

A House Dividing

*Economic Development in Pennsylvania
and Virginia Before the Civil War*

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Contents

<i>List of Tables</i>	x <i>i</i>
<i>List of Abbreviations</i>	x <i>iii</i>
<i>Acknowledgments</i>	xv
<i>Maps</i>	xviii
Introduction: Regional Development in Comparative Perspective	1
1 Developmental Corporations in a Slave-Labor Society	12
2 Developmental Corporations in a Free-Labor Society	37
3 Railroads and Local Development	59
4 The Local Politics of Market Development	85
5 Urban Capital and the Superiority of Pennsylvania's Transportation Network	111
6 Why Antebellum Virginians Never Developed a Big City: Comparative Urban Development in Philadelphia and Eastern Virginia	141
Epilogue: Railroad Networks and the Civil War	168
<i>Appendix on Sources and Methods</i>	173
<i>Bibliography</i>	184
<i>Index</i>	209

Tables

- 1.1 The First Sign of Relative Decline: Albemarle's Slow Population Growth
- 1.2 The Indirect Benefits of Developmental Corporations: Property Values in Charlottesville and Scottsville, 1820–1840
- 2.1 Free Labor's Crucial Advantage: Population Density in Albemarle and Cumberland, 1830–1860
- 2.2 The Widespread Distribution of Shares in Cumberland's Developmental Corporations
- 2.3 Occupations and Taxable Wealth of Cumberland Investors in Developmental Corporations
- 3.1 The Diversity of Albemarle Investors in the Virginia Central
- 3.2 The Impact of Rising Crop Prices and the Virginia Central Railroad on Albemarle Agriculture
- 3.3 Prosperity in the Piedmont: Changes in the Value of Property Holdings, 1850–1860
- 3.4 Contrasting Patterns of Investment: The Cumberland Valley Railroad versus the Virginia Central
- 3.5 The Impact of the CVRR on Carlisle Occupational Patterns, 1838–1850
- 5.1 The Magnitude of State Investment in Antebellum Pennsylvania and Virginia
- 5.2 The Importance of Philadelphia Capital: Residence of Railroad Directors, 1859
- 5.3 The Poor Rate of Return of Virginia Railroads, 1856–1860
- 5.4 The Uneven Regional Distribution of Virginia State Investment
- 5.5 Regression Analysis of State Investment in Virginia

- 6.1 Explaining the Differences in Mercantile Development: The Greater Variety of International Destinations for Middle Colony Goods, 1768–1772
- 6.2 Achieving Urban Dominance: The Growth of Philadelphia County versus Richmond and Norfolk
- 6.3 The Impact of Slavery on Market Size: Population Densities of Philadelphia's Hinterland and Tidewater Virginia
- 6.4 Regional Specialization and Manufacturing: A Comparison of Selected Industries in Philadelphia and Richmond, 1860

Appendix Tables

- 1 Distribution of Real Property in Carlisle
- 2 Distribution of Rural Property in Selected Cumberland Townships
- 3 Distribution of Slaves and Real Property in Albemarle
- 4 Persistence Rates in Albemarle, 1830–1860

Introduction

Regional Development in Comparative Perspective

In 1858, Abraham Lincoln proclaimed that America was a “house divided.” The political agitation over the extension of slavery into the western territories had convinced Lincoln that America was at a crossroads. “Either the *opponents* of slavery, will arrest the further spread of it, and place it where the public mind shall rest in the belief that it is in course of ultimate extinction; or its *advocates* will push it forward, till it shall become alike lawful in *all* the States, *old* as well as *new* – *North* as well as *South*.”¹

The latter possibility terrified many Northerners, and not only because of the growing conviction that slavery corrupted republican politics and undermined Christian morals. Many believed that the institution had stripped the South of entrepreneurial vigor and enterprise, leaving in its wake unprofitable plantations, stunted cities, and widespread poverty. When New York politician William Seward visited Virginia, he found nothing but “[a]n exhausted soil, old and decaying towns, wretchedly-neglected roads, and, in every respect, an absence of enterprise and improvement.”² Seward and other Republican spokesmen contrasted the degradation of the slave South with the well-kept farms, growing cities, and technological advances of the free-labor North.³ Northern pessimism about the South’s economic prospects was so widespread that historian John Ashworth has argued that “the Republicans fought the Civil War primarily because they deplored the economic effects of slavery.”⁴ Ashworth may overstate the point, but the rapid economic divergence of the North and South undoubtedly provided fertile ground for the ominous predictions and stark dichotomies outlined in Lincoln’s “house divided” speech.

