

# American Business and Industry

by Norman Lungner

WHEN United States automaker Henry Ford published his autobiography *My Life and Work*, in 1922, he used his chapter headings to frame a series of questions: How Cheaply Can Things be Made? Money — Master or Servant? Why be Poor?

These are precisely the questions that have fascinated generations of American business and industrial leaders. In their drive to find answers, business people in the United States have probed relentlessly for ways to make and distribute efficiently more products for less money and to make a greater profit. To a remarkable extent, they have succeeded. American business firms have reached astonishing levels of productivity and profit. In doing so, they have helped to provide greater affluence and a higher standard of living for a larger percentage of the population in the United States than has ever been the case in any other large society.

There have been social costs, to be sure — costs imposed by greed, by ruthlessness and by inevitable clashes of interest — and debate often surrounds the

relative costs and benefits of the American way of doing business. Yet the undeniable successes of American business have stirred widespread admiration and emulation. Entrepreneurs in Karachi or in Caracas have much the same goals as entrepreneurs in Carson City, Nevada. Like Henry Ford, they ask, "Why be poor?" And like Henry Ford, they answer their question in deeds and only incidentally in words.

## The Roots of Affluence

No single factor is responsible for the successes of American business and industry. Bountiful resources, the geographical size of the country and population trends have all contributed to these successes. Religious, social and political traditions; the institutional structures of government and business; and the courage, hard work and determination of countless entrepreneurs and workers have also played a part.

The vast dimensions and ample natural resources of the United States proved from the first to be a major advantage for national economic develop-

ment. With the fourth largest area and population in the world, the United States still benefits greatly from the size of its internal market. The Constitution of the United States bars all kinds of internal tariffs, so manufacturers do not have to worry about tariff barriers when shipping goods from one part of the country to another.

A population of more than 250 million people provides both workers and consumers for American businesses. Thanks to several waves of immigration, the United States gained population rapidly throughout the 19th and early 20th centuries, when business and industry were expanding. Population grew fast enough to supply a steady stream of workers, but not so fast as to overwhelm the capacity of the economy.

Rapid growth helped to promote a remarkable mobility in the American population — a mobility that contributes a useful flexibility to business life. Census figures show that, over a five-year period, about one family in 10 moves to a new state.

of pleasing God, and that success in business can be an onward sign of God's blessing. Others have put forward a contrary view. They have argued that capitalist enterprise often is characterised by a material acquisitiveness that could develop only in the absence of deep religious feeling.

A variety of institutional factors have favoured the success of American business and industry. Mindful of the potential for abuse that lay in a powerful government, the founders of America's political institutions sought to limit governmental powers while widening opportunities for individual initiative. The relative reluctance of American political leaders to intervene in economic activities gave great freedom to market forces. By channeling economic initiative into activities that promised the greatest return on investment, free-market institutions fostered dynamic growth and rapid change. One result was a rapid accumulation of capital, which could then be used to produce further growth.

power to industrial tasks. Large water wheels and water turbines drove the machinery of early factories. As the steam engine was perfected, it provided an alternative source of energy, first for mobile operations such as powering steamboats and locomotives, then for factories. The textile industry, the dominant American industry for many decades, did not complete the switch to steam power until after 1860.

New forms of business organisation — notably the bank and the corporation — facilitated the growth of industry. The first American commercial banks appeared in the 1780s and more banks soon followed. For many years, the only paper money consisted of "bank notes" that represented a particular bank's promise to pay. Banking policy was highly controversial and early attempts to establish a national or central bank were short-lived. Not until 1863 did the United States create a truly national banking system with a standard paper currency.

In the early years of the United States, banks were one

partnership. Unlike those types of businesses, the corporation survived the death of its founder or founders. Because it could draw on a pool of investors, it was a much more efficient tool for raising the large amounts of capital needed by expanding businesses. And, as it finally evolved, it enjoyed limited liability, so investors risked only the amount of their investment and not their entire assets.

