

Center for the Study of
Social Organization

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Entrepreneurial Class?

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Working Paper #4, June 2011



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[Paper prepared for *Research In Organizational Behavior*]

June 2011

* Earlier versions of this paper were presented at the Cornell-McGill Conference on *Institutions and Entrepreneurship*, the joint NSF-DFG conference on *Contextualizing Economic Behavior*, and seminars at Rutgers, Drexel, and New York University. We are especially thankful to Howard Aldrich and Neil Fligstein for their insightful feedback on the conference papers. Please address correspondence to Martin Ruef, Department of Sociology, Princeton University, Princeton, NJ 08544. E-mail: mruef@princeton.edu.

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Abstract

This chapter probes the conditions under which we might expect an entrepreneurial middle class of independent shopkeepers, merchants, professionals, and small manufacturers to expand or decline with capitalist development. We highlight the predictions offered by structural and Marxist accounts of middle class formation and apply them critically to four canonical cases, including the early American Republic, industrializing England, Tsarist Russia, and the U.S. South during the antebellum-postbellum transition. Our empirical analysis and review of the historical literature suggest that the exogenous imposition of capitalist institutions often fails to propel entry into entrepreneurial activity and may even backfire, as cooptation or resentment among traditional elites generates barriers to small business proprietorship. When middling entrepreneurs exhibit greater agency with respect to the creation of capitalist institutions, their prospects tend to improve but the ability of scholars to draw causal linkages between structural change and the middle class are impaired, owing to problems of endogeneity. Paralleling institutional studies of organizations, the chapter also underscores the importance of myth and ceremony – over mere numerical prevalence -- in the ‘making’ of an entrepreneurial middle class.

“The early history of the middle classes in America is a history of how the small entrepreneur, the free man [*sic*] of the old middle classes, came into his time of daylight, of how he fought against enemies he could see, and of the world he built.” C. Wright Mills (1951: 3), *White Collar: The American Middle Classes*

1. Introduction

The fate of the ‘old’ middle classes in the wake of modern capitalism has long been a topic of vigorous debate in social history. The concept of an entrepreneurial middle class – subsuming shopkeepers, master artisans, service proprietors, and owners of other small business organizations – emerged in the West during the 18th and 19th centuries under various labels (e.g. ‘old *Mittelstand*’, ‘middling sorts’, ‘petit bourgeoisie’), differentiating it from the feudal classes of peasantry, yeoman farmers, and aristocrats, and, in some instances, the ‘new’ middle classes that were beginning to populate bureaucratic enterprises (von Saldern 1992; Archer and Blau 1993; Bledstein and Johnson 2001). A number of commentators have closely linked industrial development and capitalist modernization with the influence and expansion of an entrepreneurial class. Focusing on the case of late 18th century England, Bendix (2001 [1956]) argued that the emerging entrepreneurial class successfully confronted a hostile aristocracy and traditional workforce in order to establish a thriving ideology of entrepreneurship and a secure position for its small businesses. Social historians have documented the vitality of an urban class of small proprietors in a variety of other industrializing contexts, including the antebellum U.S. north (Blumin 1989; Wood 2009), the postbellum South (Doyle 1990; Feldman 1999), and post-revolutionary France (Price 1987). More abstractly, scholars from Tocqueville (2003) to Stinchcombe (1965) have proposed that the structural conditions of modern capitalist society are beneficial to the formation of autonomous organizations and, thus, the prospects of an entrepreneurial class whose fortunes are tied to these special-purpose enterprises.

Others, however, have been less sanguine about the vitality of an entrepreneurial middle class in the transition to capitalism. Karl Marx, most famously, predicted that the old middle classes would occupy a tenuous position in capitalist society, one that would be eroded in the polarized relationship between *haut bourgeoisie* and working proletariat (Marx and Engels 1937;

Urry 1973). C. Wright Mills (1951: 5), echoing this claim, suggested that “the industrialization of America, especially after the Civil War, gave rise not to a broad stratum of small businessmen, but to the captain of industry”. Estimating long-term trends in self-employment in the United States, France, and Germany, Steinmetz and Wright (1989) identified a secular decline in the proportion of the workforce of these countries that might be identified as an entrepreneurial middle class between the 19th century and the 1970s. To some extent, this erosion appears to stall, however, with the rise of postindustrial society.

Despite a considerable lineage in the social sciences, the impact of economic modernization on the size and coherence of an entrepreneurial middle class remains unclear. To what extent is capitalist infrastructure associated with an expansion in the numbers of small business owners? And to what extent, if any, can this association be deemed to be causal? This chapter seeks to shed light on these issues and connect them to core themes in organizational behavior. We begin by juxtaposing Stinchcombe’s (1965) structural account of organizing capacity, which generally predicts a rise in the entrepreneurial class following capitalist modernization, with Marxist theories of class, which generally predict a decline. We apply these theories to the empirical case of the American South during the latter half of the nineteenth century, showing how they need to be amended to take account of the evolution of the entrepreneurial middle class following the Civil War. The latter section of the paper then positions the postbellum South in comparison to other canonical historical cases, emphasizing the prevalence and ethos of the entrepreneurial class in the U.S. Northeast, England, and Tsarist Russia. We conclude by highlighting aspects of research design that limit our ability to draw causal associations between the rise of capitalist institutions and the historical prospects of the entrepreneurial middle class.

2. Definitions and Scope

Given the broad nature of our survey, we begin by introducing several scope conditions regarding the range of economic transformations that we will consider and the inclusiveness of our conceptualization of entrepreneurs. The first scope condition is that we will focus exclusively on the effects of transitions from *pre-capitalist* economies (specifically, those that rely extensively on serf- or slave-based labor arrangements) to capitalism. Our account thus ignores the abundant literature on entrepreneurial middle class emergence and transitions to capitalism among former socialist countries, such as China (e.g., Chen 2002) or the former Soviet republics (Özcan, 2010; Barkhatova et al. 2001).

The second scope condition is that our conception of the entrepreneurial class emphasizes economic functions that are *non-agricultural* in nature. We thereby limit our focus to mercantile, manufacturing, and professional activities, ignoring the literature on entrepreneurial approaches to farming (and the vexing question as to when innovations in agriculture have occurred) (e.g., Rutten 1986). At the same time, we acknowledge that agricultural entrepreneurs in many historical contexts have diversified into other economic activities, thereby blurring this distinction.¹

More generally, definitions of the entrepreneurial and middle class(es) are quite contested, as evidenced in debates across fields ranging from economics (Banerjee and Duflo 2008) to sociology (Archer and Blau 1993) to history (Bledstein and Johnson 2001). Employing an organizational perspective, we define the entrepreneurial middle class as those individuals who inhabit occupational positions with a high likelihood of non-agricultural business proprietorship. In contrast to the landed gentry and owners of large industrial enterprise, these individuals tend to employ little or no wage labor (Aldrich and Weiss 1981; Wright et al. 1982), yet may exercise substantial control over financial and / or physical capital. The organizational requirements of the entrepreneurial middle class allow us to explore its institutional pre-conditions with some precision.

¹ Two examples involve the diversification of the former planter elite in the postbellum U.S. South (Ransom and Sutch 2001) and the diversification of the economic elite in early 20th century Argentina (Sábato 1979; see Hora 2002 for a critique).

3. Stinchcombe's Structural Theory

Few social historians now subscribe to the intuition that capitalist institutions are a *necessary* pre-condition to the formation of an entrepreneurial middle class. Observing economic development in Southern Italy during the 18th century, for instance, Anthony Galt (1986: 421-422) remarks that “the distinction between the feudal era and the liberal order which follows it should not be seen as overly hard edged, since there existed an entrepreneurial middle class well before the abolition of feudalism”. Still, there is a broad consensus among a number of scholars that capitalist institutions provide an infrastructure for the expansion of organizing activity and the advancement of an entrepreneurial class. This structural view is perhaps most clearly – and influentially – articulated by Arthur Stinchcombe in his well-known essay on “Social Structure and Organizations”.

Stinchcombe begins his broad survey by emphasizing that “one of the classic problems in organizational analysis is to describe the kinds of populations in which the transition process from ‘traditional’ to ‘modern’ can take place – in which, in other words, special-purpose organizations can be invented and built” (1965: 146). Insofar as those organizations are built by autonomous individuals (or entrepreneurial groups) rather than states, the process he describes bears on the emergence of an entrepreneurial class, as well as the business, civic, political, and religious organizations that they create.² Stinchcombe focuses on the structural conditions that enhance *organizing capacity* – i.e., the likelihood that individuals in a society will create formal organizations. In his account, critical variables affecting organizing capacity include (a) urbanization; (b) literacy and numeracy; (c) banking and a money economy; and (d) political upheaval (1965: 150-152). To this list, we add the existence of (e) free labor markets, which have been identified by both Stinchcombe and Weber as an important structural aspect of capitalism.³

² Another condition for the rise of an entrepreneurial *middle* class is that many of those organizations be small in scale. For business organizations, in particular, we expect that the enterprises run by the ‘old Mittelstand’ employ relatively few workers (aside from owner-proprietors and their families). This condition is readily met if we conceptualize the rate with which new organizations are formed on a per capita basis.

³ In addition, Stinchcombe (p. 152) notes that the “level of organizational experience of a population is a main determinant of their capacity to form new organizations.” Although most historical data sources lack

While these variables represent general conditions affecting organizing capacity (see also Scott 1998), they lead to a number of specific predictions concerning the formation of an entrepreneurial middle class with capitalist development.

3.1. Urbanization

Following in the footsteps of Max Weber, Stinchcombe recognizes urbanization as an essential component of the transition from 'traditional' to modern capitalist society in the West. Weber's (1922) ideal-type of the city was one in which the basis of urban growth shifted from military to economic foundations, where authority was legal-rational rather than traditional or charismatic, and where groups were differentiated by class rather than family lineage. The rise of an urban economy is thus one of the most rudimentary requirements for middle class formation. As societies move from self-sufficient farming and close-knit agrarian communities to specialized occupations in far-flung cities, new enterprises emerge within a highly differentiated division of labor (Durkheim 1949). The smaller ventures – e.g., bakeries, butcher shops, restaurants, bars, law offices, and the like – are initiated by an entrepreneurial middle class, while the larger organizations – such as banks, factories, and city government -- employ a bureaucratic middle class in clerical and managerial positions. The differentiation of organizational forms, in turn, attracts new waves of middle class migrants to urban centers.

3.2. Literacy and Numeracy

Stinchcombe also identifies literacy and advanced schooling as basic historical correlates of organizational society. Small entrepreneurs had to be literate in order to write orders for goods, manage inventories, extend credit, and enter into contracts (1965: 150). Independent professionals required literacy for their schooling and to keep up with the latest developments in

reliable measures of organizational experience, it is possible to examine the tendency of individuals from regions with a rich organizational life (e.g., the northeastern United States and Western Europe) to import these ideas into the comparatively impoverished regions (such as the American South or Tsarist Russia). Geographic mobility is thus a proxy for the organizational experiences of individuals.

law, medicine, or engineering. Bureaucratic professionals, by definition, were expected to follow and generate systems of written organizational rules (Weber 1968). In the middle classes, perhaps the only exception to this pattern was found among skilled artisans and proprietors of small manufactories. Even in these occupations, enterprises benefited considerably from the human and cultural capital of literate owner-managers.