We now know that Republicans greatly exaggerated the degree of southern stagnation. Economic historians have conclusively shown

¹ Lincoln, “A House Divided,” pp. 372–73.

² Quoted in Ashworth, *Slavery, Capitalism, and Politics*, p. 80.

³ Important works on the Republican critique of the South include Foner, *Free Soil, Free Labor, Free Men*, pp. 40–72 and Fogel, *Without Consent or Contract*, pp. 344–54. For a nuanced analysis of free labor ideology, see Glickstein, *Concepts of Free Labor*.

⁴ Ashworth, *Slavery, Capitalism, and Politics*, p. 80.

that the South was remarkably prosperous on the eve of the Civil War. Southern incomes – at least those for whites – rose rapidly between 1840 and 1860. High crop prices for southern staples such as cotton and tobacco accounted for much of this prosperity, but white southerners were hardly passive recipients of good fortune. They built thousands of miles of railroad tracks, improved the productivity of farms and plantations, and established a small but growing industrial base. By international standards, at least, the South was an economic powerhouse.⁵

International comparisons, however, mattered little during the sectional controversies of the 1840s and the 1850s. Even a brief perusal of the 1850 or 1860 census suggested that the Republican economic critique rang true. The South had fallen dramatically behind the North (especially the Northeast) in manufacturing output, population growth, urbanization rates, inventive activity, and almost every other measure of development.⁶ Slaveholders living in older southern states such as Virginia and South Carolina had special reason to be concerned with the growing developmental divide. The failure of their states to industrialize created a pattern in which the oldest southern states were among the poorest in the nation, while the oldest northern states were among the richest.⁷ As the historian Joseph Persky has observed, Southerners perceived themselves as carrying “the burden of dependency” which left them vulnerable to the North’s growing economic and political power.⁸ No wonder many slaveholders believed that territorial expansion was critical to maintaining their regional independence and peculiar institution. Unable to augment their political influence through development, Southerners had to expand through space.

This study seeks to understand the roots of regional divergence through a comparison of economic development in Pennsylvania and Virginia. The study contains two separate but related comparisons. The first traces how residents of Cumberland County, Pennsylvania and Albemarle County, Virginia financed and built the turnpikes, toll bridges, canals, railroads, and banks that transformed their local economies. The second examines the Old Dominion and the Keystone

⁵ Fogel and Engerman, *Time on the Cross*, pp. 59–78, 191–223, 247–57; Fogel, *Without Consent or Contract*, pp. 81–113; Engerman, “A Reconsideration of Southern Economic Growth”; Engerman, “The Antebellum South”; Bateman and Weiss, *A Deplorable Scarcity*, pp. 1–23; and Tchakerian, “Productivity, Extent of Markets, and Manufacturing.”

⁶ Civil War historians, undoubtedly reflecting the crucial importance of regional comparisons, have focused especially on the relative backwardness of the South. See, for example, Ransom, *Conflict and Compromise*, pp. 41–81; McPherson, *Battle Cry of Freedom*, pp. 91–103; and McPherson, *Ordeal by Fire*, pp. 26–34.

⁷ Fischbaum and Rubin, “Slavery and Economic Development,” p. 123.

⁸ Persky, *The Burden of Dependency*, pp. 61–96.

