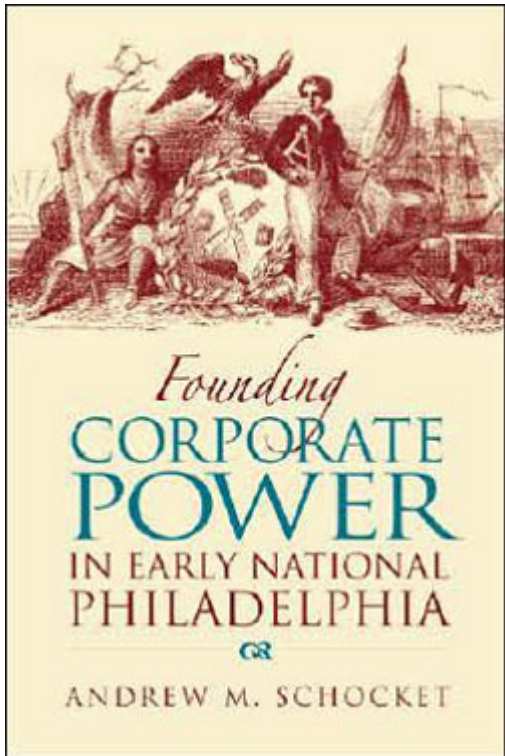


# Birth of the (Corporate) Republic



✘ Andrew M. Schocket, *Founding Corporate Power in Early National Philadelphia*. DeKalb, Illinois: Northern Illinois University Press, 2007. 274 pp., hardcover, \$42.00.

For at least four decades, political, economic, and business historians have asserted that the rise of the corporate organizational form in the late nineteenth century represented the emergence of a new and formative institution of power and authority in modern America. While recognizing the considerable scholarship on early American corporations, these historians' prevailing assumption has been that the corporation remained a relatively marginal institution in American political economy until the late nineteenth century, after which it began to take on a more central role in organizing politics and the market. In *Founding Corporate Power*, Andrew Schocket argues that the institutionalization of the corporation in the economy and in politics actually took place much earlier—and in fact was an integral part of the “Revolutionary settlement” that emerged in the early republic.

Focusing on Philadelphia, Schocket documents how the city's elite, deposed from political office in the years after the Revolution, turned to the formation of corporations to gain control over resources and decisions in the economic sphere, where their “money, technological and legal expertise, and financial savvy” still garnered them considerable influence (205). Men like William Bingham, Thomas Willing, and Robert Morris managed to gain corporate charters to engage in large-scale collective projects such as banking, canal building,

and municipal works. Whereas other scholars have seen the emergence of early corporations as a way for policymakers to assemble capital, organizational skill, and other resources to pursue large-scale public projects and economic development, Schocket makes the case that an implicit political agenda was also at work among Philadelphia's "corporate men," who used the corporate form as an institution for reasserting their influence over policy and for restoring power to the city's elite. Using countless examples of the efforts of corporate promoters to subvert regulatory oversight, to sway policy, and to influence the flow of commerce, Schocket builds the case for how the economic elite of Philadelphia reasserted power and authority by using the corporate form to counter the leveling effect of the Revolution.

At the heart of the book lie three well-researched case studies of the rise of corporations in banking, canal building, and municipal projects. In each case, Schocket accounts for not only the public economic benefits created by early corporations but also private consolidation of power and influence in the hands of insiders. The Schuylkill Navigation Company's efforts at canal building and civil engineering, for instance, opened up the urban market for farmers and coal miners in Philadelphia's hinterland and enhanced access to inland markets for goods produced by the city's artisans and entrepreneurs. Yet, at the same time, the state's charter to the Navigation Company shifted power to the company's private board, which controlled commerce by setting toll rates and terms of use on a public waterway. The board exploited this authority to influence electoral politics and public policy.

Schocket insists that in none of the cases he examines was the corporate form the only legitimate institutional option for mobilizing resources for large-scale ventures. In particular, he points to state-funded projects and private voluntary efforts. These could undertake large-scale projects without concentrating public power in the hands of economic elites. For specific examples, he points to the land banks of the colonial era and state-funded canal projects, most notably the Erie Canal, but neither is examined in much detail.

One of the more interesting choices made by the author was to focus this study on Philadelphia, a city often characterized in the economic historiography as a place dominated by small artisans and entrepreneurs rather than by corporations. Schocket argues, generally convincingly, that the city's vibrant artisanal and entrepreneurial culture rested on an underlying infrastructure, which provided utilities, transportation to markets, and credit, that was created and controlled by early corporations. While these were certainly not equivalent to the large vertically integrated corporations of national scope that emerged a century later, the author makes a good case that they had a formative influence on the shape and terms of trade in the regional economy.

