



The Roots of American Manufacturing Are... Rum

A Case Study of Historic Entrepreneur Francis Cabot Lowell

An Entrepreneur's Ethic Case Study

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The Entrepreneur's
Ethic

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March 1799, Boston, Massachusetts

Spring was starting to show in Boston with trees budding, the days growing longer and the typically muddy streets beginning to dry. As Francis Cabot Lowell walked that morning to his office, he noticed these signs of the season. He'd put on only a light coat this morning. So nice, he thought, to get at least a glimpse of the warmer days to come.

The sounds of horses, hooves, and the wagons they pulled echoed off the brick walls of the buildings along the street. Commerce and trade were good for Boston, he thought.

He also couldn't help but notice the people. It was early, but the streets and walks along his daily trip from home to his office at the wharf were bustling. A sign, thought Lowell, of Boston's growth. He'd attended a dinner last night with the mayor of Boston, who had boasted in his remarks that the next year's census would show a population for the city of about twenty-five thousand, growth of more than one third from ten years prior.

New people, new buildings, new streets. Much was new in his hometown and Lowell was himself working to help create the new. Three years earlier, in July 1796, he'd returned to Boston from an extended stay in Europe and set up as a merchant on Long Wharf. His time in Europe enabled him to develop relationships with both suppliers and buyers for his business, which had been fruitful time spent after completing his studies at Harvard College. He now was engaged in overseas trade, importing silks and tea from China and hand-spun and hand-woven cotton textiles from India.

The smell of the ocean hit him as he pulled the key from his pocket and approached his office door. If there was bustle on the streets of Boston, there was even more on Long Wharf. Crews had been busy since daylight, he knew, unloading and loading ships of cargo.

'FC Lowell' was the only mark on the door he opened, the hinges creaking as he entered. It was not a large space, fifteen feet wide and twenty feet deep. His wooden desk sat at the back of the room beside a storage cabinet for records, accounts, and correspondence. A portrait of George Washington adorned the wall above his desk. Closer to the door was a table and chairs that could seat up to six.

Lowell had no goods on ships currently anchored in Boston Harbor. But he was soon expecting a visitor representing a new opportunity. He worked on his book of accounts for a time before being interrupted by the opening of his door.

"Mr. Lowell, when you said you had a modest office you did not exaggerate."

Lowell looked up at the tall guest. So very British, he thought. "Mr. Dalrymple. How very good to see you once again. Please come in."

Lowell guided him to his small sitting table. "My office is indeed not as well appointed as I recall yours."

Lawrence Dalrymple was a merchant from Liverpool that Lowell had met on his extended trip in Europe. They'd done no business yet but had an active correspondence that pointed to the possibility.

"Perhaps one day, young man." Dalrymple was in his early fifties. Lowell wasn't so sure his actual circumstances were as prosperous as he worked to show, but he had decades more experience than Lowell in the vicissitudes of the business world. He wore breeches and a velvet waistcoat that certainly cost a good bit more than Lowell's wool suit.

They exchanged pleasantries for some minutes before Lowell broached business. "Thank you again, Mr. Dalrymple, for sending on the assortment of cotton textiles."

"Do you believe you may find buyers for them?"

"I've spent time showing them to various shop owners in Boston and if we can come to a satisfactory pricing arrangement, I do believe we can develop a market for them here. We've done well, of course, with Indian calicoes. But we've not yet done anything with finished textiles. And those without the colors."

That drew a dour expression from Dalrymple. "Mr. Lowell, you and your fellow merchants here do always worry so very much about pricing. But I need only look around at the state of dress in Boson to know finer clothing would be distinctive and improving. Construction of proper clothing is more than just color." His eyes scanned Lowell's shirt disdainfully.

Lowell let it pass. "Have you given any more thought to the idea of a more reciprocal arrangement?" Lowell had proposed that instead of just being a buyer, they trade. Goods he could procure from Americans in trade for British textiles.

Dalrymple sighed. "I've spent days of my time here on nothing else."

"Days, Mr. Dalrymple! I should be flattered." He should be more careful at the risk of offending his British counterpart but he couldn't help it.

"My dear Mr. Lowell."

Here comes a free lesson, thought Lowell.

"As you well know, I am a merchant of only the finest quality goods. 'Insistent,' I've heard people say."

"That's the least that I've heard." He really shouldn't interrupt.

No matter, he picked right back up. “Insistent on quality down to the last detail. The last thread. The last drop.”

“Drop?” Lowell had caught the intentionality of the word.

“Yes, drop, Mr. Lowell. I could find no products of sufficient quality to impress my buyers in Britain, with one exception. And that for the least exceptional of my customers.”

“I’m intrigued.” He smiled at Dalrymple, though reasonably sure his potential trading partner didn’t know the exact source of his amusement.

“The pubs in Liverpool have created a good demand for rum. I find it rather vile, but sailors to the Americas apparently pick up a taste for it. When onshore they’re creating a sizable purchase. Poor devils.”