Although the technical functions of literacy and numeracy come to mind most readily, historians and sociologists have also called attention to their rhetorical function for the middle classes. Newspapers and the periodical literature represented an important source of bourgeois ideas and solidarity in early capitalist societies (e.g., Ryan 1981). Advocacy for literacy and education even became a *cause célèbre* among the middle classes, especially when it was opposed by a landed gentry. Aside from its function as an enabler of middle class enterprise, education offered a way to demarcate and legitimate the position of the petite bourgeoisie between a lower class of common laborers and upper class of agrarian elites. Numeracy entailed similar rhetorical advantages. For instance, the use of double-entry bookkeeping as an accounting method did as much to legitimate the enterprise of a merchant or trader, as it did to ensure the valuation and verification of profit (Carruthers and Espeland 1991). This held true, especially, when the audiences for such accounts were themselves members of literate and numerate classes.

3.3. *Banking and a Money Economy*

Building on the foundation of a money economy that helps to depersonalize economic transactions, systems of banking and credit constitute a third institutional support to the entrepreneurial middle class. Historically, small proprietors have relied on credit for loans, trade finance with suppliers or importers, and transactions with commission merchants (Ruef and Patterson 2009). While the fortunes of a few large enterprises – and the bureaucratic middle class they employed – were tied to distant banks or wholesalers, the viability of most petite entrepreneurs depended on local financial infrastructure. In the antebellum United States, for example, members of the entrepreneurial middle class were especially vocal proponents for bank

creation, comprising part of a larger 19th century movement in favor of ‘internal development’ (Wells 2004).

The character of capital allocation among the entrepreneurial middle class also distinguished them from the landed gentry and yeoman farmers in agrarian society. Much of the economic well-being of farm proprietors was vested in physical capital, such as land, livestock, agricultural implements, and farm structures. The capital allocation of the petite entrepreneur, on the other hand, required more flexibility. Liquid assets or short-term credit were needed among shopkeepers, master artisans, and physicians to maintain store inventories, procure raw materials, stock medical supplies, and the like. The existence of monetary exchange and banking greatly simplified these transactions.

3.4. Political Revolution

Considering Stinchcombe’s fourth structural condition, it is hard to claim that there is a general correlation between political upheaval and the viability of the middle classes. Nevertheless, political revolutions in agrarian society have often favored the entrepreneurial petite bourgeoisie. Revolutions challenged vested interests – particularly those of the landed aristocracy – and generated resources for new organizations (Stinchcombe 1965). Small merchants and manufacturing proprietors were well-positioned to take advantage of commercial opportunities in the aftermath of political upheaval, while the fate of larger bureaucratic organizations hinged on their relationship with the ancien regime. Business interests aside, political upheaval also stimulated middle class mobilization for new rights and changes in social policy (Skocpol 1992).

3.5. Free Labor Markets

The emergence of free labor markets offers a final structural antecedent to the rise of an entrepreneurial class. For Stinchcombe, the mobility of resources is a crucial factor driving the formation of special-purpose organizations (ibid: 147). Some of this mobility is generated by

capitalist institutions we have already discussed, such as systems of banking – which encouraged the mobilization of capital – and urban economies – which encouraged the alienability of real estate. Arguably, the existence of formally free labor is equally critical, since it allowed entrepreneurial elements to arise from social groups that were once tied to the land (in serfdom) or to owners (in chattel slavery). The rise of free labor markets may also have indirect repercussions on the prospects of small business owners. As Weber (1968: 161-162) proposed, free labor is one of the key conditions for the formal rationality of capital accounting in business enterprise. While unfree labor arrangements (such as slavery or indentured servitude) ostensibly allow for greater control of workers, they also impose a need for more capital investment, greater risk to capital, and more uncertainty in the labor market. In Weber’s analysis, then, the use of unfree labor was only prevalent historically “in agricultural production on a large scale ... or in very simple industrial processes” (ibid: 163), in addition to household use. Where petite bourgeois enterprise relied on a small number of workers to supplement owner-managers and their kin, free labor markets appeared to offer a more flexible source of labor.

4. Marxist Class Theory

While Stinchcombe’s theory of organizing capacity generally posits an expansion of the entrepreneurial middle class with capitalist modernization, Marxist theories point to the decline of the “old” middle class under the same circumstances. In its earliest form, the argument is presented concisely by Marx and Engels (1937) in the *Manifesto of the Communist Party*:

“The lower strata of the middle class – the small tradespeople, shopkeepers, and retired tradesmen generally, the handicraftsmen and peasants – all these sink gradually into the proletariat, partly because their diminutive capital does not suffice for the scale on which Modern Industry is carried on, and is swamped in the competition with the large capitalists, partly because their specialized skill is rendered worthless by new methods of production. Thus, the proletariat is recruited from all classes of the population.” (pp. 24-25)

Subsequent treatments by Marx and his interlocutors have added nuance to the argument. Marx himself noted that his forecast did not imply that the middle class as a whole would disappear with capitalist development. For instance, in his *Theories of Surplus Value*, Marx discusses the *expansion* of the middle classes, presumably constituted largely by the growing ranks of office workers in industrial enterprise (Urry 1973: 176-178). Other scholars have found the pace of decline in the old middle classes to be underwhelming and subject to possible reversals in advanced capitalist economies (Steinmetz and Wright 1989). Nevertheless, the thesis has continued as a staple of neo-Marxist theory and remains “one of the most robust of Marx’s predictions” (ibid: 982).

Empirical evidence on historical patterns of class mobility provides some broad support for Marx’s claim. Drawing on census manuscripts and marriage records for Toulouse, France in 1830 and 1872, Aminzade and Hodson (1982) found that the petty bourgeoisie declined by 20% as a percentage of the labor force over those four decades, with especially pronounced decreases among small scale producers and master artisans. Generational mobility patterns suggested a porous boundary between the entrepreneurial middle class and lower strata, with “the sons of petty bourgeois master craftsmen and shopkeepers end[ing] up predominantly in the working class” (ibid: 451). Over the same period of time, there was little upward mobility into the ranks of the petty bourgeoisie.

These empirical patterns leave the mechanisms of contraction among the entrepreneurial middle class unspecified. Drawing on Marx’s theory, three arguments have commonly been advanced to account for the decline or demise of the petite bourgeoisie with capitalist modernization, focusing on (a) diseconomies of scale among small producers and service proprietors; (b) technical obsolescence and deskilling; and (c) the adverse effects of political upheaval for this social stratum.

4.1. Scale Competition

The threat posed to small business by the concentration of capital and returns to scale was anticipated by Marx in the Communist Manifesto and was elaborated in subsequent treatments. Owing to price competition that is driven by the scale of production, Marx argued that the concentration of capital “always ends in the ruin of many small capitalists, whose capitals [*sic*] partly pass into the hands of their conquerors, and partly vanish completely” (1977: 777). This threat was especially acute for the artisanal faction of the old middle classes, in which the particularistic work relationships with journeymen and apprentices prevented master craftsmen from assuming the role of modern capitalists (ibid: 1029-1030). In principle, however, the argument extends to shopkeepers, service proprietors, and even independent professionals, whose small enterprises could not compete with larger and more efficient bureaucratically-organized firms. For Marx, the issue was compounded by the geographic integration of markets with capitalist development (which he termed “centralization”), whereby “capital grows to a huge mass in a single hand in one place, because it has been lost by many in another place” (ibid: 777).

The centralization of capital also has potential implications for the benefits of banking infrastructure and credit. Consistent with Stinchcombe’s structural theory, Marx acknowledged that the credit system might serve as a boon to the entrepreneurial middle class in its early stages, “drawing into the hands of individual or associated capitalists by invisible threads the money resources, which lie scattered in larger or smaller amounts over the surface of society” (ibid: 778). But at later stages of capitalist development, he proposed, credit “becomes a new and terrible weapon in the battle for competition and is finally transformed into an enormous social mechanism for the centralization of capitals” (ibid: 778). If local financial infrastructure is indeed critical to the fate of petty bourgeois enterprise, as we have argued previously, then this transition to geographically centralized sources of capital would likely prove detrimental to middling entrepreneurs. Marx thus anticipated subsequent claims (e.g., Hilferding 1981 [1910]) that the developing banking sector would tend to become unresponsive to (and even undermine) small business ventures, ultimately serving to enhance the centralization and concentration of capital in large corporations instead.

4.2. Technological Advancement

With capitalist development, technical obsolescence and deskilling presents a second threat to the entrepreneurial middle class. As in the case of scale economies, Marx thought that the risk posed by technological change was most immediate for master artisans and small manufacturing proprietors. In an extended discourse on “Machinery and Large-Scale Industry”, he predicted that the industrial revolution will “[do] away with co-operation based on handicrafts, and with manufacture based on the handicraft division of labour” (1977: 588). While these elements of petty bourgeois enterprise might persist for a brief time, manufacturing industries would pass “through the handicraft stage, and then the manufacturing stage, as short phases of transition to the factory stage” (ibid: 589).

Marx anticipated that the process of technical obsolescence would also proceed to decimate the ranks of other middling entrepreneurs, though he was less forthcoming about the mechanisms. Neo-Marxists, such as Braverman (1974), have suggested that non-manual service occupations may be subject to deskilling with technological advancement, in the same respects as manual manufacturing occupations. Consequently, the neo-Marxist account would predict that the technical role of independent shopkeepers and service proprietors would gradually be reduced to that of store clerks and service workers in large retail and hospitality businesses.

4.3. Political Revolution (Revisited)

Political upheaval represents a final problem for the elements of the petty bourgeoisie in classic Marxist theory. In contrast to Stinchcombe’s perspective on the benefits of political revolution for organizing activity, the Marxist view of the entrepreneurial middle class is decidedly conservative. While “the small manufacturer, the shopkeeper, the artisan” may “fight against the bourgeoisie”, they do so to “save from extinction their existence as fractions of the middle class” (Marx and Engels 1937: 29). Consequently, the entrepreneurial middle class is not seen as revolutionary, but as “reactionary, for they try to roll back the wheel of history” (ibid).

The Marxist account of the politics of the middling entrepreneurs is likely to seem oversimplified to contemporary historians. Examining the political representation of this class in late 18th and early 19th century Britain, Dror Wahrman (1995) identifies an early phase, in the 1790s, where the petty bourgeoisie was characterized as being “prone to political innovation and agitation”. Only later, in the 1820s, does public representation shift to a conservative (and, sometimes, even reactionary) view of these middling sorts, with a self-interested emphasis on incremental economic and political change. The Marxist view of the relationship between political upheaval and the entrepreneurial middle class may thus be useful primarily as a counterbalance to equally simplified structural accounts that place small entrepreneurs on the progressive side of capitalist development. More nuanced case studies, such as those reviewed below, reveal kernels of truth in both narratives.

4.4. Summary

Theories of middle class formation lead to a number of specific hypotheses concerning capitalist conditions and the viability of the old middle classes (see Table 1). While these predictions reveal some variability depending on which faction of the petite bourgeoisie is being considered, the principal analytical division remains that between structural theories predicting a general expansion of the entrepreneurial middle class with capitalist development and Marxist theories predicting a corresponding decline.

[Insert Table 1 About Here]

In surveying the hypotheses, a notable limitation is that they are restricted to predictions regarding the numerical prevalence of the entrepreneurial middle class (“class-in-itself”) rather than the solidarity within and collective action by that class (“class-for-itself”). In the latter respect, the insights that have been achieved by structural and Marxist theories have increasingly been questioned by social historians: as Burton Bledstein and Robert Johnson have commented, “the dominant interpretive plots [of middle class historiography] have by and large lost their

persuasion” (2001: 19), with the two most influential models being the “Liberal” and Marxian. The question as to whether there is a sense of class consciousness and self-promotion among middling entrepreneurs – which we will term an *entrepreneurial ethos* – is subtle and will be discussed separately for the historical case studies that we review below.