State as a whole, focusing on state economic policy and urban development. The focus on economic growth will disappoint readers looking for more general comparisons of family life, religious experiences, and reform movements. Concentrating on economic issues, however, allows coverage of the entire period from 1800 to 1860 rather than a snapshot of the 1840s and 1850s. The longer time frame provides a dynamic account of how changing regional economies constituted a “house dividing” rather than a static portrait of a “house divided.”

Virginia and Pennsylvania, I conclude, became a house divided because of the Old Dominion’s failure to develop a large commercial city. Virginians worked feverishly to modernize their economy through large investments in canals, railroads, and banks. Such efforts, however, largely failed. Virginia’s transportation network remained highly localized with little integration; no intersectional trunk lines connected Virginia’s cities to midwestern markets; and the manufacturing base remained small, especially in relation to northern states. The central problem was that Virginia’s slave economy discouraged the development of a large commercial city that could provide investors, traffic, and passengers for major transportation projects. The situation was very different in Pennsylvania. Beginning in the 1830s, Philadelphia’s financiers controlled railroads throughout the state, which they increasingly integrated into a trunk line system that reached deep into the Midwest. The Pennsylvania Railroad and other trunk lines gave Philadelphia entrepreneurs access to new markets that accelerated the city’s industrial growth. A major aim of this book is to explain how Philadelphia launched itself into a cycle of self-reinforcing growth.

Comparing Apples and Oranges

Before outlining these arguments in more detail, the question that bedevils most who practice comparative history must first be answered: Aren’t you comparing apples and oranges? The main issue boils down to whether the two counties and states were alike enough to justify a sustained comparison, but different enough to reveal something historically relevant.

Although hardly “representative” in the statistical sense of the word, Albemarle and Cumberland had enough in common geographically to help isolate the impact of slavery. Both were settled at approximately the same time. Both contained large pockets of fertile land that supported thriving agricultural economies. Both were located near major marketing centers to encourage commercial agriculture, but were far enough away to demand transportation improvements

ranging from turnpikes to railroads. Slavery was the major difference between these two counties. Whereas slaves were virtually absent in Cumberland, about half of Albemarle's population lived in bondage until 1865. My hope is that the similarities, general as they are, will help untangle slavery's impact on local development and economic attitudes.

The same logic of isolating the impact of slavery motivates the more general comparison of Virginia and Pennsylvania. One of the most obvious similarities between these states is that both numbered among the original thirteen colonies. The common colonial experience is admittedly not much of a similarity, but it would make little sense to compare Virginia (settled by whites in the 1600s) with Illinois or Iowa (settled by whites in the 1800s). Although Virginia and Pennsylvania had significantly different climates, the Old Dominion supported a mixed regime of tobacco, wheat, and livestock that at least vaguely resembled the output of Pennsylvania's grain farms. Again, the justification for the Virginia and Pennsylvania comparison is best put in negative terms. Comparing Pennsylvania to Georgia, South Carolina, and other semitropical cotton states would make it difficult to disentangle the effects of climate from the effects of slavery.⁹ In terms of geography, the comparison is stronger because both states faced the daunting task of connecting Atlantic ports to western markets. Unlike New York, which had a less imposing pathway to the West, Pennsylvania and Virginia had to build canals and railroads over the rugged Appalachians.¹⁰ The Keystone State and the Old Dominion spent considerable resources to accomplish this task, which makes their respective efforts a fruitful test of slavery's developmental impact.

Holding constant geography, climate, and timing of settlement, if only in the most general terms, isolates the local economic impact of slavery, thereby adding a new dimension to the large comparative literature on northern and southern development. A large literature comparing northern and southern economies – including the seminal work of Robert Fogel, Stanley Engerman, and Gavin Wright – has made essential contributions to our understanding of the antebellum era. Yet these econometric studies have used mostly aggregated regional data, usually derived from the 1850 and 1860 censuses.¹¹ A rich and

⁹ Julius Rubin has perceptively analyzed the crucial importance of the Lower South's distinctive climate in "The Limits of Agricultural Progress."

¹⁰ Chapter 5 analyzes the differing geography of New York, Pennsylvania, and Virginia in more detail.