He sniffed. “At any rate, with all the ships that passthrough Boston from the Caribbean, my thought is that you could procure rum, quality rum of course, and that could be the basis for the reciprocal trade you so much insist upon.”

“That is one way. I have purchased some Caribbean rum in the past.”

“But you, no doubt, want another way?”

“There are nearly forty rum houses here in Boston, Mr. Dalrymple. I believe I can get you more consistent supplies at a better price. Less shipping, less expense anyway.”

“There’s so much more to it than just economizing on shipping, Mr. Lowell.”

Another lesson for the schoolboy.

“I hate to repeat myself, but quality is the key. Quality. Quality. Quality. Again, I find rum quite poor. But if one must have it, I find the Caribbean rum superior.”

“Ah, you’ve sampled the rum here in Boston. I’m surprised but so pleased.” Again, he couldn’t help but smile.

“Dear, God. No! The day you find me in a Boston rum house is...”

“Ah, I see. Of course. So very inferior to the pubs in Liverpool. Indeed.”

“Yes. Yes. You’ve got it. I don’t like to be so very harsh, Mr. Lowell. But you know as a fellow merchant that we must deal in facts. It’s simply very difficult to produce anything in Boston or

in the colonies. I mean in the United States, as you call it. It's difficult to produce anything of quality for British buyers."

"Difficult? I wonder why that is." This should be interesting.

"I hope I haven't offended you, Mr. Lowell."

Such generosity.

"Not at all. I'm just curious. Still learning, you know."

"Yes, of course. Well, you see it's just the nature of the place. There is considerable history in making the finest of all goods in England. Not for everyone, mind you. But for those... of discriminating taste and means. America has so little history. So little experience with how to make anything of fine build and quality. And really no experience with *buying* fine quality either. Paradoxical perhaps. I know Boston is your home and I appreciate your affections. I'm sure it will be an acceptable place for you. And if we can find a way to do business, I'm confident you'll one day be an adequate provider for a family."

Lowell nodded his head in amusement. "I've recently married. Mrs. Lowell will be a happy receiver of such prospects for me."

July 1803, Boston, Massachusetts

It was a lovely summer evening, but Francis Cabot Lowell remained indoors. At least he'd anticipated working into the evening so that he'd let his wife, Hannah, know not to expect him home until late. They'd been married five years now, so he supposed that Hannah had adjusted, mostly, to his work habits. Or, he thought, his lack of any other habits.

The distillery was at the corner of George and Belknap Streets in West Boston. He'd bought it four years earlier for six thousand seven hundred dollars. It wasn't a bad deal, though it was a sizable investment for him at the time.

The distillery, which dated from before the American Revolution, was once the property of Richard Lechmere, son of Thomas Lechmere, surveyor general of His Majesty's Customs for the Northern District of America. The Loyalist Lechmere family fled to Halifax, Canada in 1776 as Boston erupted against the British. They eventually sailed for England as they were banished from Massachusetts and their property confiscated.

A messy history thought Lowell. But one that eventually offered him an investment opportunity on a sizable and solid building and equipment for the distillation of spirits. Or more specifically, distillation of rum. Lowell laughed to himself at the reaction of others to the venture.

“Good Lord, Francis! What do you know of making rum? You don’t even drink it.”

“There are almost fifty other rum distilleries in Boston. There’s no hope in making money.”

“You buy rum cheap and sell it at markup, Francis. Why on earth try to make your own?”

Indeed, he had accumulated what money he had as a merchant. He’d built a significant business as an importer of wine, brandy, whiskey, and gin from Europe. He also bought rum from Boston and the Caribbean and shipped it back to Europe. He’d learned over the years how to make money with products shipped between Boston and Europe. Aside from spirits, cotton exports and imports of textiles from both Britain and India were his primary income generators.

Lowell understood why his foray into rum manufacture seemed odd to family, friends, and associates. There was risk from all sides. Could he make rum others would buy? Would he be distracted from merchant activities where he made money? Could the money he had tied up here be turned around for profit more efficiently in alternative investments?

Good questions all.

He was looking over his work on the pot of the still. It was shaped like a large round pot with a spout at the top. He would fill the pot about two-thirds full for each distillation, bringing the ingredients to a careful boil. The vapor from the boil traveled up the neck at the top of the pot still and then down through a series of smaller tubes to produce the distillate that eventually became rum.

He thought of all the changes he’d made to the apparatus. Would his changes in its construction ever end? He heard the front door open, the evening sun shining into the room as a figure entered.

“Charles! What brings you over this fine evening?”

His brother Charles was seven years his junior, now twenty-one years old. He had just returned from Edinburgh, Scotland, where he was enrolled in divinity school. Charles was very much the younger image of Lowell, though taller and with heartier features. His whiskers grew down his cheeks.

“I remembered the books I’d purchased for you.”

He was holding two books.

“Ah. Outstanding.”

Charles handed him the books. “Hold your judgement, Francis, until you see if there’s anything useful in them. I can’t decipher much. What do you think books on distilling Scottish whiskey can teach you?”

