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The History of Business in America

American business history dates from the early-twentieth century and the particular political climate of that era. Nineteenth-century America had been characterized by conflict between business groups, notably between farmers and non-farm entrepreneurs. The emergence of large private transportation and communications corporations during the middle third of the century had given these conflicts a new and sharper focus: the large corporation became the enemy to farm and non-farm groups alike. The critics' intramural hostilities precluded a uniform reaction or the success of most anti-monopoly and anti-trust political initiatives, but they did not prevent the emergence of the trust issue as the dominant public concern of the period from the 1870s to the 1930s. The great merger movement of the turn-of-the-century created unprecedentedly large industrial corporations and exacerbated concerns about the future of the economy and of individual opportunity. The heightened political debate that resulted from these economic developments provided a stimulus to business history.

By the early-twentieth century, histories of large corporations and corporate executives had become powerful contributors to the assault on big business. Indeed, two historical works, Ida Tarbell's *The History of the Standard Oil Company* (1904) and Gustavus Myers's *History of the Great American Fortunes* (1909), were among the most notable muckraking exposes of their era. Designed to titillate popular audiences and mobilize support for political causes, they graphically illustrated the political character and potential of this style of historical writing.

Scholarly business history had different origins, although it also reflected the environment of the early-twentieth century. One stimulus was the rise of an American historical profession based on rigorous document-based scholarship. Most professional historians devoted their attention to public policy issues and strongly identified

with the critics of big business; hence the term "progressive history" emerged, becoming the dominant political influence in academic history writing. Regardless of political or ideological inclinations, however, historians rejected the notion of history as propaganda. Historical scholarship was to be as document-based, comprehensive, and objective as possible (1). Historian-scholars began to write histories of industries and firms that were comparable to the best studies of political institutions and biographies that were equal to the best political biographies.

A second stimulus to business history came in 1927 when the Harvard Business School appointed N.S.B. Gras as professor of business history with a mandate to create a body of useful historical scholarship. Gras had no identifiable political position, although he was not oblivious to the School's links to the great fortunes that writers like Tarbell and Myers had attacked. He focused, however, on how firms actually operated. Gras's work, and that of the scholars he gathered around him, was meticulous, detailed, non-political, and descriptive (2). It depicted, generally from the perspective of top managers, the evolution of the individual firm, often over a century or more. The Gras studies were almost exclusively of firms that had deposited their records at the Business School. New England companies, mostly manufacturing companies, predominated. Most of them had long and successful histories; none were big businesses. These studies examined problems associated with starting businesses, developing markets, creating new products, managing transitions between generations of owners and managers, and addressing the myriad of other obstacles and challenges that executives faced in the nineteenth and early-twentieth centuries (3). All in all, these studies probably contributed to the new, more balanced view of business that emerged in the 1920s. The executives described in the Harvard studies were conservative, hard-working, and community-

spirited. They struggled to gain and retain markets, confront competitors, and survive in difficult times. There was no John D. Rockefeller or Andrew Carnegie among them. Their world, though hardly static, was vastly different from the world the muckrakers had portrayed.

In the meantime, the big business issue arose again with the onset of depression and soon created a more enduring legacy of business history. Much of the polemical writing of the early 1930s, whether liberal, socialist, or communist, was based on the muckraking accounts of a generation before. Wall Street and big business were invariably the targets. Small business firms (including farmers) were again the victims, though not so often or so notably as in earlier accounts; the plight of individuals, especially industrial workers, was more appealing in an era of mass unemployment (4). Nevertheless, the most celebrated work of this genre was distinctly of the old school. Matthew Josephson's *The Robber Barons* (1934) was Tarbell and Myers redux, together with a dollop of Marxian determinism. It retold the stories of Rockefeller, Carnegie, Morgan, and other nineteenth-century titans who were cast as medieval outlaws. His portrayal of the clash between good and evil was designed as a political tract, with resounding effect. For a generation, the term "robber baron" and the implication of lawlessness, social irresponsibility, and immorality would dominate the portrayal of the origins of big business in the nineteenth century (5).

