Firms and Markets: Towards a Theory of Business History

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What is business history all about? To Barry Supple in Britain, the subject "comprises systematic historical studies of business behavior, structures, and policies, and of their consequences for the economy as a whole" [34, p.1]. Supple was thus distinguishing two separate aspects of research: the microeconomic study of individual risk-bearing entrepreneurs and their decision-making and innovation measures, and the macroeconomic relationship between corporate size, business policy, internal organization and the performance of the economy concerned. In an article of 1966, Louis Galambos in the US pointed out that business historians had blurred this distinction, thereby causing confusion and holding back the evolution of a "broad and meaningful" intellectual framework or synthesis that would lend meaning to case studies, and enable "practitioners to draw general conclusions from their monographic research."

Galambos thus saw business history as comprising two distinct areas of enquiry, into the "businessman" or entrepreneur, and the "business organization," each with its special problems of abstraction and generalization. Research into the former involves studying questions of "individual motivation, of environmental influences upon the individual, and of the psychology of decision-making." The latter entails looking at the business unit as an economic and social organization [18, pp. 3-16]. To Galambos, more substantial and faster progress could be made by seeking a "synthesis formulated around the organizational aspect of business;" his subsequent papers on "organizational synthesis" are well known [19; 20]. The present paper discusses mainly the role of the individual entrepreneur and the circumstances in which he operates.

First, however, a further preliminary question needs to be addressed. Is "business history" a wholly appropriate title for the academic discipline as it now stands? H.P. Rickman has usefully distinguished between history and science, as follows. "The former deals with sequences of events, each of them unique, while the latter ... aims at generalizations and the establishment of regularities governed by laws;" that is, statements of observed tendencies [31, p. 34]. Rickman probably overstresses this polarization. John Hicks, in *A Theory of Economic History*, while quoting the view that theory and history

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are opposites or at best alternatives, prefers to see historians drawing from the social sciences some general concepts which they could use "as a means of ordering their material." They might, for instance, follow Karl Marx in seeking an extra-historical - in his case economic - explanation for the pattern which his empirical researches had discovered in history [24, p. 2]. This suggestion chimes in with Supple's and Galambos's emphases on the words "synthesis" and "systematic," which highlight the need to guide business history into the "science" camp, where scholars seek regularities on the basis of which to generalize. That search would help to free business history from the connotation of antiquarianism, or being preoccupied with the past for its own sake. Perhaps the term "business history" will one day become confined to the less scholarly end of the market, with more systematic and theoretical work on the subject being given a fresh name.

Meanwhile, there have been stirrings of fresh thought in other branches of history. Some scholars no longer view economic history as a chronological story but rather see it as "a list of questions; some can be answered, some cannot, but it is the search for answers, and for the best way to seek answers, which gives the subject both its justification and its interest" [17, p. xi]. To that extent, it has leant in the "scientific" direction, unlike social history. The latter is still locked into history, being authoritatively defined as a "framework of the conditions, customs and institutions that shaped the way in which the people under investigation lived" [35, p. xiii]. Instead, it is labor history, recently described as being "in crisis," where the need for a radical reassessment has been most clearly perceived. That sprang from an "erosion of confidence that the questions it has asked and the assumptions on which it has operated are valid and useful." There earlier partial and deterministic accounts of the growth of labor power are giving way to broader-ranging, less triumphalist and more structured analyses of important sectors of the population [29, pp. 249-60; 3, pp. 106-27].

Towards a Reconsideration of Business History

The scope and method of business history thus needs to be re-examined, to see how the subject might be made more "scientific" in the sense discussed above. In the US, where the academic study of business history has been intensively pursued since the 1920s, the two separate lines of research set out by Galambos have not always been clearly differentiated. The first stressed the importance of individual entrepreneurship, corporate innovation and decision-making generally, while the second concentrated on organizational forms and the effects of their development (or failures to develop) on the growth of economies.

The second, organizational, aspect of research can be illustrated from a work published in 1972, Herman E. Krooss's and Charles Gilbert's *American Business History*. Having defined business history rather narrowly as "the story of how the business system and the businessman came to be what they are today," the authors confined themselves to a specific slice of history, namely the evolution of big business in the US, and with scholarly attempts to explain that phenomenon [25, pp. 11-17]. Their approach doubtless

reflected prevailing business history thought in the US at that era. However, Galambos in 1970 attempted to inject a more "scientific" view into the organizational debate. He contrasted the old institutional history, which narrated the evolution of particular organizations and stressed the unique aspects of that process, with the emerging organizational history which emphasized the universally applicable factors evolved by sociologists, such as the fundamental shifts in values brought about by bureaucratization [19].