“Good question. I’m so new to distilling. I don’t know what I don’t know.”

“But you’ve been at it for what, three years? I’d think you’d be fully versed in distilling by now. Why you would want to be distilling and selling spirits at all is my question.”

Charles was on track to the ministry. One day in the not-too-distant future, he’d be back in Massachusetts with his own congregation to tend. His temperament was well suited to it. He was full of compassion and bent on improving others.

“I know you don’t approve of spirits, Charles. But I’ve always considered that the problem with spirits is with the people who drink too much. Not with the drink itself.”

“Indeed, Francis. There are the surface issues like public drunkenness. It’s gotten so much worse. But there’s the deeper issues in homes. Wrecked families. Wives and their children living in fear of the men who should be their protectors.”

“It is most unfortunate.” Lowell turned back to his tools. “I don’t wish to be in the distilling business forever, but it’s been such rewarding learning.”

“Learning? Francis, I bring you books about distilling so I can imagine learning can occur with your comprehension of them. But look at you. Your clothes are stained and there’s sweat on your brow.”

“I’ve learned from books, Charles, but I learn too with my hands.” Lowell walked over the pot he’d been working on.

“How to heat this pot properly for example. It’s my second. The first was larger, about six hundred gallons. But I couldn’t control the temperature properly, so it burst over so frequently that I wasted more than I produced.”

“This one appears smaller,” Charles said as he approached the pot. “I thought you only did bigger.”

Lowell shook his head. “That’s the idea. This one is about one-half the size of the first, three hundred gallons. But it’s much sturdier for the pressure produced by the steam. My real work has been on the seal for the top. But the best source of improvement has been this small and delicate instrument.”

Lowell walked to a nearby shelf and removed the device he'd received a few months ago. It had a vertical tube that contained fluid and a graduated scale of numbers on the flat piece that secured the tube.

"This is a thermometer. I purchased it from John Lucas of Liverpool. It tells the temperature."

He handed it to Charles, who looked it over. "The red line in the tube goes up to seventy-nine degrees. That's the temperature of the air?"

"Exactly."

"How is that useful?"

"Oh, it's not. But I can immerse it in fluid and know its temperature. You see, alcohol from the mash turns to steam at a lower temperature than water. If I can hold my heat steady and keep the temperature of the mash roughly between one hundred seventy-eight and one hundred eighty-two degrees, I get the most efficient and consistent production."

"So, boiling from a pot half the size still yields as well as another pot twice its capacity?"

"Exactly. With the thermometer I don't have to guess where the temperature is at. I know."

He grabbed a stack of his notes from his desk. The notes were covered with mathematical calculations.

Charles's eyes went wide. "You always favored calculations in your studies."

"I did. I still do. I think we will be able to double production using almost the same amount of molasses, fuel wood and labor."

He set the thermometer back on the shelf and grabbed another instrument to show Charles.

"This is a hydrometer. It measures alcohol levels. It's the other measurement that enables me to distill more capably. I can measure what emerges from the condenser."

Charles looked across the room to a crate that was filled with yellow fruit. "Lemons? Where did you get such a quantity? Do you use them for making rum?"

"I've traded lemons for years. But, yes, now I'm buying a good amount for use here. We found that lemon juice added to the water used with the molasses gives the rum a fragrance and taste that's pleasant."

"You aim for quantity and quality?"

“Yes, and yes. If the quality of a product is at a high level and cost of production is a low, then there’s profit.”

Charles chuckled. “Buy low, sell high. You always explained that as your goal as a merchant. The same now as a rum distillery?”

“In a way, but it’s more complex when you’re the producer. I think of it as a manufactory.”

“A humble manufactory!” Charles spread his arms and looked over the room that was indeed more of a mess now than Lowell would have preferred.

“Indeed. But in manufacturing done well, it seems to me that processes are made regular. Anyone can distill small batches of rum. Some of it may even turn out, though probably not much. But to produce thousands and then tens and hundreds of thousands of gallons of quality rum, there needs to be a design. A system. A well-honed set of steps that can be repeated with the most regularity.”

“But Francis, you’re a merchant not a manufactory operator!”

“Looking at this place, I suppose you are most correct,” Lowell laughed. “But I’ve made progress every week in this place. I’m making a better product and now I’m aimed at doing so at lesser expense.”

“And the books on Scottish distilling can provide additional progress?”

Lowell swayed his head as he grabbed of the books, reflecting his skepticism. “At the highest level, I suppose distilling rum and whiskey are the same. But at the deepest level, the level of details, the place where quality and efficiency are born, I’m not so sure.”

Lowell turned the open book toward his brother and pointed to an illustration. “The first step is fermentation, turning sugars into alcohol. But the source of the sugars is different, you see. Rum is from molasses. A liquid. Whereas whiskey is from grains. Rye or corn, for example. The larger pot I used was purchased from Alexander Anderson, who patented his equipment. But I think it must really be designed to work for whiskey and its grain mash. Not for rum with its molasses mash. We ran six experiments in two days using his still and instructions but had very poor results.”

