# Consumer Negotiations

**Sally Clarke**[1]
*Department of History*
*University of Texas at Austin*

Wanting to relate their interest in the corporation's internal economic activities to the social world beyond the firm, business historians may find the study of consumption a valuable area of research. In *Consumption and the World of Goods*, John Brewer and Roy Porter make this point that no matter how "entrenched" the field of economic history and how vast the scope of social and cultural history, the three fields should join forces in "what ought to be a fruitful and unifying mutual concern" [Brewer and Porter, 1993, p. 1]. My essay explores their recommendation as it applies to the twentieth century (especially the period 1900 to 1940). Compared to scholars in other disciplines, business historians have been slow to study consumers. Asking how the firm affected the process of economic development, they selected as prime research topics methods of production, technological innovation, and bureaucratic forms of governance. Implicitly if not explicitly, they tended to assume consumers were irrelevant to questions inside the firm. This is not to say that the relationship between the firm and consumers has not been addressed. Various scholars of consumption have written about this relationship, especially in terms of mass culture in the fields of advertising, industrial design, film, and radio. The result has been a convenient division of research: business historians have detailed economic activities inside the firm; other scholars have studied the power that corporations exercised in shaping the cultural content of mass media.

Recent debates in the distinct areas of business and consumption nevertheless question this division. My purpose in this essay is to ask how the study of consumers may contribute to historians' understanding of the firm's internal workings on topics such as efficiency and "rational" management. This question prompts a second: how (beyond mass media) has the firm exerted authority in its relations with consumers, and in what sense did consumers affect management? After briefly reviewing scholarly debates, I identify areas of research in which historians have begun to put Brewer's and Porter's recommendation into practice.

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**The Producer-Consumer Divide**

The split between historians of production and consumption is readily illustrated in the central concepts that have characterized each field of study. Historians of consumption write about a "consumer revolution," or in less dramatic words a "consumer ethic." Business historians speak of a "managerial revolution" that accompanied the rise of the modern business enterprise. While each field embodies many contributions, I want to focus on these concepts and call attention to critiques coming from within each field.

That a consumer society is tied first to the creation of mass consumer markets is not to say that this process was neutral. Writing in 1983, Jackson Lears and Richard Fox identified a shift from a "producer ethic" to a "consumer ethic." Although social historians had studied "common people," they contended that "it is impossible to understand the cultures of ordinary Americans without appreciating the ways those cultures are influenced and delimitated by the ideals, plans, and needs of the powerful" [Fox and Lears, 1983, pp. x-xi].[2] Lears and Fox spoke to scholars who already were investigating consumption. Some historians dealt with aesthetic developments, such as streamlining [Meikle, 1979 and 1995; Armi, 1988; Gartman, 1994]. Another group charted quantitative measures of consumer markets [Olney, 1991; Lebergott, 1993]. Many, however, focused on the power that corporations exercised through mass media and its ability to prescribe the boundaries of cultural debate. They wrote that this had not been simply a process of market manipulation but one that actively shaped Americans' identity [Leach, 1994; Lears, 1994; Marchand, 1985].[3] Yet to the extent that mass consumption injected homogeneous values into a diverse society, it had blurred ethnic identities and undercut the radicalism of the labor movement.[4]

If intuitively appealing, this scholarship still left open the question of how Americans interpreted mass culture. Consumers, even if unintentionally, seemed malleable – a problem made troubling given differential gender coding

[2] Commenting on this approach, Philip Scranton writes that the idea of a "consumer society" is at times "used to indicate a shift from a presumably producer-oriented society characterized by tradition and scarcity to a world in which wants are mutable and the means for (and meanings of) their satisfaction changing." While I focus in this paper on relations between the firm and consumers, Scranton [1994, pp. 477-86] outlines a number of ideas implicit in the notion of a consumer society. The now classic starting point for this consumer literature is McKendrick, Brewer, and Plumb [1982]. Important counterpoints to this study of eighteenth-century consumption are found in Mintz [1985]; Shammas [1990]; de Vries [1994]; and the essays in Brewer and Porter [1993].

[3] Scholars at times have invoked a process of emulation, but in his study of sugar, Sidney Mintz [1985] warned against the tendency to equate the broadening of markets with a process of emulation. That middling and working classes consumed sugar did not mean they took on the values of the rich. On emulation, see Veblen [1899]. Recent scholars (such as Lears) have been informed by theorists, notably Baudrillard [1988] and Bourdieu [1984]. Kenneth Lipartito [1995] treats cultural ideas in his approach to the firm.

[4] See for example, Edsforth [1987]. This thesis is reviewed by Cohen [1989, p. 7].

with consumers typically seen as female, producers as male.[5] In response, Lizabeth Cohen asked how can we "break free of the unproven assumptions of the era and reopen the question of how working-class audiences responded to the explosion of mass culture during the 1920s" [Cohen, 1989, p. 7]?[6]

In the last several years many scholars have moved away from the general ideas embodied in mass media to local sites of consumption. Looking at specific case histories of working-class families in the interwar years, Susan Porter Benson wrote that women rarely fit the ideal of "Mrs. Consumer." Where "loyalty, obligation, and family economic survival" rivaled "romance," wives often filled the breadwinner role and husbands at times worked in the home due to seasonal or unstable work. The difference between the two, she concluded, was that "[h]usbands expanded their consumption role only at the expense of their breadwinner role, whereas women's entry into breadwinning tended to give them more consumer authority" [Benson, 1996, pp. 215, 237]. As a second example, Mary Carbine studied silent film in Chicago's Black Metropolis during the teens and twenties. Rather than take the film text as "the prime site of meaning and instrumentality," she examined the local theaters [Carbine, 1990, p. 11]. Black musicians never changed a film's projected image, but their music twisted its white, middle class "ideals." So for example, when "a death scene flashed on the screen," one highbrow reviewer complained, "you are likely to hear the orchestra jazzing away on 'Clap Hands, Here Comes Charlie.'" The musicians and audiences thus converted theaters – a place they did not "own" – into a consumption site used to sustain a racial identity that "mitigated against the hegemony of mass culture" [Carbine, 1990, pp. 30-1, 12]. Finally, in her study of working-class families in Chicago between 1919 and 1939, Lizabeth Cohen argued that immigrant workers were slow to turn to "mass" markets in the 1920s [Cohen, 1990]. They left installment credit to the middle class and often did not buy autos or big-ticket appliances. They rarely shopped at chain stores until their own ethnic shops were destroyed in the Depression. Families of course had not blocked off mass culture, yet even when national broadcasting was in place in the 1930s, the radio did not automatically meld workers into a "homogeneous culture." Rather, as they chose particular programs, "radio listening was bringing working-class people closer together," but was also "delineating differences between them and the middle and upper classes" [Cohen, 1990, pp. 329, 331]. Workers, she argued, employed mass culture to solidify class ties without having their own ethnic identities effaced.