¹¹ Historians focusing on regional economic comparisons include the works of Fogel, Engerman, and Bateman and Weiss cited above, as well as Gavin Wright, *Political Economy*; Genovese, *Political Economy of Slavery*; and Pessen, "How Different from Each Other."

provocative literature has also developed along international lines, comparing southern slavery with unfree labor in Latin America and Europe.¹² Again, these studies have made crucial contributions to historical scholarship, but it still remains difficult to isolate the developmental impact of southern slavery within the context of widely divergent geography and cultural systems.

The comparative literature has frequently focused on the concept of capitalism. Capitalism has been such a favorite topic that the question of “Why did the North and South develop differently?” has been overshadowed with the question of “Was the South capitalist?” The question “Was the South capitalist?” owes its remarkable staying power, in part, to the provocative work of Eugene Genovese, who argued in his 1964 *Political Economy of Slavery* that southern planters held “an aristocratic, antibourgeois spirit with values and mores emphasizing family and status, a strong code of honor, and aspirations to luxury, ease, and accomplishment.”¹³ Genovese’s contention that the planters embraced fundamentally anticapitalist values spawned a contentious debate that has yet to run its course, but even Genovese’s most steadfast critics have framed their refutations within the capitalist versus anticapitalist dichotomy. The resulting research agendas encouraged either the broad regional and international comparisons noted above, or comparisons of southern development with an “ideal type” of what capitalism was supposed to resemble. The very scope of the capitalism question, in other words, encouraged scholars to think in the broadest possible terms.¹⁴

If capitalism has provided scholars with a standard for comparison, the term itself has no agreed-upon meaning. Scholars following Genovese often define capitalism as the widespread presence of wage labor, leading them to categorize slaveholders as anticapitalists or at least noncapitalists.¹⁵ Economists, on the other hand, usually associate capitalism with the growth of regional, national, and international markets. The efficient production of highly profitable staple crops led economic historians Robert Fogel and Stanley Engerman to label

¹² The international comparisons include Elkins, *Slavery*; Kolchin, *Unfree Labor*; Fredrickson, *Comparative Imagination*; Bowman, *Masters and Lords*; Degler, *Neither Black Nor White*; and Genovese, *From Rebellion to Revolution*.

¹³ Genovese, *Political Economy*, p. 28. Some historians who do not completely agree with Genovese’s formulation of capitalism nevertheless stress traditional characteristics of southern ideology (such as a concern for honor) that clashed with bourgeois attitudes of the modernizing North. See, for example, Wyatt-Brown, *Honor and Violence*.

¹⁴ More detailed comparative studies are now starting to appear. See, for example, Bezis-Selfa, “Planter Industrialists,” and Adams, “Different Charters, Different Paths.”

¹⁵ Recent examples of these interpretations include Reidy, *From Slavery to Agrarian Capitalism*, pp. 31–57; Egerton, “Markets Without a Market Revolution,” pp. 207–21; and Kulikoff, “Transition to Capitalism.”

planters as “agricultural capitalists.”¹⁶ Scholars influenced by the world-systems framework of Immanuel Wallerstein take a similar position, equating participation in world markets for cotton, tobacco, and other staple crops with participation in capitalism.¹⁷ Still other historians agree with economists that planters were indeed capitalistic, but stress that southern yeoman farmers remained hostile to commerce and speculation, leading to the formation of a “dual economy.”¹⁸ With all of these competing interpretations of capitalism showing considerable vigor, the literature remains in a state of flux.¹⁹

Scholars attempting to put northern economic development within a capitalism framework have suffered similar disagreements. At the risk of grave simplicity, the controversy can be boiled down to this question: Did rural Northerners embrace capitalism from an early date, or did they oppose capitalism until population growth, land shortages, and government policies left them with no other alternative? Once again, the answer often depends on whether one defines capitalism as a system of wage labor, a system of commercial markets, or a system of economic values.²⁰ Many social historians emphasize that northern farm families formed tight-knit communities antithetical to capitalist values such as individualism and commercialism. That extensive archival research shows that northern farm families participated in regional and international markets as early as the 1750s has not dissuaded these historians.²¹ When northern farm families participated in commercial markets, they claim it was only to raise money to buy necessities or pay taxes, not to accumulate capital and wealth. Here, though, the evidence becomes impossibly murky, involving inferences from contradictory behavior open to a wide range of possible interpretations.²²