“Surely you’ve written Anderson about the failures of his equipment.” Charles knew him too well.

“I did. With detailed measurements from the experiments.”

“And how did he respond?”

“Tersely. He said he’s only made whiskey but could understand no reason why starting with molasses should change methods.”

“But your efforts actually using molasses indicate otherwise?”

“I did try to make that point in my correspondence with Anderson, Charles. Theorizing without testing doesn’t produce learning. I sent him another letter yesterday mentioning that I thought my modifications to his system merit another patented invention. Perhaps that will draw his attention.”

Charles laughed. “Francis, I truly don’t know where you are going with your business! Not just a rum distillery, but you may file a patent on a distilling invention.”

A knock at the door drew their attention. Lowell opened the door revealing a familiar face. “Isaac. Welcome. I seem to be drawing company this evening. Please join us.”

Isaac Davis walked inside and smiled at the sight of Charles, who was also known to him. Davis was well-dressed, reflecting the prosperity of a fellow merchant, though one who had two decades more experience as well as financial wherewithal.

He removed his hat. “Francis, I am glad to find you so late in the day. And Charles, good to see you. I’d heard you’d made your return from England.”

They spent the next few minutes exchanging pleasantries, but Davis was a man of business. And he had business this day.

“Francis, I know you’re making a go of this rum business, but I wanted to discuss if you’d consider either moving it to a new building, or just taking profits from the sale of the property?”

Lowell and Davis had done much merchant business together, so there was complete trust. “It seems you must have a business idea for me, Isaac. I always listen.”

Davis smiled at that. “Listen, you do, Francis. I’ll give you that. My success at gaining your agreement on my ideas is infrequent, however.”

“I know you’re developing properties on Chambers Street and have your eye on this neighborhood, Isaac. But this building works well for the business.”

“I know, Francis. Just hear me out. You know how properties in Boston can work. A single lot can be worth one thing. But if there is a plan for contiguous lots, even whole streets or neighborhoods, then the value of the property and structures affixed to it can increase more substantially.”

“Isaac, I just don’t have interest...”

Davis cut him off. "I'll get directly to my proposition, Francis. If you aren't indeed interested, I'll bother you no further."

Lowell smiled and leaned back in his chair.

"Twelve thousand dollars, Francis. I'll pay you that amount for this building and property. That will provide you plenty of funds for another property and buildings."

Davis was serious. Lowell thought that he had probably paid too much at just under seven thousand. But now, just four years later, twelve thousand!

The conversation got very serious for the next several minutes as Francis asked questions.

Davis, ever the trader, sensed it was time to let Lowell stew with the offer. He stood abruptly. "Francis, I know you make only the most considered decisions. Take whatever time you need. Perhaps next week we could visit again."

"Next week, Isaac. Very well. You have given me something to consider."

Lowell showed him to door, before turning back to his brother.

Charles had remained silent as he and Davis had had their back-and-forth conversation.

"Francis, I knew you made much money. But I'd never witnessed an example of how that happens."

"How do you find it?"

"Interesting, I suppose. I mean, I've no talent or desire for it. But it's like watching people dance. You and Isaac swaying to the music of money and transaction. Trying not to step on one another's feet."

Charles considered what he'd heard for a few moments.

"What did you buy this for, Francis? The building and property?"

"Six thousand seven hundred."

Charles slapped his knee. "Five thousand dollars in profit! A sum most people can't even fathom."

"I understand, Charles. Indeed, it's much money. Yet, I don't know that I should accept Isaac's offer."

“What!?!” Lowell could only smile at his brother’s shock.

“Francis, I know I’m not a trader, but Isaac just offered you a...” He was doing calculations. “A seventy percent gain on your purchase. How can one turn down such an amount?”

Lowell could do his own mental mathematics. “A seventy nine percent increase to be exact. Even accounting for time, not bad.”

“Accounting for time?”

“Yes, Charles, it took four years to yield the gain. So, one must account for the time value of the money. If I had put the sixty-seven-hundred dollars into another purpose, it may have yielded return. Considering I have had the six thousand seven hundred I paid for this building tied up for four years, if I take the twelve thousand dollar offer from Isaac, it will have an annualized return of...” It took him a moment to do the calculations. “Just under sixteen percent. Indeed, Charles, that is quite a good rate of return on investment. If a return such as that is sustained, one can double their investment in about four to five years.”

Charles laughed. “I’ve always thought my memory for verse and scripture was a power of mind for others to envy. But your power of mind for money and calculations is something altogether particular to you. It suggests to me that your type of thinking would conclude to take Isaac’s offer.”

“Perhaps,” he allowed. “But there are other considerations.”

“Ah, yes. Such as taking one rum maker out of business for the public’s good? Perhaps I’ve had an influence on you after all!” Charles knew appeals for public charity didn’t resonate with his older brother, but he didn’t find it offensive.

“Charles, when you get set up in your ministry you know I’ll help support your work. If temperance is part of that work, then good for you. And good for those you can help.”

