

## The Entrepreneurial Approach to the History of Business and Businessmen in America

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Entrepreneurial history today does not exist as a separate subdiscipline within the broader field of economic history. Twenty-five years ago this was not the case. At that time entrepreneurial history was a separate academic endeavor with its own leaders, methodological program, research center, and journal. My subject today is what business historians can learn from the history of the rise and fall of entrepreneurial history.

Entrepreneurial history was the last programmatic innovation in American institutional, or "old," economic history and our understanding of entrepreneurial history must begin with an understanding of the establishment of academic economic history in America. Economic history was not taught in 19th century American colleges, the nation's dominant institutions of higher education before the 1880s. These colleges, in fact, restricted the exploration of social phenomena in general to the universally required, senior-year course in moral philosophy. This course attempted both to cap the undergraduate's education and to prepare him for a leadership role in his community. The course hoped to cultivate in the students moral character and a sense of social stewardship. Moral philosophy and the college education in general were also felt to develop leadership skills, especially the ability to grasp the essence of novel, problematic situations, and to create workable solutions. This inductive approach to problem solving and the moral concerns of the educational program of the college would be carried into institutional economic history and the larger school of historical economics of which it was a part.

The historical study of the economy grew up in universities, institutions of higher learning that first appeared in America in the last quarter of the 19th century. These universities grew in large part on the belief that they offered patterns of authority and explanation that addressed the problems of large-scale national and urban society more effectively than did those of the college. The essence of the university program was to introduce socially relevant subjects into the curriculum, to divide knowl-

edge progressively into academic subject areas, and to develop these specialized areas through research. Thus universities capped their educational program not with the practical integration of knowledge in courses of moral philosophy, but with research-oriented graduate schools. Economics became one of the earliest areas of university specialization and it became the home of the historical study of the economy.

As already mentioned, the historical schools of economics maintained two key components of the educational program of the college. They continued to value the inductive ability to appraise novel social situations; in fact, this facility at forming coherent pictures of the world from a given body of data came to be synonymous with what was called the "historical method." The historical schools of economics also maintained the traditional role of moral critic of society. Indeed, these scholars hoped primarily to address the nature and legitimacy of the new large-scale capitalistic organizations that seemed to have overwhelmed the authority and utility of moral philosophy and the college education. They turned to historical research hoping to find civil institutions that could bring these new economic forces under control without, however, simultaneously destroying the vitality of their civilization.

By 1900 this movement to develop historical economics in America had evolved into at least three separate directions: toward "institutional" economics, toward the new discipline of sociology, and toward economic history. Primary credit for establishing economic history as a viable academic enterprise goes to Edwin F. Gay, professor of economic history at Harvard, for much of the period between 1902 and 1936. Gay became the undisputed leader of the new discipline, training America's most prominent economic historians and coordinating their research activities. Through his prominent roles as the first dean of the Harvard Business School, as organizer and director of the National Bureau of Economic Research, as active member of the Council for Foreign Relations, and as an influential advisor to the Rockefeller Foundation, he maintained connections between economic history and other disciplines and with policymaking elites. He succeeded in the common ambition to be a broad-ranging "scholar in action."

This was not true, however, of other economic historians. Under Gay's tutelage, the discipline instituted a narrow historicist academic organization. It became normative for economic historians to write reserved, accurate monographs that could later be combined into a larger vision of history. This process, however, forced the repression of the activist side of the "scholar in action" ideal. Academic economic historians were not encouraged to synthesize, to speak to political issues, or to offer moral criticisms of economic institutions. The focus on their particular subjects led economic historians to limit their con-

tacts with other disciplines and encouraged the fragmentation of economic history into small, semiautonomous subdisciplines, such as agricultural history, labor history, and business history; but the key limitation of the historicist program was the failure of inductive monographic research to actually add up to a larger vision of the course of economic history. Indeed, the vision of these scholars seemed to grow ever narrower as research progressed.