5 Especially instructive on the topic of gender and consumption are Victoria de Grazia's essays in de Grazia [1996].

6 The treatment of consumption in the twentieth century also can be revised by comparing this era to earlier historical eras. Carole Shammas, for example, argued that "[b]eing poor and being a consumer...were not mutually exclusive conditions" [Shammas, 1990, p. 1]. Also see de Vries [1994], Mintz [1985], and Brewer and Porter [1993].

Cohen, Carbine, and Benson thus tempered the presumed power of mass culture.[7] Their contribution was not to reassert a neoclassical view of the "independent individual." But in restoring a sense of agency to consumers, they opened a new line of inquiry. If corporations had not imposed "symbols" on Americans willy-nilly, then we can look behind media professionals and ask: how did consumers' social and cultural experiences affect firms? How did managers perceive Americans' experiences as relevant to their businesses?[8]

That business historians were slow to address consumers as a category of research reflects in no small part their understanding of Alfred D. Chandler, Jr.'s model of the modern firm.[9] Chandler directed their attention inside the firm toward the cost savings to be obtained from mass production. To realize these gains firms needed to mass distribute goods, and the critical ingredient tying mass production with mass distribution was a firm's bureaucracy or managerial hierarchy. Chandler assumed managers acted "rationally" to coordinate the flow of resources at a faster pace, thereby achieving economies of scale or speed, and they moved a greater variety of goods through the same organization, obtaining economies of scope. Chandler thus linked the managerial hierarchy to the firm's size and efficiency.

It is hard to overestimate Chandler's influence. He amassed numerous case studies of the modern business enterprise, and his general approach invited other scholars' scrutiny. Three problems interest me. First, Naomi Lamoreaux and Daniel Raff have observed that despite Chandler's focus on "managerial coordination" he said little "about how this coordination was achieved throughout the organization" [Lamoreaux and Raff, 1995, pp. 3-4]. Observing that managers did not have the same interests, they asked how power and efficiency came together along with problems of imperfect information for the coordination of activities in modern corporations. Second, Chandler tended to downplay questions of technological innovation. In examining this topic, David Hounshell argued that managers faced a "productivity dilemma" – that is, a tension between choosing production technology to boost efficiency or to facilitate the design of goods (where design included a good's durability, mechanical features, and styling). Significantly, a firm need not be the low-cost producer to dominate its market. Companies such as Singer and McCormick put design ahead of low-cost production, and both led their markets *before* they switched to the sort of mass-production system Chandler assumes throughout his work [Hounshell, 1984]. Finally, not only Chandler but business and economic historians in general have been faulted for assuming that managers acted rationally and that firms underwent a

7 For a rural perspective, see Neth [1995, pp. 187-213]; on credit, see Finn [1996]. For a blending of social and cultural approaches see Peiss [1996].

8 Lawrence Levine made a similar point in 1992. Before assuming power was directed from "top to bottom," he asked scholars to explore the varied relations between producers and consumers [Levine, 1992b, p. 1429].

9 Chandler [1962, 1977, 1990]. For Chandler's ties to structural-functionalism, consult Galambos [1969, 1970]; McCraw [1988].

process of "rationalization." As Louis Galambos reflected, rationalization denied the cultural content of managers' actions; smoothed over processes that hardly were "devoid of power"; and set up polar contrasts – one was efficient or inefficient, optimal or not optimal [Galambos, 1991, p. 8; also see McCraw, 1988, pp. 19-20].

Although this scholarship did not make consumers an explicit topic of research, the study of consumers may offer leverage to understanding the modern firm. One place to begin is consumers' place in mass distribution. In marketing goods, what information did management want about shoppers? How did they collect information, i.e., how were their impressions of consumers shaped by the methods they used? Did consumers affect the procedures managers used to monitor their sales force? Alternatively, Hounshell opened questions about the role of consumers in product innovation.[10] How did managers formulate ideas about consumers and how did such ideas affect a product's design and production technology? Finally, we may put the problem in broad terms by asking how the world outside the firm mattered to the way officials set policies inside the firm.[11] In other words, were managers' notions of "optimal" or "rational" standards conditioned by their perceptions of consumers' problems in buying goods?

Critical to this research project are corporate records. Looking inside the firm, historians have discovered that ever since producers began selling goods they have asked questions about their shoppers. Queries concerned marketing, product innovation, and the distribution of goods. As their purposes varied, so did managers' sources. Much information came from individuals who communicated between management and shoppers [Goldstein, 1994]. Intermediators included merchants, retailers, and sales agents, and after 1900 advertisers, engineers, home economists, management consultants, and physicians among others. Thanks in part to these agents, corporate officials began using market research and other types of quantitative data in the 1900s. Scholars who addressed these topics, like those who studied consumers' interpretation of mass media, typically examined case studies. Their work is so diverse and covers such a broad span of time as to make any general review frustrating. Rather than attempt that exercise, I seek to identify potential connections between the firm and the consumer and I address three problems. One concerns mass distribution and the firm's direct relations with consumers in selling goods. A second asks how managers perceived consumers inside the firm as they created, produced and marketed goods. The third examines how

[10] On product innovation, consider Brown [1995], Graham [1986], and Usselman [1992].

[11] Naomi Lamoreaux [1994] illustrated this approach in her study of New England banks in the nineteenth century. When banks defined their relations with customers through stock ownership, she explained, directors managed a bank's affairs and typically made long-term loans to themselves. But as New England became a capital-rich region, banks came to depend on customers' deposits; they in turn emphasized short-term loans to outside borrowers, and came to rely on professionally-trained officers to manage their affairs.

managers' impressions of consumers affected policies for structuring firms or defining "rational" operations. As the problems differed, so did questions about consumers. Yet collectively, the cases suggest how critical activities inside the firm were contingent on the way managers perceived the consumer's world.