5. Antebellum-Postbellum Transition in the U.S. South

In analyzing the effects of capitalist transformation on the fate of the entrepreneurial middle class, the case of the 19th century American South offers several critical advantages from both a substantive and methodological perspective. First, the South witnessed a dramatic institutional transition between an agrarian system of chattel slavery, dominated by large landowners, and a purported capitalist ‘New South’. As Mark Twain wrote at the time, “the eight years in America from 1860 to 1868 uprooted institutions that were centuries old, changed the politics of a people, transformed the social life of half the country, and wrought so profoundly upon the entire national character that the influence cannot be measured short of two or three generations” (Twain and Warner 1873). In the American South, this profound transition was associated with the expansion of several key institutions often thought to undergird modern capitalism, including free labor markets (at least, in nominal form), an expanded system of banking and credit, and an urban economy that entailed non-subsistence production and consumption.

Second, the rapid transition away from the plantation system during the postbellum period has often been associated with the expansion of the South's petite bourgeoisie. In 1903, the historian John Spencer Bassett insisted that "the rise of the middle class has been the most notable thing connected with the white population of the South since the war ..." (p. 112; Vann Woodward 1951: 152). While the rise of a middle class in the industrial Northeast was largely complete by the Civil War (Blumin 1989), most historians place the blossoming of a Southern entrepreneurial middle class in the postbellum era (Doyle 1990), despite its antebellum origins (Wells 2004).

The timing of middle class formation in the South also coincides with the availability of high quality micro-census data on individuals throughout the region. Census micro-data allow for precise estimation of the impact of institutional transformation in the South on middle class prevalence and, when linked with systematic records on business ownership, help clarify operational definitions of the entrepreneurial middle class. Finally, this context offers a large amount of local variation in class formation, even among urban centers, ranging from the 'gentlemanly' business culture of Charleston to the entrepreneurial 'new men' of Atlanta (Doyle 1990). A more detailed historical portrait of the Southern middle class during the 19th century can be found in Wells and Green (2011; see also Ruef 2011).

5.1. Operational Definition of Class Membership

For exploratory purposes, we probe the size and composition of the entrepreneurial middle class in the Lower South, including the states of Alabama, Georgia, Louisiana, Mississippi, and South Carolina, using a 1% random sample of the free population between 1850 and 1900.⁴ Whig party activism in the Upper South already created some conditions that were conducive to middle class emergence in the antebellum period (Wooster 1975; Wells 2004). From a research design perspective, the 19th century Lower South thus offers the most nascent stage of middle class emergence covered by available microdata.

⁴ The primary data are taken from the integrated public use microdata series (IPUMS) (Ruggles et al. 2004). The data include the decennial Censuses for 1850, 1860, 1870, 1880, and 1900. Most of the 1890 federal census records were destroyed by fire and therefore do not yield usable microdata.

This case study defines individuals as members of the entrepreneurial middle class when they (a) are likely proprietors of small independent businesses or partnerships; and (b) derive their income from non-agricultural pursuits. Historically, the operational definition subsumes artisans, proprietors of small manufactories, independent professionals, service proprietors, shopkeepers, and wholesale merchants (see *Appendix ,Table A.1* for a detailed list). The definition excludes factory operatives and apprentices in the trades, which are classified as common laborers. It also excludes individuals often employed in cottage industry (e.g. potters and basket-makers), as well as the construction trades (carpenters, masons, etc.), since these occupations tended to be associated with self-employment but not proprietorship of ‘brick-and-mortar’ enterprise. Non-manual employees of large enterprises – such as banks, railroads, and insurance companies -- are likewise excluded. Finally, the definition differentiates between the established professions (medicine, law, engineering, and the like), which afford their occupants an opportunity for independent practice, and quasi-professions (teaching, nursing, ministry), which tend to position their occupants as employees of organizations or congregations (cf. Wilensky 1964).

To assess the construct validity of the definition, we used the 1% sample of labor force participants in 1880 (age 15 and older) and matched it to records on business ownership, drawing on the *Dun Mercantile Agency Reference Book*, the most complete listing of business enterprises at the time. A logistic regression was then deployed to assess whether classes of Census occupations were predictive of business proprietorship outside of agriculture. As shown in Figure 1, the odds of non-farm proprietorship are relatively high in the occupations we designate as ‘entrepreneurial’ -- nearly five times those observed among bureaucratic occupations (e.g. clerks, white-collar employees, salespeople, government officials, quasi-professionals), six times those observed among agricultural, manufacturing, and service laborers, and almost twelve times those observed among farm owners.⁵ This supports the use of this occupational definition as a proxy for entrepreneurial propensity outside the agricultural sector.

[Insert Figure 1 About Here]

⁵ Although the limited amount of non-farm business proprietorship among farm owners may, at first glance, seem tautological, economic historians have noted the propensity of many planters to take on the entrepreneurial role of “landlord-merchants” after the Civil War (Ransom and Sutch 2001: 146-147).

5.2. Size of the Entrepreneurial Middle Class

When defined on an occupational basis, descriptive analysis of the Southern entrepreneurial class reveals a surprising trend over time (see Table 2). During the antebellum period, artisans, independent professionals, and other proprietors constituted around 15% of the white adult labor force in the Lower South. Although the size of this entrepreneurial middle class was substantially smaller than that represented in the rest of the United States (around 19%), it did not vary significantly between 1850 and 1860. In the two decades after the Civil War, however, the Southern entrepreneurial class *declined* as a proportion of the labor force, to 13.2% in 1870 and 10.6% in 1880. By the end of Reconstruction, this decline was evident in every faction of the entrepreneurial class, including artisans and manufacturing proprietors (which are merely $5.13 / 8.51 = 0.60$ of the proportion in the labor force they were in 1860), independent professionals (0.64), service proprietors (0.54), and storekeepers and wholesalers (0.82). Despite a modest rebound in the prevalence of the Southern entrepreneurial class by the turn-of-the-century, it remained proportionately smaller than it was before the Civil War. Meanwhile, national statistics suggest that the entrepreneurial class was a relatively stable feature of the occupational structure in other parts of the United States, with little difference in labor force proportion between 1850 and 1900.

[Insert Tables 2 and 3 About Here]

Arguably, we should expect that the postbellum trend toward middling entrepreneurship would not be most pronounced among whites, but among blacks who, having shed the shackles of slavery, found that they had to develop their own businesses in a capitalist – yet segregated -- society. In this vein, C. Vann Woodward wrote that “enough of a Negro middle class had emerged in the eighties to reflect faithfully the New-South romanticism of the white middle class, with its gospel of progress and wealth” (1951: 218). Despite such pronouncements, Census data tracking the rise of a black entrepreneurial middle class during the late 19th century are rather

equivocal (see Table 3). Restricting attention to free blacks in the antebellum period, one finds that the small number of these respondents in the South often worked as proprietors, a statistic that is supported by city censuses from the same period (Wesley 1927). Indeed, the size of the entrepreneurial class of blacks in the South (27% of the free black labor force) was significantly larger than that found in the rest of the United States (around 6.5%). Adding information on slave occupations from plantation records, the percentage of all Southern blacks involved in artisanal activity (e.g., blacksmiths, mechanics) in 1860 hovers around 11%.⁶ Following the Civil War, the percentage of blacks involved in artisanal activity declined substantially and there was little change in the numbers of independent professionals, service proprietors, and service proprietors. Even by the turn-of-the century, only 2% of the Southern black labor force could be classified as members of the entrepreneurial middle class, while slightly more (4%) of the black labor force in the rest of the United States could be placed in this category. If blacks represented the bellwether of an emerging entrepreneurial class in the New South, then the prevalence of this class must clearly be questioned when operationalized on an occupational basis. As other scholars have emphasized (Green and Pryde 1997), entrepreneurial opportunities for blacks in the late 19th and early 20th centuries were few, tended to be associated with high rates of business failure, and offered few paths to upward mobility.

From the standpoint of both Stinchcombe's structural theory of organizing capacity and the historical literature on the expansion of entrepreneurial opportunity in the postbellum era, these changes are puzzling. While historians have discussed the rise of a 'third estate' comprising the entrepreneurial middle class in the New South (Vann Woodward 1951: 152; see also Doyle 1990), its expansion cannot be substantiated on the basis of numerical prevalence. At the same time, it is also not clear that the timing of decline supports opposing Marxist arguments regarding the proletarianization of small entrepreneurs. The growth of manufacturing scale and the integration of the South with national and international markets occurred primarily after 1880 (Ayers 1992; Carlton 1990). These decades, however, witness a slight recovery in the

⁶ Clearly, the status of such slave artisans cannot be equated with that of the entrepreneurial middle class at the time. However, slave artisans did possess more autonomy and better living conditions than other slave laborers. Moreover, their technical skills offered a basis for independent employment following emancipation.

entrepreneurial middle class, following a more decisive decline during the period of Reconstruction. Despite broad consistency with Marxist arguments, a more detailed examination of the institutional correlates of postbellum decline in the entrepreneurial class is required.

5.3. Institutional Conditions and the Entrepreneurial Class

In the 19th century American South, the correlates of class membership suggest partial support for the structural theory of the entrepreneurial middle class and partial support for Marxist class theory. Figure 2 displays odds ratios predicting whether an individual labor force participant can be classified as a member of the entrepreneurial middle class, depending on individual characteristics, capitalist infrastructure in a given county of residence, and demographic features of the population in that county.⁷ Consistent with Stinchcombe's structural theory, urbanization is a clear predictor of the size of an entrepreneurial middle class in a region, though the magnitude of this effect is different in the antebellum and postbellum eras. Before the Civil War, the prevalence of the entrepreneurial class in towns with 2,500 or more inhabitants was twice that of rural areas, while after the Civil War it spiked to a ratio of four times that of rural areas. To an extent, these findings support the contention by some historians that the urban centers of the Old South were weak incubators for small proprietors. Doyle (1990), for instance, places the take-off of the urban South and rise of a new business class in the 1880s, noting that plantation agriculture in the Old South relied only on a few entrepôts for shipping cotton, rice, tobacco, and sugar. In this economic system, urban services were concentrated in the hands of factors, middle-man merchants and wholesalers who inhibited – rather than propelled – the development of towns and cities. In the New Southern economy, on the other hand, more diversified entrepreneurial activity thrived in urban centers and cities.

[Insert Figure 2 About Here]

⁷ The sample includes 91,802 individuals in the labor force, who resided in the Lower South between 1850 and 1900 and did not live in group quarters (e.g. prisons, military barracks, poorhouses, etc.). Figure 2 reports the results from a logistic regression, with standard errors corrected for the geographic clustering of residuals due to unobserved heterogeneity at the county level.

Also in support of Stinchcombe's theory, literacy increases the likelihood of membership in the entrepreneurial class by a factor of two before the Civil War (and slightly more afterward). The ability to read and write in some language appears to be a stable requirement for small business proprietorship. Structurally, this would seem to have been a propitious development for the entrepreneurial class in the New South, as school reform began in the 1880s and was soon matched by improvements in educational expenditures and literacy (Ayers 1992). The possibility of educational uplift into a middle class was embraced by black leaders, in particular, whether as a means of expanding the ranks of skilled artisans and small proprietors or developing the "talented tenth" of college-educated freedmen (DuBois 1903).