When Galambos returned to the subject in 1983, he discerned a recent swing by historians away from a sociological to a more historical approach. For example, bureaucracy theory, which had so influenced thought in the 1970s, assumed universal patterns of change; yet their value for historians had been eroded by empirical research which showed up significant differences between organizations in the US and those in other countries. Moreover, historians had forsaken the objectivity of modern social science by "infusing the organizational synthesis with the kind of moral judgements that have always characterized the best historical scholarship" [20]. It was clearly "unscientific" to make much of the shortcomings of corporate capitalism, or to assume that because the organizational structure of American firms had achieved a certain stage of development, that structure should be set up as an ideal pattern to be emulated by enterprises throughout the world for all time to come.

Harold C. Livesay has, in articles of 1977 and 1989, attempted to draw business history away from organizations towards the earlier emphasis on the entrepreneur. In his view, "much of American economic and business history has become a bore, not only to the non-expert audience, but also to many of its erstwhile enthusiasts, including a fair number of us who perpetrate it." This "sad state of affairs" he attributed to the current preoccupation with institutions rather than with people, and an undue emphasis on organizational concepts or models from the social sciences. However, Livesay was more concerned to emphasize the key role of entrepreneurship in bringing about corporate success or failures than to explore the analytical questions of entrepreneurial motivation and psychology which Galambos had posed in 1966 [27; 28].

Thus it seems as if the "historical" approach has for the moment edged ahead of the more "scientific" approach to business history. To a great extent, this trend reflects the present-day interest in the differential performances of the American, British and other economies and the organizational explanations of these differences. However, there still appears to be room for a more extensive and "scientific" view of business history. Some suggestions are offered below.

How to Make Business History More "Scientific"?

In the foregoing debate, business historians have tended to look for analytical inspiration to sociologists, and most notably to their theories of organization and bureaucracy. However, economists believe that their principles furnish a more satisfying framework of thought, especially for the microeconomic study of the entrepreneur, on the following grounds.

First, because economics deals with people in their ordinary business of life, it is well placed to analyze the activities of consumers and of entrepreneurs both within their households or firms, and in their external relationships. It is also concerned with larger issues such as technological and demographic changes. Whatever the fundamental criteria of sociology, the overriding economic issue is how best to reconcile limitless wants, or needs, with scarce resources. The simple theory of demand and supply may admittedly operate at a high level of abstraction, but it does provide an incomparable insight into many aspects of ordinary consumer behavior. Regrettably, no similarly neat economic analysis of corporate or entrepreneurial conduct yet exists. However, few business history topics can be really satisfactorily discussed without bearing in mind this conflict between wants, or objectives, and resources.

Second, economics is a science of measurement. Case studies relating to more recent periods and to larger firms should contain reasonably plentiful quantitative data. All too often, however, few if any precise figures have survived. Here qualitative judgments or orders of magnitude - in plain language, informed guesses - can be useful in helping to give perspective to the topic and to offer a basis of comparison.

Third, economics can furnish business history with an extra dimension. Historians aim to narrate and interpret facts obtained from written documents and other sources at hand, sometimes even archaeology and aerial surveys. They are not on the whole inclined to speculate in a systematic way on what is missing. Economists are trained to ask the kinds of question not commonly raised by historians, which may encourage the latter to look more deeply into their sources. For example, the documents will probably note the chronology of tangible developments such as real investment decisions. However, now that scholars are increasingly studying intangibles, for example knowledge or information, these documents may have to be read with special care to discover, or infer, how and from what sources a given firm built up, say, its managerial, marketing, financial and other kinds of expertise.

When Mark Casson as an economist scrutinized some business history case studies on the topic of technology transfer between firms, he found it "unsatisfactory" to have become involved only after the historical research had been completed, for two reasons.

> First, it means that the historian may have overlooked, or sifted out as low priority, evidence that the economist would regard as crucial. Secondly, the economist may misinterpret what the business historian says by attaching too much weight to illustrative anecdotes, and generally running into all the problems with bedevil the use of secondary sources [7].