## "Knowing" Consumers for Mass Distribution

One set of questions about consumers centered on the problem of mass distribution. We are accustomed to referring to mass production and mass distribution together, and certainly, firms produced and sold homogeneous goods on a mass scale [Chandler, 1977, pp. 207-83; Tedlow, 1990; Zunz, 1990]. But national markets represented the sum of regional markets and communities, and these communities varied a great deal. To allocate their sales agents, distribute goods, and service products efficiently, managers wanted to track communities' very heterogeneity. As such, information about or from consumers became part of managers' efforts to control their sales agents. The information also varied in its implications for consumers.

Local markets represented a major ingredient in deciding how to allocate sales agents and assess their performance. In his 1937 textbook, Lyndon Brown instructed that "efficiency" in allocating agents required more than measuring their sales. One needed to know the ratio of an agent's actual sales to the potential sales, which in turn begged the question: what was a local market's potential? How could one measure this potential [Brown, 1937, pp. 411-12]? By the 1920s various firms and publishers collected data to estimate the regional demand for goods [Clarke, 1996, pp. 189-92]. The Curtis Publishing Company put out a large (regularly updated) publication intended to assist managers in setting sales quotas. For each county in each state, as well as for cities over 10,000 in population, it reproduced a variety of data as proxies for the size of demand in local territories (including data for farms and manufacturing establishments, and the number of automobiles, electricity users, banks, hardware stores, grocers, and department stores).[12] In its 1927-28 edition, Curtis noted that "more than 300 manufacturers" employed its figures to "establish quotas for their sales organizations" [Curtis Publishing Company, 1927, p. 10].

Management likewise studied variations in regional markets for the purpose of distributing goods. Consider a car's color. In 1923 GM's "True-Blue" Oakland was a hit, being the first mass-produced automobile painted in a shade other than black [Leslie, 1983, pp. 191-4]. But by the late 1920s the thrill of new colors had worn off and GM stylists worried that a successful hue

[12] Curtis warned users that any one measure had its shortcomings. Electric service, for example, was simply not available in some regions. Most of the data came from the U.S. Census, or U.S. Statistics of Income [Curtis Publishing Company, 1927].

might "suddenly 'sour.'"[13] They worked with dealers in each car division to tabulate by region a color's appeal. For instance, in 1929 black Cadillacs proved "very popular at the east and west coast resorts."[14] This tracking system helped managers match colors to areas where those cars were more likely to be sold. "Efficiency" in distributing autos thus went beyond internal operations; it was contingent on consumers' patterns in selecting colors – something GM could only follow on a short-term basis.

As a second example, consider service. Then as now cars had to be serviced. For the sake of evaluating its dealers GM established (among other policies) a Customer Relations Department in the 1930s. The department accumulated "good and bad comments" and each month spotted dealers who earned an "abnormal" number of complaints.[15] When a Dallas customer reported that his dealer's mechanics "act like they are doing me a big favor," GM's Zone Service Manager told the dealer that since this was not the first complaint he should improve his service. "You realize," the manager lectured, that "courteous treatment" is "highly important...if you are to insure repeat business."[16] A Philadelphia Chevrolet dealership was singled out as one of a few responsible for 75% of complaints. To emphasize how bad this was for business, the official noted that the cost of fixing a problem averaged "less than five dollars."[17] GM sought out consumers' complaints not simply to "serve" them. The data helped identify "weak" dealers whose actions hurt GM's competitive position. Insofar as the data benefited GM, it assisted car owners.

The same did not apply to car prices. Having owned and serviced a car for a few or many years, an owner traded it in for a new vehicle. By the late 1920s as trade-ins became the norm, GM and its dealers wanted to curb buyers' chances of using old cars to bargain down prices on new vehicles. In this effort, dealers began sharing information on car prices. When the Federal Trade Commission (FTC) investigated the Los Angeles Chevy dealers association in 1938, it discovered that all 20 of the dealers had been cooperating for three years to collect monthly data about the prices on makes and models used in trade-ins. As for customers who "shopped around" with used cars, little did they know that dealers tracked them. A sales agent called a secret office to learn

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13 Art and Colour Section, General Motors Corporation, "Forecast with colour news and notes," p. 4, November 1929, Charles F. Kettering Papers, File 87-11.4-3, Box 110, GMI Alumni Foundation Collection of Industrial History, Flint, MI (hereafter GMI).

14 Art and Colour Section, General Motors Corporation, "Forecast with colour news and notes," no page, June 1929, Charles F. Kettering Papers, File 87-11.4-3, Box 110, GMI.

15 Zone Manager to Dennis & Tull, Inc, April 10, 1936, File Man 5 Gen 5 Pat 5 Part 8; W. E. Cabeen to Claude Simmons, Dallas Motors, Inc., August 25, 1937, File Man 5 Gen 5 Pat 5 Part 6, both in Box 3156, Record Group 122 (hereafter RG 122), National Archives, Washington, D.C. (hereafter NA).

16 E.C. Bates, Zone Service Manager, to Ed Welch, Dallas Motors Inc., August 26, 1937, and W.E. Carbon, Zone Manager, to Claude Simmons, Dallas Motors, Inc., August 25, 1937, File Man 5 Gen 5 Pat 5 Part 6, Box 3156, RG 122, NA.

17 Zone Manager to Dennis & Tull, Inc., April 10, 1936, File Man 5 Gen 5 Pat 5 Part 8, Box 3156, RG 122, NA.

whether any other dealer had bid on the car (as well as the proposed price). L.A. was one of many markets in which dealers shared price data. Though never completely effective, this system presumably offered dealers some advantage or else they would have had no reason to sustain the associations.[18]

These varied examples suggest that "efficiency" in distribution was not only a problem of coordination between the firm and its dealers, but was contingent on consumers' behavior. GM's questions about consumers could have been posed by many firms. The data managers collected, I suspect, changed with a firm's size and the nature of its products, including a good's technological and aesthetic design. It remains for future scholarly research to determine when officials began collecting data as well as the extent to which they chose to make decisions based on consumer data or some other method.