“I do appreciate the sentiment, Francis. But isn’t there an incoherence if you produce and profit from rum and then support temperance?” He seemed as puzzled as Lowell was sure.

“There’s hardly a product of human consumption I can think of where it cannot be misused in some way. Or there is some injustice involved in its production or distribution.

“Even food. Food is, of course, necessary for our living. But too much of the wrong food can lead to ill-health.”

“Francis, you’re surely not calling stoutness of frame an injustice!”

He smiled as he thought of Charles's own habits. "Do you still take sugar in your tea?"

Charles nodded. "Indeed. I'm afraid I am fully acclimated to afternoon tea now. It does seem one of the good habits I've picked up in England."

"Have you thought of where the sugar in your tea comes from?"

Charles shook his head at this. "From you, brother! Isn't it one of your most traded items?"

"Indeed. But that sugar, whether here in Boston or what you have in your English afternoon teas, comes from the Caribbean islands where sugar cane is produced. I've not visited myself, but I understand the indescribable horrors faced by enslaved people who provide the labor."

"So, if you ought to give up rum making I ought to give up sugar in my tea?"

"I don't know, Charles. I only bring it up to reflect the complex moral dimensions of... well, everything. I do want to leave the world a better place than I've found it, but I believe I must choose my battles. And you, of course, must choose yours. I've some skills for business and money. For a time, rum's been a part of it. Hopefully the world is at least no worse off for it. And there's some chance I can use what's come from rum making for good."

"I can't help but be a skeptic, Francis, that any good can arise from rum making. But I am curious."

"At the most basic level is the profit. A sixteen percent annualized rate of return from Isaac's offer is indeed good. But I've exceeded that with the profits. The first year's profits were about one thousand dollars, but I've been able to increase that by two thousand dollars per year since then. This year, I believe the business will profit about seven thousand dollars. So, the business will have thrown off more than fifteen thousand in profits. An annualized return exceeding thirty percent."

Charles was thinking that through. "The business may soon profit as much in one year as Isaac is offering?"

"Yes, you've got the idea."

"Are you investing those profits back into the rum business?"

"Only a fraction. The improvements in the distilling process do come from purchased improvements, but mainly from improvements arising from... well, from me. The yield of rum from every gallon of molasses we purchase has increased several-fold. The quality of the product has improved such that I can charge higher prices. And the expense per gallon produced has been reduced."

“Do you invest the profits in something else, or simply gather your money into ever higher piles?”

“I’ve invested in improvements to our wharf facility, which results in more profitable merchant business. We can store more products in good quality for both import and export and our labor expense per ton shipped has been lowered. And, like Isaac, I too have been buying some properties around Boston. Just more quietly than he.”

Charles leaned back in his chair with his chin resting in hand as he looked at Francis intently. “I’ve always known that you would be rich someday. But I believe I now understand that you’re already quite there. Yet, I look at you in your soiled shirt and dirty hands working into the night. This isn’t the picture of the wealthy Francis Lowell I’ve envisioned.”

“I suppose I am a strange creature. But I can’t explain how much pleasure I’ve gotten from working here on all the improvements. Developing my abilities as a merchant has been good. I supply products people want to buy with efficiency. There’s no simple formula for putting coffee, sugar, tea, wine, brandy, and cloth in the right places at the right time for the right price. But to make something. Rum is such a crude spirit when in comparison to the Scottish whiskey’s written about in this book.” He pointed to one of the books Charles had brought him.

“Yet, the rum I now produce is as good, perhaps better, than anything others make.

“I’ve probably never shared how it all started?”

“I don’t believe I know how you got started, Francis. I was just starting my studies at Harvard and not really paying attention, I suppose.”

“Two events turned my attention to rum-making. The first was that I developed a trading relationship with a merchant in Liverpool, Isaac David. I’ve done a good business with him in rum, but he had expressed doubts as to whether anyone in Boston could make even decent rum.”

“So, you decided to show him by making rum yourself?”

“Not right away, but I worked to buy from Boston rum houses.

“I had gotten in two casks of rum from a regular maker here in Boston. I was just developing buying relationships in England. The seaport towns where sailors settle seem to have a demand for it. Anyway, one of the casks of rum, upon my sampling it, was of similar taste and quality to past shipments. But the other was simply bad. Something had gone wrong in the distilling. I wouldn’t ship it to my new customers in England, so I requested a refund.”

“Did he refund your money?”

"He did, but not without significant complaint. As the conversation ended, he looked at me. 'Young, Lowell. If y'er so smart, make y'er own damned rum.'"

Charles slapped his knee. "That's exactly what you did!"

"Indeed. And I learned that making rum consistently, with consistent quality, consistent yields, consistent quantities, and consistent profits is... consistently challenging."

"But you've done it."

"I've only started."

Charles found that remark curious. "Do you aim for a rum-making empire? Where is the esteem in that?"

"No, Charles. Not rum. But most of the products I import and sell to Americans are high value."

"Isn't that good? Buy low, sell high, you've always told me is your business."

"True. But why not make those products instead of buying them from other places? There's much promise in this country, but we need to make things. Build things."