The remaining infrastructural variables suggest that the evidence for other aspects of the structural and Marxist theories of entrepreneurial class development is mixed. Dovetailing with Marx's concern about the pernicious effects of banks on the lower middle class, the empirical data reveal that local banking infrastructure did not encourage entrepreneurial propensities during the antebellum period and was actually detrimental to middling entrepreneurship following the Civil War. During the antebellum era, the cotton planter and his intermediaries were at the center of an elaborate financial network, linking banks, wholesalers, importers, and manufacturers. With the collapse of this system in the 1860s, the South faced severe shortages of credit and currency. A short-lived boom occurred in private banking, but the banking services available for the duration of the century were greatly reduced in efficacy compared to their antebellum counterparts (Ransom and Sutch 2001). For middling entrepreneurs, a specific problem involved the altered character of banking following Civil War interventions. As Sylla (1969: 657-658) has documented, the creation of a national banking system tended to "restrict loan output in local markets" and encouraged the movement of bank funds to "lumpy investments in railroads and large-scale industry." These historical developments corresponded broadly to the 'centralization' of capital that Marx had anticipated.⁸

⁸ Compounding these difficulties, postbellum debate about monetary standards (e.g. gold versus greenbacks) generated profound uncertainty about the nature of monetary exchange (Carruthers and Babb 1996). In this environment, elements of the entrepreneurial class itself – and rural storekeepers, in particular -- became key financial intermediaries, passing goods and credit from wholesalers to local

The Marxist argument fares less well, however, in its other predictions. The average scale of manufacturing enterprise in a given county does not have a negative relationship with the prevalence of an entrepreneurial middle class, nor the fate of artisans in particular. Indeed, one might argue that many of the typical middling businesses of the late 19th century South (see Table A.1) could co-exist comfortably with the largest manufacturing enterprises of the day, such as textile mills, iron works, and tobacco factories. Industrialization, assessed here as the proportion of county economic output that is produced by the manufacturing as opposed agricultural enterprise, has no significant relationship with middling entrepreneurship in the antebellum period and, following the Civil War, seems to encourage it. The integration of credit markets also seems to promote the entrepreneurial middle class in the postbellum era. For instance, our estimates suggest that a county where all businesses were rated by a mercantile agency for purposes of long-distance trade with eastern wholesalers (e.g., in New York, Boston, Baltimore, etc.) had a 36% higher incidence rate of middling entrepreneurs than a county where none of the businesses had such credit ratings.⁹

Some of the most nuanced transformations in the antebellum-postbellum transition involve the implications of political upheaval and the formation of a free labor market for the demographic characteristics of the entrepreneurial middle class. As suggested previously, the end of slavery did not invariably lead to entrepreneurial opportunities for African Americans in the Lower South. During the antebellum period, respondents identified as free blacks or mulattos in this region were *twice* as likely to be members of the entrepreneurial class than their white counterparts. After the Civil War, they were *one-fifth* as likely. To a considerable extent, this difference may be attributable to the pernicious effects of discrimination and Jim Crow in the post-Reconstruction period, which limited the white clientele that black entrepreneurs were able to cater to, as well as their access to physical sites of business and financial capital. In addition, free blacks in the antebellum era often possessed business skills, social networks, and other

farmers and proprietors through a consignment system (Ransom and Sutch 2001: 120-125), often at the cost of usurious interest rates.

⁹ Specifically, we assess market integration as the proportion of capital in businesses (total pecuniary assets) within a county that are rated by the Dun Mercantile Agency (1860-1900), relative to all capital investments identified by the U.S. Census. For more information on 19th century credit rating, see Ruef and Patterson (2009).

resources that blacks emancipated after the Civil War lacked, following a lifetime of slavery (Ruef and Fletcher 2003).¹⁰

Political upheaval in Reconstruction and beyond also served to dampen the prospects of entrepreneurs from other regions in the Lower South. The influx of immigrants, Yankees, and other non-regional natives had served as a regular conduit of entrepreneurial ventures during the antebellum era, with individuals originating from these areas being two (or more) times as likely to be members of the entrepreneurial class as regional natives.¹¹ Those individuals in the Lower South who continued to reside in the state of their birth ('locals') were especially unlikely to be entrepreneurs, perhaps owing to a lack of exposure to new business ideas or the experience and social networks needed to fulfill them (cf. Stinchcombe 1965: 152-153). In regions such as the 19th century South, that are handicapped by a tradition of extractive industry and export agriculture (Carlton 1990), migrating merchants, manufacturing proprietors, artisans, and other small entrepreneurs are potent importers of new organizing routines and resources.

Following the Civil War, geographic mobility offered fewer advantages toward membership in the entrepreneurial class. Despite popular claims to the contrary, the 'carpetbaggers' were overwhelmingly of middle class origin, establishing small enterprises rather than outposts for Northern investors. However, in an institutional context where Southern whites became resistant to the economic encroachment of outsiders, migrants from other parts of the United States no longer evidenced higher rates of entrepreneurial activity than regional natives. The incidence of middling entrepreneurship was also severely depressed among immigrants. In Southern cities such as Charleston and Mobile, Jewish, German, and Irish immigrants had been especially active in developing entrepreneurial ethnic enclaves (Doyle 1990). But even progressive Southerners betrayed some xenophobia against such 'foreign' elements in the aftermath of the Civil War. Henry Grady, the editor at the *Atlanta Constitution* during the 1880s,

¹⁰ Due to the small number of cases where Census respondents in the IPUMS sample for the Lower South were not white, black, or mulatto (N=74), respondents with an Asian or native American heritage are excluded from consideration here.

¹¹ The measures are constructed based on the birth place and residential destination of Census respondents. Persons born in the same state that they reside in are classified as 'locals', while those originating from other parts of the Lower South serve as the omitted category. The analysis also identifies persons originating from the northeastern United States (i.e., 'Yankees' from New England or the mid-Atlantic states), from other parts of the U.S., and from foreign countries.

put the prejudice succinctly in his famous New South speech, when he argued that “one northern immigrant is worth fifty foreigners” in the pursuit of Southern entrepreneurial development (Harris 2004 [1890]: 88).

5.4. Case Discussion

In many respects, the institutional transformation of the American South after the Civil War seemed to offer fertile conditions for the expansion of an entrepreneurial class. The demise of chattel slavery and its substitution by a (nominal) ‘free’ labor market appeared conducive to the rise of petite bourgeois elements among both black and white Southerners. The spread of public education during Reconstruction advanced the literacy and numeracy required for small business proprietorship. Increasing geographic mobility exposed Southerners to new business ideas, commercial values, and consumption needs. And the political upheaval of the Reconstruction era threatened the old status quo of planter elite and yeoman farmers.

Despite the promise of the New South, it remained largely unfulfilled with respect to the growth of the entrepreneurial middle class. The number of artisans, small manufacturing proprietors, independent professionals, and storekeepers declined, rather than increased, between 1860 and 1900. Suffering from discrimination, segregation, and a lack of adequate resources and business skills, few emancipated blacks were able to engage in business proprietorship. Local resistance to Northern and other non-regional business interests limited the entrepreneurial activities of these immigrants compared to the antebellum era. Southern entrepreneurs also failed to constitute a cohesive political coalition that could take advantage of the turmoil following the Civil War and expand the commercial membership of the class. Some elements of the petite bourgeoisie aligned themselves with the remnants of the planter elite, forming the Redeemers, a faction of conservative Democrats (Ayers 1992). Others, known as Scalawags, joined an opposing coalition of freedmen and Northern entrepreneurs.

Institutional theorists remind us that myth and ceremony are as important to organizing processes as functional requirements or objective resource constraints (Meyer and Rowan 1977; Scott 2007). Much the same could be said for entrepreneurial activity (Lounsbury and Glynn

2001) and the transformation of an entrepreneurial group as a class-*in-itself* into a class-*for-itself*. Even in the face of declining prevalence, there is considerable qualitative evidence to support the emergence of a self-conscious entrepreneurial middle class after the Civil War. Newspaper boosters were especially vocal in spreading the gospel of a New South that was built with the sweat of urban entrepreneurs. Along with a myriad of young Southern progressives and politicians, these postbellum writers helped create the “New South Creed”, an ideology of racial harmony and economic progress rooted in the leadership of a petite bourgeoisie (Gaston 1970). Despite the persistence of Jim Crow and the meager numbers of middling entrepreneurs in the South, the creed was widely accepted as fact by 1900 (e.g., Bassett 1903; Mims 1926), sustaining the appearance of the entrepreneurial class as a then-dominant feature of Southern society.

6. The Entrepreneurial Class in Comparative Perspective

When we place the antebellum-postbellum transition in the U.S. South in comparison to other cases, two desirable aspects of this historical context stand out from a research design perspective. First, the capitalist modernization of the South was a largely ‘exogenous’ treatment, driven by the mandates of a victorious Union rather than the enterprising activities of an indigenous Southern middle class. This generalization applies most obviously to the formation of a free labor market, but also to the political upheaval imposed by Radical Reconstruction, the Federal banking laws of 1863 and 1864 (which created the national banking system), and the Union’s push for public education in the South. Second, these institutional changes proceeded over a relatively short period of time, commencing during the Civil War and being complete by the end of Radical Reconstruction in the late 1870s. While causal inference is always hazardous with historical data, these features give us additional confidence that the capitalist conditions observed in the postbellum South were not endogenous to the process of middle class emergence and that the fate of that class could be linked to their abrupt occurrence, as opposed to other contemporaneous historical trends.

[Insert Table 4 About Here]

To what extent is the American South an exceptional case? When we deviate from these features of case analysis, we observe other historical contexts where it is more difficult to draw causal links between capitalist transformation and the prospects of the entrepreneurial middle class, particularly insofar as (a) the pace of capitalist modernization is incremental (typically proceeding over a period of centuries), rather than revolutionary (proceeding over a period of years or decades); and (b) the locus of capitalist modernization can be found among middling entrepreneurs themselves, rather than being driven by exogenous sources (such as the regulatory fiat of elites or outsiders). Cross-tabulating these dimensions, we obtain three ideal-type alternatives to the case of the U.S. South, which are paired with canonical cases in Table 4. The dichotomies in the table are merely heuristic – there seems to be little theoretical sense in drawing a rigid boundary between exogenous and endogenous institutional change, nor between revolutionary and incremental transformation (Scott 2007). It is easy, moreover, to identify “mixed” historical cases that deviate from the ideal-types categorized in the table. Nevertheless, the canonical cases do suggest a number of insights regarding the application of structural and Marxist theories to entrepreneurial middle class formation, as well as the extent to which these mechanisms may be asserted to have causal effect. We now turn to a short overview of these canonical cases, drawing largely on existing social and economic histories of middle class emergence.

6.1. The Early American Republic (1775-1815)

Given that the political leadership of the American Revolution was heavily dominated by Southern planters and gentlemen-aristocrats, it is hard to make the case that it was a ‘bourgeois revolution’ in a narrow Marxist sense.¹² But in symbolism – and effect – the conditions fostered by the Revolution were quite consistent with the interests of the middling classes in the U.S. North (and ‘Old’ Northwest). Symbolically, artisans, shopkeepers, and manufacturers seized on

¹² Wood (2009: 30, fn. 69) summarizes some of the current literature that debates whether the American Revolution can be characterized as a class struggle, or simply a war of independence.

the overthrow of monarchical rule to assert a new class position, often inspired by Benjamin Franklin, the humble printer turned statesman (Wood 2009: 712-714). Structurally, the Revolution encouraged a shift toward domestic production and expanded the pool of free labor. By 1790, large Northern cities such as Boston boasted an entrepreneurial class of middling sorts that comprised as much as 60% of their adult male population (Lubow 1997).¹³

The post-revolutionary political economy encouraged the expansion of the entrepreneurial middle class. Beginning in 1794, embargo acts were instituted periodically (most prominently, between 1807 and 1812) to restrict American involvement in foreign trade and, in the eyes of some factions, reduce economic dependence on Britain. These acts also had the function of further shifting capital from overseas trade (and the import-export merchants) to small domestic manufacturers and shopkeepers. As a consequence, the early 19th century witnessed the rise of the retail “merchant” (Blumin 1989: 80), whereas the colonial era had reserved that label for wholesalers involved in foreign trade. With American victory in the War of 1812, the economic position of the entrepreneurial middle class in the U.S. North seemed increasingly secure.