Casson recommended that the economist and business historian should "collaborate throughout the research process, beginning with the very first step of identifying suitable and rewarding cases to study" [7, p. 152]. In short, structured questions can serve to enhance the value of the historical evidence being investigated, often by eliciting additional information.

If, therefore, economic techniques appear to have an advantage over those of the other social sciences in squeezing more matter out of business history documents, why have business historians on the whole been so reluctant to enlist the aid of economists? In truth, the latter have only themselves to blame for this cold-shouldering. Researchers into the affairs of real-life businesses, whether present-day ones or those in the past, look in vain to the economic theory of the firm for any insights of real value.

The analytical "firm" has been described as "a strange bloodless creature without a balance sheet, without any visible capital structure" and, one could add, without a history, "and engaged in the simultaneous purchase of inputs and sales of outputs at constant prices" [6, p. 34]. This model is not in reality about firms as such but about markets, and more particularly about "price-adjustment, for products and factors (of production), in various assumed conditions of competition" [11, p. 151]. Analysis of a firm is thus partial and static, concerned only with its current activities such as price and output decisions, and with the scale of its operations rather than with corporate growth over time. Moreover, the theory pays virtually no attention to the entrepreneur, whose role is essentially portrayed as a routine one.

Bearing in mind the patent shortcomings of this theory, what kinds of concepts and analytical tools might be investigated, to see about evolving a more realistic model which would be of service to business historians? Some of the groundwork will now be explored.

Economic Analysis and Business History

To begin this part of the present enquiry, the two fundamental approaches to economic analysis need to be distinguished, namely the inductive and the deductive [5, pp. 3 ff.].

Inductive. The inductive, or empirical, approach should be broadly familiar to business historians. It entails reasoning from the particular to the general. A rigorous comparison of a range of case studies is likely to yield regularities; these can then be formalized as generalizations by which further cases can be tested. Inductive findings in business history, while less "scientific" than in economics because random or stratified samples are rarely available for all but recent cases, can often lead to equally significant conclusions.

The precise methods of investigation used by Alfred Chandler, as explained by himself, well repay close study [8, pp. 3-26]. He accepted that historians differed from social scientists in not using the deductive method (see below), but agreed with his former mentor the sociologist Talcott Parsons that careful comparative analysis was the equivalent of the natural scientist's controlled experiment. Hence comparing, contrasting and analyzing a variety of carefully selected cases threw up generalizations and concepts, which were not tied to any given space or time. In short, those generalizations were designed to "answer the historian's questions of when, where, how, and, then, why." Chandler has admitted that the organizational form which he made famous - in his words, the managerial enterprise - was not an inevitable outcome. Indeed, it had been unnecessary before the mid-nineteenth century

when production processes and distribution systems were simple and capital needs modest [9, p. 60].

Chandler's inductive methods show what can be achieved with the aid of meticulous business history research. In the UK, as well, the importance of systematic inductive research is nowadays realized. Two British business historians have suggested that worthwhile generalizations could be built up not merely by devising comparative and thematic studies, to cover numbers of firms, industries and countries, but also by drawing up a uniform set of definitions, concepts and measures of performance [23, p. 15]. The frustration of economists, such as Casson, over the difficulty of generalizing from unstandardized case studies, was noted above.

Deductive. The deductive approach involves putting forward general propositions or hypotheses, often in the form of laws, or statements of tendencies. For example, the more units of a good or service one possesses, the less satisfaction one tends to derive from each extra unit acquired. Hence the level of demand for a specific product is assumed normally to vary inversely with its price. Here reasoning is from the general (proposition) to the particular (applications). This method, commonly used as it is by social scientists, will be less familiar to the historian. As Chandler has put it, "he does not, as they do, deduce hypotheses or theories *a priori* from an existing body of theory which is then tested with empirical data" [8, p. 26]. Yet, as explained earlier, such speculative questions can extend the range of findings from surviving documents.

A problem here is the relentless quest by all too many economists for maximum analytical rigor and the widest possible application of their theories. The drawbacks of the economic theory of the firm have already been touched on. To suggest that the operations of all enterprises can be reduced to a common basis where marginal revenue equals marginal cost is wildly unrealistic. In the mocking words of one economist critic,

> The Nigerian cocoa-grower, the Leicester hosier, the U.S. Steel Corporation and the Swiss Federal Railways are brothers under the skin. Differing legal organization and differing capacities to keep accounts cause no difference in policy [36, p. 1].