Many people objected to the very idea of the corporation. It had, as one critic said, "no body to be kicked and no soul to be damned." But the rise of the corporation proved unstoppable. Connecticut, in 1837, became the first state to pass a general act of incorporation, making it relatively simple for any group to get a corporate charter by complying with a set of standard rules. As late as 1860, however, most manufacturing enterprises were still organised as sole proprietorships or partnerships.

The construction of railroads beginning in the 1830s, marked the start of a new era

for the United States. Large infusions of private capital from Europe mainly after 1850, helped to pay for the railroad lines that soon snaked across the North American continent. Local, state and national governments, contributed both money and land. Private American investors contributed, too. The greatest thrust in railroad building came after 1862, when Congress set aside public land for the first transcontinental railroad.

By providing transportation links between far-flung parts of the United States, the railroads increased business activities and the spread of settlements. But that was not all. Railroad construction created a growing demand for coal, iron and steel, helping to support the heavy industries that expanded rapidly in the decades after the Civil War (1861-1865). One growing industry specialised in machine tools — that is, tools used in the production of other goods. An expanding agricultural equipment industry turned out a dazzling array of machines for use on American

farms. Up to the 1880s, the bulk of Americans' income came from farming. The census of 1890 was the first in which the output of American factories was shown to exceed that of American farms. Thereafter industry in the United States grew by leaps and bounds. By 1913, more than one-third of the world's industrial production came from the United States.

The rise of industry caused what amounted to an upheaval in American life. Workers had to adapt to new forms of discipline — regular hours; strict rules of behaviour; various forms of supervision. Relations between employers and employees took on a more impersonal and sometimes hostile cast. As time passed, industrial enterprises grew larger, stirring widespread concern about the dangers of monopoly. In a later section of this essay, we shall see some of the ways in which American political institutions have responded to those concerns.

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## His Visit to Bangladesh

by Md Fakhor Uddin Tagore

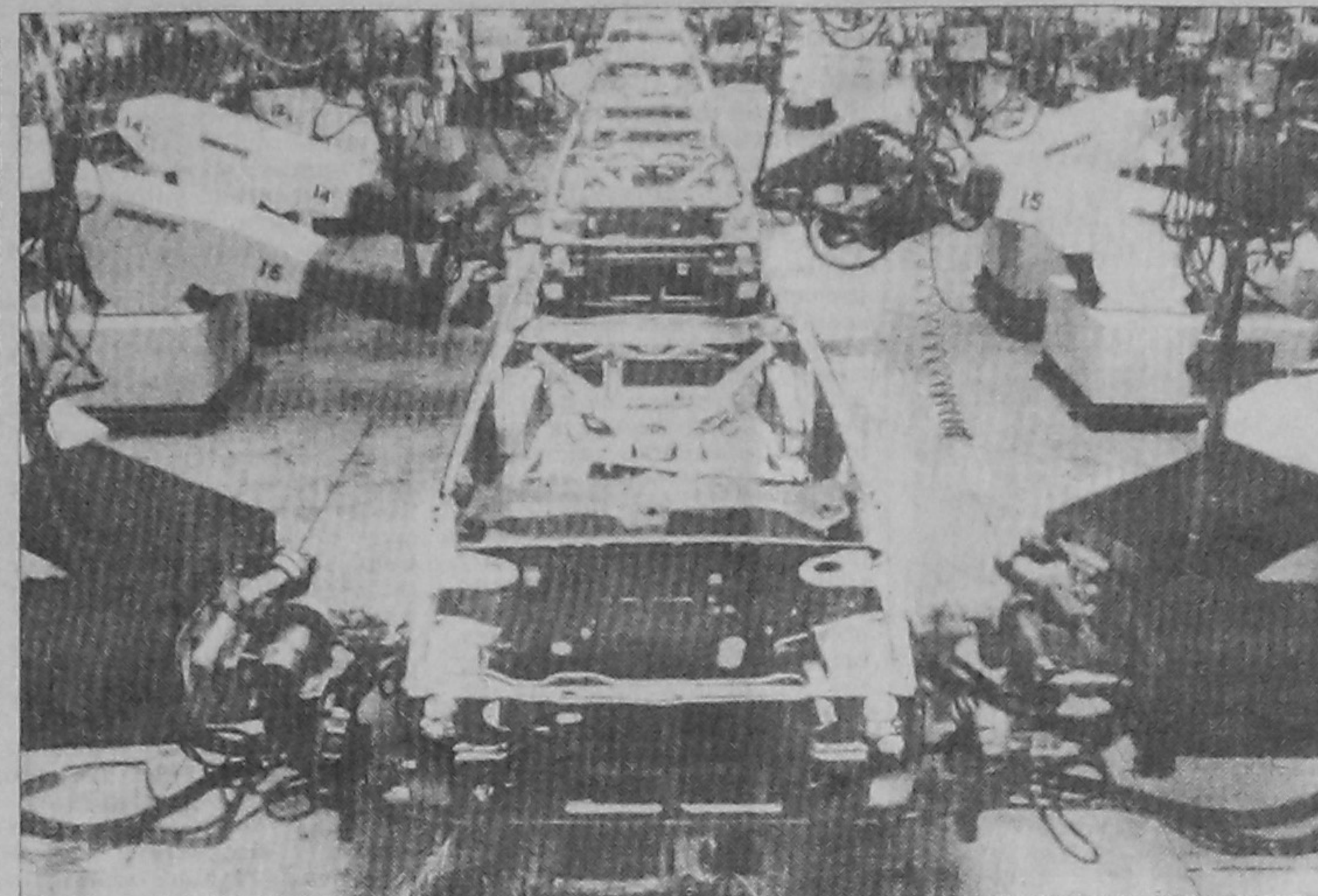
The States and its electorate Made forty two heads of the state In more than two hundred years. Ah! none trod the land of ours. Clinton to us forty two-in-one Who has moved to pay th' visits undone By all of his prudent predecessors, O' adore him with millions of flowers.