"But, Francis, America is so small. I can't imagine making here what I saw being made in England. Textiles. Porcelain. Fine furniture. Or wine from France. Such things will never be made here."

"Not only will they be made here, Charles. Someday they will be shipped back to those same countries."

"The English would laugh at your conceit. And coming from someone in Boston."

"I know. They may even laugh more uproariously as they drink my rum. In their fine cotton shirts using the American cotton I've shipped to them."

"And spun and woven in English manufactories, Francis."

"For now, Charles. Nothing is forever. At least in business."

Charles rose. "Is owning this building forever, Francis? Or has the time come to bid it a sweet adieu?"

He grabbed the books he had brought. "These cost you a lot. Perhaps I should return them for refund when I return to England," he teased.

"You can leave the books. One never knows where a fair return may be gained from such purchases."

"Financial results from books, Francis! That seems a stretch?"

"Results from what one does in the world arising from what's learned from books, Charles. Ideas are one thing. And an important foundation. But it's actions in the world that make results. 'Ideas to action?' Not a bad turn of phrase, do you suppose, oh literary one!"

Charles could only smile.

American and Alcohol – It's Complicated

"I've gotten more out of alcohol than alcohol has taken out of me," said the great British prime minister, Winston Churchill.

I'm not sure the same can be said by the United States of America. America and alcohol. It's complicated.

Early Americans imported their drinking habits based on the cultural norms of the countries from which immigrants came, predominantly northern and central Europe. W.J. Rorabaugh wrote in his research on American alcohol consumption for *The OAH Magazine of History*:

1

By 1770, Americans consumed alcohol routinely with every meal. Many people began the day with an 'eye opener' and closed it with a nightcap. People of all ages drank, including toddlers, who finished off the heavily sugared portion at the bottom of a parent's mug of rum toddy.

At least there weren't cars.

In his wonderful book *American Happiness and Its Discontents*, George Will wrote that Founding Father, Vice President, President and fellow-Bostonian to Francis Cabot Lowell, John Adams began each day with a tankard of beer. We can think about that in a couple different ways, I suppose. One being that it might be an improvement in recent presidents to take up such a habit. But a more serious understanding is about water. We should remember that drinking water wasn't something that could be taken for granted as it is today. Adams drank beer out of necessity it seems. The water of the eighteenth century arguably may have killed him before he reached the nineteenth. If Adams and his American contemporaries were alive today, I think it's safe to guess that their days would begin without beer.

By the time Francis Cabot Lowell was developing his rum distillery factors beyond water quality were driving an even bigger expansion of alcohol consumption. Most importantly, growth in the

cultivation of high-yielding corn in the developing interior led to conversion of the crop into whiskey. It's cheaper to transport whiskey than corn. Practical economics were at work.

Rorabaugh notes that "by the 1820s, whiskey sold for twenty-five cents a gallon, making it cheaper than beer, wine, coffee, tea, or milk."

In English traveler Frederick Marryat's *A Diary in America*, published in 1837, the writer remarks that the Americans drank for every conceivable occasion:²

I am sure the Americans can fix nothing without a drink. If you meet, you drink; if you part, you drink; if you make acquaintance, you drink; if you close a bargain you drink; they quarrel in their drink, and they make it up with a drink. They drink because it is hot; they drink because it is cold. If successful in elections, they drink and rejoice; if not, they drink and swear; they begin to drink early in the morning, they leave off late at night; they commence it early in life, and they continue it, until they soon drop into the grave.

On a per capita basis, by 1830, Americans were drinking the equivalent of three to four times the amount Americans do today.

It's natural that into this culture an opposing force would arise, temperance. Charles Lowell was indeed emblematic of one of the sources of this movement: churches. Churches in early America started schools, hospitals, orphanages, and eventually became key parts of reform movements that included abolition of ills such as slavery. And alcohol abuse.

My Own Story

When I was in grade school, on a farm my family owns, I was helping my dad and grandad carry potatoes up the stairs of what we called a cave. Others might refer to it as a root cellar. It was an in-ground cellar used as both a shelter from tornadoes and to store potatoes, root vegetables and other preserves. They were common in the era before basements.

On a wooden table in the cave was a dusty collection of bottles and other glassware. "What's that?" I asked Dad. Dad was a prototypical German-heritage farmer. He had thick fingers, hands and forearms that came from hard work. And a taste for beer.

"Prohibition, Kevin," he said. "Your great grandfather liked beer."

I did some research on Prohibition and learned what a crimp it had put on my beer-loving ancestors.

'If you can't buy it, brew it,' was apparently their answer to this quandary. My grandmother remembered carrying supplies and beer up and down those same stairs for her dad when she was young.

Prohibition in the United States was a constitutional ban on the production, importation, transportation, and sale of alcoholic beverages from 1920 to 1933. But the thing was that Prohibition didn't really work. There is evidence that alcohol consumption did go down a little, but whatever social ills were cured were offset by a whole bunch of other problems.

