

Toward a History of Management Thought

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The history of management thought suffers from a constricted definition of its subject. Constituent fields (marketing) and cognate fields (economics and law) are often neglected in studies of the subject. The term "thought" tends to be equated to knowledge, and thus given a positivist cast, or described in instrumental terms and thereby reduced to a generalized form of practice. The history of management thought, in short, invites more expansive treatment than it has hitherto received. This paper explores the potential benefits of an enlarged definition.

The paper focuses on two economists, Edwin Gay of Harvard and Richard Ely of the University of Wisconsin, who influenced the development of management thought, and whose careers illuminate aspects of it that have been neglected in previous histories. Both are associated with institutions that promoted scholarship, education, and public discourse about business and its social function--institutions whose role in shaping management thought has received little attention. Both showed a keen interest in the role of the state in economic life. Their advocacy of regulatory and fiscal policies suggests that ideas about techniques of managing grew up alongside ideas about political and social life, and that in any satisfactory account of management thought these two strands must be interwoven. Both played a role in the professionalization of economics in the early twentieth century: their contribution to management thought highlights interconnections between the two fields that have yet to be explored.

Gay and Ely are not the most prominent figures of their era, either in management education or in any of the other fields with which they are associated. Their intellectual commitments, however, are representative of those of many of their colleagues, and the themes of their work point toward an enlarged history of management thought and a more nuanced account of how ideas about the administration of business have influenced politics and social life.

Gay, Ely, and the Influence of the German Historical School

The backgrounds of both Gay and Ely point to an influence on the development of management thought that has not been studied in depth. Economists by profession, both Gay and Ely did graduate work in Germany and were attracted to Historical Economics, which offered a method and philosophy very different from the neoclassical approach then gaining ground in the United States. Members of the Historical School--Schmoller, Sombart, and Weber among others--criticized the classical system for overdependence on deductive reasoning and urged an inductive approach in the study of economic forces. Historical economists also

promoted state intervention in economic affairs and regarded the principle of laissez-faire as a veiled expression of the self-interest of business. The German economists' interest in the social effects of business and in inductive inquiry merged in the famous series of statistical compilations published by the Verein für Sozialpolitik--an association of scholars committed to social reform and to the provision of a factual foundation for public policy.

As Jones and Monieson point out in their study of early marketing thought, students of the German historical economists included many future leaders of American economics: besides Gay and Ely, these include Frank Taussig at Harvard, Henry C. Adams of Michigan, John Bates Clark and E.R.A. Seligman of Columbia, and Emory Johnson, Joseph Johnson, Roland Faulkner, Simon Patten, and Edward Jones at the Wharton School [10, p. 14; 14, p. 104]. Many of the German-trained economists also played important roles in the evolution of management as an academic discipline.

In the case of Ely and Gay, the most important influence of the Historical School appears to have been its stimulus to inductive work. Ely strongly emphasized empirical study of economic phenomena both at Johns Hopkins, where he taught after returning from Germany, and at the University of Wisconsin, where he spent most of the rest of his career. Ely encouraged students to look to local economic conditions for thesis and paper topics; student work on marketing institutions and the economics of public utilities foreshadowed the development of several areas of applied economics [19, p. 25; 14, p. 104]. Jones and Monieson note that Ely believed the empirical and practical emphasis of his German training were essential not just for the study of economics but also for business education. They point out that Samuel Sparling, an early student of Ely's who went on to teach public administration and to write an early textbook on business, "viewed marketing as part of the science of business that would be developed by using an inductive, comparative, historical approach" [14, pp. 104-105].

Gay, too, looked to the local economy for raw data from which to construct a theory of business. Industrialists were invited to address classes, and field trips to local firms were organized. Gay helped to found the Bureau of Business Research, which collected statistics on business operations. The accounting practices instituted by the Bureau to ensure consistent data proved so helpful that proprietors frequently adopted them as regular operating procedure. The Bureau's research influenced not only management practice, but also management education through publication of its famous series of case studies, which form an important part of the pedagogy of management down to the present day [6, pp. 216-220].

Though in principle empirical methods need not entail commitment to social action, both men were drawn inexorably toward issues of public policy and ultimately to advocacy of a larger role for government in economic life. The Historical School had laid the intellectual groundwork for this transition, teaching that the idea of a custodial state was a specifically English creation, a theoretical construct and representation of class interest rather than a consequence of the natural order discoverable through objective study.