6.1.1. Institutional Conditions

Political upheaval aside, a number of Stinchcombe’s structural conditions seemed to operate in favor of middling entrepreneurs in the early American Republic. The separation of the middle class – both social and spatial – from the working class was most clearly delineated within the large seaports, such as Boston, Philadelphia, and New York City, though it could also be discerned in smaller communities (Blumin 1989).¹⁴ The aftermath of the Revolution offered further impetus to urban development. Urbanization increased rapidly in the Northeast, as

¹³ The identification of reliable occupational censuses is notoriously difficult in the United States prior to 1850 (when the Federal Census first featured detailed occupational codes). Listings of occupations in the early Republic have typically been derived for particular cities from tax lists, directories, and probate inventories (Oestreicher 1995), evidencing problems of both coverage and representativeness.

¹⁴ These trends precede the creation of “streetcar suburbs”, often associated with spatial deconcentration and middle class relocation in the latter half of the 19th century. The link between the middle class and suburbia suggests that urbanization may be an initial condition fostering middle class development, but that it need not be an enduring condition.

American cities curtailed their economic dependence on foreign centers of trade. Some political factions, particularly the Federalists, actively pursued economic development based on the cosmopolitan model of European cities (Wood 2009: 318).

Historical studies also document how the emerging entrepreneurial class drew on a distinctive flow of human and cultural capital. In her book on the middling family in Oneida County, New York, Mary Ryan highlights a socialization strategy “designed to inculcate values and traits of character deemed essential to middle-class achievement and respectability,” particularly the capitalist habits of the “cautious, prudent small-business man” (1981: 161, 184). Among others, these habits included those of honesty, thrift, and self-control (the same as those inspired by Benjamin Franklin, the revolutionary icon of petite bourgeois virtue). Such patterns of socialization were accompanied by an emphasis on more (and longer) formal schooling in New England and the mid-Atlantic states. The rich literary culture of the North (as indicated, among other things, by the growth of newspapers and magazines in the early Republic) likewise contributed to middle class development. Even the newly settled states, such as Ohio, soon had more newspapers per capita than the much older states of the Southeast (Wood 2009: 364).

Along with free schools, newspapers, churches, and charitable associations, banks were considered to be institutional supports to the civic life of the urban middle class. In line with the early Republicans, the middling sorts distrusted bank monopolies – particularly, those created by federal fiat, such as Hamilton’s First Bank of the United States (1791). The spread of independent chartered banks in the North, especially after 1800, tended to mitigate these fears.

The creation of a free labor market in the northern states constituted another institutional support to middling entrepreneurs. Due to the prevalence of both black slavery and white indentured servitude, as much as 50% of the labor force in colonial American had been legally unfree (Wood 2009: 517). Even apprentices in the trades were bound to masters for long periods of time, restricting labor mobility. The egalitarianism of the American Revolution posed a fundamental challenge to white servitude. In Northern cities such as Philadelphia, where between 40 and 50% of the labor force had been unfree in the mid-18th century, indentured servitude had virtually disappeared by 1800 (ibid: 345). After the colonial period, the apprenticeship system (favoring paternalistic relationships between masters and journeymen) was also replaced by arms-

length agreements between employers and labor. While the founding fathers displayed a more inconsistent view toward slavery, one might argue that the Revolution also served to severely undermine it in the North. Between 1777 and 1804, every Northern state passed laws in favor of abolition (though some of them were only implemented gradually). In 1808, Congress voted to ban the international traffic in slaves.

Considering institutional threats to the vitality of the entrepreneurial middle class, few of the capitalist conditions identified by Marx had become widespread in the early Republic. The leaders of the American Revolution distrusted corporate charters and monopolies, believing that “no person should be allowed to exploit the public’s authority for private gain” (Wood 2009: 460). Even as business corporations spread in the initial decades of the 19th century (Roy 1997), state legislatures and the public favored rivalry among smaller competitors rather than scale competition driven by large enterprises. Industrialization was limited to a handful of sectors, such as textile production, and rural manufacturing in particular remained in the hands of farm families and middling entrepreneurs. With the advent of Jacksonian democracy in the 1820s, a further backlash occurred against the possibility of economic domination in the American marketplace by corporate or professional monopolies.

6.1.2. Case Discussion

In the northern states, the period between the American Revolution and War of 1812 witnessed the emergence of a series of structural factors that were conducive to middle class formation. Political upheaval challenged the region’s economic dependence on Britain and the dominant class position of foreign-born ‘gentlemen’ and merchants engaged in foreign trade. Free labor and banking infrastructure greatly expanded, as did literacy and urbanization. The extent to which these developments (and the Revolution itself) were fostered by – or imposed on – the emerging middle class remains an area of debate among historians. But the enduring symbolism of the war for independence, captured by the self-made man described in Benjamin Franklin’s autobiography, suggests that these events are consistent with the concept of a bourgeois revolution.

The increasing numerical prevalence of the middling sorts in the early American Republic was paralleled by a strong entrepreneurial ethos. While the position of the European middle class was self-conscious and often embattled (lying between a large mass of industrial labor and a hegemonic aristocracy), the “ambitious, go-getting middling sorts [in America] were collapsing into themselves all levels of income and all social ranks” (Wood 2009: 709). The American middle class thus absorbed professions -- such as lawyers, doctors, and ministers – who had once differentiated themselves as ‘gentlemen’. One challenge to a distinct entrepreneurial identity remained the unspecialized nature of many commercial and artisanal enterprises. A prominent source of entrepreneurial activity came from the farm families who engaged in it on a part-time basis. Indeed, a more general critique of the “middle class thesis” has been that entrepreneurial and bourgeois values pervaded all aspects of American society, not just the culture of a single stratum (Blumin 1989). Nevertheless, increasing occupational specialization and distinctiveness in cultural capital served to differentiate the identity of the middling sorts over the course of the first half of the 19th century.

The expansion of the Northern entrepreneurial class in the wake of the American Revolution raises the question as to why the middling sorts did not make a more vigorous emergence in the American South at the same time. Despite the now well-documented existence of an antebellum middle class (e.g., Wells 2004), the petite bourgeoisie was much smaller in the South than in the North and Old Northwest during the first half of the 19th century. On some level, this contrast can be attributed to Stinchcombe’s structural conditions. Thus, historians have suggested that “the planter’s reliance on the labor of their slaves inhibited the growth of large middling groups of white artisans” (Wood 2009: 165), that the lack of urbanization in the South (throughout the region in the Colonial period and in the lower South through the antebellum era) was not conducive to middle class formation (Doyle 1990), and that the South had a less literate population, fewer banks, and a more limited supply of paper money than the North.

Closer inspection reveals some complications. Politically, the Southern landowners and the middling entrepreneurial class of New England and the mid-Atlantic states were frequently conjoined in the Republican party, largely out of opposition to the Federalists. Ironically, this awkward political union persisted even though the economic interests of the Northern artisans

and entrepreneurs favored the replacement of federal excise taxes with taxes on land and hereditary wealth (Wood 2009: 170-171). Another complication involves the idea that western expansion *could* have fostered conditions for middle class formation in the Old Southwest, particularly in Tennessee or the Mississippi Territory. After all, the settlement of states in the Old Northwest, such as Ohio, had contributed to a proliferation of towns and in-migration of middling entrepreneurs. The pattern of western expansion in the South, however, was quite different. Early settlers were rapidly replaced by the planter aristocracy, who brought large numbers of chattel slaves with them (Wood 2009: 361).

6.2. *England* (1548-1850)

Praised and derided equally as a “nation of shopkeepers”, England has long stood as the canonical case for endogenous entrepreneurial middle class formation.¹⁵ From the eighteenth century onward, England led the world in commercial, industrial, and consumer transformations driven largely by an increasingly autonomous middle class (Bendix 2001). In contrast to other cases elaborated here, England featured deep social, geographic, and political divides between its commercial and industrial middle classes, which created different opportunities and constraints for small business owners well into the nineteenth century. Since the country transitioned from a largely agrarian to an industrial economy so early in comparison to other cases, it is difficult to obtain reliable estimates on the numbers of middling sorts in the early modern period.¹⁶ Still, drawing on diverse archival materials, Lindert (1980) provides broad estimates of occupational standing for the period of interest, 1688-1811. Using roughly analogous categories to our definition above, we observe that the entrepreneurial middle class comprised on average around

¹⁵ This much-debated quote comes from Smith (1776, Book IV, chp 7): “To found a great empire for the sole purpose of raising up a people of customers may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers.”

¹⁶ Many of the well-known “social tables” used to provide such figures reflected deeply held social and political biases of the time (Holmes 1977). Probate records, the favored archival source for studying the economic fortunes of the middle class, primarily sample only the most wealthy, upper strata.

20-29% of the adult male population in England and Wales, a figure whose lower bound is comparable to that of the white U.S. population outside the South around 1850.

6.2.1. Institutional Conditions

England featured many of the structural conditions elaborated by Stinchcombe well before the country industrialized in the mid-to-late eighteenth century. Crucially, serfdom, which had been in decline since the fourteenth century, was largely abandoned by the sixteenth. Even before the Glorious Revolution of 1689, England had already witnessed a “price and population revolution (1548-1640), expansion of centralized markets for food and commodities (1548-1689), a rapid emergence of a permanent wage-labor force, and spatial expansion of protoindustrial activity in the countryside” (Bearman and Deane 1992: 31). Analyzing the seventeenth century records of the “Freemen” of Norwich for evidence of intergenerational social mobility, Bearman and Deane speak of an early “urban, commercial middle class” by the late sixteenth century who could “engage in commerce, control the labor power of others, and participate in the political life of the community” (1992: 31). Such labeling is undoubtedly anachronistic, but corresponds roughly to changes in social description by contemporary observers. Sixteenth century commentaries already marked a distinction between “the poorer sort” and “the richer sort” and by the late seventeenth century, coinciding with middle class expansion, of a new “middle sort of people” (French 2000: 279).

The overthrow of the Stuarts in 1688 created new political freedoms for the middle class to both associate and represent particular class interests. By 1695, strictly controlled state licenses to own and operate free presses were abandoned once and for all, paving the way for a vibrant market for newspapers, pamphlets, and magazines (Starr 2004). Few other Western European countries, save the Netherlands, featured such diverse middle class involvement in the press. Reflecting this, many of these new newspapers reported heavily on commodity prices,

shipping schedules, and foreign affairs—all relevant information to a rapidly commercializing nation. By the seventeenth century, literacy among the English middle classes was quite high, fostering a vibrant civil society immortalized in the coffee houses of London. In contrast to other countries, which featured an entrepreneurial peasantry that resembled a rural middle class, much of the emerging middle classes in England were situated predominately in rapidly expanding urban centers. Indeed, England urbanized faster and sooner than any other comparable European country, drawing in labor from more rural areas. Urban development was aided at a distance by the landed, upper class elites who resided predominately in the countryside. In search of stable rents, landowners became landlords, investing heavily in property in London and elsewhere (Cannandine 1980). This form of *rentier* capitalism was quite common across the Continent, as well, and largely redirected the upper class's efforts toward finance, banking, and real estate.