By the time of World War II economic history seemed to be in trouble. Gay had retired. Government officials were complaining about a lack of economic historians readily available for wartime planning. There was talk of organizing yet another subdisciplinary grouping -- an Industrial History Society. Gay's students and the Rockefeller Foundation responded by organizing the Committee for Research in Economic History whose purpose was to reunify and revitalize the discipline. Led by its chairman, Arthur H. Cole, the committee developed entrepreneurial history as its central research program. The committee hoped to establish entrepreneurial history as the central focus of research for the entire discipline, one that would bring business historians and economic historians back together and would open lines of communication to other disciplines. Moreover, they saw entrepreneurship as a fresh approach to the role of mind and institutions in economic life and thus as a focus that would direct their research toward the central synthetic and moral problem in economic history -- that of capitalism. This entrepreneurship, it is important to point out, was in many ways the same sober, wide-ranging genius of induction, decision, and action that colleges had long sought to cultivate. Gay also sought to develop such entrepreneurial facility at the Harvard Business School by using the case method of instruction and designing a course in general business policy as the capstone of the curriculum.

Cole and his committee gradually developed two important devices to give the new field of study scope and cohesion. These devices drastically reduced the need for a single disciplinary leader such as Gay. They facilitated the performance by groups of economic historians of the leadership tasks that Gay had formerly fulfilled. These included the identification of significant information and research, and of encouraging and helping scholars make their work comparable, accessible, and capable of cumulation.

One device was a research center. Under Cole's direction, the committee organized the Research Center for Entrepreneurial History at Harvard in 1948. Over the course of its nine years of operation it was able to attract and support at one location an outstanding group of entrepreneurial historians. These included Leland Jenks, Thomas Cochran, Fritz Redlich, John Sawyer, Alfred Chandler, David Landes, Hugh Aitken, Sigmund Diamond, Harold Passer, and John Rae. The gathering of entrepreneurial historians

at the research center raised their awareness of each other's work and encouraged them to coordinate their efforts and clarify their differences. The scholars at the center also established visible standards of quality and stimulated each other to write good entrepreneurial history.

The second device employed by the entrepreneurial historians was the introduction of a priori theory into their work. In this they rejected the inductive methodology that the discipline had inherited through Gay. Largely through the efforts of Leland Jenks, much of entrepreneurial research came to be informed by Parsonian sociology and its cognates, ego psychology and the organization theory of Chester I. Barnard. These theories all grew out of problems in organizing thought about the nature and place of mind in an environment and shared a common approach of relating freedom and constraint. These theories saw mind as an "emergent system," an independent level of organization that structured the interactions among environmental forces. The system structured these forces in order both to satisfy a schedule of demands placed upon it and to maintain and enhance its own viability and power.

The theories of Parsons and Barnard, in particular, grew out of precisely the classic economic-historical problems of capitalism and rationality that entrepreneurial historians wished to address. Parsonian sociology and its cognates also incorporated the normative vision traditionally held by most American economic historians, including those at the Research Center: these theories thus helped entrepreneurial historians articulate ideological statements. Both the theorists and the entrepreneurial historians valued creative intelligence that mediated between conflicting claims in order to create rational, effective cooperation. To Parsons, Barnard, and to most entrepreneurial historians, the history of this intelligence and cooperation was central to their understanding of the evolution of modern economic society.

Using their devices of a research center and social science theory, entrepreneurial historians produced a series of studies that succeeded in addressing, often insightfully, important historical and ideological issues. Because their work is widely known, I shall only mention the prominent topics of the entrepreneurial literature and not go into detail. Their work included histories of the development of the electrical industry; studies in aristocratic entrepreneurship; several comparative studies on national entrepreneurial styles, on patterns of mobility, and on the acceptance of entrepreneurial authority in America; a fine series of case studies on 19th-century entrepreneurial groups and their roles in economic development; and pioneering work on the history of big business and scientific management.

For a time the entrepreneurial literature inspired a good deal of research among economic historians; but entrepreneurial historians soon lost touch with development in theoretical so-

ciology. Specifically, they failed to use Parsons's *Economy and Society*, a work that particularly analyzed the macrosociological and institutional problems that the entrepreneurial historians had hoped to address. In addition, the movement achieved only a limited degree of cohesion and by the early 1960s still had not produced a synthesis of entrepreneurial development. Despite the excellent quality of their work, entrepreneurial historians thus offered little resistance to the rise of the new economic history.

The new economic history had several strategic advantages in the struggle for control of economic history. It was not an interdisciplinary movement and was thus securely moored to a particular theoretical foundation. The precise, highly mathematicized knowledge produced by the new economic historians was accessible to the burgeoning social science technocracy. The new economic history also directly addressed the problem of economic growth, the crucial economic-historical interest of policymakers. For all these reasons, the new economic history received much more support from foundations and from the government than had any other group of economic historians, including the entrepreneurial historians.