Once the concept of limited government had been called into question, government itself proved willing to supply an alternative vision. While still in Germany, Ely was recruited by United States Ambassador Andrew D. White, on leave from the presidency of Cornell University, to conduct studies of the Berlin city administration and the nationalization of Prussian railroads; Ely idealized his

subjects to such an extent that White warned against the "general surrender of individualism" that he feared such an extensive bureaucracy might entail [19, p. 15]. Ely, however, was not deterred by the danger of state intervention. For him, the facts of economic life were to be considered "in the context of a plastic human nature and an ethical ideal" [19, p. 25]. On return to the United States, he advocated public ownership of natural monopolies, including railroads, purchase by municipalities of unused land to socialize the profits of urban development, and public works bureaus to ensure full employment. Service on tax commissions for the State of Maryland and the City of Baltimore allowed him to suggest strategies for public finance that could ultimately be used to fund such projects. He proposed that property taxes should be allocated exclusively to local governmental units, which could be expected to assess property values more stringently; at state level, a graduated income tax would provide a more ample and reliable stream of revenue.

Such proposals are significant not because they were unusual at the time--politicians and economists alike debated similar measures--but rather because of Ely's position in the history of management thought. Looking back to the origin of management as an academic discipline, historians will discover in at least one of the field's early strands an overarching ethical commitment and a zest for state intervention in economic affairs quite different from the ethos implied by present-day definitions of management or represented in recent historical accounts of its development. For Ely, the study of business was first the study of economic facts, construed to include business strategy, and second, the study of the state action that those facts required. Modern organizational theory notwithstanding, the idea of management thought as a set of decision tools, applied in a dispassionate search for efficiency, represents a break from one of the field's founding traditions.

Gay, too, was sympathetic to the popular social reforms of his day: as Dean of the Harvard Graduate School of Business Administration, he collaborated with Henry Dennison, Chairman of the Boston Chamber of Commerce, to form the Massachusetts branch of the American Association of Labor Laws, which promoted legislation against child labor and for a minimum wage and workers' compensation [9, pp. 89-90]. Gay's primary contribution to an American-style *sozialpolitik*, however, lay in the introduction of statistical methods to government agencies. In World War I, he served on various economic planning and trade groups, adding his expertise to that of George Goethals, Bernard Baruch, and Herbert Hoover, and coordinating his efforts with those of other business faculty members, including A.E. Swanson of Northwestern, C.K. Leith of Wisconsin, Henry Hatfield of Berkeley, and Arch Shaw, Henry Dennison, and Melvin Copeland of Harvard [9, pp. 98, 110]. Eventually Gay was named by President Wilson to direct the Central Bureau of Planning and Statistics, which was to ensure interagency coordination. After the war, Herbert Hoover, now Secretary of Commerce, appointed Gay, Wesley Mitchell, and a number of other economists to his Advisory Committee on Statistics, which urged "timely publication of data on key sectors of the economy"--information which Hoover believed could help rationalize business planning, moderate cyclical fluctuations, and provide a statistical basis for government stimulation of the economy [3, p. 8]. This advisory committee was a forerunner of the National Bureau of Economic Research, which Gay and Mitchell helped to found and which Hoover, as president, commissioned to conduct studies closely resembling those that the Advisory Committee had recommended [3, p. 20].

Economic controls during wartime and collection of statistics in time of peace, it might be argued, do not in themselves constitute an extension of state authority in economic life. The Bureau was not a government agency, and its reports served only an advisory function. Hoover had proposed intervention no more drastic than postponement of public works projects in times of boom, so that the backlog of work could provide a stimulative effect during downturns. Gay, however, had reason to know that the N.B.E.R. laid foundations for a much larger political shift. His close associate Wesley Mitchell, Director of Research for the Bureau, explicitly envisioned a mixed economy, with government planners playing a role in directing private economic activity [15, p. 396]. Although progress toward this goal during the twenties was modest, the direction was clearly discernible. As William Barber has shown, proponents of more expansive policies in the New Deal cited Hoover's activism as precedent [3].