Schockett's interpretation of early corporations as vehicles for the restoration of elite power and authority, on the other hand, is more vulnerable. While he makes a compelling case that elite Philadelphians attempted to use the

corporate form to assert authority in the market and in economic policy, it is unclear that the corporation, as it evolved in the United States, was the best institution for that purpose. As the author himself points out, the number of charters granted by Pennsylvania and other states increased rapidly in the early republic and expanded even more quickly with the passing of general incorporation laws in the second third of the nineteenth century—undermining the usefulness of corporations as a means of protecting exclusive privileges for the few. While the British corporations of the eighteenth century, which served as models for early American corporations, may have helped preserve the power of elites, changes to the corporate form in the American context (and especially the liberalization of incorporation laws) made it more difficult for the institution to be used for such purposes. Schocket interprets the proliferation of corporations as evidence that Philadelphia’s “corporate men” were able to “co-opt” opponents of the institution, but the growing number of incorporations in the period is perhaps better understood as evidence that democratic critics of early corporations were able to “co-opt” the corporate form and turn it into something other than a vehicle of special privilege. In fact, expanding access to incorporation allowed the form to be used by challengers who sought to upset the status quo of an industry as much as by those who sought to use it to consolidate their power and influence. In the end, this ability of newcomers to use the corporate form to *challenge* incumbents in the market is at least as important a legacy of early American corporations as the socioeconomic stratification the author describes.

Nevertheless, Schocket should be given much credit for shifting our attention from the late to the early nineteenth century and for his bold interpretation of the relationship between the evolving politics of the post-Revolutionary era and the emergence of the corporation. By examining the political backdrop to the emergence and institutionalization of the corporation in the early republic, he has helped reintegrate the issue of power into our understanding of the rise of corporations and their place in American political and economic development.

## Further Reading:

An extensive literature has developed over the last four decades on how the rise of the large-scale corporate organizational form reshaped the structure of the economy and politics in modern America. Some of the landmark works on this topic include Robert Weibe, *The Search for Order, 1877-1920* (New York, 1967); Louis Galambos, “The Emerging Organizational Synthesis in Modern American History,” *Business History Review* 44:3 (1970): 279-90; Alfred D. Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass., 1977); Martin J. Sklar, *The Corporate Reconstruction of American Capitalism, 1890-1916* (New York, 1988); Richard R. John, “Elaborations, Revisions, Dissents: Alfred D. Chandler’s *The Visible Hand* After Twenty Years,” *Business History Review* 71 (1997): 151-201.

Historians, of course, have long recognized the importance of the corporate form in early America but largely viewed it from the perspective of an instrument used by policymakers to promote economic development. Studies in the tradition of the "commonwealth" school as well as the legal histories in the tradition of J. Willard Hurst tended to interpret early American corporations in this way. Examples of work in this tradition include Oscar Handlin and Mary Flug Handlin, *Commonwealth: A Study of the Role of Government in the American Economy: Massachusetts, 1774-1861* (New York, 1947); James Willard Hurst, *The Legitimacy of the Corporation in the Law of the United States, 1780-1970* (Charlottesville, Va., 1970); Louis Hartz, *Economic Policy and Democratic Thought, 1776-1860* (Cambridge, Mass., 1948); Harry Scheiber, "Private Rights and Public Power: American Law, Capitalism, and the Republican Polity in Nineteenth-Century America," *Yale Law Journal* 107:3 (1997): 823-861. Schocket tries to position his work differently: "Rather than considering the state's actions toward corporations, it asks how corporate men influenced the state through the activities of corporate insiders and allies, such as lobbying, applying financial leverage, and mobilizing voters dependent upon corporate officers' good graces" (13).

While many northern industrial cities and regions have been used as settings for examining the rise of corporations in the economy and politics, Philadelphia has often been used as a counterpoint to illustrate the persistence and competitiveness of small-scale proprietary capitalism. See, for instance, Phillip Scranton, *Proprietary Capitalism: The Textile Manufacture at Philadelphia, 1800-1885* (Cambridge, 1983); Rosalind Remer, *Printers and Men of Capital: Philadelphia Book Publishers in the New Republic* (Philadelphia, 1983); Donna Rilling, *Making Houses, Crafting Capitalism: Builders in Philadelphia, 1790-1850* (Philadelphia, 2001); Walter Licht, *Industrializing America: The Nineteenth Century* (Baltimore, 1995).

For an interesting discussion of the expanding use of corporations in the United States (particularly in banking) as it differed from Europe, see Richard Sylla, "Early American Banking: The Significance of the Corporate Form," *Business and Economic History* 14 (1985): 105-23. On how corporate law evolved to allow newcomers to challenge incumbent corporations as vehicles of privilege see Stanley I. Kutler, *Privilege and Creative Destruction: The Charles River Bridge Case* (Philadelphia, 1971).

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