Allan Nevins prevented Josephson's work from sharing the fate of most popular histories. One of the most prolific and influential historians of the middle third of the century, Nevins wrote massive life and times biographies of prominent industrialists, including John D. Rockefeller and Henry Ford. His Rockefeller biography, published in 1940, was subtitled "The Heroic Age of American Enterprise" (6). Though the work was a conventional life and times, it was designed to be read as a refutation of Josephson. The effect, ironically, was to legitimize Josephson's work. Though Nevins unequivocally rejected the robber baron label, he seemed to endorse Josephson's approach. The personal behavior and sense of social responsibility of high executives, rather than the organization or operation of the business, was the measure of business achievement. In the following years, books, articles, and especially texts with titles like "The Robber Barons; Saints or Sinners?" became popular. Explicitly or implicitly, they assumed that the task of the business historian was to render judgements on the morality of big business and the actions of big business leaders (7).

By the late 1940s, the limitations of this perspective had

stimulated a cautious revisionism. The best example was the work of the Research Center in Entrepreneurial History, which operated at the Harvard Business School in the late 1940s and 1950s. It was the inspiration of Arthur H. Cole and others identified with the Harvard school. They had grown impatient with the seemingly aimless empiricism of the Gras studies and superficiality of the robber baron debate. Instead, the Center sought to transcend the traditional bounds of business history. Cole and the scholars and graduate students he attracted derived much of their inspiration from the social sciences, notably sociology. Accordingly, they sought to make entrepreneurship, rather than the firm or a group of individuals, the intellectual foundation for business history (8). By most measures, they failed. Though most of the Center-sponsored studies were well-received and many participants became prominent scholars, "entrepreneurial history" had little enduring influence. It was too vague to have broad appeal and did not address the political issues that traditional historians associated with business history. In the following years, entrepreneurial history became an adjunct of theoretical economics, while business history underwent a parallel transformation that provided a new and more compelling focus (9).

Modern Era

The modern era of business history dates from the late 1950s and is closely associated with two developments, one general and one specific. The general development emerged in the post-war economic and political environment. With the decline of the class and interest group tensions of the late 1930s, a new, more positive view of big business as a contributor to prosperity and social harmony devel-

oped. The specific development was the emergence of a dominating individual, Alfred D. Chandler, Jr. His influence, almost unimaginable in the political climate of the prewar years, redefined the character of business history and provided a starting point for anyone interested in the role of big business in western society or in the larger context created by the emergence of big business.

Chandler's major publications include *Henry Varnum Poor: Business Editor, Analyst and Reformer* (Cambridge, Mass.: Harvard University Press, 1956); *Strategy and Structure: Chapters in the History of the Industrial Enterprise* (Cambridge, Mass.: MIT Press, 1962); *Pierre S. Dupont and the Making of the Modern Corporation*, with Stephen Salsbury (New York: Harper & Row, 1971); *The Visible Hand: The Managerial Revolution in American Business*

Andrew Carnegie, *Autobiography of Andrew Carnegie* (1920)



Andrew Carnegie (1835-1919), an immigrant, a self-made individual, a steel magnate, and a philanthropist, circa 1878.

(Cambridge, Mass.: Harvard University Press, 1977); and *Scale and Scope: The Dynamics of Industrial Enterprise* (Cambridge, Mass.: Harvard University Press, 1990) (10).

At M.I.T., Johns Hopkins, and Harvard Business School (where he held Gras's old chair in the 1970s and 1980s), Chandler launched a highly successful assault on both the Gras legacy and the robber baron tradition. More important, he argued persuasively for a new interpretation of the role of the large corporation as a reflection of economic and technological forces in nineteenth-century society. From his perspective, Josephson, Nevins, and their many imitators had simply asked the wrong questions. Rather than the fundamental "what happened?", they had stressed the more subjective "was it good or bad?" Chandler was no less emphatic in rejecting the idea that events spoke for themselves and that each firm was *sui generis*. Chandler's work was explicitly interpretative and revisionist. It soon became the starting point for virtually all explorations of the twentieth-century economy (11).