GM's experience speaks to two other analytical problems. One concerns the notion of "rational" management. GM managers acted systematically in developing standards to compare dealers across the nation; they also employed numbers to conduct their evaluations. Yet these technical measures could not be separated from managers' impressions of consumers. Even when judging the size of markets, the numbers managers chose reflected their assumptions about how to express consumers' "buying power." As such, "rational" standards may have been technical, but their definition included assumptions about Americans as consumers. There is a second implication as well. The information about consumers could not be separated from managers' authority over their dealers. From a dealer's perspective, the data could easily frustrate. After all, how did one know the seriousness of customer complaints or whether they were a sure sign of the quality of service? Who ascertained their accuracy? Even so, managers could not live without the data. With the information imperfect, managers may not have built smooth relations with dealers but still could have been effective in monitoring their agents [Sloan, 1964, p. 287; Federal Trade Commission, 1939, p. 112].

Finally, problems of information and authority also applied to GM's relations with consumers. One implication was that situations – say service or car prices – differed in their effect on car buyers. A second implication related to how the product conditioned GM's relations with buyers, along with consumers' problems in collecting information about the good. More than most durables, a car required regular service and its price was negotiated. Inasmuch as information about both topics could be hard for a customer to ascertain, one wonders how this problem conditioned a customer's trust (or lack of trust) in dealers.[19]

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[18] Harry H. Carter, "Report on Chevrolet Dealer Association," n.d., and Harry H. Carter, "Field Report: Rudolph Kysela," August 29, 1938, File Ass 2 Che 5 Car 5; also see Baney, "Field Report of C. M. Woodard," p. 7, July 26 and 28, 1938, File Ass 2 Kan 5 Ban 5, Box 3108, RG 122, NA. Also see the FTC's summaries [1939, pp. 356-64, 371-400].

[19] Manko [1997] offers an excellent, detailed study of these issues for a very different product, cosmetics.

**Consumers and the Design, Production, and Marketing of Goods**

Where business historians have examined how firms exercised power over consumers in the prices they charged, other scholars assessed the firm's power in terms of the many dimensions of mass culture. Historians interested in the nature of the firm have entered this discussion by asking: how were Americans represented inside the firm as officials designed, produced, and marketed goods? At a minimum this young literature tells us that rather than ignore consumers, firms "negotiated" with them – they read customers' letters, listened to intermediaries' interpretations and digested market studies. The cases rule out any simple notion of consumer sovereignty. But beyond this, they defy easy generalization. The information collected, the perception of consumers, and what they did about their perceptions varied by firm. These differences reveal something that should be obvious but is frequently missed: namely, that critical in this process was the nature of the goods themselves.

Regardless of whether consumers actively sought to register their demands with management, management perceived consumer behavior as crucial to the firm's future and investigated it. Prior to 1900 mediators informed managers of consumer tastes. Josiah Wedgwood, the famous entrepreneur of eighteenth-century pottery, never could have achieved his success without his partner, Thomas Bentley. Bentley knew much about artistic styles, including the neoclassical designs that made Wedgwood so popular and his pottery so valuable for today's collectors [Forty, 1986, pp. 17-28; McKendrick, 1982]. Inventors faced similar problems. When Thomas Edison developed his writing pen (the forerunner to the mimeograph machine), as Jill Cooper explained, he was isolated from the market and relied on sales agents for information to improve the instrument and to price it [Cooper, 1996]. After 1900, firms gleaned information from surveys, which were conducted by advertisers, business schools, consultants, federal agencies, and the companies themselves [Converse, 1987; Leach 1993, pp. 349-78; National Resources Committee, 1938; Wells, 1997].

One obvious topic of research was marketing. Companies investigated consumers' reactions to new products; GM for example studied responses to independent front suspension in the 1930s [Clarke, 1996, p. 192]. A firm did not have to sell directly to consumers to study them. Using surveys in the 1930s, DuPont concluded that cellophane wrapped a large number of impulsive purchases; and officials gladly used its study of impulse buying to promote the plastic to manufacturers, especially those of baked goods.[20] Mass media agents also surveyed consumers. MGM's "sneak preview" of King Vidor's *The Big Parade* (1925) prompted the film's producer, Irving Thalberg, to order the director to enhance the crowd scenes' "scope and spectacle." When

[20] C.F. Brown, General Sales Office, DuPont Cellophane Co., "Baked Goods Consumer Survey Featured at Bakery Sales Convention," May 1, 1936, and "A Consumer Study on Impulse Buying," (n.d.) both in Folder 17, Box 45, Acc. 1803, DuPont Advertising Department, Hagley Museum & Library, Wilmington, DE.

the movie became the biggest money-maker of the silent era, Thalberg made the "preview-retake process" standard.[21] Market research also related to efforts to shape public attitudes. Consider DuPont's response to the 1934 Senate hearings on World War I munitions firms. Citing a study that found just 20% of Americans "had anything good to say about DuPont," the advertiser, Bruce Barton, encouraged DuPont officials not to explain its wartime profits but to create a new image: "Better Things for Better Living...through Chemistry." A few years later, polls gave DuPont a favorable rating of 47% [Meikle, 1995, p. 133; Golden, 1968, p. 246].

These cases suggest two conclusions. First, while the firms used market research to gauge Americans' outlooks, they did so to shape Americans' attitudes – an approach that fits closely with our received wisdom. There is a second point, however. Although surveys were touted as "scientific" and mediators claimed "professional" training, we can readily doubt the studies' "accuracy" and professionals' standing. The surveys (like mediators) were part of a cultural process in which managers perceived consumers. We need to better understand such studies, including who conducted them and how they affected managers' actions [Davis, 1992, p. 1414; Wells, 1997].

Aside from marketing, consumers' ideas could be found in varying degrees in the design of goods. Some products lent themselves to expressing our culturally fragmented society. Consider textiles, furniture, pottery, glass, and music. Further, some mass-produced products were less important in themselves than in the way consumers used them. Phonographs, for example, were vehicles for music and audiences did not sit back and wait for recording companies to make their selections. Lawrence Levine, in his study of blues music, observed that black listeners "imposed" their interests on record companies. Their letters about local artists set off a "talent hunt." "Farmers, sharecroppers, street singers, honky-tonk entertainers were auditioned. A new host of rural bluesmen, accompanying themselves on guitar or banjo, began to fill the pages of the race [music] catalogues" [Levine, 1977, pp. 227-8]. The value of phonograph records came within a particular social context. Levine writes that no matter how "rigid" the "walls of segregation," they could not stop the "free trade of musical ideas." Living in a closed society, African-Americans featured the phonograph and later radios in their homes [Levine, 1977, pp. 194, 227-8].

