic’s name long after he had been ousted by investors (such as Olds, Buick, Chevrolet and many more forgotten today). The most significant exception to this pattern, of course, was Ford, who prevailed against his investors. See Donald Finlay Davis, *Conspicuous Production: Automobiles and Elites in Detroit, 1899–1933* (Philadelphia, 1988).

great divergence, has been flying under the radar of historical scrutiny, or at least has not garnered the scholarly attention among historians commensurate to its significance? We traced the reasons back to pervasive patterns of thinking about American development as somehow natural and self-evident, as though situated in a preter-political realm. Transnational economic histories have continued to evade the question. Americanist historiography has not shaken free of modernization templates that, whether Whiggish or not, evacuate a substantive sense of contingency and political contestation from their purview. The literature about the American state, by contrast, offers a promising point of departure. The literature on East Asian developmental states provides a salubrious distancing effect that validates this state-centred approach. It calls for greater attention to markets as thoroughly political institutions, as well as to political contestation over the institutional design of markets. America's 'sprawling disarray' (Novak) of subnational political arrangements, it leads us to believe, had developmental effects that collectively propelled the economic transformation of the US in the late nineteenth and early twentieth centuries.

We might conclude by taking a step back and inserting these insights into a genealogy of American development dispensations, from Alexander Hamilton's mercantilism via Henry Clay's 'American system', to the late-nineteenth-century developmental state identified here, usurped slowly and incompletely by federal institutions in the early twentieth century. This genealogy also shines fresh light on the federal aspirations of the New Deal and the warfare state of the 1940s, which harnessed big business in unprecedented ways to national goals and more closely begins to resemble the ideal-type of the developmental state spelt out in the example of East Asia.⁸⁷ From there it was but a short step to the defence-related technological upgrading engendered by the post-war military-industrial complex, and the modern, post-1980 'networked' American developmental state whose pervasive mechanisms remained solidly 'hidden' behind the deafening noise of free-market

⁸⁷ Jason Scott Smith, *Building New Deal Liberalism: The Political Economy of Public Works, 1933–1956* (Cambridge, 2006); James T. Sparrow, *Warfare State: World War II Americans and the Age of Big Government* (New York, 2011); Mark Wilson, *Destructive Creation: American Business and the Winning of World War II* (Philadelphia, 2014).

incantations.⁸⁸ Market politics and developmental institutions, in this view, have been the rule, rather than the exception, with far-reaching implications. As we approach the challenges of the twenty-first century — ‘Green New Deal’, climate change, equitable growth — a better understanding of the politics and the institutions of large-scale, qualitative, economic transformations in the context of the US is sorely needed.

Dartmouth College
Queen Mary University of London

Stefan Link
Noam Maggor

⁸⁸ Fred Block, ‘Swimming Against the Current: The Rise of a Hidden Developmental State in the United States’, *Politics and Society*, xxxvi (2008).

ABSTRACT

It has recently been suggested that the economic departure of the United States after the Civil War marked a 'Second Great Divergence'. Compared to the 'First', the rise of Britain during the Industrial Revolution, this Second Great Divergence is curiously little understood: because the United States remains the template for modernization narratives, its trajectory is more easily accepted as preordained than interrogated as an unlikely historical outcome. But why should development have been problematic everywhere but the United States? This Viewpoint argues that a robust explanation for the United States's rise is lacking: it can neither be found in an economic history literature focused on factor endowments nor in internalist Americanist historiography, which often reproduces overdetermined accounts of modernization inspired by Max Weber. The most promising avenue of inquiry, we argue, lies in asking how American political institutions configured what should properly be called an American developmental state. Such a perspective opens up a broad comparative research agenda that provincializes the United States from the perspective of development experiences elsewhere.