Although Chandler wrote mostly about organizational innovation and the role of the manager, his starting point was the centrality of technology to economic and societal change. Small family-owned and operated firms prevailed before the mid-nineteenth century because primitive transport and communication technologies made it uneconomic to operate on a larger scale. Steam power and telegraphy were preconditions for larger factories and more sophisticated distribution systems. Improved transportation and communications, in turn, encouraged technological innovation in production and the creation of a new generation of larger and more mechanized factories.

Chandler also insisted that technology limited the spread of big business. Only where the firm could achieve economies of scale (reducing unit production costs) and scope (using a single production system to produce multiple products or services) did large, multi-function enterprises make sense. In other industries, small traditional firms remained viable, and big businesses typically failed. Chandler thus provided a reasoned refutation to the implication common to progressive history of an ever more powerful Wall Street and an economy monopolized by a handful of plutocrats. Finally, he explained how successful large firms perpetuated themselves by investing in research and development, creating related products for their factories and distribution networks, and generating new technologies to replace declining technologies.

Chandler summarized his message in the title of his best known

book, *The Visible Hand* (1977). In countries where modern technologies permitted economies of scale and scope, the visible hand of the manager, rather than the invisible hand of the market, coordinated economic activity. The principal mechanism of coordination was the vertical integration of business functions, notably production and distribution. Thus the rise of big business meant not only the emergence of corporations that were big in size (in assets, sales, employees, etc.) but also and more importantly, in function. The classic examples were in manufacturing, where a handful of businesses took advantage of improved transportation and communications to introduce improved production methods and in-house distribution and marketing activities, which made the single function industrial firm and the independent wholesaler obsolete, dominating industries for many years.

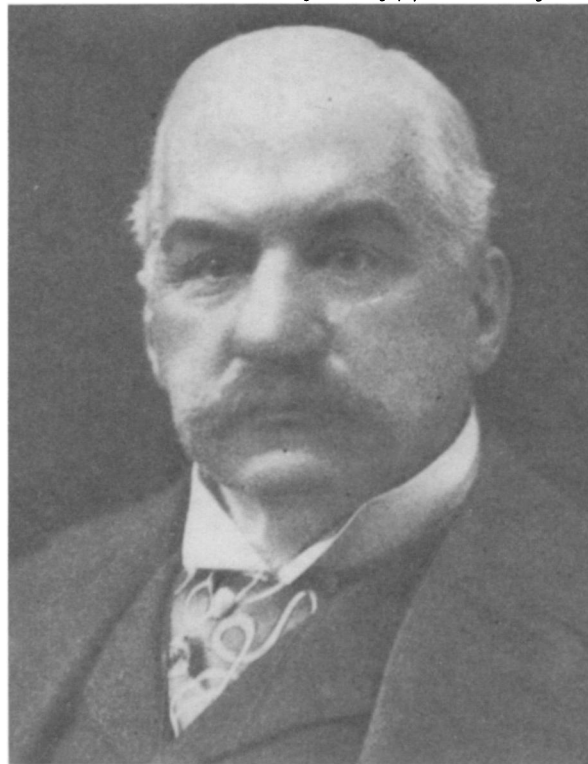
Chandler's message, repeated with mounting evidence in articles and books over more than a quarter century, has left an indelible stamp on business history in the United States and abroad. His work has forcefully influenced British, German, and Japanese business historians. Still, as influential as Chandler has been, his work has raised important but unaddressed interpretative issues.