Beyond a "top-down" or "bottom-up" view of consumer markets, Carolyn Goldstein has singled out the role of "mediators" [Goldstein, 1994, p. 198; Goldstein, 1997]. Long after Thomas Bentley passed on advice to Wedgwood for his plates and tea cups, major corporations still relied on intermediaries. After 1900 these agents often worked as "professionals" trained in the social sciences, including home economics. Home economists, Goldstein tells us, sought to reform homemakers at the same time they conveyed ideas about female shoppers to producers. Their professional training (often at land

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[21] Schatz [1989, p. 37]. Also see Levine [1992a, pp. 1397-8]. Other examples of market research include Weems [1994]; Robinson [1998]; and Germain [1996, pp. 117-8, 133-7].

grant colleges) cultivated the ideal of the "rational" consumer [Goldstein, 1994, p. 21, 29, 41]. Mrs. Consumer should make clear "cost-benefit" studies of goods. To assist her in this economic job, goods should be "standardized," telling for example the nutritional content of food or the thread count in textiles. And rather than accept advertisers' claims that "anything scientific was worth buying," home economists tested modern products' proposed "merits" [Goldstein, 1994, pp. 44-5, 93, 102-7, 114-5, 144].

Home economists worked in government, from their home base in the Bureau of Home Economics of the U.S. Department of Agriculture (USDA), and in industry. Their results, Goldstein explains, were mixed. Calls for manufacturers to label their refrigerators, for example, remained voluntary, and firms chose to keep this information from consumers [Goldstein, 1994, pp. 142-77]. By contrast, home economists succeeded with a new line of children's clothing. Based on a 1925 survey of homemakers, USDA's Ruth O'Brian reasoned that rural women frequently sewed their children's clothes but did not have the best patterns. Working with specialists who emphasized children's "independence" and "ease of motion" for healthy development, the Bureau designed new outfits: to allow girls to fasten their own buttons, dresses buttoned in front; to better facilitate boys' speed in dressing, suits came with fewer buttons. The clothes also "proved popular" because being simple, they "relieved" parents of "daily conflicts" with their children [Goldstein, 1994, p. 177-89]. Home economists also worked within corporations. Regina Lee Blaszczyk has detailed how Lucy M. Maltby mediated between her consumer "ideal" and managers at Corning Glass Works [Blaszczyk, 1995; Blaszczyk, 1997]. In a test kitchen, her staff compared Corning's products to competitors', and studied their performance on all sorts of stoves. They created new items, such as a line of "space saving" refrigerator dishes [Blaszczyk, 1994, pp. 656, 664-6]. They shaped products for women whose features of durability and functionality are routinely deemed "masculine." The home economists also experienced tension in their careers when managers asked them to embellish the "ideal meal" for marketing purposes [Blaszczyk, 1994, pp. 660-2, 665-8].

The relation between consumers and the firm can be carried beyond product innovation and diversity to the firm's methods of production. Philip Scranton wrote that as tempting as it may be to focus on mass-produced goods, doing so has led historians to portray consumer demand as "homogeneous" [Scranton, 1994, p. 484]. By recognizing the reverse (that is, the very diversity in demand), we can open as topics of study the firm's search for varied methods of production, including batch, bulk, and custom technologies. In industries as different as curtain lace, carpets, furniture, jewelry, pottery, and books, where the demand was "narrow and short-lived" and information was "extravagantly imperfect," firms sought flexibility and selected techniques for their timeliness and short-runs [Scranton, 1991, pp. 33, 89]. Complementing Scranton, Blaszczyk has written an exhaustive dissertation documenting in the ceramics and glass industries how manufacturers chose to alter their production technologies so as to promote variety and fashion [Blaszczyk, 1995]. Rather than a trajectory since the eighteenth century from diverse to homogeneous goods, Scranton and Blaszczyk explain how producers selected production technologies to meet consumers' varied and uncertain demands [Scranton, 1994, p. 484].

This short review has identified different cases relating consumers to producers' traditional activity of making and selling goods.[22] DuPont's campaign comes closest to convention; other cases varied in relating specific goods to consumers' experiences. Corning's home economists gender-typed their popular products as reliable and functional. Blues music carried special importance for African-Americans. Producers in batch industries shaped their products and production technology to suit a culturally diverse society. The literature thus invites a healthy suspicion of equating mass-produced goods with a homogeneous demand. It also asks us to investigate the process of exchange between producers and consumers, a process which entails an understanding of mediators and market research. Though surely not "scientific," one can view mediators and survey data as communicating "reflections" of consumers – reflections management employed to varying degrees in creating, producing, and selling goods.[23]

## Consumers and Problems of Innovation at Merrill Lynch and AT&T

Identifying managers' perceptions of consumers is not to say that the exchange between corporations and consumers took place on equal terms. There is no reason to doubt that the modern firm's size brought it power. In strictly economic terms, firms used their market share or erected barriers to entry in order to raise prices. In cultural terms, size also benefited big business, especially in advertising. This is not all, however. Below I consider two unusual cases. Merrill Lynch and AT&T, like so many other corporations, cultivated long-term relationships with Americans if only because the firm's future depended on customers' repeat business. These relations entailed more than marketing and pricing. Both firms developed strategies to appeal to customers. Yet the very process of enlarging markets – converting small, often elite markets into broader-based markets – caused managers to adjust to new or would-be customers. It was this problem of adjusting that preoccupied officials

22 I have not included cases in which consumers explicitly sought to change corporate behavior, such as through boycotts. See for example Weems [1995] and Frank [1994].

23 In 1992 Jackson Lears faulted Lawrence Levine for too readily accepting market research as a voice of consumers. Lears rejected market research, saying "nobody really knew what the people wanted," and that the surveys better reflected producers' attitudes than consumers'. This reaction suits an argument that as long as producers set the boundaries of mass consumer markets, "ordinary people" held little authority "over the mass cultural products presented to them" even when choosing between particular items [Lears, 1992, pp. 1423-5]. Still, even if we do not take surveys at face value we can employ them as cultural mediums characterizing consumers. In her comments Natalie Davis asked what were the researchers' motives, how did they conduct surveys, and how did surveys compare to other sources [Davis, 1992, p. 1414]? Robin Kelley asked how technology affected the way information was shaped and employed [Kelley, 1992, p. 1403]. Also see Levine [1992a].

at Merrill Lynch and AT&T – a problem that tied consumers to questions of efficiency and the firm's authority.