How, then can business historians make use of the deductive method without falling into the trap of striving for excessive generality?

Deductive or general hypotheses can be seen to perform two useful functions. First, they can help to build up a framework or a check-list of ideas, to guide historians when tackling the documents. Second, they can encourage a study of the characteristics of each economic unit, for example the firm. Is a firm, say, making industrial or consumer goods; making to order or for stock; owner-or management-controlled; competitive or monopolistic; organizationally independent or linked with other firms by agreements or less formal arrangements? When the respective characteristics have been investigated, they can be compared to see what broader generalizations might be drawn from the findings. Some, mainly deductive, propositions are considered below.

Some Fundamentals of a "Theory of Business History"

Given the radical difference in outlook between historians and scientists, is a "theory of business history" a contradiction in terms, because the two conflicting viewpoints are logically irreconcilable?

To address this question, we begin with the "scientific" or more specifically economic approach. In the economic system, the market mechanism determines what should be produced, how (by which methods) and for whom, namely the categories of final consumer. At least in its capitalist form, it contains very powerful equilibrating forces, without which it would fly out of control. To be sure, this mechanism has serious flaws; in its unchecked state, it cannot prevent inappropriate outcomes such as cycles of booms and slumps or widening gaps between rich and poor. In any case, there may be considerable lags before the mechanism begins to work towards restoring equilibrium. Except in a command economy, therefore, the state's economic function is to act as a corrector or a completer of the market mechanism.

As Ronald Coase has pointed out, the firm is analytically distinguishable from the market. In the market, resources are productively shifted about by the price mechanism; however, inside the firm, it is the entrepreneur's fiat which determines how and where resources are utilized [10]. This distinction between the firm and the market is not negated by the spectrum of intermediate types of inter-firm relationships that exist in advanced economies. These range from "linkages of traditional connection and goodwill" to fully and formally developed "complex and interlocking clusters, groups and alliances" which represent vertical integration in all but name [30, pp. 883-96]. Casson and Howard Cox, in their analytical and historical examination of corporate clusters or networks, have raised some challenging questions about such networks as substitutes for the complete organizational integration found in the multi-unit and hierarchically run business enterprise.

Heading the firm is the entrepreneur, who can at the start be analyzed as a single entity. Collective entrepreneurship and the consequences of the division in the joint-stock company between ownership and control are derivative questions that can be left for future investigation. The basic role of the entrepreneur is to cope with uncertainty, and more specifically the lags between planning production and delivering goods or services to the final consumer. The productive factors in the firm represent opportunity costs, since alternative uses have to be forgone when these factors are combined for whatever ends the entrepreneur chooses. Entrepreneurs, in common with all other units in the economic system, have to take account of the conflict between wants (or needs) and resources, Wants are here equivalent to entrepreneurial objectives. Business historians, like economists, should properly - but do not always - pay specific attention to what those objectives may have been at any given time in the firm's existence [14, pp. 11-29].

Within a firm, the entrepreneur may seek to maximize profits, sales revenue or market share; however, he could have alternative goals, such as aiming merely to earn the minimum profits to keep the other parties happy (i.e."satisficing") or entrepreneurial utility. A plausible deductive hypothesis

is that entrepreneurs tend to strive for profit maximization during the firm's early years of struggle, involving long hours of considerable effort. Later on, they would probably be willing to trade profit for leisure time, to be spent on recreation or on public service. In joint-stock companies those managers in effective control might pursue managerial utility, at the owners' or shareholders' expense.

In the light of these entrepreneurial objectives, do business historians - with their unrivalled opportunities of getting inside the decision-making process through studying the archives - have any logical criteria for judging whether an entrepreneur was a good or a poor one? Would it, for example, be appropriate to link entrepreneurial ability with the rate of corporate growth? One of the ablest British entrepreneurs in the last quarter of the twentieth century had to sell the equivalent of $1.2 billion worth of assets of a company which had over-extended itself [12, pp. 158-60]. However, the most successful entrepreneurs appear to be those who replicate the market as closely as possible in their firms. The varying strategies open to them can be illustrated by a study of marketing principles.