Some one is coming to make us fresh Is the talk of th' town in Bangladesh. Who is he? he is Mister Clinton A man of honour and distinction. How to greet our honourable guest, We'll never rest till we make it best.

Would we have the peacock throne Where we would let him sit on. Could we manage th' royal attire We would offer him that to wear. Had we been th' peacocks we would show him peacock dance Raising our tails and spreading our feathers like fans. Where are mermaids? Where are singers? Call the fairies, call the dancers. Entertain him with sweet dance and song When people from all over to him'll throng. Bring the nectar, bring the wine divine. Put them all one by one on the line For honourable guest to enjoy. Host's best service for th' guest's his real joy. Invite the goddesses, invite the fates To bless the head of the United States. And when they will be sharing the divine drink They will drink to his health that must not we think? As we know, whose bread we take His song we sing for bread sake. In honour of his august visit, I, on behalf of my people, do greet Every person of United States When he's blessed by th' goddesses and fates.

His good wishes and monumental trip, I believe, will help redress our grief, And we can firmly say and say It'll tie Bangladesh and USA With a very strong chain of friendship Although they are detached by the deep.

Clinton memorial we'll build Not in th' town, not in th' open field But in th' tower of mind That we can always find Focusing bright and nice Behind our closing eyes.



Robot arms weld car bodies at an automobile assembly plant in Missouri. The company spent \$75 million to equip this plant with the latest technology. The computerised robots produce uniform and precise welds to ensure high standards of quality. — Courtesy: United Press International

(The United States contains 50 states in all). Mobility has been not only geographical but also social and economic. Lacking the rigid social classes of many European nations, the early United States provided many opportunities for advancement, although mainly for those who were Caucasian. Racial barriers that long blocked advancement for darker-skinned peoples, however, have largely disappeared in the past three decades. Class structure today is quite fluid.