Prohibition is a great study in what sweeping new laws most surely invoke, the Law of Unintended Consequences. People who heretofore did not find drinking alcohol interesting, found it as such when it was illegal. If you've learned much about speakeasies, bootleggers, moonshiners, Al Capone or our very own Templeton Rye from Iowa then you've learned about how Prohibition didn't work. At all.

But Francis Cabot Lowell's development of a rum business in Boston in the early nineteenth century did work. And it worked in more than just a business sense. Lowell did not sell his distillery to Isaac Davis in 1803. He continued to develop the rum business alongside his merchant business. But after several more years, it had lost its purpose for Lowell. Part of it was that the market for rum wilted under the developing market for increasingly cheap American-made whiskey. But the larger issue was that Lowell had gotten out of the business what he wanted. While it did prove profitable from a financial perspective, the real profit was in the learning that Lowell the entrepreneur had gained.

Is there a present-day equivalent entrepreneur to Lowell? 2020s technical and business landscapes are so different from the 1810s that I think it's a difficult comparison, but I'll take a shot at it.

I recently listened to a podcast featuring Elon Musk talking about Tesla. He remarked that one of the most crucial things he learned in scaling that business is how much more complex it is to scale a manufacturing business compared to making a prototype. I'm paraphrasing, but his remark was something like 'it's easy to make a prototype. But it's a wicked-hard problem to scale manufacturing of products so that it's efficient and consistent in quality.'

The *idea* for electric cars was not new to Tesla. But enough technologies converged in the last twenty years to make electronic cars within the boundaries of feasibility for the first time. But to actually pull off creation of a business that would scale producing electric cars? Wicked-hard for sure! But if you've driven a Tesla or ridden in one, my guess is that your observation is same as mine. Niiice car! It took the audacious actions of a transformational entrepreneur to create an electric car business at scale and a subsequent innovation tsunami that *all* other car companies are racing to keep up.

Lowell was one of the pioneering American entrepreneurs to work on an analogous problem, but in a different era. In the dialogue with his brother, Charles, the younger brother observed

that his brother wasn't even close to thirty years old and was quite wealthy. And, indeed, that was the case. Ten years later, it was even more the case. Lowell's merchant business had continued to grow and profit. But just as Elon Musk bet the entirety his almost \$200 million exit proceeds from the sale of PayPal to Ebay into his investments in new businesses, so Lowell did not use his wealth for personal enjoyments.

The cultural norm of the day would have been for Lowell to have retired to the life of a country gentleman while in his thirties or forties. This was in copying, at least to a certain extent, the model of British aristocracy.

But Lowell didn't aspire to that kind of aristocracy. He was fascinated by the idea that he could take his mathematical insights and build them into a scalable manufacturing business. Rum wasn't to be that end-goal business, but it was the proving ground for one of the most brilliant minds and impactful entrepreneurs in early American history.

You see, Francis Cabot Lowell is recognized as one of the significant founders of American manufacturing. He went on to apply what he had learned in his rum business to textile manufacturing in the decade following his work on distilling.

Historians trace the roots of what is now called the Industrial Revolution primarily to development of the textile industry, starting in Great Britain and later arising in the United States with Francis Cabot Lowell as a central character in the early industrialization of the country. It was the beginning of what economist Deirdre McCloskey calls "the Great Enrichment," the centuries-long economic takeoff that lifted global living standards starting in the late 1700s.³

Great Britain's industrial might emerged when machinery for spinning cotton replaced hand-spinning that was done in homes before the mid-1700s and eventually power looms were developed to weave finished textiles.

Francis Cabot Lowell gave up his rum business and took his family in 1811 on an extended visit to Great Britain. It wasn't all rest and relaxation for the financially successful Lowell, however. You see, he took some time to tour textile mills. A strange thing to do on vacation, even for this ever-busy entrepreneur.

There are few modern equivalents to the founding audaciousness of Lowell's plan to launch textile manufacturing in America. That plan arose from his visits in Scotland and England, but also from his experience in developing a rum distillery, dare we say as a rum manufacturer.

When Lowell was experimenting with how to scale a rum distillery, there was almost no American manufacturing. The United States was a thinly populated country along the east coast that imported almost all finished goods. Lowell had made his fortune, after all, as a merchant who understood in precise detail what the United States could export and what it had to import. Export commodities, the British told him (and others) and import value-added

manufactured products produced by us. You Americans focus on low-profit commodities and we British will hoard the opportunities for profit in value-added manufacturing.

But Lowell went on to launch Boston Manufacturing Company, a pioneering integrated cotton textile manufacturing company, located to the west of Boston with a site along a river as a power source. Its importance was not in just the textiles industry that would emerge in the expanding United States, but in providing a template for the audacious launch of many, many large businesses and industries in the coming centuries. And, yes, the city of Lowell, Massachusetts, just northwest of Boston, is named for him and was once the center of American textile manufacturing.