Very often business historians have ignored marketing, if one can judge from all too many British company histories. These have tended to concentrate on sales or distribution, or to treat the function as no more than one of several in the firm, on a par with production, finance or engineering. Nowadays, by contrast, marketing comes close to overall business strategy. Given the entrepreneurial need to balance goals and resources, it has been defined as "deciding marketing objectives in relation to a firm's products, and then integrating research, production, advertising, selling and distribution into a policy and program designed to secure these objectives" [1, p. 328]. The rationale of this approach is that corporate income is derived wholly or mainly from final customers. Unless a firm sets out to provide what customers want, it must inevitably fail to achieve entrepreneurial objectives.

Thus a production-orientated firm, which subordinates the consumer's wishes to its own interests, can be distinguished from a sales-orientated one, which may over-stretch its resources by, say, excessive advertising or offering too wide a range of different brands. By contrast, a marketing-orientated firm avoids the mistakes of the other two categories. It directs its entire strategy towards meeting consumers' practicable demands within the limit of existing resources; it would, for example, discontinue making varieties of goods with uneconomically small production runs [15, pp. 93-115].

Marketing ultimately rests on the concept of consumer sovereignty, and hence on the paramount role of the market mechanism. These twin assumptions have been powerfully challenged in a recent book by William Lazonick [26]. That studied the shifts in global industrial leadership over the past century, from Britain to the US and then to Japan, through increasingly sophisticated forms of corporate organization found in the leading countries' giant enterprises. These giants, Lazonick has stated, can massively influence the ways in which individuals use markets, whether for buying goods and services, selling their labor power, or investing their money. He has accused mainstream economists, in the English-speaking world at least, of a failure to explain these far-reaching organizational developments, through a dogmatic

adherence to static and unrealistic models. He has therefore set out to "explode the myth of the market economy, if only because it represents such a formidable ideological impediment, both within academia and in the world beyond, to understanding how we might shape social institutions to manage the economic future" [26, p. 16].

Lazonick thus makes some telling criticisms of economists' preoccupation with analytical elegance at the expense of realism. Yet his whole study is a partial one, since it covers just one of many phases of business history, however significant in its own right. During this unprecedented phase of more or less continuous economic growth since the mid-nineteenth century, powerful firms may have been able to override market forces; however, that ability does not of itself invalidate the basic concept of the market mechanism, as it has operated over the whole period of time covered by business history. In any case, consumers have periodically inflicted harsh retribution on producers for offering, say, inedible bread, undrinkable beer or unappealing cars. These acts of consumer rebellion have to be weighed against the assertions of J.K. Galbraith that the large modern corporation and its high-powered advertising over-persuades people to buy goods they do not really want [21, 22].

To portray the entrepreneur as - at least ultimately - subject to the market neglects the question of monopoly. Monopolistic as well as competitive enterprises do exist; however, the number and influence of the former have been exaggerated in the post-1933 theory of the firm. Economists from Adam Smith to Albert Marshall realistically portrayed competition as a process or activity, its extent depending on the ease or otherwise of new entry into a market. When competition prevails, goods in the same industry will tend to sell for a similar price, after making allowance for differences in specifications [2, p. 41]. Monopolistic firms, on the other hand, are able to exercise market power. The theory of the multinational enterprise, in differentiating between market (or asset) power and the synergistic ownership advantages of overseas production, has given useful guidance to business historians over this question of competitiveness, and the opposite [16, p. 21].

Similarly, the analysis by William J. Baumol and his colleagues of contestable markets has to a startling degree restored much of the pre-1933 flexibility. They assume entry and exit to be free, as being relatively costless, and production technology may require only a few firms to make up an efficient industry. They are concerned with the long term, so as to allow economic forces to work themselves out, while the invisible hand returns to its rightful function from which recent work has dislodged it [4, pp. 1-14]. In their highly abstract treatment, the authors do not make clear what kinds of real-life firm can disregard the familiar barriers to entry. Here the British economist Philip W.S. Andrews has drawn attention to "cross-entry competition." Existing firms can move into a market, either to secure diversification, or to integrate backwards or forwards for purposes of control, or to start making a new product similar to their current range. Thus "entry to any particular market is as likely to come from an established medium-sized or large firm as it is to come from the small firm starting from scratch" [2, p. 39].