The American people have possessed to an unusual degree the entrepreneurial spirit that finds its outlet in such business activities as manufacturing, transporting, buying and selling. Some have traced this entrepreneurial drive to religious source. They have said, for example, that a "Puritan ethic" or "Protestant ethic" imbues many Americans with the belief that devotion to one's work is a way

## The Historical Background

Under British rule, the American colonies developed a thriving merchant class but relatively little industry. Like other European nations of the 17th and 18th centuries, Britain followed a policy known as mercantilism. That policy sought to build up Britain's economy by ensuring a favourable balance of trade and promoting expansion of industries within the mother country. Colonies, whether in America or elsewhere, were consigned largely to two roles — as suppliers of raw materials and as markets for British manufactured goods. British laws restricted trade between the colonies and third countries. They also barred certain types of manufacturing within the colonies.

Despite such laws, American colonists did begin a few types of manufacturing. Access to high-quality American timber helped to make shipbuilding a leading industry in coastal areas. Other early industries included the making of textiles, shoes, ironware and rum.

A few colonists prospered by entering commerce. They served as agents for British merchants or bought and sold on their own account. Some amassed fortunes that would later serve as a source of capital for the expansion of American industry.

The United States that emerged from the American Revolution of 1776 was principally an agricultural country. It would remain so for another century, but some early decisions by American social and political leaders planted the seeds of industrial growth. For example, the first Secretary of the Treasury, Alexander Hamilton, persuaded Congress to establish a protective tariff — a tariff high enough to discourage imports and give domestic industries time to grow. This and other Hamiltonian measures gave great encouragement to business in general.

Early American industries depended largely on skilled artisans working in small shops to serve a local market. But the Industrial Revolution that started in England during the 18th century did not take long to cross the Atlantic. It brought many changes to American industry between 1776 and 1860. Because labour was scarce in the United States and wages were high, employers welcomed any new method that could reduce the requirement for labour.

One key development was the introduction of the factory system, which gathered many workers together in one workplace and produced goods for distribution over a wide area. The first factory in the United States is generally dated to 1793. It was a cotton textile mill in Pawtucket, Rhode Island, that combined carding, roving and spinning operations.

A second development was the "American system" of mass production which originated in the firearms industry about 1800. The new system required precision engineering to create parts that were interchangeable. This, in turn, allowed the final product to be assembled in stages, each worker specialising in a specific operation.

A third development was the application of new sources of

of the few businesses organised in the form of corporations. The creation of each corporation required a special law. As time passed, business people found the corporation to have irresistible advantages over the sole proprietorship and the

As Vice President Gore pointed out that bad governance is not just an affliction of developing countries like

## Upholding the Principles

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nance" gave some stark choices for South Asia. In relation to Bangladesh it cites, among many other such pronouncements, that "...investing in a relatively corrupt country, compared to a relatively honest one, is equivalent to an additional 15 per cent 'private' tax on investment... the costs of corruption (\$7,760) comes to 34 per cent of the estimated initial official costs (\$22,911) of setting up a business... If Bangladesh were to improve the integrity of its bureaucracy to Uruguay's level, its yearly GDP growth rate could rise by over half a percent point... Bangladesh has the highest reported rate of rapes against women in South Asia... although 45 per cent of the population in Bangladesh has access to health facilities, less than one-fourth of the population uses them." Corruption reduces the government's resources and its ability to invest because tax revenues fail to reach the treasury. The report generally highlights the extent of human deprivation in South Asia and the urgent need for humane governance to address the social needs at the basic level.

As Vice President Gore pointed out that bad governance is not just an affliction of developing countries like

Bangladesh, and not to mention the European Commission, Christian Democratic Union of Germany, International Olympic Committee, former French foreign minister and Elf, but the economic costs for a country like Bangladesh is crippling. The four examples of corruption cited above are also examples of detection, investigation and sanctions. That is the point of departure between Europe and South Asia. It is, therefore, most heartening to read Vice President Gore's most unambiguous statements on promoting good governance worldwide. It is expected that the President of the United States would take the opportunity of his visit to South Asia to gently remind us all of the highest standards of transparency and accountability that his administration would apply in dealings with this region. The time has come to translate Vice President Gore's laudable principles into reality. The leadership within South Asia has a heavy burden to discharge: to generate the political will to bring about such fundamental changes.