As the industrial revolution took off in the late-eighteenth century, we observe two separate middle classes identities in England: an earlier middle class centered around the commercial and financial centers of the south (London) and another middle class around the industrial towns of the north (Manchester). Politically, the former sought greater representation within parliament, while the latter remained involved in municipal politics, if at all. For the entrepreneurial middle class comprised of master artisans, tradesmen, and shopkeepers, this bifurcation meant an increasing prevalence of service-based activities in the national capitals of London and Edinburgh, while in northern England, small-scale craft shops continued to co-exist alongside larger factories well into the early twentieth century (Crossick 1984). Despite an early start in industrialization and scale competition, the average firm size in the north and a wealth of anecdotal evidence suggests that industrializing production actually increased sub-contracting and the growth of specialized small businesses. Numerically, the largest proportion of the middle class well into the nineteenth century were small business owners. Using a random sample of Glasgow households in 1861, Nenadic (1991: 69) found that businessmen comprised 73% of the middle class, two-thirds of whom were engaged in “single or familiar proprietorships with little to

no delegated management outside the ownership”, that is the petite bourgeois enterprise. Nenadic found little evidence of engagement by these small business owners in Glasgow’s rich political or associational life, especially in comparison to the commercial middle class. This divide between commerce versus industry, as well, was further reflected in the financing of new businesses, as Gill explains:

While the small county banks did play a part in financing some aspects of industrial development, this was not a major activity on the part of the larger banks and finance houses located in [London] during the nineteenth century. These had emerged mostly in the eighteenth century, and their gaze tended to be fixed more on investment abroad than at home. As befits an aspirant colonial power, the big banks sought their profits principally in external commercial activities, backing the merchants who were so important in the development of empire, rather than in underwriting fledgling industry at home (2008: 36).

Thus, finance capital and credit, while important abroad, did not appear to encourage internal entrepreneurial expansion. By and large, much of the capital required to start new businesses, especially those of the entrepreneurial middle class, came directly from within established families, as demonstrated by Crouzet’s (1985) masterful study of the first industrialists of Britain between 1750 and 1850. Small businesses drew most of their capital as well from similar familial sources, mobilizing kin networks for start-up funding (Morris 2005).

There is little evidence of engaged political organization among middling entrepreneurs which might indicate that the class-in-itself would become a class-for-itself. By and large, the entrepreneurs ceded much of national politics to other strata within the middle class, choosing instead to “withdraw into [the] local and highly specific affairs” central to municipal politics (Crossick 1984: 76). Involvement in mid-century radical politics (Chartism) aside, there does not

appear to have been a distinctive petite-bourgeois ideology nor a body of economic or political ideas that distinguished the class of shopkeepers, beyond the laissez-faire liberalism that dominated all middle class politics. There is little evidence, as well, of politicians directly trying to mobilize this class like the *Mittelstand* of Germany or the *Petite Bourgeoisie* in France. As Crossick (ibid) writes, “the national political framework is important here, for there were no attempts to mobilize the petite bourgeoisie against any subversive threats to the existing order. As a political force, they were not needed in Britain. No one tried to win, to bribe, or to appease them”.

6.2.2. Case Discussion

In sum, many of the conditions identified by Stinchcombe appear to have favored the growth of the entrepreneurial middle class. Unlike the other cases discussed here, these conditions often predated the turn to industrial production and were in fact rooted in earlier agrarian and mercantile forms of capitalism. Urbanization, literacy, and free labor were processes in motion well before the first industrial mills dotted the countryside. Industrialization, moreover, at least in the north appears to have actually promoted small business growth. Banking appears to have had little effect, however, on class formation, as most small businesses even into the nineteenth century relied on personal credit, often generated or guaranteed through kin relations. Through the nineteenth century, the growth of the entrepreneurial middle class was shaped, as well, by a growing division between commercial and industrial middle classes—a condition that stands apart from the other cases considered here. Caught between a politically engaged merchant class and economically dominant industrialists, the petite bourgeoisie of England appeared to have little identity or ethos of their own. As such, their numerical prevalence reflects wider concessions and victories won by the middle classes aided by the conditions elaborated above, rather than conscious mobilization.

6.3. *Russia* (1689-1917)

Although Tsarist Russia may seem an odd addition to the set of cases analyzed here, its theoretical usefulness lies in its opposite path toward industrial capitalism in the latter decades of the nineteenth century.¹⁷ A hereditary caste of urban merchants and tradesmen was already established in the Collection of Laws (*Ulozhenie*) of 1649. Tsar Peter I (“Peter the Great”) initiated efforts at economic modernization during his reign from 1689 to 1725, emulating what his advisors saw as the best practices of Western Europe. While these reforms were generally favorable to the economic position of middle class entrepreneurs, they suffered setbacks following his death, given the opposition of the landed aristocracy. Under Catherine the Great (1762-1796), the aristocracy itself fractured into a “liberal group”, which favored support for middle-class entrepreneurs, and a reactionary group, which continued to oppose them. For much of the eighteenth and nineteenth century, the nobility with full state support monopolized the majority of industries—in 1813, they held majority shares in mines, wool cloth manufacture, paper mills, glassworks, and potash concerns (Pilbeam 1990: 28). Legally barred from owning land or industrial capital, significant portions of the middle class were left to manage these businesses or engage in trade. Despite the acknowledgment by state officials of Russia’s economic backwardness in comparison to other European countries, this opposition continued into the late nineteenth century, as conditions favorable to the petite bourgeoisie only re-emerged in the 1860s-1870s, spurred by the defeat suffered during the Crimean War. Throughout the process of industrialization, the dependence on centralized state support remained high. As Bendix (2001: 128) asserts, “an entrepreneurial class did not develop until the later part of the

¹⁷ Drawing on McDaniel’s (1991) work on autocratic capitalism, we label this path as one of “autocratic industrialization”. Broadly construed, autocratic industrialization also seems to characterize much of the 20th century development of the Middle East. Two prominent cases are Iran under the Pahlavis (1925-1979) and, as a more timely example, Egypt under autocratic rule (1924-2011).

19th century”. Recent historical analyses are even more pessimistic. Rieber (1982), for instance, suggests that the entrepreneurs and merchants of late Tsarist Russia lacked the solidarity and numbers to constitute a distinct socio-economic class. At the eve of the Russian Revolution, they remained disorganized and impotent as a political interest group.

6.3.1. *Institutional Conditions*

When discussing Imperial Russia it is important to recognize that formal statuses were enforced through an increasingly differentiated system of legal-administrative categories (akin to the Estates General of France), later known as *sosloviia*, which lasted in law until the Revolution of 1917 (Wirtschafter 1997). Every formal status “carried with it a set of life chances or opportunities, including tax and service obligations, rights and privileges, and access to education, service, and its reward; each component also brought subordination to an administrative authority or domain, so that is perhaps more appropriate to speak of a person’s belonging to an administrative-social designation than to a social category or group” (Wirtschafter 1994: 19). Such wide-ranging social control goes far in explaining the resultant trajectory of Russian entrepreneurs through the nineteenth century.

Much of what we consider here as the entrepreneurial middle class existed by the mid-nineteenth century in two *soslovie*: the *kupechestvo*, which included well-off merchants, industrialists, and financiers and the *meshchanstvo*, comprised partially of small business owners among many other occupations. By definition, only townspeople could qualify for inclusion into such categories, as the Charter to the Towns (1785) and the Digest of Laws (1832) “formally associated the ‘middle sort’ with all registered city residents” (Wirtschafter 1997: 73). Some entrepreneurs could be found, as well, among the *raznochintsy*, a catchall category for those literally of “various ranks” who did not fit neatly into the state-mandated classificatory system. It is tempting to link such categories to Western class categories, yet the largely arbitrary nature of

these categories included many occupations and persons not normally featured in standard class-based analyses. Still, as a very rough comparison, we can use estimates of the nineteenth century *meschanstvo* to get a sense of the relative prevalence of the entrepreneurial class. In 1858, the *meschanstvo* comprised nearly 6.1 percent of the population. By 1897, after decades of state-mandated industrial reforms, it had nearly doubled to 10.7 percent (Spulber 2003: 11). Though impressive growth by any measure, in relative terms the figure pales in comparison to the United States (outside the South), England, and France, which had twice or more that percentage.

While members of these *sosloviia* featured greater overall autonomy, the same could not be said for the vast majority of the population. The abolishment of serfdom came only in 1861—coincidentally around the same time as chattel slavery was ended in the American South. Historically, as a country with vast territory, ample resources, but low population density, the supply of labor within Russia was extremely tight—a situation similar to Colonial America. While most European countries were abandoning serfdom in the sixteenth and seventeenth centuries, Russia expanded its control over the peasant serfs. Serfs could buy their freedom or run away—some actually gained formal statuses and became merchants and tradesmen—but the vast majority continued to toil under forced labor conditions. High taxes on urban craftsmen led many of them, as well, to enter into a system of voluntary bondage, the so-called pledge system (*zaklad*). Peasants were tied to their land under serfdom. Townspeople were also largely immobilized at the beginning of Peter the Great’s reign. Under Peter the Great, efforts to resolve the free labor problem hinged on giving entrepreneurs the right to employ forced labor. This right, however, was quickly rescinded by his successor, Peter III, in 1746 with respect to the possession of serfs and in 1762 with respect to the ownership of serfs (Bendix 2001: 136). The emancipation of the serfs in 1861 did not resolve the labor supply problem either, as “rural ties of the industrial workers remained strong” and the Russian passport system continued to inhibit the development of a “landless industrial work force” (ibid, 176-177). Moreover, labor in industry, as in agriculture, remained heavily regulated under the principle of autocratic rule.

By the reign of Catherine the Great in the late eighteenth century, the economic backwardness of Russia in comparison to Western Europe was recognized as a problem largely attributable to both a weak middle class and a lack of urban development. Still, urban growth progressed at a glacial pace until the mid-nineteenth century: in 1811, only two cities, Moscow and Petersburg, had populations over 100,000 inhabitants; in 1863, there were three such cities; in 1897, eleven additional cities qualified (Spulber 2003: 8). Urbanization undoubtedly aided the development of an entrepreneurial middle class, but Russian urban life remained civically disorganized despite a vibrant dynamism in the arts and culture (Brower 1990). There seems to have been little in the way of an organized, political bourgeoisie apart from the ever-expanding Russian bureaucracy and court (Wirtschafter 1997: 98). Primary education, which modeled itself after both France and Germany, could only be found in the major cities, but few beyond a select set of the middling sorts could gain entry by law. Though public education was a focus of Peter and subsequent tsars, its wide diffusion came only after the 1860s reform. Over the nineteenth century, the proportion of students from middle class backgrounds in St. Petersburg *gymnasiums* actually declined (Pilbeam 1990: 204). Many occupations, most notably shopkeepers, were barred from sending their sons to such schools. Not surprisingly, literacy in Russia paled in comparison to other Western European countries: by the end of the nineteenth century, 25 percent of the gentry were still illiterate (ibid: 205).

Compounding Russia's slow urbanization and labor problems, much of Russia's experience with industrialization arose out of autocratic fiat, rather than natural experimentation as in England or later in France. In the seventeenth century, Peter the Great engaged in a "single-handed propaganda campaign to establish commerce and industry as an honorable occupation" (Bendix 2001: 130), underwriting numerous state factories and declaring massive tax exemptions for particular industries. But there is little evidence that these experiments with industry amounted to much in terms of middle class formation. Only after the defeat of the Crimean War in 1856, do we see a turn to conditions remotely favorable to entrepreneurs, once again mandated

from above (Gerschenkron 1962). Faced with widespread dissatisfaction and potential social unrest, Tsar Alexander II embarked on a landmark series of legal and economic reforms, including the emancipation of the serfs and direct state investment most notably in railroad construction, in an attempt to create a working capitalist economy. In this period, we see, for example, the establishment of a reliable, organized credit and banking system for the first time, though state-run and private banks had existed before. Major education reforms promoting basic literacy were undertaken in this period; previously only urban residents of particular *sosloviia* could expect primary education in some form. Predictably, Russia witnessed remarkable growth in industrial production, but little in the way of an autonomous entrepreneurial class.