Chandler devotes considerable attention to individuals and individual actions, as befits a historian, but virtually no attention to the human qualities that make individuals distinctive and understandable. He explicitly rejects the invisible hand of the neoclassical economist and the determinism of the Marxist, yet the people who dominate his accounts are little more than names. Chandler portrayed modern top executives as well-educated, clear-thinking, rational decision makers. He is right as far as he goes.

But even in this rarified company, personality often had (and has) a decisive impact. Presumably the business historian is no less obligated than others to weigh the importance of individual characteristics and eccentricities.

If Chandler paid little attention to the human qualities of the people at the top and middle levels of the corporation, he devoted no attention whatsoever to the employees who made up the base of the corporate hierarchy. Yet the large corporations of the turn-of-the-century years succeeded because they became more efficient as they became larger, contrary to the conventional assumption that impersonal relationships would lead to inefficiency. Chandler explains how this happened in terms of organization, not how the people most intimately involved in the production process contributed to it.

Andrew Carnegie, *Autobiography of Andrew Carnegie* (1920)



John Pierpont Morgan (1837-1913), an international financier, philanthropist, and art collector.

If Chandler's neglect of workers has received little attention among his followers, his neglect of government and public policy has occasioned more notice. In the Chandlerian scenario, technology is the principal stimulus to economic change, and technological innovation is a product of individual and corporate creativity. This emphasis reflects his preoccupation with the U.S. and with industry in the late-nineteenth and early-twentieth centuries. At other times, government has played a more assertive role. In agriculture, transportation, banking, communications, and energy—the regulated sectors of the U.S. economy, which embrace a variety of large and small firms—public policy has been the decisive stimulus to change, including technological change. In all industries, labor, social welfare, and environmental and civil rights laws have had a greater effect on large firms than on small firms. At the macroeconomic level, fiscal and particularly monetary policy have had a substantial impact on corporate policy-making. In Europe and Japan, the role of the state as planner and formal or informal allocator of investment funds, and, in some cases, as operator of industrial corporations, has added another layer of influence. Chandler and his followers have recognized these effects and taken them into account in their more recent studies, but have resisted the temptation to accord the state a primary role in western business systems (12).

In summary, Chandler has almost single-handedly changed the character of business history. The robber baron debate is passe, and no one would argue that generalizations about American or European business systems must await more company histories or business biographies. In few other areas of historical research has an individual had a comparable effect or greater influence in defining what matters and what should be studied. Still, there are limits to Chandler's influence. His neglect of labor and public policy has left significant gaps.

A Broadening Field

Though the Chandler school has dominated business history for more than twenty years, it accounts for only a small fraction of the high quality work that has appeared during that period. Ironically, as the focus of business history as a discipline has narrowed, the range

of business history writing has broadened. Virtually no era or subject has been overlooked.

Though the Chandler school emphasizes patterns of activity within and between firms rather than the history of the firm per se, single company histories remain popular. A large proportion are authorized histories, commissioned to commemorate a turning point in the company's development, create an institutional memory, or communicate a corporate culture to employees or the public. Most of them focus on the actions of top executives, the development of distinctive products and services, and major external events. Most—but not all—are highly particularistic in focus and convey little sense of the evolution of an industry, a functional activity, or a national

business system. This is especially true in studies of small firms. The exceptions tend to be histories of railroads, airlines, or other participants in well-defined industries that have been examined in detail (13). Histories of firms vary widely, depending on the size of the firm and its products, the availability of records, and the receptiveness of executives at the time the project was undertaken.

Although most business historians are preoccupied with big business, a significant minority has addressed the role of the small firm in the era of big business—recognition of the continuing vitality of

small, usually family-owned enterprises, the inherent differences between big and small business, and the fact that the majority of wealthy people have always been, and continue to be, owners of small businesses, not Chandler's top or middle managers. Studies of successful small firms in industries with a significant big business presence have demonstrated that the small producers were different. As Mansel Blackford notes, "by carving out market niches, and by developing new production methods, small businesses could remain as independent enterprises in successful coexistence with larger firms" (14). After 1900, government often helped smaller enterprises create and sustain a market niche. For example, government support for family farms, single unit banks, and independent retailers was a vital influence in the evolution of those industries. In other instances, new economic relations, such as franchising, enabled small firms to take advantage of the growth of large corporations. The underlying theme of all these studies is the adaptation of small business to the rise of big business.



