

Post civil war industrialization essay examples

[Business](#), [Marketing](#)



The period after the end of the American Civil War (1861-1865) was marked by massive industrialization and business transformations. In the late 1800s historian Alfred Chandler described the vertical organization motives and maneuvers of major businesses as having a “ visible hand of management (replacing) the “ invisible hand” of market forces” (Heilbroner & Singer, 181). By talking of the “ visible hand” Chandler meant that the forces of technology were bringing out larger and more rapid flows of production compelling businesses to seek wider and deeper forms of organization (Heilbroner & Singer, 181). Under this system, horizontal expansion and vertical integration offered corporate managers the opportunity to administer the production process from start to finish without surprises and disruptions (invisible hand) that arose due to lack technology to consolidate production processes (Heilbroner & Singer, 181). Taking a case of Carnegie’s Steel industries, the invisible hand would be seen in the escalation of costs through the purchasing of raw materials and processing equipment, shipping, processing and so on. The introduction of vertical integration backed by technology eliminated intrusion of destructive costs into the production processes.

The replacement of the “ invisible hand” with the “ visible hand” in the vertical organization of businesses made some assumptions about the nature of market forces. The adoption of technology to aid in the production processes brought about huge savings in production. “ Economies of scale” would be realized. In steel production for example, a dozen men would produce in a single day what several hundreds of men would produce in a year! (Heilbroner & Singer, 181) The splitting of production processes and

the intrusion of market complexities required more laborers thereby increasing the cost of production. Heilbroner & Singer, assert that vertical integration enhanced “economies of scope” thereby enabling businesses to widen the range of output due to availability of larger profits and the sheer size of the enterprises (182). The invisible hand also implied control by individual business owners. The replacement of the “invisible hand” with the “visible hand” meant that leadership of businesses enterprises stopped being a one-man show and elaborate management teams took over the management of businesses (Heilbroner & Singer, 182).

The “visible hand” and the “invisible hand” both make different predictions on the direction a capitalistic economic system should take. The adoption of technology to ease production and enhance vertical expansion guides capitalistic economies to growth driven by “economies of scale” and “economies of scope”. Under such an economic system, businesses specialize in an entire chain of production say oil exploration, refining and retailing of oil products. The sheer size of the businesses facilitates reduction in operation and production costs. This means more profits for the businesses, facilitating more research to allow for the diversification of products and services (Heilbroner & Singer, 182). The rise of such strong vertically structured businesses has the potential to anchor a strong capitalistic economic system. The presence of an “invisible hand” in business operations demands for heavy interference by the government in order to provide appropriate safeguards to avoid interferences from destroying the reigning capitalistic economic system. The more the government interferes in a capitalistic economy the lesser the growth such a system experiences.

The introduction of heavy regulations brings about bureaucracy thereby hampering innovations and business enthusiasm which are the hallmarks of successful capitalistic economic systems.

In comparison to a horizontal system that allows for manipulations of the market mechanism, vertical integration aided by technology is better when relied upon to spearhead the growth of a capitalistic economy. Under vertically organized business enterprises, there are economies of scale allowing for higher production at low costs. This translates to higher profits facilitating more research to bring about growth, diversification and expansion of business entities. These aspects generate more job opportunities and more revenue for the economy through taxes. The presence of unseen manipulations of the market mechanism invites heavy government interference which hampers growth of businesses. A market economy should be characterized by less government interference, vertical integration, transparency in production processes and the freedom of business people to form strategic partnerships and alliances.

Works Cited

Heilbroner, Robert & Singer, Aaron. The economic transformation of America: 1600 to the present. Fort Worth [u. a.: Harcourt Brace College Publ. 1999.

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