¹⁶ Fogel and Engerman, *Time on the Cross*, p. 232. Other neoclassical economists have come to much less optimistic conclusions about the long-run efficiency of slave labor, but still agree that planters displayed attitudes that were more or less capitalist.

¹⁷ The most sophisticated statement of the world-systems perspective is Bowman, *Masters and Lords*, pp. 79–111.

¹⁸ The best article-length summaries of the “dual economy” thesis include Watson, “Slavery and Development”; Hahn, “Yeomanry of the Nonplantation South”; and Oakes, “Politics of Economic Development.”

¹⁹ One indication of the continuing controversies over the South’s slave economy is the very different conclusions reached by three recent synthetic works. Compare Kolchin, *American Slavery*, pp. 169–99; Fogel, *Without Consent or Contract*, pp. 81–113; and Ashworth, *Slavery, Capitalism, and Politics*, pp. 80–121.

²⁰ Key statements of the anticapitalist position include Kulikoff, *Agrarian Origins*; Henretta, *Origins of American Capitalism*, 71–120; Merrill, “Anticapitalist Origins”; Merrill, “Cash is Good to Eat”; and Clark, “Household Economy.”

²¹ The divide between neoclassical economic historians and Marxist historians is most evident in Rothenberg, “The Market and Massachusetts Farmers”; Weiss, “The Market and Massachusetts Farmers”; and Rothenberg, *From Market-Places to a Market Economy*, pp. 25–55.

²² Historians such as Daniel Vickers have downplayed the capitalism framework, preferring instead more historically-grounded terms such as “competency” to describe

Perhaps to correct some of the defects of the capitalism standard, a new term to describe nineteenth-century economic change is now in vogue: the market revolution. The market revolution metaphor correctly emphasizes that the expansion of markets in the first half of the nineteenth century led to the acceleration of economic growth. Unfortunately, equating economic change with revolution creates its own problems. A revolution implies a sudden, violent transformation.²³ Historians using the market revolution metaphor, not surprisingly, often stress dramatic social and economic conflict. Charles Sellers, one of the leading proponents of the market revolution thesis, argues that the extension of markets led to nothing less than a “*Kulturkampf* that would decide American destiny on the private battlegrounds of every human relationship.”²⁴ Such portraits of economic change as destructive and divisive, more than one critic has noted, invariably underplay the degree to which many Americans supported economic expansion and the considerable material benefits it entailed.

Rather than engage in the capitalism and market revolution debates head-on, I attempt to use explicit comparisons to outflank them. The comparative method makes concepts such as capitalism and the market revolution less important. The story of Albemarle and Virginia gives meaning to events in Cumberland and Pennsylvania, and vice versa. Instead of using the terms “capitalism” and “market revolution,” I use the phrase “market development” to describe economic change of the nineteenth century. Hopefully, this term captures the notion that the remarkable economic expansion from 1800 to 1860 was built upon foundations established in the colonial and early national periods. Critics will surely object that “market development” implies a moral judgment that economic change was natural and consensual. To the extent that this charge is true, it reflects the biases of the actual historical participants. Many Virginians and Pennsylvanians who wrote about economic matters, as we shall see, often associated the extension of markets with the inevitable march of progress.

eighteenth and nineteenth century economic culture. See Vickers, “Competency and Competition.”

²³ Historians who use the metaphor of revolution to synthesize the economic and political history of the Jacksonian period include Sellers, *The Market Revolution*; Watson, *Liberty and Power*; and Wilentz, “Society, Politics, and the Market Revolution.” See also the articles in “Symposium on Charles Sellers” appearing in the Winter 1992 issue of the *Journal of the Early Republic*, as well as the essays in Stokes and Conway, eds., *The Market Revolution in America*.