Alfred Chandler, one of the founders of modern business history, in discussion with President Dwight D. Eisenhower. (1890-1969).

Thomas K. McCraw, ed., *The Essential Alfred Chandler* (1988)

Other important trends in business history writing reflect contemporary business developments. One of these, which also bears the imprint of the Chandler school, is the role of technology in business development and behavior, including the work of corporate research laboratories and of non-corporate sources of technological change.

Another theme related to Chandler's work and contemporary interests is the growth of multinational business activity in the twentieth century. Until the 1970s, scholars focused on the flow of European capital into American transportation and mining enterprises and on U.S. investment abroad, notably in Latin America. Since the appearance of Mira Wilkins's studies of direct investment and the growth of public awareness of "global" business activity, historians' interests have broadened substantially. Particularly helpful has been a shift from investment abroad—a subject that lends itself to quantitative studies—to more expansive issues, such as the spread of ideas, values, and social institutions. Two themes that I have worked on, international differences in higher education for business and the flow of scientific management ideas between the U.S., Europe, and Japan are illustrative of this trend (15).

By far the most popular subject—because it involves a variety of sub-disciplines besides business history—is the role of government in business decision-making. The convergence of business history and policy history, the history of the creation and implementation of public policy, is particularly promising (16). The work of leading scholars such as Ellis Hawley and Thomas McCraw suggests that the relationship has been varied, often convoluted, and difficult to interpret. The progressive historians' portrayal of conflicts between economic interest groups and the people, with government as a surrogate for the people, is at best misleading. But is there a superior approach? Despite the ever growing volume of work, business-government relations has yet to produce a Chandler.

Finally, industrial relations and human resource policies have commanded growing attention as the decline of organized labor has emphasized the importance of labor issues that are unrelated or only indirectly related to traditional subjects like formal union organization, collective bargaining, and strikes. With few exceptions, larger corporations (such as DuPont, General Motors, Standard Oil of New Jersey, and Sears) were responsible for innovations in personnel work, industrial relations, and human resources management (17). They sought to reduce turn-over by curtailing supervisors' powers and creating non-wage benefits such as pensions and insurance plans. Some of them sought to provide acceptable outlets for the workers' voice. The large clerical staffs large enterprises required became the province of women. Recent works have examined their experiences (18). Though consistently anti-union, they were rarely involved in aggressive open shop drives and other illegal or controversial activities. The most notable exceptions, the steel manufacturers, were also laggards in other areas. Most of the century's labor turmoil occurred in coal mining, clothing, and textiles, industries dominated by small, single-function firms.

Other contemporary issues are likely to have substantial effects in the future. In recent years, the largest corporations have come

under attack for their inability to keep pace with competition, including foreign competition. The decentralized structure that Chandler identified as a key to their success is now cited as a source of costly sloth. In many cases, middle managers have been discharged in efforts to improve short-term financial performance. Does this trend represent a short-sighted fad, like the conglomerates of the 1960s, or a reversal of the managerial revolution, as popular writers have suggested? (19) If they are right, when did the process begin and what effects is it likely to have on business and business history writing?