That Gay, through his work at the N.B.E.R., helped to promote macroeconomic management does not establish a tie between management thought and macroeconomic policy, any more than management thought can be logically linked to Ely's policy of public ownership of railroads. As in the case of Ely, however, a more generalized connection between early management thought and the political ideas of its promoters may be hypothesized. In the era of Gay and Ely, business prosperity was generally associated with public welfare. By promoting enterprise, business schools contributed to the general good. Professional management could not, however, solve the problem of business cycles. The belief arose that government could ameliorate the problem through well-timed expenditures. In effect, some managers and management scholars came to believe that public spending was needed to maintain business prosperity, which in turn served the public welfare.

To what extent Gay accepted this view is not clear from Heaton's biography or Barber's account of the N.B.E.R. If he did accept it, and if other management educators shared his view, then early management thought may have developed in conjunction with a political program that has not previously been articulated in histories of the field. Granted, that program may never have been announced as a tenet of management theory. If it can be shown, however, that managers or management teachers or scholars promoted stimulative spending policies or other policies associated with macroeconomic planning, then management thought cannot be dissociated such a program. The example of Gay suggests that the possibility deserves exploration.

The Institutional Context of Management Thought

A study of Gay's and Ely's institutional associations provides a different kind of insight into their contributions to management thought. They left their imprint on universities and professional organizations that profoundly influenced the education of business leaders, the direction of research on management techniques, and the character of public discourse about the role of business in national life. This aspect of their work, too, suggests new lines of development for the history of management thought. Histories of individual institutions abound, but with rare exceptions [7], their influence on the development of thought has not been examined.

Of the two men, it was Gay whose institutional influence was more direct and therefore more easily described: it was he, not Ely, who actually founded and

led a business school. As first Dean of the Harvard Graduate School of Business Administration, Gay helped to establish a number of intellectual traditions that still figure prominently in management research and education. His interest in empirical study, his foundation of the Bureau of Business Research, and his emphasis on the case method (originally the problem method) as a basis for business instruction have already been alluded to, and have in any case been amply documented in the literature of management. Two other aspects of the early business curriculum at Harvard, however, suggest directions for further inquiry.

The first of these is law. Gay's German experience notwithstanding, the Harvard Law School was the primary model for the new Business School. Widely recognized in the late 19th century as the preeminent American institution of its kind, the Law School was already educating many young men destined for business careers. Melvin Copeland, in his official history of the Business School, observes that the Socratic approach used in the Law School served as the inspiration for Gay's problem method. Commercial Law was one of the first courses the Business School offered; it conferred benefits both of relevance to a career in business and the convenience of published court cases which were easily adaptable to classroom use [6, p. 28], presumably because their emphasis on competing arguments spurred class discussion and because their deductive logical structure was congenial to the problem approach Gay was developing. The echoes of legal training in management thought and education, both in research, teaching methods, and institutional forms, deserve further exploration. The role of law as constitutive of markets and state economic policy suggests another layer of significance for such an inquiry.

A second suggestive aspect of the Harvard curriculum is the participation of Frederick Taylor and his associates. Gay went to considerable lengths to employ Taylor as a lecturer in Industrial Organization, successfully overcoming Taylor's skepticism about the value of academic study in a field dominated by practical problems. Jones and Monieson cite Taylor as a critical influence on the development of a scientific approach to marketing.

The significance of the scientific approach to problems of human organization has been widely acknowledged [8]. Historians have not neglected the contributions of engineers to the development of administrative systems and financial and cost accounting [5, pp. 95, 132, 465]. The contributions of the national government have also been noted, though the political implications of its role have not been examined. The government promoted both disciplines, sometimes in conjunction with one another. West Point was the site of the first engineering school. The Springfield Armory, a military supplier, pioneered techniques of large-scale production [5, pp. 72-75], while the Watertown Arsenal provided a famous test case for the application of Taylorism [1], which had been popularized earlier through expert testimony in the Eastern Rate Case [22, p. 143], an early test of government authority to regulate private economic activity and an unusually explicit instance of government promotion of management theory. Less explicit but more widely influential in the long run was the Morrill Act, which allocated federal lands to support mechanical and commercial education. While this act has been identified as a milestone in the development of higher education in the United States, its link to the centralization of political power has received little attention. The act had been blocked by Southern states as an unwarranted intrusion of federal power, and wasn't finally passed until 1862 after secession. Government encouragement of management and engineering thus depended on a specific and

debatable construction of the role of the state, which has not been considered in previous work in the history of management thought.