Thus fell the entrepreneurial history movement. Its membership then dispersed and several, including Alfred Chandler and Thomas Cochran, joined with us as business historians. However, entrepreneurial history did not reconstitute itself as an active, ongoing school in business history. In business history there was already a strong tradition of company history, well supported by the nation's professional schools of business. It and a new interest in government-business relations have to this day limited the influence of the entrepreneurial school on our discipline.

Today, with the new economic history in economic and business history without significant ties to the entrepreneurial school, we ask what business historians can learn from the entrepreneurial experience and what would repay revival. First, we can see that the new economic history shifted the object of economic-historical research as well as its methodology. Unlike the new, the old economic history took as its central concern the noneconomic aspects of economic life; it studied authority, rationality, conflict, and cooperation in past economic institutions with the intention of providing perspective on modern capitalism. The entrepreneurial historians brought theory to bear on these traditional problems of economic history; the new economic history did not.

Entrepreneurial history has shown the value of social science theory. With large numbers of scholars active in business history research, it seems if not necessary, at least extremely useful to employ theoretical ordering devices. Because of its common sensitivity to sociological issues, the literature of entrepreneurial history is relatively accessible, comparable, and capable of cumulation. (Unfortunately these properties have hitherto gone largely unexploited.)

Business historians can also find in entrepreneurial history an example of the use of theory very different from that presented by the new economic history. Unlike the new economic historians, the entrepreneurial historians did not organize their work into strict mathematical models constructed out of the categories of social science theory. They all wrote "stories," several having true literary merit; but throughout, their work was *informed* by their extensive reading and debating of sociological issues. Because this acquaintance with sociological theory led to work of such high quality, business historians ought to consider incorporating into their baggage the classical sociological studies of the economy and its institutions. These would include works by Talcott Parsons, Joseph Schumpeter, Max Weber, Vilfredo Pareto, Emile Durkheim, and Karl Marx. Business historians could use these ideas without abandoning the narrative mode of writing history.

One final observation -- ideological controversy hounds business and businessmen and we business historians are often called upon to evaluate the legitimacy of business institutions. Most resist the role and even feel defensive when ideological issues are debated. We claim expertise in history, not ethics. Despite our protestations, many of us do make ideological statements. Not surprisingly, they are usually probusiness. The task of the business historian is to recreate the rationales behind business decisions; these rationales have convincing sense and tend to become ideological justifications of business.

The new economic historians also distinguish sharply between their professional practice and ideological thinking. They define themselves by their scientific theory and claim their work to be value-free. Indeed, we usually do find them pursuing growth rates, factor-price ratios, and the like; but on occasion new economic historians are ideological. Then they tend to advocate the expansion of competitive markets; they usually fail, however, to engage the more vexing problem of the legitimacy of authority in business and social institutions. Like their technical work, this ideology is based on economic theory: it grows out of Utilitarianism's notion of the sovereignty of the individual and their fascination with the homeostatic properties of the core theory of neoclassical economics.

Entrepreneurial history stands in contrast to these two living schools of economic history. Although the entrepreneurial historians also claimed to be nonideological, their work was *essentially* ideological. They were concerned primarily not with the rationales of businessmen, not with the determinants of economic growth, but with the central ideological problem in economic history: the structure of values and authority in economic society; and unlike the new economic historians, the theory used by the entrepreneurial historians helped keep their ideological concerns central to their work. The entrepreneurial historians and their

sociologists were anxious about chaos and disruptive, nonrational forces. They thus felt the necessity of authority and had to confront the question of legitimacy that the economists had managed to avoid. As already noted their normative model was a creative, intelligent authority that facilitated rational, cooperative enterprise. That authority could be called an ego, an executive, a culture, or a social structure; and for each there was a theory.

Today, such rationalizing ideologies and theories may seem out of place and we may find other ideological positions preferable; but no matter what our basic ideological stance, most of us do have ideological problems still to be worked out. Furthermore, we often cite history as the justification of the ideological positions that we do have. We should thus seriously consider addressing such problems directly in our research instead of trying to dismiss them from consideration. If we so decide, entrepreneurial historians and their sociologists become essential points of reference.

With the help of sociology, entrepreneurial history thus produced the highest level of institutional analysis and ideological speculation among American economic historians. They were the most successful of the old economic historians. If we so desire, we business historians could be their heirs. The gate is open and the path marked out part way into the forest.