²⁴ Sellers, *The Market Revolution*, p. 31. For more detailed critiques of the concept of the market revolution, see Majewski, “A Revolution Too Many?”; Feller, “The Market Revolution Ate My Homework”; and Howe, “The Market Revolution and the Shaping of Identity.”

*The Social Origins of Market Expansion
in Albemarle and Cumberland*

In establishing that such a consensus existed, my starting points are stockholder lists and other corporate records that show what social and economic groups financed economic change. Virginians and Pennsylvanians organized most of their turnpikes, river improvements, toll bridges, railroads, and banks as corporations that sold shares to investors. My method is to link these investors to census and tax records, thereby revealing the groups responsible for market development. Although analytically simple – it is the economic historian’s equivalent to what spy novelists call “following the money trail” – this method allows historians to uncover the social origins of America’s economic expansion.²⁵ When put in a comparative context, the method also allows historians to understand how slavery influenced investment decisions.

Linking shareholders to census and tax records reveals an important similarity between Albemarle and Cumberland during the first third of the nineteenth century. As outlined in Chapters 1 and 2, hundreds of investors funded early turnpikes, navigation companies, toll bridges, and canals. The vast majority of shareholders were local residents, not outside financiers. What made the widespread local participation especially remarkable was the poor financial performance of the transportation corporations. The companies paid little in the way of dividends, and the shares quickly plummeted to less than ten percent of their original value. The motivations of shareholders centered on indirect benefits, such as raising land values and improving access to markets for their localities. I call these companies “developmental corporations” to highlight that their aim was not quick profit, but long-term community development.

Most of the investors in developmental corporations owned far more wealth than average, but evidence from legislative petitions and newspaper correspondence suggests that the corporations received widespread local support. The strong support for developmental corporations has important implications for understanding the relationship between communities and development. Scholars have frequently viewed market development as marching hand-in-hand with individualism, competition, and a decline of communitarian values. Individualism and competition were not absent in Albemarle and Cumberland,

²⁵ The classic work on transportation improvements, George Rogers Taylor’s *The Transportation Revolution*, gives surprisingly little consideration to the issue of who financed improvements. Monographs that have devoted attention to the social origins of the transportation revolution include Siegel, *Roots of Southern Distinctiveness*, pp. 106–19; Ford, *Origins of Southern Radicalism*, pp. 219–43.

but residents realized that long-term cooperation was essential if they were to achieve their individual aims. Reciprocity, civic participation, and public spirit allowed developmental corporations to succeed where individualistic profit taking would have failed. Not only were community ties compatible with development, but they were downright essential for its success.²⁶

This community orientation, as we shall see in Chapter 4, helped circumscribe political conflict surrounding developmental corporations. Corporations in Albemarle and Cumberland became involved in heated political and legal battles over their right to take property through eminent domain proceedings and other corporate privileges. The debates over corporate power show that many residents feared that the companies in question might corrupt America's republican institutions.²⁷ Few residents in either county, however, questioned the importance of economic development. Given the concrete economic benefits these corporations produced, the widespread political support that many residents gave developmental corporations was not surprising. The companies succeeded in raising land values and creating town growth. However much Jeffersonians and Jacksonians railed against corporate power, they could not oppose the substantial benefits that a local turnpike or river improvement could bring.

The Railroad and Regional Divergence

The railroad's voracious appetite for capital dramatically changed the impetus of market development, especially within Cumberland County. As documented in Chapter 3, Philadelphia financiers such as Nicholas Biddle provided much of the capital for the Cumberland Valley Railroad (CVRR) in the late 1830s. Statewide data suggest that the CVRR typified a wider trend in which Philadelphia capitalists financed most of Pennsylvania's railroad network. Virginians, however, remained firmly wedded to local investment. Almost all of the 500 investors in Albemarle's primary railroad, the Virginia Central, lived within five miles of the road. The investors represented a diverse array of occupations and social classes, including wealthy planters, substantial yeomen, shopkeepers, merchants, and professionals. Yet even a wealthy rural county such as Albemarle could hardly afford to finance a railroad alone, leading the state government to purchase more than

²⁶ For a similar take on the importance of community to developmental efforts, see Innes, *Creating the Commonwealth*, pp. 181–223.

