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Worker Ownership and Land Speculation in the Campus, Legislature, and Economic Theory of Leland Stanford, 1878-1891

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Leland Stanford, owner of the Southern Pacific Railroad and US Senator for the State of California, had become in his final years a committed advocate of worker ownership over the means of production as a socio-economic principle capable of overcoming the central conflict of industrial capitalism: the increasingly aggressive antagonism between monopoly capital and a nascent international labor movement. Stanford authored several pamphlets and newspaper interviews in which he argued that the capitalist relationship between worker and shop-owner had become obsolete in the face of widespread labor unrest. He argued that this recent global upsurge in direct action taken by workers was, in effect, a new sign of social intelligence, one critical result of industrial technology's ability to increase workers' wide-scale *interaction*. Advanced technologies such as the railroad itself—so often the precise target of class conflict—had altered society, creating a new man that now required scientific principles of cooperation to increase both national production and social intelligence and ultimately to provide a third way between capitalism's vast unequal distribution of wealth and socialism's counter-image of the state with unlimited power.

In this paper I want to show that Leland Stanford's economic theory of cooperative labor was influenced and premised upon the Southern Pacific Railroad's spatial arrangements aimed at increased productivity and collective pedagogy. That is to say, railroad geo-politics, and most specifically land speculation and the necessity of future markets, demanded the integration of humanist forms of firm management, as well as the socialization of labor within the settings of an entrepreneurial agrarian workforce. Rather than the typical nineteenth century celebration of the profit-earning entrepreneur, Leland Stanford focused on the organizational structure of cooperation as a solution to the nation's economic depression. The Senator did this by implementing legislation that reflected three lessons learned from the organizational structure of the Southern Pacific Railroad:

1) Creating learning organizations dedicated to improvements (including innovations) in products, services, and organization.

2) Securing low costs of production by integrating into marketing (distribution, promotion, and pricing) and into sources of supply.

3) Creating cooperative organizations that administered production activities.

Understanding how these internal organization practices exerted its influence on Stanford's vision of cooperation offers us a historical model by which the labor of big businesses shaped an economic theory with the radical ambition to transform capitalism through an economic, rather than political, perspective of the role of the *entrepreneur*.

The figure of the entrepreneur played a powerful role in explaining the emergence of large firms in the nineteenth century. In 1876, Francis Walker argued that the historical shift from *mercantile competition*—which adopted the traditional division of production into *land*, *labor*, and *capital*—had been surpassed by *industrial competition* which now introduced the necessity of an individual with superior abilities to organize and make correct decisions regarding the use of resources in a complex environment. To attribute output to labor and capital is fine for primitive conditions, wrote Walker, but when production becomes "infinitely numerous and complicated," the employer is required to, "furnish technical skill, commercial knowledge, and powers of administration, and to assume responsibilities and provide against contingencies; to shape and direct production, and to organize and control the industrial machinery." In *The Wages Question*, Walker identifies a distinct "entrepreneurial class" whose job is to address the needs within the large firm. In short, the large firm of industrial capital exists to exploit the higher output that can be achieved by moving control from the capitalist to abler entrepreneurs. Thus, Walker's entrepreneur mediates the other important function of the capitalist and the laborer.

By grasping the necessity of entrepreneurial labor as a key figure in the new onset of nineteenth century industrial production, Walker identified the failure of cooperation as the attempt to combine in the same person the capacities of *capitalist* and *laborer* (Walker 264). Instead, education and technology—the scientific instruments of the entrepreneur—and particularly its dispersal through the Southern Pacific railroad offered the means to shift the focus away from the talents of an individual entrepreneur and toward a particular organizational *process*. Leland Stanford, who would later call upon Francis Walker in the design of an entire university, began to theorize this organizational process by advocating the "working class" as the "entrepreneurial class" structured on the pedagogical practice of *association*.