Corporate historians will benefit from this discussion of contestability, and especially the proposition that the invisible, as well as the visible, hand need to be considered. So, indeed, should the relationship between entrepreneurial qualities and the growth of the firm. In his article of 1966, mentioned at the beginning of this paper, Galambos cited the work of Edith Penrose. Whereas the static theory of the firm from 1933 onwards had basically assumed management to be given, Penrose showed how managerial slack, or not fully employed managerial skills, could be used to generate the expansion of firms. At the same time, managerial constraints, or the limits of available management, could restrict the extent of such growth. Now that economists, having broken out of the former static strait-jacket, had raised some important questions about business behavior, Galambos believed it was for business historians to seek answers to such questions [18].

For example, how far into the future do businessmen look when making entrepreneurial decisions about how to allocate their resources? Does the length of this "expectational horizon" vary systematically between industries or in different time periods? Why do some firms grow internally, through increasing market shares or by diversification, and others by merger? Why do other firms scarcely grow at all? How can one explain why some entrepreneurs are growth-minded and risk-welcoming, while others are risk-averse and content to be "followers" of the industry leaders? Does the rate of growth vary with the age of a firm?

In this context, the structure of industries needs to be studied. Why do some industries contain a number of firms of roughly the same size, and others just a handful of large dominant firms? Is the latter, skewed distribution of firms due to differences in entrepreneurial abilities, or are business historians forced to accept the explanation of economists, that they result from luck, or from a random mathematical process - Gibrat's law of proportionate growth [32, pp. 145-50]? Schumpeter's views on the growth of firms, and the entrepreneur as innovator, are helpful, but by no means provide all the answers for business historians.

Conclusion

One question above all arises from the present enquiry. What, if anything, would be achieved by the existence of a properly worked-out "theory of business history?"

Possible Advantages. If, as argued above, "history" differs significantly from "science," both sides should find it mutually helpful for history - with its emphasis on uniqueness - to be made more scientific, and science - as the study of regularities - to be placed in a realistic historical setting. Those Americans and Japanese business historians exposed to what - in the present context - may be called "scientific" studies tend to be located in faculties of management and commerce or in business schools. In Britain, according to the two scholars quoted above, a majority of its business historians often have links with economic history, and still see their subject as no more than one "which can make a novel and vigorous contribution to understanding the past." However, there is also a sizeable minority who "regard business history as

essentially business strategy or industrial economics [the British equivalent of industrial organization] with a time dimension" [23, p. 15].

The will for cross-fertilization of history and science thus depends on scholars' perception of its likely value to both sides. Lazonick has maintained that there is nothing inherently lacking in economics as a suitable discipline for analyzing business history topics such as the Chandlerian organizational changes. He therefore advocated the need to evolve a "methodology that permits economists to explore, and ultimately comprehend, the relation between individual choice and collective organization in the process of economic development" [26, p. 349]. Readers would have welcomed more constructive suggestions on how to work out such a methodology.

Robert M. Solow, in an important and in some ways more forward-looking paper, has claimed that economics and economic history have much to offer each other; his arguments apply equally well to business history. In common with Lazonick, he found the rigidity and lack of realism in present-day analytical economics to be a barrier to closer co-operation, and urged a new approach.

> The function of the economist in this approach is still to make models and test them as best one can, but the models are more likely to be partial in scope and limited in applicability. "Testing" will have to be less mechanical and more opportunistic, encompassing a broader collection of techniques [33].

Solow also helpfully declared that "the validity of an economic model may depend on the social context. What is here today may be gone tomorrow, or if not tomorrow, then in ten or twenty years' time." This relativist view seems to accord with Casson's and Cox's hypothesis that "the Chandlerian enterprise was a product of specific historical circumstances" and that its period of dominance was "a transient phase, related to the particular circumstances of time and place, rather than an irreversible advance in institutional efficiency."

Solow concluded that the economic historian (and the business historian equally) "can use the tools provided by the economist but will need, in addition, the ability to imagine how things might have been before they became as they now are." The latter "sensitivity" he characterized as the historian's "comparative advantage" over those undiscerning economists who tend to cram real-life situations from all places and ages into a "single universally valid model of the world" [33, pp. 328-31]. Solow has thereby given both sides a workable program for closer co-operation, which could only be of overall benefit.

Note

This is the second part of an investigation into the theoretical foundations of business history studies. The first part, on the "Emergence of the Theory of Industrial Organization, 1890-1990" was discussed in a paper presented to the

1990 Business History Conference at Baltimore, and summarized in [13, pp. 83-92]. My thanks are due to William Becker, Mark Casson, Helen Shapiro and Mira Wilkins for some helpful comments.

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