My first case study is drawn from part of Edwin Perkins's research about Charles E. Merrill.[24] What interests me are the early 1940s when Merrill tried to convert an elite market into one suited to middle-class households. He first broke Wall Street's taboo on advertising and aggressively touted the "benefits arising from long-term investments in selected securities of profitable and growing corporations" [Perkins, 1996, pp. 233, 239]. Still, marketing was not enough. Merrill wanted to instill in potential savers a sense of trust in his firm (something that was not assured) and for this purpose, he tackled a critical issue in running a bureaucracy: how to organize and compensate his sales force, meaning his brokers.

As Perkins recounts, Merrill rethought the relationship between brokers and customers thanks to a 1940 market research study conducted by Ted Braun's management consulting firm for the brokerage office in Los Angeles. Braun compiled two types of information. First, customers were asked what purchases they made. (Did they purchase stocks rarely or regularly? Did they invest in risky stocks or only safe ventures?) Second, clients were asked their attitudes about Merrill Lynch in particular and the stock market in general. From these answers, Braun reasoned that although customers said they trusted the firm's LA brokers, they doubted brokers' ethics in general. Calling themselves "outsiders" to the market, customers felt denied a "fair shake."

Merrill concluded that the problem could not be solved by "proclaiming" in advertisements that his brokerage firm was "more honest" than its rivals; instead, he needed to create trust on the part of clients. He took two steps. First, he revised the system for compensating brokers. At that time, brokers routinely received a 28% gross commission for each transaction. The more transactions, the more commissions. Clients, however, had good reason to wonder whether brokers recommended the purchase and sale of stocks simply to earn money. To counter this fear, Merrill (at Braun's urging) took brokers off a commission-based salary and paid them a fixed income. With no commissions, customers would have less reason to worry that brokers encouraged needless transactions. This change prompted a second, having to do with allocating customers to brokers. In the past brokers operated by the rule "finders-keepers": they had first claim to clients they located. Braun's survey suggested a new approach. Customers varied in their annual transactions. Most clients made few changes in their account; a small portion placed large investments in relatively safe stocks; and a few were high-risk traders. Merrill decided to redistribute customers among brokers such that a broker serviced one group of clients, hopefully better serving their interests. Merrill's changes came at a time when his firm bucked the trend in the market. Perkins writes, "Despite the unfavorable investment climate, the campaign to attract new customers was enormously successful." Within five years Merrill Lynch added roughly 200,000 new clients [Perkins, 1996, pp. 239-40].

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24 Perkins will publish a biography of Charles Merrill.

This case addresses how management thought about bureaucratic efficiency as well as the presumed power of the modern firm. A critic might conclude that Merrill Lynch succeeded solely thanks to its advertising campaign. This may have been the case. But what was important was the process by which Merrill perceived customers. Based on the results of Braun's study – that is, his characterization of clients – Merrill thought it necessary to redefine the "optimal" method to compensate brokers and organize his sales force. The change had entailed substantial risk, as Perkins tells us, since by switching from commissions to salaries, the company's fixed expenses jumped to roughly 85% of total costs [Perkins, 1996, p. 240]. Merrill nevertheless undertook the risk given his perception that in defining a new, presumably more trustworthy relationship with clients, he could acquire new business and ultimately convert an elite market into a middle-class market. In other words, his perception of consumers directly affected his view of bureaucratic efficiency.

There is a second implication with regard to the power corporations exert over their customers. Like DuPont, Merrill Lynch's aggressive advertising campaign was used to cultivate good will. Yet whether in this case the firm had talked consumers into doing something not in their best interest turns on the relative desirability of investing in stocks and bonds as compared to alternative investments (all of which entail risk). This is not the only question about a firm's power, however. Merrill Lynch's actions served to provide a kind of social innovation: Americans who had once saved through their local bank or perhaps by buying real estate in their local communities could reorient their savings to the stock market. As such, did changes in methods of savings cause Americans to reduce their commitment to local communities? Further, did they become more conservative in their outlook, more committed to the general welfare of "blue chip" corporations? If so, the firm's power came not only through advertising; it was also located in the way families organized their finances and the political implications associated with that process.

My second case is taken from my research about AT&T's modern telephone [Clarke, 1995]. It is a case study of product innovation, asking how consumers' purchases proved at odds with the firm's profit strategy. In 1927 Bell Labs introduced a modern telephone: whereas deskstands or wallsets had separated the receiver and the transmitter, a new handset joined the two components in a short cradle. By 1941 this device constituted 80% of Bell phones; it had spread quickly but not smoothly. Officials initially delayed the handset's introduction and regretted that other firms sold poor-quality phones to Bell subscribers. When AT&T introduced its version in 1927, it too faced technical problems; and by the time officials brought the situation under control in 1937, the head of Bell Labs, Frank Jewett, declared: "I know of no research and development problem in the field of electrical communication which has presented greater difficulties than this one."[25] Jewett's complaint is

[25] Frank B. Jewett to J. H. Ray, Sep. 13, 1937, Box 55, AT&T Corporate Collection (hereafter CC), AT&T Company Archives, Warren, NJ (hereafter AT&T). Comptroller's Department, "Bell System Statistical Manual, 1900–45," p. 511, AT&T.

surprising. After all, AT&T was a regulated monopoly. Why didn't it make consumers wait until it could provide a trouble-free good consistent with its corporate strategy?

To understand this problem, we need to begin with AT&T's corporate strategy of "universal service" [Galambos, 1992; Reich, 1985; Lipartito, 1995]. At first universal service did not mean service for all users; such a system implied low costs and low quality. AT&T instead offered a high-quality system for those who could afford it. Over time technological change could increase access as it improved quality and lowered costs. To stay in regulators' good graces, then, technology was critical to AT&T's strategy, and reductions in reliability or efficiency put the firm's monopoly status at risk.