It is this organizational *process* that Leland Stanford turned to in his introduction of the Bill of Cooperation to the Senate floor in 1887. Here Stanford argued that all civilization and all advanced labor ultimately rested upon principles of cooperation. Not only would increased production and employment alone justify such legislation, but cooperation involved another dimension: it would create a more intelligent people. In a co-operative, individual differences were eliminated at the peril of science, government, and the general welfare of the population. The maximization of individual potential, for both men and women, was part of this new discourse and pathos of social improvement. The theory of co-operation required a social field of everyday relations based not on improving the morality of the working class as would soon be pursued in the paternal experiments at Pullman and other corporate industrial towns. The real benefit of cooperation over philanthropy and paternalism was the way it enabled individuals to "find their fullest development in association" with others (Stanford, "Cooperation" 1). The purpose of the cooperation bill, as he saw it, was to allow those with little or no capital to unite in economic ventures that they could not afford individually. The anticipated objection that this bill was asking for an already guaranteed right by corporate law itself, Stanford conceded, but before any group could incorporate under existing laws, it first had to show financial solvency. Stanford's Bill omitted this obligation: it provided for the association of individuals without any capital whatsoever.

In support of his bill, the Senator began a campaign to explain to the American public that capital was simply organized labor, that corporations were extended partnerships, and that all workers with intelligence could organize cooperative societies and work for themselves, proving that the antagonism between labor and capital was much more imagined than real. A perfect cooperative society, Stanford argued, would gradually eliminate the employer class. Stanford wanted to show that while labor was indispensable, capital was only *useful*. In several newspaper interviews we find Stanford framing his understanding of "relative surplus value" or what Marx once called "labor's free gift to capital."

> It should be borne in mind that the labor employed not only creates its own wages, but creates the premium which the enterprising proprietor receives for originating the employment. Viewed from this standpoint there is a sense in which the labor so co-operating is hiring an employer—that is, it is paying a premium to enterprise to originate and direct its employment. Capital is paramount and labor subordinate, only because labor consents to that form of organization in our industries which produces that result. (Stanford, "Labor" 3) […] To comprehend it in all its breath, however, let us assume that in all time all labor had been thus self-directing. If instead of the proposition before us to change the industrial system from the employed relation, and place it under self-direction, the co-operative form of industrial organization had existed from all time, and we were now for the first time proposing to reorganize the employment of labor, and place it under non-[self] direction. I apprehend the proposer of such a change would be regarded in the light of an enslaver of his race. He would be amenable to the charge that his effort was in the direction of reducing the laboring men to an automaton. We may safely assume that such a change would be impossible.

It is perhaps Stanford's most striking material: the image on the one hand of capitalist exploitation as quite simply an issue of labor's consent, a point forcefully emphasized in the present by the work of David Ellerman, and on the other hand, the image of a reversed historical situation. These two depictions mark representational strategies aimed at seizing the possibility of future humanist development and are fascinating for the way they restore a certain class critique that is absent from the rhetoric on collectivity, collaboration, interaction, and employee stock ownership that we find ubiquitous in contemporary Silicon Valley corporations such as

Google, Facebook, and Apple. Stanford's emphasis on combining the contradiction of humanism and productivity is also perhaps one of the most differentiating aspects of his economic theory. The social benefit of cooperative labor as a means toward multiplying value and national productivity is also no doubt the precise reason behind the charges from newspapers, politicians, and fellow monopolists, that the railroad magnate, the precise living representative of everything understood by the symbol of the Octopus, had somehow become a socialist, a traitor to his class. Stanford's vision, however, was not a strict valorization of production in the Marxist sense, but rather a capitalist valorization of *cooperative* production.

In addition to the Cooperation Bill, Stanford argued that the nation's economic system should not only be more flexible, but ought to give everyone the credit he or she needed based solely upon their industry, character, and ability to repay. Stanford held that "twelve sewing girls without the slightest capital, save health, skill and industry, have the same right to form an association to carry on the business of dressmaking that twelve millionaires have to form a company for the prosecution of manufacturing enterprises" (12 December 1886). And since it was the rural farmer who had indestructible security in the form of saleable land, he could best furnish the government with the means of supplying the needed money that would give the system flexibility. In May 1890, Stanford introduced a finance policy to implement a means of providing money to those desiring to embark on cooperative employment. The "Land Loan Bill" which directed the secretary of the treasury to print $1 million worth of paper money secured by land at no more than fifty percent its value. This, he said, was far safer than the present policy on government bonds, and would have the additional advantage of allowing those without capital to "energize" their assets immediately. He recognized that rural farmers as a class would benefit from the measure, but not at the expense of other groups or the economy as a whole.