6.3.2. *Case Discussion*

For much of the history under discussion, incremental autocratic reforms favorable to the emergence of an entrepreneurial middle class were accompanied by unfavorable conditions on other dimensions. Catherine the Great's concessions, for example, *simultaneously* strengthened the position of the middle-class merchants and the landed aristocrats who opposed them. Wartime defeats in the mid 19th-century led to new autocratic reforms, creating conditions finally favorable to entrepreneurial activity. Though this led to relatively strong economic growth up until the 1917 revolution, such entrepreneurship by fiat worked unevenly. Allen (2003: 22-3) has argued that despite wide-ranging economic and industrial reforms, Russia persisted in upholding a commercial code largely antagonistic to business creation, as well as a system of government subsidies, tariffs, and interest rates operated largely on the whims of bureaucrats, rather than market conditions. As such, Russian entrepreneurs in the mid-to-late 19th century faced a daunting and highly uncertain legal, financial, and social environment despite having greater autonomy than ever before. Even as the government promoted industrial reforms beneficial to entrepreneurs, their policies reflected a desire to industrialize, but ultimately not to modernize.

7. Discussion

Our review of these historical cases suggests some preliminary insights into the relationship between capitalist development and the rise of an entrepreneurial middle class. First, the numerical prevalence of middling entrepreneurs appears to be most robust in those contexts where the owners of small businesses play an active role in creating institutions that support their business interests. This is most apparent in the canonical cases that we have labeled as bourgeois revolutions or bourgeois industrialization. By the early-to-mid 19th century, middling entrepreneurs comprised nearly twenty percent of the white labor force in the United States (outside the South) and a slightly greater percentage in England and Wales. By contrast, capitalist reforms imposed by external fiat – e.g., in Tsarist Russia or the U.S. South during Reconstruction – yielded a class of middling entrepreneurs that numbered around half of that number at the close of 1800s. Second, apart from whether economic modernization occurs through the agency of the middle class, the pace of institutional transformation seems to have some relationship to the identity of middling entrepreneurs and the solidarity that they express around an entrepreneurial ethos. Where the rate of change in political economy is incremental, entrepreneurs are more likely to express heterogeneous or weak class identities. During the *longue durée* of industrialization in England, for example, the interests of middling sorts became divided geographically between the commercial South and industrial North (Crossick 1984). In Tsarist Russia, the entrepreneurial ethos was gradually adopted by the landed aristocracy and by the peasantry, groups who “by their competition made the existence of a real merchant class impossible” (Bendix 2001: 143).

These empirical generalizations suggest two additional paradoxes for scholars who are interested in tracing the impact of economic modernization on the vitality of the entrepreneurial middle class. As highlighted in Table 4, the historical cases for which we are able to attribute

greater exogeneity to institutional change (and, thus, the possibility of causal effect) are also those that evidence the most limited rate of expansion in the entrepreneurial middle class, *precisely owing to the exogenous character of economic modernization*. As the case of the postbellum South illustrates, barriers to middle class entrepreneurship among ‘outsiders’ – in that case, among Northerners, foreign immigrants, and emancipated blacks – may increase in the face of resentment produced by political and economic reforms that are imposed by external authorities. The table also reveals a second paradox, namely that the existence of a clear entrepreneurial class ethos is only loosely coupled with the demographic dominance of the entrepreneurial class. Propitious institutional changes, such as the South’s rapid transition from a slave-based agrarian system, are not necessarily sufficient to guarantee the development or expansion of a commercial middle class. But, merely by planting the seeds of expectation, capitalist transformation can foster a *narrative of entrepreneurship and organizational novelty*.

These paradoxes aside, comparative scholars may lament that other prominent historical cases do not fit neatly into one of the cells in the simple two-by-two typology. The German *Sonderweg* to capitalist modernization, for instance, has been associated with an economically subordinate and politically weak middle class, even in the absence centralized autocratic rule. The liberal bourgeois factions generally agitated in favor of German unification, a development, “it was believed, [would] produce a much-desired uniformity and predictability in matters that affected trade and professional life” (Blackbourn and Evans 1991: 19). But exogenous sources were also critical to earlier 19th century modernization.¹⁸ At the risk of considerable simplification, one might therefore position the German case between the autocratic

¹⁸ These causes included the Napoleonic occupation of Germany and the reform movement led by enlightened aristocrats, such as Baron Heinrich Friedrich Karl vom Stein and Karl August von Hardenberg. Viewed temporally, capitalist development in Germany proceeded on an incremental basis. The Prussian state contributed some early reforms, such as the abolition of serfdom in 1810 and removal of internal barriers to trade. But rapid industrialization was delayed until the 1880s, at which point the pace of change and concentration of manufacturing enterprise became threatening to many factions of the “old” *Mittelstand* (von Saldern 1992: 32).

industrialization found in Imperial Russia and the bourgeois industrialization found in England. Needless to say, such ‘mixed’ cases complicate the straightforward application of the typology.

Beyond empirical applications to additional cases, the conditions elaborated above advance the debate over the emergence and effects of capitalism—questions endemic to organizational theory even in its founding stages. Yet, for all our emphasis on institutional paradoxes, the theoretical traditions of Stinchcombe and Marx described above highlight basic structural conditions like urban growth and industrial competition over deeper institutional changes in state administration, property law, and citizen rights that many economists, historians, and sociologists also view as constitutive of a functioning capitalist economy (Collins 1980; North 1990; Roy 1997; Tilly 1992). The cases presented here suggest that excessive state meddling in entrepreneurial affairs did little to create a recognizable entrepreneurial middle class, but such results may obscure more fundamental, less invasive political choices like insulating property rights from elite seizure or creating self-contained commercial laws that help rationalize economic exchange and settle property disputes. That such institutions matter is now largely taken-for-granted given the very visible (and often painful) capitalist transitions of developing nations and post-Soviet states, which often lacked the very same institutional foundations common in Western countries.¹⁹ The point here is not to lend a functionalist bent to our analysis, but rather to establish additional explanatory causes of entrepreneurial middle class formation for future studies.

Despite the theoretical and empirical difficulties associated with identifying the causal links between capitalist modernization and the development of an entrepreneurial middle class, the topic is likely to remain important for both policy-makers and students of organizational behavior. The scope of this review has been limited to historical instances of entrepreneurial class emergence in the West, but many developing countries continue to debate reforms that

¹⁹ This absence has led to two curious outcomes: 1) an abundance of alternative, working solutions often rooted in earlier institutions or traditions; 2) the ennoblement of Western institutions as the normative ideal for up-and-coming nation-states (see Meyer et al. 1997).

might foster middling entrepreneurs and their small businesses. In her first official speech to the Brazilian Congress on January 1st, 2011, President Dilma Rousseff announced that she would seek to make Brazil, “one of the most developed and least unequal nations in the world – a country with a solid and entrepreneurial middle class” (see also Oxford Analytica 2011). Meanwhile, halfway around the globe, the hazards faced by regimes that fail to support an entrepreneurial middle class have become equally apparent. Indeed, the fate of small entrepreneurs under autocratic modernization is perhaps best exemplified by Mohamed Bouazizi, the Tunisian fruit vendor whose immolation set off a series of revolutionary events in the Middle East. By studying middling entrepreneurs in different political and economic environments, scholars of organizational behavior can grapple with these broader societal implications of the relationship between capitalist modernization and class formation.

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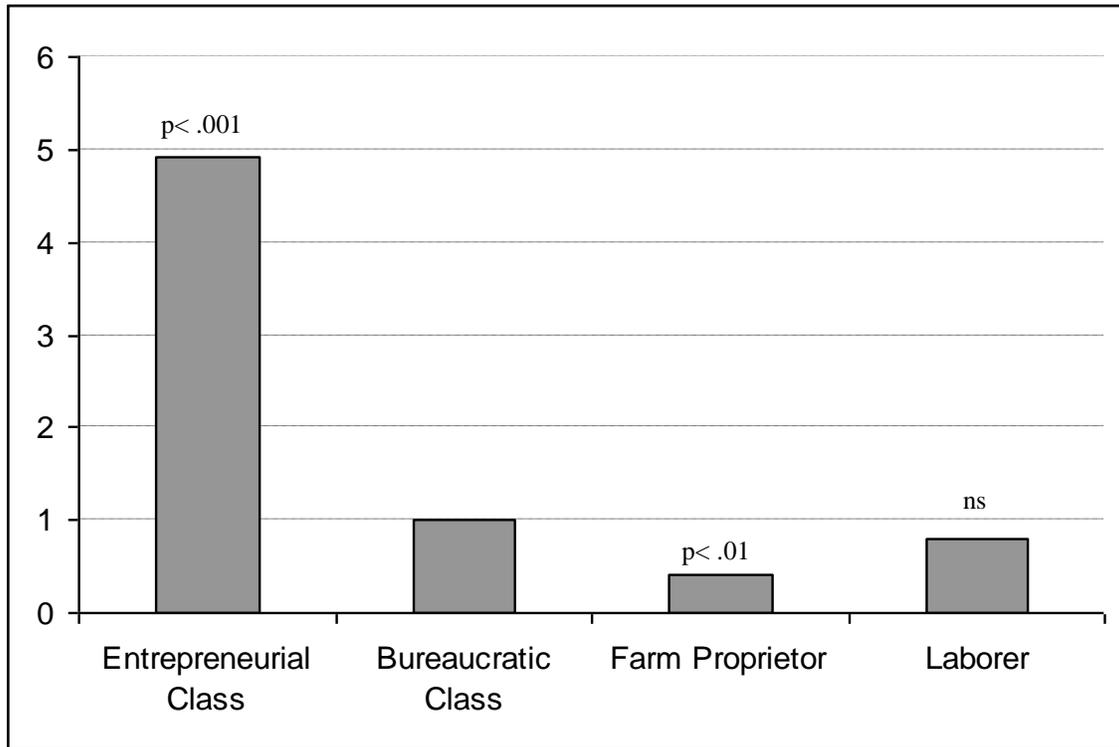
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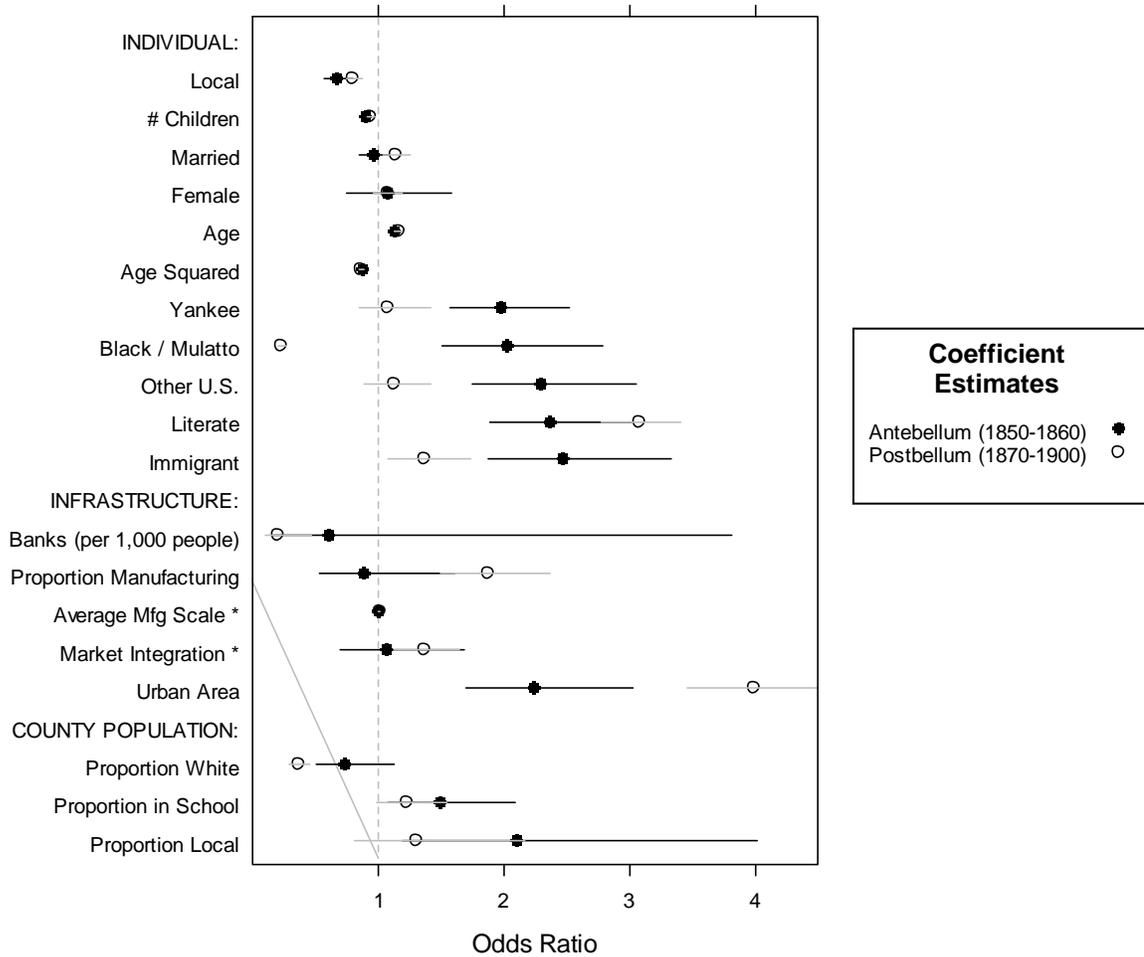
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Figure 1. Odds Ratio of Non-Agricultural Business Proprietorship by Occupational Class, U.S. Lower South (1880)