Another neglected aspect of government influence in the development of management and engineering is its effect on the economy and on the structure of markets. Government encouragement of management, and especially of science-based management, usually centered on very large-scale enterprises, and is thus often associated with conditions of monopoly, oligopoly, or monopsony. What are sometimes characterized as attempts to improve the efficiency of management seem to have proliferated where incentives to efficiency were impaired and to have contributed to their further impairment. A study of how science influenced management thought therefore requires an assessment of its effects on the size of organizations, the effects of the size of organizations on the number of market participants, and the effect of market structure on the political dispositions of firms and managers. While political influence and the reorganization of markets may not be announced goals of management thought, they could still turn out to be preconditions for or unanticipated consequences of its development, and if so, important elements of any account of how it came to be what it is now.

Engineering, in short, has had a complex influence on the evolution of management thought, on its connection to the state, and even on the structure of markets. Although the fact of engineering's contribution is well documented, its political implications have not been explored in depth. There is, to be sure, no evidence that Gay pondered the political implications of engineering when he hired Taylor to teach at the Harvard Business School. For the historian of management thought, however, the fact that Gay recognized Taylor's significance and that he pursued and hired him justifies inquiry into the political implications of this connection. That Taylor strongly influenced both students and other faculty members strengthens motivation for such an inquiry. That Gay subsequently went to work for Hoover, and that he applied the scientific attitude in service to a political project, would appear to render the project indispensable.

Ely, by contrast, never directed a business school. As first director of the University of Wisconsin School of Economics, he had expected to be given authority over the newly-established School of Commerce, but was passed over in favor of the more conservative William A. Scott [19, p. 162]. Ely's institutional influence on management thought was therefore less direct than Gay's; his approach to teaching, cast in the German mold and emphasizing social problems and ethical ideals, may be regarded as the road not taken for management education. Simon Patten, Scott Nearing, and others briefly experimented with a similar approach at the Wharton School, but soon fell afoul of local business leaders and trustees [20, pp. 91-126]. Elsewhere, the technocratic approach embodied by Gay and Harvard generally prevailed.

Ely, however, must still be considered an important force both in the development of business education and in the evolution of management thought. As noted above, his research interest helped lay the foundations for business disciplines in the areas of marketing, public utilities, and public administration and finance. Perhaps more important are his effects on individual students, many of whom went on to exercise influence in their own right on the economic and political thought of the nation: Frederick Jackson Turner, Thomas Nixon Carver, Thorsten Veblen, Wesley Mitchell, Albion Small, John R. Commons, and Woodrow Wilson. Three of his students--Albert Shaw, Newton D. Baker, and Frederick Howe--went on to

become prominent municipal reformers. Shaw edited the influential *Review of Reviews* and became an advisor to Theodore Roosevelt. Baker served as Wilson's Secretary of War. Howe, who went on to serve in the New Deal, wrote tellingly to Ely of the inspiration he had provided:

You disclosed to us the whole forest rather than a few trees which constituted the science of political economy in the past, and that man is something more than a mere covetous machine and that the science which deals with him in society has larger aims than the study of rent, interest, wages, and value [19, p. 22].

Rader claims that "[n]o professor of political economy in the country directed or helped to direct so many future leaders in the social sciences" [p. 26].

Within the profession of economics, Ely was a forceful if not a dominant presence. As a reformer, he contested the views of neoclassicists such as Simon Newcomb and William Graham Sumner, who argued for an analytical economics which avoided moral questions about the distribution of wealth or the responsibility of government to protect the poor and vulnerable. He contributed energetically to popular discussion of economic issues, speaking out vigorously in support of workers and unions. Taking his cue from his friend and fellow-student in Germany Charles Baxter Adams, founder of the American Historical Association, he helped to found the American Economic Association, intending it to counterbalance the influence of Sumner and the other conservatives, who had founded the Political Economy Club to promote neoclassical principles. In due course, however, moderation prevailed, and the Association dropped Ely's restrictive statement of principles, which had been intended to exclude the conservatives. Ely tried and failed to create other organizations for progressive economists, especially in the Western part of the country; his efforts, however, must be counted as encouragement to *sozialpolitik* and the survival of the ethical ideal in the face of a sometimes hostile academic climate.