Due to the rather unequal relationship between America and Bangladesh the onus is naturally on the former to be especially judicious in its economic dealings with the latter.

As it is for Bangladesh to develop a transparent policy in relation to, among other issues, procurement of goods, development of infrastructure, negotiation with international oil companies, it is even more important that American companies don't become party to dubious transactions. Neither should the President of America be a witness to such deeds. Bangladesh would expect from the American administration a clear policy as enshrined in the Foreign Corrupt Practices Act and international agreements such as the OECD Convention Against Bribery.

Therefore, the visit of President Clinton is truly symbolic. It stands for all the values that the United States has nurtured over the years. It is our ardent expectation that the President's visit would in the long run encourage similar democratic values in Bangladesh. It is in this wider context that particular attention needs to be given to the growing economic ties, as would be evident from the President's visit to Bangladesh, in upholding a process of change, which would be nothing but most transparent and accountable in both perception and reality.

The author, a Barrister, is the Executive Director of Transparency International Bangladesh.

Warmest felicitations to  
The US President  
Mr. Jefferson Clinton



From the land of great saint Hajrat Shahjalal (RA)

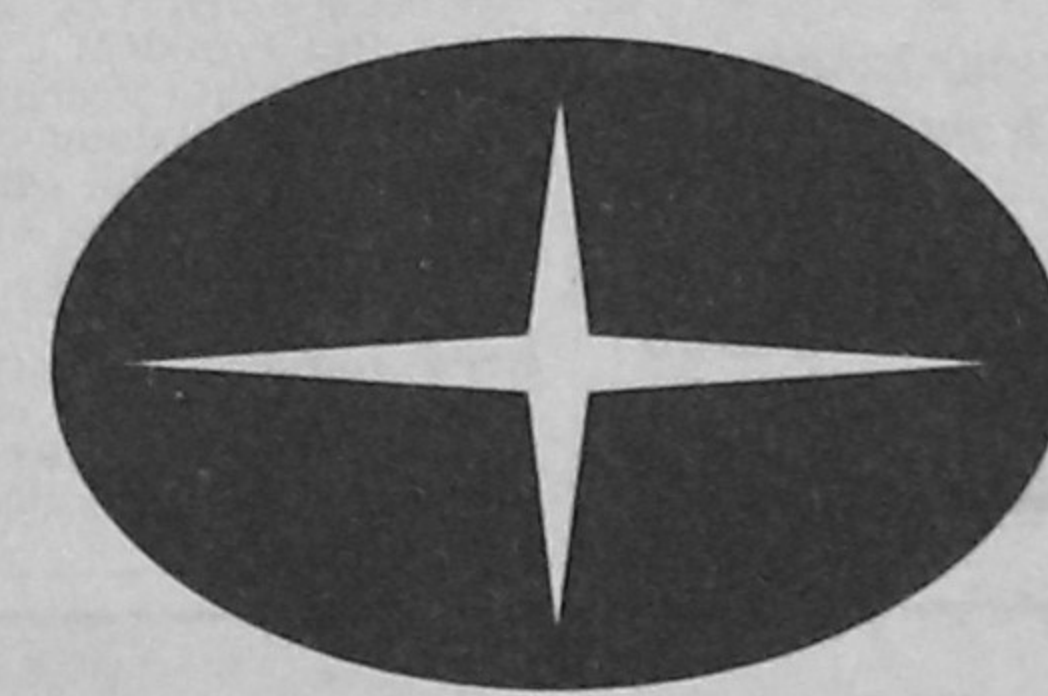


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Badar Uddin Kamran  
Chairman

If the world  
is really getting smaller,  
being "global" just isn't  
the big idea anymore.



OK, so we couldn't resist the chance to tell you that we have branches in 104 countries, 25 more than our closest international bank competitor. But the point remains. It's not just that we're there. It's how we're there. Completely local. Entirely at home. The way we are here in Bangladesh, and right across the globe. Understanding a country by its people, not just by its airports. Growing our customers' business by understanding the kind of issues that are literally around the corner. Not just around the world. And that's a big idea.

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