Note: Analysis based on 20,124 labor force participants (age 15 or older) and 321 observed instances of (non-farm) business proprietorship. Estimation of odds ratio controls for age, gender, and race. P-levels reflect differences from bureaucratic class.

Figure 2. Odds Ratios from Regression of Entrepreneurial Class Membership on Selected Variables, U.S. Lower South (1850-1900)



Notes: 90% confidence intervals are shown as gray (antebellum) and black (postbellum) lines. All models include controls for year and state of residency.

* Estimates for manufacturing scale and market integration do not include data for 1850.

Table 1. Hypothesized Effects of Capitalist Modernization on the Prevalence of an Entrepreneurial Middle Class

<i>Condition</i>	<i>Stinchcombe's Structural Theory</i>	<i>Marxist Theories of Class</i>
Urbanization	+	
Literacy and Numeracy	+	
Banking and Credit	+	-
Political Revolution	+	-
Free Labor Markets	+	
Scale Competition		-
Technological Advancement		-

Table 2. Size of Occupational Groups as Percentage of White Adult Labor Force, U.S. 1850-1900

	Rest of U.S.	Lower South					Rest of U.S.
	1850	1850	1860	1870	1880	1900	1900
<i>Entrepreneurial Middle Class</i>	<i>19.40</i>	<i>14.54 **</i>	<i>15.90</i>	<i>13.22 **</i>	<i>10.57 **</i>	<i>11.81 *</i>	<i>18.57 **</i>
Artisans and Manufacturing Proprietors	14.18	8.04	8.51	5.86	5.13	5.37	11.92
Independent Professionals	1.29	2.14	2.32	2.30	1.49	1.43	1.17
Service Proprietors	0.65	0.72	0.80	0.61	0.43	1.31	1.91
Storekeepers and Wholesalers	3.28	3.63	4.27	4.45	3.52	3.70	3.57
<i>Bureaucratic Middle Class</i>	<i>4.76</i>	<i>5.85 *</i>	<i>8.30 **</i>	<i>10.13 **</i>	<i>8.48 **</i>	<i>13.50 **</i>	<i>17.79 **</i>
Clerks and White-Collar Employees	0.46	0.26	1.38	2.70	1.94	4.54	6.28
Military and Government	2.43	2.98	3.94	4.36	3.63	2.77	3.53
Quasi-Professionals	1.77	2.49	2.77	2.87	2.67	3.74	5.31
Salespeople	0.10	0.12	0.21	0.20	0.24	2.45	2.67
<i>Farm Proprietors</i>	<i>44.50</i>	<i>59.52 **</i>	<i>44.14 **</i>	<i>39.45 **</i>	<i>44.34 **</i>	<i>37.22 **</i>	<i>19.16 **</i>
<i>Laborers</i>	<i>30.89</i>	<i>19.86 **</i>	<i>31.56 **</i>	<i>37.10 **</i>	<i>36.49</i>	<i>36.88</i>	<i>43.16 **</i>
Agricultural Laborers	5.70	4.89	12.57	25.09	22.54	20.22	10.57
Manufacturing and Construction Laborers	7.68	5.54	5.11	4.18	4.57	8.20	11.38
Service Laborers	17.51	9.43	13.90	7.85	9.41	8.46	21.21
<i>Other</i>	<i>0.46</i>	<i>0.23</i>	<i>0.07</i>	<i>0.09</i>	<i>0.10</i>	<i>0.59</i>	<i>1.32</i>
<i>Total Sample Size</i>	<i>48,075</i>	<i>4,293</i>	<i>5,734</i>	<i>7,035</i>	<i>8,320</i>	<i>13,049</i>	<i>230,960</i>

Source: Integrated Public Use Microdata Series (IPUMS), 1% Samples

* p < .01; ** p < .001 (two-tailed tests of difference in proportion, comparison for italicized entries to column to the left)

Table 3. Size of Occupational Groups as Percentage of Black and Mulatto Adult Labor Force, U.S. 1860-1900

	Rest of U.S.	Lower South					Rest of U.S.
	1860 (Free) †	1860 (Free) †	1860 (All) †	1870 †	1880	1900	1900
<i>Entrepreneurial Middle Class</i>	6.48	27.17 **	(10.81) **	1.59 **	1.51	2.02 *	4.22 **
Artisans and Manufacturing Proprietors	5.67	20.11	10.69	1.46	1.36	1.59	3.17
Independent Professionals	0.07	0.54	0.01	0.01	0.02	0.02	0.10
Service Proprietors	0.37	2.72	0.05	0.02	0.04	0.20	0.57
Storekeepers and Wholesalers	0.37	3.80	0.06	0.10	0.09	0.21	0.38
<i>Bureaucratic Middle Class</i>	4.10	4.35	0.07 **	1.15 **	1.66 **	3.82 **	7.40 **
Clerks and White-Collar Employees	0.27	1.09	0.02	0.61	0.49	1.67	2.69
Military and Government	0.07	0.00	0.00	0.14	0.13	0.14	1.05
Quasi-Professionals	3.69	3.26	0.06	0.39	1.04	1.93	3.53
Salespeople	0.07	0.00	0.00	0.01	0.00	0.08	0.13
<i>Farm Proprietors</i>	6.91	10.33	0.18 **	11.65 **	19.79 **	27.47 **	15.55 **
<i>Laborers</i>	82.32	57.61 **	88.93 **	85.59 **	76.98 **	66.34 **	72.08 **
Agricultural Laborers	14.93	5.98	60.30	64.42	43.18	38.30	19.65
Manufacturing Laborers	3.46	16.85	5.93	1.85	1.84	2.97	3.87
Service Laborers	63.93	34.78	22.70	19.32	31.96	25.07	48.56
<i>Other</i>	0.20	0.54	0.01	0.02	0.05	0.35	0.75
<i>Total Sample Size</i>	2,980	184	10,819 †	17,685	11,767	16,870	18,880

Source: Integrated Public Use Microdata Series (IPUMS), 1% Samples

† Based on oversample of free blacks in 1860 and blacks in 1870. Occupational distribution for all blacks in 1860 uses Olson's (1992) probate sample.

* p < .01; ** p < .001 (two-tailed tests of difference in proportion, comparison for italicized entries to column to the left)

Table 4. Canonical Cases Involving the Emergence of an Entrepreneurial Middle Class

		Pace of Changes Involving the Development of Capitalist Infrastructure	
		<i>Revolutionary</i>	<i>Incremental</i>
Origin of Changes with respect to Entrepreneurial Class	<i>Endogenous</i>	<p>Bourgeois Revolution</p> <p>U.S. Northeast (1775-1815)</p> <p><i>Expected Outcomes:</i></p> <p>Strong Emergence of Entrepreneurial Class; Strong Ethos of Entrepreneurship</p>	<p>Bourgeois Industrialization</p> <p>England (1642-1800s)</p> <p><i>Expected Outcomes:</i></p> <p>Strong Emergence of Entrepreneurial Class; Weak Ethos of Entrepreneurship</p>
	<i>Exogenous</i>	<p>Revolutionary Reconstruction</p> <p>U.S. South (1863-1877)</p> <p><i>Expected Outcomes:</i></p> <p>Weak Emergence of Entrepreneurial Class; Strong Ethos of Entrepreneurship</p>	<p>Autocratic Industrialization</p> <p>Russia (1689-1917)</p> <p><i>Expected Outcomes:</i></p> <p>Weak Emergence of Entrepreneurial Class; Weak Ethos of Entrepreneurship</p>

Table A.1. Occupations Comprising the Entrepreneurial Middle Class

<i>Artisans and Manufacturing Proprietors</i>	<i>Independent Professionals</i>
Baker	Architect
Blacksmith	Dentist
Boat Maker	Engineer (Civil)
Book / Newspaper Publisher	Lawyer
Bookbinder	Physician
Boot / Shoemaker	Veterinarian
Brewer or Maltster	
Butcher	<i>Service Proprietor</i>
Clock / Watchmaker	Billiard- or Bowling Saloon Keeper
Confectioner	Boarding-House Keeper
Cooper	Hotel Keeper
Distiller / Refiner	Livery-Stable Keeper
Dressmaker	Restaurant Keeper
Engraver	Saloon Keeper
Gilder / Goldsmith	
Gun / Locksmith	<i>Storekeeper or Wholesaler</i>
Harness / Saddlemaker	Apothecary
Jeweler	Broker (commercial)
Marble / Stonecutter	Clothier
Miller	Cotton or Wool Factor
Printer / Lithographer	Dry / Fancy Goods Dealer
Shipwright	Grocer
Tailor	Liquor or Wine Dealer
Tanner	Livestock Dealer
Upholsterer	Other Trader or Dealer
Wheelwright	
Other Artisan or Proprietor [†]	

[†] Includes makers of agricultural implements, artificial flowers, blinds, brooms, brushes, cabinets, candles, carpets, carriages, cars, cordage, doors, hats, organs, patterns, pianos, pumps, sails, sashes, shirts, soap, steam boilers, stoves, tinware, tools, trunks, and woodenware.