Perhaps the greatest influence Ely exercised, however, was his work at the University of Wisconsin. Following up on his interest in charities and corrections, he inaugurated a course in sociology, which was "not intended to train specialists but to prepare students for citizenship." Lecturers from penal institutions were brought to campus. Ely raised money to support student fieldwork in settlement houses and other charities. He gave public lectures on socialism, public ownership of utilities, and other controversial issues. He stimulated original research by students with his seminars, debate teams, and round table research meetings. He developed relationships with state agencies, which later formed the basis for close cooperation between state government and the university. In short, as Rader points out, he laid the foundations for the work of the next generation of institutional economists: John R. Commons, Charles McCarthy, Albion Small, and Wesley Mitchell. In doing so, he did not exercise the kind of direct influence on management thought that can be attributed to Gay, but he did much to encourage cross-fertilizing influences and to shape the intellectual context within which ideas about management developed.

Marketing, Management, and Economics

Gay and Ely have been claimed as pioneers in marketing, an area often excluded from the history of management thought, despite the two fields' functional interdependence. Gay's and Ely's diverse accomplishments suggest that such a distinction is unrealistic. Their careers, moreover, are not the only enticement that marketing holds out to historians of management thought. It also offers a large body of its own historical and philosophical scholarship. Marketers have explored the social implications of their discipline [18], the historical background of marketing theory [4, 14], and marketing's epistemic foundations as seen from the perspective of the philosophy of science [2, 12, 13, 16, 17]. Particularly helpful has been marketers' recognition of their debt to economics [11]--an awareness which the intellectual historian of management would do well to heed.

Attention to economics is critical to the history of management thought not only because many management scholars have been trained as economists, but also because economic ideas have been imported into management thought without examination of the assumptions on which they are based or consideration of subsequent criticism of them in their field of origin. One obvious example is the institution of markets, often characterized in management thought in terms of the classical norm of pure competition, ready access, and wide dissemination of knowledge. As marketers have pointed out, however, this characterization is problematic. In a study of how marketers conceptualize exchange, Houston and Gassenheimer argue that the actual strategies of marketers are the antithesis of pure competition:

[S]uccess to a marketer is escaping perfect competition. . . . Success is the gaining of the differential advantage, becoming a monopolistic competitor or, with enough finesse or prowess, maybe even a monopolist [11, p. 15].

Economists, on the other hand, are said to consider pure competition the ideal case, because "resources are allocated efficiently and customers are getting their products at their least cost."

The contrast is telling. Pure competition can be construed as the failure of management: under these conditions, markets tightly constrain every business decision and leave no scope for strategy. It follows that management's task is to earn monopoly profits; thus, its affinity for large enterprise, which tends to restrict competition and make monopoly profits more easily attainable, and its quest for political influence and state sponsorship, which permit escape from the restraints of markets. Such an understanding of business behavior, in fact, corresponds closely with a tradition of economic analysis, not mentioned by Houston and Gassenheimer, which begins with the French economist Cournot and is elaborated in the work of Sraffa and Robinson in England and Edward Chamberlin in the United States. As Schumpeter characterizes this tradition, it treats monopolistic competition as the norm rather than a deviation; pure monopoly and pure competition are viewed as degenerate cases in which one of the two essential characteristics of markets drives out the other and incentives to competition and enterprise are destroyed [21, pp. 1151-52]. If management thought can be shown to imply such a view, then the field's ethical foundations as well as historians' account of the motives of its leading figures may be due for revision. Such time-honored concepts as consumer choice,

the level playing field, and free flow of information may be convenient rhetorically, but can scarcely be said to be an important part of the agenda of management.

Conclusion

Study of the careers of Edwin Gay and Richard Ely suggests several directions for exploration in the history of management thought. First, it demonstrates the importance of interdisciplinary connections, especially in the area of economics and law. Second, it illuminates the role of institutions in shaping management thought, both directly, through promotion of education and research, and indirectly, through environmental influence. Third, it shows that the political dimension of management thought may be more significant than has been recognized in previous accounts.

Whether or not these aspects of the subject receive the attention they appear to merit depends in part on how the management thought is defined by historians. If it is equated either to knowledge or to practice, then the interdisciplinary, institutional, and political aspects of the subject will tend to drop out of the historical narrative. Even a cursory review of Gay's and Ely's careers, however, shows the undesirability of such a result. Any account that segregated their activities into disciplinary categories would explain so little about what they thought and did and contributed to the history of management thought that it could scarcely be said to constitute a historical narrative.

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