Douglass Cecil North, winner of the 1993 Nobel Prize in Economics, wrote of the singular importance of Francis Cabot Lowell and the lasting impact of what he accomplished. He's been recognized by the American National Business Hall of Fame as one of the most important figures of American business in history, placing him among the likes of such luminaries as Andrew Carnegie, Thomas Edison, and Cornelius Vanderbilt.⁴

You won't have to wait too long to dive into a case study of Francis Cabot Lowell and the founding of [the] Boston Manufacturing company. The Rest of the Story will be a part of the upcoming book version of *The Entrepreneur's Ethic*.

There are seven parts of the The Entrepreneur's Ethic. Lowell's work exemplifies Ethic 1-Make Things Happen. This is the action-orientation of entrepreneurship.

And Francis Cabot Lowell's list of actions that dented the universe is long.

Develop American manufacturing capacity.

Dive deep into technical details.

Create structures that finance scale.

Attract talent from wherever it comes.

Enable new markets.

Where there's a task that no one else knows how to do, do it yourself.

Ethic 1 – Make Things Happen.

There are calls today for Americans to get busy building. Notable Silicon Valley entrepreneur, investor and venture capitalist Marc Andreessen, for instance, posted an article in 2020 during the height of the COVID pandemic entitled *It's Time to Build*.⁵

In fact, I think building is how we reboot the American dream. The things we build in huge quantities, like computers and TVs, drop rapidly in price. The things we don't, like housing, schools, and hospitals, skyrocket in price. What's the American dream? The opportunity to have a home of your own, and a family you can provide for. We need to break the rapidly escalating price curves for housing, education, and healthcare, to make sure that every American can realize the dream, and the only way to do that is to build.

I very much agree with Andreessen's notion. But I also take inspiration from entrepreneurial builders from our history such as Francis Cabot Lowell. Getting mojo for building in America doesn't have to be invented from scratch. We just need to remember who we are and from whom we came.

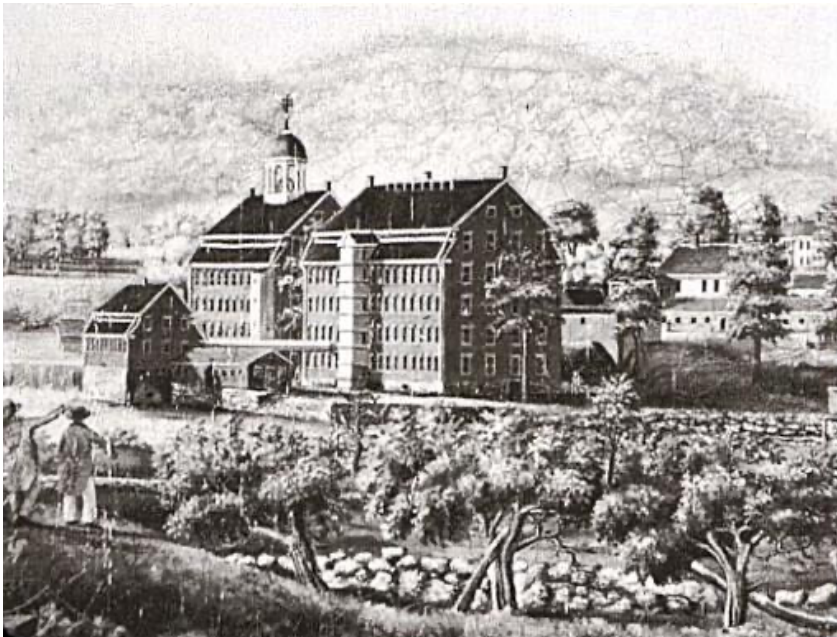
Rum as an important pre-cursor to one form of building in America, manufacturing? You can drink to that!



Profile of Francis Cabot Lowell. There are no surviving portraits of him, so this profile is all that we have to know something of his appearance.⁶



Charles Lowell was, from 1806 until his death, pastor of the West Congregational Church of Boston.⁷



Boston Manufacturing Company, 1813-1816, Waltham, MA. Elijah Smith (1788-1828). Engraving.⁸

End Notes

¹ OAH Magazine of History. Vol. 6, No. 2, Drug Use in History (Fall, 1991), pp. 17-19 (3 pages). Oxford University Press. <https://www.jstor.org/stable/25162814>

² Diary in America, Series One by Captain Marryat (1792-1848). Athelstane e-Books, London, England, United Kingdom.
https://archive.org/details/Captain_Marryat_Diary_in_America_Series_One

³ Postrel, Virginia I. . The Fabric of Civilization (p. 68). Basic Books. Kindle Edition.

⁴ American National Business Hall of Fame Laureates List. <http://anbhf.org/laureates/>

⁵ Andreessen, Marc. "It's Time to Build." <https://a16z.com/2020/04/18/its-time-to-build/>

⁶ https://en.wikipedia.org/wiki/Francis_Cabot_Lowell

⁷ [https://en.wikipedia.org/wiki/Charles_Lowell_\(minister\)](https://en.wikipedia.org/wiki/Charles_Lowell_(minister))

⁸ https://en.wikipedia.org/wiki/Waltham-Lowell_system