Consumers created one such risk. Americans learned about handsets by using them in Europe where they had been available (on less efficient phone systems) since the 1880s. They nicknamed the sets "French" phones, and in the U.S. during the 1920s, Hollywood inadvertently promoted them. Films, such as *Too Wise Wives* (1921), featured the handsets along class and gender lines, invariably showing them being used by rich women. Advertisements also portrayed handsets as female objects of luxury. One Sanka ad pictured an elegant woman who spoke through a French phone to ask her doctor how to cure sleepless nights.[26] A second appeal focused on efficiency. By freeing callers to move their heads as they talked, the handset created a kind of personal efficiency (whether perceived or real) in which a subscriber could talk and do other things. Pushing convenience, one manufacturer branded its set the "Grab-a-phone."[27] A third reason concerned styling. AT&T's famous CEO, Theodore Vail, had made standardization a virtue but upstart retailers emphasized the aesthetic implications. The Mor-Tel Corporation advised: "Those who take pride in the appearance of their home and office, shun to every degree possible, the too evident present day influence of standardization... Do you enjoy in your home, the phone that is used in every factory, garage, house, and store?" Mor-Tel promised "personal satisfaction" in its "handsome" French phone.[28] Whether consumers bought phones for these reasons, I want to emphasize, is impossible to say. Their actions and the media messages should not be conflated. Still, we do not need to resolve this ambiguity to conclude that by buying such phones from competitors the shoppers affected AT&T.

From the managers' perspective, they faced information problems in what they could and could not learn about consumers' use of French phones. First, what they could not tell was how many individuals had attached the

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[26] George K. Thompson to F.S. Gay, February 25, 1930, File 176, 03 04, CC, AT&T. "But Doctor..." [1927, p. 65]. "Alleged 'Delayed Introduction of More Efficient and Less Expensive Equipment' - Hand Telephone Set and Combined Set. Detailed Version," 1-103, 178, Topic No. F2(b), March 1, 1951, File 12, 03 02 01, Handset Collection, AT&T.

[27] H.A. Frederick to H.D. Arnold, December 1, 1925, File 08, 07 03, E.B. Craft Collection, AT&T.

[28] The advertisement, which appeared in American Perfumer & Essential Oil Review, August 1926, in File 74, 08 01 05, Frank B. Jewett Collection (hereafter FBJC), AT&T.

modern phones to Bell lines. Certainly a minority of users bought the phones; perhaps just a few percent did so. Yet officials could not tell for certain and this lack of knowledge preyed on what they did know about the phones.[29] Prior to 1945, a telephone – thanks to its transmitter – was critical to amplifying messages and thus sending them efficiently and clearly. By joining the transmitter and the receiver in a short cradle, the modern phone's technical problems reduced the efficiency of sending messages and degraded their quality. The more French phones subscribers attached to Bell lines, the more they undercut the good image AT&T wanted to cultivate [Clarke, 1995].

AT&T's one way out of this mess was to make the phone consistent with its pledge for high-quality service. Bell Labs addressed numerous problems, evidenced in the huge paper trail left behind at AT&T's archives.[30] Perhaps the most difficult problem concerned the phone's efficiency in transmitting messages, and to fix it, researchers rethought how consumers used the technology. The problem related to noise (called sidetone) that the transmitter picked up and carried through the handle to the receiver. Bell engineers knew that the noise, by "deceiving" talkers into thinking they spoke louder than they did, caused them to lower their voices. But researchers doubted this noise altered the phone's output (that is, its efficiency). They assumed speakers would twist the receiver off their ear and continue talking into the transmitter. Engineers had to be convinced otherwise, and this required a new measure of transmission efficiency – one based on human behavior. Once they created a decibel-based index of callers' repetition rates to measure transmission efficiency, engineers adopted a new circuit. It in turn boosted efficiency, and by 1937 the modern telephone met AT&T's technical standards of high quality and efficient service.[31]

During these years, Bell Labs did not rule out aesthetic questions. In 1929 engineers chose a simple elliptical shape that fit the Golden Mean (whose "pleasing proportions" were defined by the mathematical ratio of a smaller to a larger part of 0.618) [Dilts, 1931]. In the 1930s when the industrial designer, Henry Dreyfuss, styled the combined set (the 302), he balanced his color and styling ideas with engineers' demands. Although streamlined, the set also was shaped to withstand, as much as possible, any abuse subscribers inflicted

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29 The act of attaching non-Bell phones to Bell lines was technically illegal. From officials' words of frustration, we may reasonably say that users chose not to inform the Bell System of their decisions to employ French phones. E.D. Nims to B. Gherardi, May 14, 1926, and F.B. Jewett to W.S. Gifford, October 26, 1926, File 74, 08 01 05, FBJC, AT&T.

30 The many technical problems are outlined in Clarke [1995]. Critical in separating the FTC's account from AT&T's is Project Case 30944-1. I thank AT&T's historian, Sheldon Hochheiser, for locating this project case at an important stage in my research.

31 The repetition system calculated the loss in decibels as 50 times the log of the ratio of the repetition rate in one station to that experienced in the other station [Inglis, 1938]. W.H. Martin baldly stated that "the rating method derived from the repetition count observations was needed to prove that the effect of the reduced sidetone of the anti-sidetone circuit was sufficient to offset the additional circuit losses, complexity and cost of that circuit and so to justify its general use." [Martin, 1951, pp. 222-33, quote p. 228].

intentionally or accidentally.[32] In this sense, engineering ideas had crossed into aesthetic questions and aesthetics suited technical demands in the phone's design.

This account is unusual. When do we hear of a handful of consumers forcing a monopoly to undertake costly actions? These users had mattered given two historical conditions: the firm's corporate strategy and the nature of the good itself. Intent on providing high-quality service to justify its monopoly status, AT&T actually had little room to tolerate anything that degraded its service. The modern telephone realized this potential insofar as it, unlike other consumer goods, affected the system's quality and efficiency. As such, some unspecified number of consumers unintentionally forced AT&T to accelerate its development and introduction of the modern phone. This account is unusual in a second regard. AT&T officials had assumed that consumers would be homogeneous in using a telephone simply for its efficiency. The French phone opened the door to other interests. Here mass media had unexpected effects. Rather than a conventional account of a firm using advertising to promote its product, a different media – films (and other firms' advertisements) – popularized the sets when the monopoly wanted to keep them quiet. Employed in a bureaucratic world, the modern phone also was pictured as a source of convenience. But the user's sense of his personal efficiency at home or her efficiency in the office were at odds with the firm's goal of the network's efficiency and its profit strategy. Finally, it is worth remembering that AT&T's creation of an efficient, dependable modern phone had not been inevitable. Only by rethinking how consumers used the technology were Bell engineers able to secure new gains in efficiency.