In his final legislative act, the 1892 Money Bill, Stanford pushes for the permanent basis of increased circulation of money as a means to afford any individual the facilities for obtaining capital for the transaction of any kind of business, credited again on farm-owned land as a means to relieve massive unemployment and depression. Profit and value, of course, cannot be magically derived from increased circulation, however in the midst of the 1880s depression, Stanford was convinced circulation was an absolute necessity of turning money into capital.

Here we begin to make sense of this apparent contradiction of what look like two opposing goals (humanism and economic profit) by turning to what should by now be clear is a nearly complete social philosophy based upon *land speculation*. We are now ready to examine the influence of Stanford's interest in the organization of the corporate structure and its origin in his role as president of the Southern Pacific Railroad. In the last half of the nineteenth century, the Southern Pacific Railroad had played an aggressive role in the process of growth and transformation of the state. Like many other commercial organizations, Southern Pacific officials were convinced that California's future, and thus the railroad's, depended upon abandoning mining as the basis of the state's economy, and adopting instead an economy of diversified agriculture.

Of course, the Southern Pacific Railroad deployed an arsenal of weapons, including bribery, power politics, and economic reprisals in its ascendency to monopolizing transcontinental transportation. But by constantly reciting the depredations of the big four—Leland Stanford, Collis P. Huntington, Mark Hopkins, and Charles Crocker—historians have ignored the complexity of the Southern Pacific as California's largest economic institution and its motivation to develop and stabilize the economy of California. Freight and passenger traffic, the principal source of the railroad's income, was of course directly related to the population, economy, and development of the state, as was the value and marketability of the railroad's extensive land grant, scattered throughout the central valley, the foothills of the Sierra, and the southern deserts. Contrary to the traditional view that the railroad was a deliberate land monopolist, refusing to sell in expectation of increased future values, the Southern Pacific undertook to dispose of its lands as quickly as possible, a task that required heroic expenditures of energy and money.

The most direct way for the Southern Pacific to stimulate the spread of agriculture was to convert its own vacant acres into producing farms, and they did so operating within the context of populists agrarian ideals of cooperation widespread in late nineteenth century California. In 1889, all of these concerns were embodied into a new corporate department called the *Southern Pacific Colonization Bureau*, which worked to establish settlements of small farmers on cheaply sold railroad lands. The agency dispatched agents to Europe and states east of the Rocky Mountains to unleash a barrage of promotional materials, much of which stressed the cooperative colony as the most powerful technique for overcoming the high costs of California agriculture, the requirements of specialized knowledge, and the social disadvantages of rural living (Orsi 210). In order to attract settlers and speed land sales, the Southern Pacific also introduced a credit system which required minimum down payments and interest charges of only 10 percent a year. In several stages, the railroad liberalized its credit terms, offering a valuable service in a state that suffered from shortages of capital for agricultural enterprise.

In addition to these methods of decreasing costs of agricultural production, the Southern Pacific created numerous learning organizations dedicated to improving products, services, and organization. Train cars called "*universities on wheels*" collected and disseminated scientific information on properly growing fruit and specialty crops, assisted farm groups in organizing and developing their markets, and assisted campaigns for agriculturally-oriented legislature. In this way, the Southern Pacific embarked upon a spatial project to implement collective forms of worker ownership and humanist forms of management in step with antebellum populist conceptions of cooperation and collective pedagogy that could seize future markets for the railroad. The railroad aimed at providing a concrete means to educate California farm workers into California entrepreneurs.

Southern Pacific officials, in turn, perceived that the maturation of commercialized agriculture would enrich railroad shipping sales, increase land values, invigorate urban economies, and boost population density. This educational campaign to establish, promote, and commercialize California agricultural production instilled a massive spatial project that included the active accumulation of climatological and soil statistics, improving refrigeration technology, and sponsoring advertising campaigns that created a vision of California as an a figure of advanced horticultural sciences and economic stability. This horizontal integration into marketing (distribution and promotion) and sources of supply set the ground work for the logic of land speculation and the socio-economic benefits of cooperation found in Leland Stanford's legislature as Senator of California.