These speculations should not obscure the fact that big business and corporate organization, top-down histories that emphasize organization building and technological creativity, dominate business history and will likely dominate it for many years. Though political factors will receive more attention and transnational operations and comparisons between business activities in different countries will become more popular, the large corporation remains the overriding concern of American business history. The process that Chandler initiated in the 1950s has transcended the milieu that originally encouraged it and has had a pervasive impact in the United States, Europe, and Japan. □

Endnotes

1. See Peter Novick, *That Noble Dream: The "Objectivity Question" and the American Historical Profession* (New York: Cambridge University Press, 1988).
2. Gras's approach was partly utilitarian: to provide case studies used in his business history course, a practice that continues to the present.
3. Louis Galambos, *American Business History* (Washington: American Historical Association, 1967), 1-4. Most of these works appeared in the Harvard Studies in Business History, which Gras edited.
4. See, for example, Walter B. Rideout, *The Radical Novel in the United States, 1900-1954* (Cambridge, Mass.: Harvard University Press, 1954).
5. See, for example, Peter D'A. Jones, ed., *The Robber Barons Revisited* (Boston: D. C. Heath, 1968).
6. Allan Nevins, *John D. Rockefeller and the Heroic Age of American Enterprise*, 2 vols. (New York: Knopf, 1940).
7. Thomas B. Brewer, ed., *The Robber Barons: Saints or Sinners* (New York: Holt, Rinehart, 1970).
8. See Hugh G. J. Aitken, ed., *Explorations in Enterprise* (Cambridge, Mass.: Harvard University Press, 1965).
9. See, for example, Robert William Fogel, "The New Economic History: Its Findings and Methods," in Fogel and Stanley L. Engerman, *The Reinterpretation of American Economic History* (New York: Harper & Row, 1971), 1-12.
10. Chandler also wrote dozens of articles and book chapters, many of which had wide influence. Indeed, his most widely read work is probably his article, "The Beginnings of 'Big Business' in American Industry," *Business History Review* 33 (Spring 1959): 1-31, and numerous reprints. For a comprehensive list of

Chandler's works, see the bibliography in Thomas K. McCraw, *The Essential Alfred Chandler: Essays Toward a Historical Theory of Big Business* (Boston: Harvard Business School Press, 1988).

11. For Chandler's career, see McCraw, "Introduction: The Intellectual Odyssey of Alfred D. Chandler, Jr.," in *The Essential Alfred Chandler*.
12. See Richard H. K. Vietor, *Contrived Competition: Regulation and Deregulation in America* (Cambridge, Mass.: Harvard University Press, 1994).
13. See, for example, Keith L. Bryant, *History of the Atchison, Topeka and Santa Fe Railway* (New York: Macmillan, 1974); H. Roger Grant, *Erie Lackawanna: Death of an American Railroad, 1938-1992* (Stanford: University of California, 1994); W. David Lewis and Wesley Phillips Newton, *Delta: The History of an Airline* (Athens, Ga.: University of Georgia Press, 1979).
14. Mansel Blackford, *Small Business in America: A History* (Boston: Twayne Publishers, 1992). Also see Philip Scranton, "Diversity in Diversity: Flexible Production and American Industrialization, 1880-1930," *Business History Review* 65 (Spring 1991): 27-90.
15. See the essays in Nobuo Kawabe and Eisuke Daito, eds., *Education and Training in the Development of Modern Corpo-*

rations (Tokyo: University of Tokyo Press, 1993); and the introduction to Daniel Nelson, ed., *A Mental Revolution: Scientific Management Since Taylor* (Columbus: Ohio State University Press, 1992).

16. The specialty has its own publication, the *Journal of Policy History*.
17. Sanford Jacoby, *Employing Bureaucracy: Managers, Unions, and the Transformation of Work in American Industry, 1900-1945* (New York: Columbia University Press, 1985).
18. See Olivier Zunz, *Making America Corporate, 1870-1920* (Chicago: University of Chicago Press, 1990); Angel Kwoleck-Folland, *Engendering Business: Men and Women in the Corporate Office, 1870-1930* (Baltimore: Johns Hopkins University Press, 1994).
19. Anthony Sampson, *Company Man: The Rise and Fall of Corporate Life* (New York: Random House, 1995).

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