Both AT&T and Merrill Lynch experienced being at risk to consumers, and both responded through innovation. For Merrill Lynch, this was bureaucratic innovation; for AT&T, product innovation. Managers linked these problems with consumers to questions about efficiency. Merrill rethought the "optimal" method for compensating and organizing brokers in relation to his effort to invite trust among potential clients. For the modern phone, Bell Labs redefined transmission efficiency based directly on consumers' behavior. Both cases suggest ways of thinking about the firm's power that went beyond mass media. The significance of Merrill Lynch's success may not have rested as much on promoting stocks as on the implications of consumers financing their savings through blue chip corporations. Customers inadvertently questioned AT&T's authority in the phone's design, including its aesthetic and engineering design. By resolving its technical problems, AT&T restricted consumers'

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32 Examples include, for the set's angles, O.A. Shann, "Combined Handset Mounting and Subscriber Set for Desk Use," June 14, 1932, Project Case 34648, vol. B; for the hand grip, J.J. Kuhn, "Combined Telephone Set," April 12, 1935, Project Case 35859, vol. A; for color, E.H. Colpitts to F.B. Jewett, February 11, 1935, vol. A, Project Case 35859; T.H. Martin, "Memorandum for File," July 24, 1929, File 08, 04 03, H.P. Charlesworth Collection; for drop tests, G.J. Herbert, "Memorandum for File," August 11, 1937, Project Case 35859-1, vol. E; for outside designers, D.H. King, "Report on Artists' Models – Case 34648," n.d. (filed, August 9, 1932), Project Case 34648, vol. B. All in AT&T.

aesthetic choices and sustained its commitment to high-quality service (whether or not consumers preferred this trade-off).

## Conclusion

My intent in this paper has been to identify various cases of negotiation between the modern firm and consumers. The process of negotiation frequently centered on managers' efforts to collect information about customers as well as questions of authority in defining relations with them; many episodes also were complicated by the nature of the good, which in part conditioned relations between the two parties. Inasmuch as the process of negotiation related to different aspects of the firm's operation, I outlined three general problems: the firm's contact with consumers through sales agents; how consumers were represented inside the firm for the design, production, and marketing of goods; and how managers' assumptions about consumers became embedded in corporate policies. The literature may be too young to draw hard-and-fast conclusions. Yet rather than split the firm into business and cultural topics, it identifies points of contact between managers and consumers for which we can assess the varied cultural and social dimensions in the construction of the firm [Lamoreaux, 1995, p. 43].

One problem concerned the mass distribution of goods. In business or economic terms, I examined how firms employed information about consumers to "efficiently" allocate goods and sales agents. But efficiency also required monitoring a firm's agents – a problem which begs the social question of autonomy and dependency for individuals who owned small businesses and increasingly became franchised and tied to large-scale enterprises over the course of the twentieth century. One may further ask how the nature of a good (be it a car or stocks) affected managers' relations with sales agents and consumers.

We may also ask how consumers affected "rational" policies inside the firm. How Charles Merrill defined the "optimal" method to compensate and organize brokers was premised on his desire to build trust with clients. Likewise, implicit in AT&T's measure of transmission efficiency were assumptions about how consumers employed the technology. Managers used abstract standards as "rational" measures to run their firms, but they grounded such measures in cultural interpretations of consumers – and I suspect, ideas about labor, technology, and their professional interests, among other factors. Philip Scranton put the point in general terms: "the appreciation of contingency and multiple constructions of rationality could prove as useful as were earlier organizing motifs, making more intelligible the roots of the present mix of dilemmas and opportunities while highlighting the diversity of business institutions, values, and practices."[33]

[33] Scranton [1991, p. 90] makes his point about production technology but his comment applies generally to the idea of unpacking the "rational." Also see Galambos [1992, p. 8].

Joining producers and consumers likewise opens questions about the consumer society. Although the exchange between producers and consumers was hardly equal, the firm's authority was not absolute. The nature of the market and the product affected questions about the design and distribution of goods, as the case of AT&T suggested. Further, as Scranton and Blaszczyk argue, consumers' highly variable and uncertain demands conditioned producers' actions, and thus, no one type of technology can be held up as inherently more effective. Finally, managers at Merrill Lynch had responded to their perceptions of questions of trust consumers faced. One may ask how market conditions and information problems associated with the nature of goods (say food, drugs, automobiles, or stocks) conditioned firms' behavior. This also implies thinking about the social and cultural processes of consumption as Americans drove cars, listened to music, or saved for their retirement, among other activities.

Many scholars have focused on managers' perceptions of consumers and the content of the information firms collected. These cases emphasize that as consumers were "reflected" through various agents, questions about gender or racial identity or notions of personal behavior in modern life were played out in the creation of particular consumables. In this regard, following Goldstein's initiative, historians have much more to learn about mediators and market research. Still, we may find that looking inside the firm provides a fruitful method to explore various issues in the lives of twentieth-century Americans.

I want to close with a cautionary note about what conclusions we can draw from the sources we use to study the twentieth century. This scholarship suggests that as managers faced questions about consumers, to varying degrees they defined their actions in relation to images of or imperfect information about consumers. I am more guarded, however, in using these sources to draw conclusions about consumers themselves. As firms sold goods on a mass scale, they faced so many customers that shoppers became abstractions. Masses of information could be collected about or directed at customers; yet the process of abstracting consumers made it more difficult to assess their experiences. I say this because I think it important for how one evaluates the influence of consumers on the firm. The division between the firm and the consumer remained a real one. How firms employed images of shoppers in designing products was not the same as the meanings Americans gave to goods – meanings that may or may not have been consistent with the firm's intended messages. Here the work of historians like Carbine, Benson, and Cohen has been critical in understanding how consumers interpreted the particular goods they consumed.

Business historians may contribute to this debate. Where many scholars have studied local sites of consumption, one might examine the role of local-based firms within communities – firms that in all likelihood differed from giant corporations in their relations with consumers [Weems, 1996; Cohen, 1990]. Alternatively, scholars could scrutinize economic institutions involved in consumer markets. Consider credit. Despite its importance, few historians have given this topic systematic analysis. To understand what was distinctive about credit in the twentieth century, we would benefit from comparing its role in this century to earlier historical eras.[34] My remark is suggestive – to note how by addressing other dimensions of the firm's relations with consumers, business historians may contribute to the study of the firm, consumers and the goods themselves.

In 1995 the Business History Conference hosted its first session devoted to exploring consumers and the firm. More will follow, I believe, because many scholars – especially younger historians – are excited about this area of research. Demographically speaking, I hope "the firm and the consumer" will be one area in the future of business history.

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