Indeed, from these "university on wheels," we begin to fully grasp that education and social development for Stanford was not an adjunct to the economic system, but already its defining feature, a position we share today and that defines our own historical moment as neoliberalism becomes globally understood as tightly interlinked and interdependent with a "knowledge economy", a "creative class," and an emphasis on privileged access to information. The modern university increasingly functions as the central protagonist of economic success in a network of twenty-first century techno-poles. We may thus grasp the concept of the "knowledge economy" less as a new feature of capitalism but as one whose emphasis on *innovation* re-articulates the necessity of colonizing future time and future markets through new management philosophies and the rhetoric of *worker happiness* grounded in the technological markets of Silicon Valley.

But Stanford's economic theory and land speculation most profoundly come together in his demiurgic social project dedicated to "the principles of cooperation." What we understand today as the first modern *campus* on the San Francisco peninsula had the precise function of coordinating future markets with advanced forms of cooperative social production. The land granted for the Leland Stanford Junior University amounted to 8,180 acres—over half the size of Manhattan—and the founding grant insists none of those acres may ever be sold. In designing the project, Stanford sought the advice of Frederick Law Olmsted, landscape architect of Central Park and Francis Amasa Walker, president of MIT and inaugural president of the American Economic Association, who's vast writing on wages and money must also be understood as a great influence on Stanford's legislative proposals.

The project's unification of architecture and planning, it's emphasis on enclosure and extension, its implementation of the quadrangle form, were obsolete and largely unknown in American educational settings in the 1880s. At Stanford University all of these stylistic features were implemented on a Promethean scale, systematically altering the meaning of the American usage of the term *campus* which previously referred to the area of grass surrounding the college Main—similar to the way the term "yard" is still used at Harvard—to now signifying at the end of the century an entire spatial ensemble, an autonomous coherent urban aesthetic form.

We have no time to address the fascinating aesthetic form of this structure that sought to harmonize individual buildings within a complete unified form using the unique material, geography and history of California to create one of the earliest implementations of American urban planning.

I have only wanted to detail here how the organization of the largest firm in nineteenth century California—from production methods, management structure, learning organizations, and large scale land speculation—influenced Leland Stanford's understanding of cooperation as the only successful model of capitalism on a national scale. Recognizing Stanford's achievement would enable modern economic theory to better understand a knowledge economy comprising large firms, cooperation, and complex competitive strategies, a situation that strongly defines our current historical moment of multinational capital.

But indeed perhaps the most significant influence of Stanford University may be marked in the way it succeeded in establishing a blueprint, a spatial discourse which would soon be transformed and implemented in totally different socio-historical contexts. The first modern American campus must now be viewed as much more than a mere aesthetic project. It is also an ideological one as the ambitious intention of this spatial form aimed at nothing less than the *resolution* of the contradiction of labor and capital itself. The persistence today of the *campus* as the dominant spatial discourse of the corporations of Silicon Valley and the global knowledge economy betokens the incompleteness of this resolution. Perhaps then the immense value of the thought experiment Leland Stanford asked the industrializing world to undergo remains precisely its status as a failure that somehow will not go away. The unfinished business of the modern university to suture individuality and collectivity remains Leland Stanford's contribution to labor's dream of somehow transforming its 'free gift to capital' into an earned gift for itself.

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Notes

Stanford specifically addressed the benefit of a cooperative industrial system for woman in his 1887 Address to the Senate: "One of the difficulties in the employment of women arises from their domestic duties; but co-operation would provide for a general utilization of their capacities and permit the prosecution of their business, without harm, because of the temporary incapacity of the individual to prosecute her calling. And if this co-operation shall relieve them of the temporary incapacity arising from the duties incident to motherhood, then their capacity for production may be utilized to the greatest extent. Every man of the industries would be open to and managed as well by women in their co-operative capacity as by men" (Stanford, "Co-operation" 8).

"Neoliberalism" has been put to use by academics as both a descriptor of a shift in economic policy and an optic through which to view a separate range of political, racial, sexual, literary, aesthetic, philosophical, educational, and religious phenomena. As economic scholarship on neoliberalism has documented the workings and effects of the voracious and unfettered capitalism that has ascended globally, humanities and social scientific work has turned its attention to the superstructural elements of this economic base. In the latter, it is noted that notions of "society" have been rendered obsolete, and replaced by a new mode of governmentality organized around self-regulation and self-care. See Brown; Newfield; Ong; Harvey 1990.

See Jessop

See Florida

See Castells

Castells 230-232.