²⁷ The same political dynamic occurred in New York, where the state heavily regulated turnpike corporations to favor local users. See Klein and Majewski, "Economy, Community, and Law."

60 percent of the Virginia Central's stock. Fears that Virginians were falling behind their northern rivals gave special impetus to state spending in the Old Dominion, especially on projects that promised to capture western trade. Sectional rivalry, combined with a good dose of local boosterism, produced a strong consensus for railroad construction. During the 1850s, Virginians invested in more miles of railroad per capita than did Pennsylvanians.

It was one thing to wish for improvements that would capture western trade; it was another to build them. As Chapter 5 demonstrates, local financing made coherent networks cumbersome to organize, especially with no fewer than four cities seeking to build *the* central trunk line. The state legislature, an institution that might have transcended local interests, never overcame the state's commercial rivalries. Pitting Richmond, Norfolk, Petersburg, and Lynchburg in a battle for mercantile supremacy, these commercial rivalries prevented the legislature from focusing resources on a single trunk line. By 1860, a collection of uncompleted and unprofitable railroads and canals littered Virginia's landscape. Competition, which did so much to stimulate growth and innovation in the private sector, had disastrous consequences when expressed through a fractious state legislature. In Pennsylvania, on the other hand, large corporations such as the Pennsylvania Railroad (PRR) began to integrate systems around large trunk lines that reached Chicago and beyond. Because the PRR received its capital from either Philadelphia capitalists or city governments, it avoided the intrigue in the state legislature that did so much to damage Virginia's railroad system. The greater centralization of Pennsylvania's economy within a few dominant urban centers, in other words, promoted economic efficiency.

Chapter 6 tackles the question of why Virginia never managed to develop a city with the wealth and population of Philadelphia. The issue is particularly important in the first three decades of the nineteenth century, when cities such as Richmond and Lynchburg stagnated while Philadelphia began its industrial ascent. I argue that a multiplicity of factors hindered the early growth of Virginia's cities. In the colonial period, Virginians focused on tobacco, which had such light processing requirements that it did little to encourage urban growth. The Navigation Acts, which forced Virginians to ship tobacco to Britain first, made it logical to locate the mercantile and financial services connected to the tobacco trade in Glasgow and London, where tobacco would then be re-exported to the Continent. Already far behind Philadelphia at the beginning of the nineteenth century, Virginia's cities faced another barrier to growth: sparsely settled hinterlands that limited the market for manufactured goods. The market for consumer goods in Virginia's slave economy, as we shall see, was

much smaller than similar markets in Pennsylvania. Philadelphia's densely populated countryside, in fact, spurred industrialization well before the arrival of interregional railroads. The head start allowed Philadelphia to attract specialized firms and skilled workers that made the city's manufacturers even more productive in the 1840s and 1850s.

Virginia's failure to develop a large city and an accompanying interregional railroad network highlighted the long-term economic consequences of slavery. Slavery, by increasing farm size and discouraging the growth of small towns, prevented the emergence of densely populated hinterlands. Without sufficient market demand to spur industrialization, Virginians failed to develop thriving urban centers. The Old Dominion's lackluster urban growth, in turn, left the state without the concentration of capital and traffic necessary to build an adequate interregional railroad network. This self-reinforcing cycle left many Virginians nervous and worried. For all of their blustering sectional pride, Virginians could not quite dispel their nagging doubts that Lincoln, Seward, and other northern critics were indeed correct. A slave society, no matter how much wealth it produced, could not compete against a northern economy that harnessed the power of ordinary households left free to invent, to improve, to invest, and to consume.