PRESIDENTIAL ADDRESS

America, the Cold War, and I

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We have grown increasingly fond of saying that we are an international organization. Our internationalism enriches our discussions, but can occasionally bring with it acute cultural dilemmas. There is, for example, a strong tradition that the presidential address contains weighty reflections on the development of the subject, sugared with revealing autobiographical reminiscences. These twin requirements may be quite acceptable to Americans, but they create severe difficulties for your first European president. It is an inflexible rule in European polite society that one does *not* discuss business at dinner. Furthermore, Englishmen (in particular) are also disabled from the second, autobiographical requirement: as is well known, they are so repressed that they are quite unable to talk about themselves, especially in public. When I shared these misgivings with Will Hausman, the guardian of our traditions, he unhelpfully pointed out that screenings in the USA of *The Full Monty* this year have created exaggerated expectations of the lengths to which Englishmen will depart from expected behavior patterns to please an audience.

Nonetheless, we have agreed a compromise. I am going to talk about some of my vacations in America and elsewhere, linking these experiences to the Cold War with the Soviet Union that has dominated the international politics of virtually the whole of my life. That war began when I was born (in 1947) and ended some time in the late 1980s with an American victory. This compromise is not entirely satisfactory, in that there remains some risk that I may be immodest enough to draw attention to my personal role in America's global triumph. Furthermore, I also risk transgressing another inflexible rule of British dinner parties: that one should not discuss sex, politics or religion. There is even the possibility that – if I reinterpret the cold war as one between two systems, capitalism and socialism – I may even stray into fields related to business history. But those of you who have suffered British dinner parties will know that they are unutterably dull affairs unless one breaks *some* of the rules.

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Early Influences

European attitudes to America, at the start of the cold war, owed a great deal to their direct experience of Americans in the hot war that preceded it. The normal coincidence of this conference with St. Patrick's Day always reminds me that at least one European member of this conference – Patrick Fridenson – was in 1944 named after the hoped-for Irish American GI whom his parents dreamed would save him from the concentration camp into which he was born. There was not much doubt what his grateful parents thought of Americans. However, in the postwar Britain into which I was born a few years later, attitudes to America were more equivocal. The "special relationship" which Winston Churchill invented was, indeed, special and one aspect of it was that it was close enough to permit the sharp criticisms allowed between close friends: who do not just have mutual understanding, but also shared history, even ghosts. I grew up in an atmosphere not exactly of anti-Americanism but certainly with a distinct feeling that U.S. citizens were only the second best inhabitants of the North American continent.

My Canadian cousins from Calgary (like those in Australia and Hong Kong) had begun fighting in Britain's war in 1939; I did not have any American cousins, but plainly, if I had had, they would not have done the right thing until 1942. Moreover, when U.S. GIs did occupy the British Isles on their way to heroic deeds on the Normandy beaches and beyond, they created some social tensions. In last year's presidential address, Mansel Blackford drew attention to the lack of racial prejudice among the natives of Belfast noticed by black American servicemen; the other side of that syndrome in my native Lancashire was an antagonistic local reaction when white officers of black U.S. regiments banned their men from the local pubs, a discrimination which seemed quite unacceptable among allies to ordinary British people like my parents.

More generally I suspect my father unconsciously reflected the anti-Americanism of envy that became common global currency postwar. He had perhaps earlier shared the dislike experienced by most adult males in the British forces of American soldiers who were "overpaid, oversexed, and over here." It was not just their much higher pay, but what GIs appeared to be getting for the nylon stockings to which they had privileged access in the wartime barter economy, when differential rationing was applied by nationality rather than theatre of war. These mild undertones of discontent with Americans were a leitmotif of my childhood, reinforced in political circles in 1956 when Britain, France, and Israel attempted to stage what to their leaders at the time appeared to be a kind of premature version of "Desert Storm" at Suez; they were (quite without justification) surprised at America's absence from that disastrous engagement.

This was certainly very different from the view of Russia with which I grew up. The Soviet Union and its people were simply unknown to most Britons, except through the increasingly stylized cold war characterizations in the newspapers, which on people like me had the opposite effect to that

intended. I was skeptical that a society so explicitly devoted to social equality could be quite as bad as it was portrayed.

In the matter of socialism versus capitalism, my starting baggage in the Cold War was more clearcut than my misty view of America versus Russia. It derived principally from my social position, which was decidedly lumpen-proletarian, though with a twist that precluded lumpenproletarian false consciousness. Later in life, as a university teacher, I often encountered that kind of inverted snobbery that exulted in playing the game of asserting that "I am more working class than you." It was harmless fun, but I found it a very boring game: not least because I could always be absolutely certain of winning. The first stage was: are your parents skilled or unskilled working class? In the thirties, cotton workers in the industrial revolution's heartland (my lowland Scottish ancestors appear to have moved to jobs as cotton spinners in Oldham) may have had skills of a sort, but by the 1950s these skills no longer commanded a market rent; indeed Asian competition soon drove cotton wages down to levels that made them acceptable only to Pakistani immigrants to Lancashire. My father (who left school at 12) and my mother (who left school at 14) had each occasionally worked as spinner and weaver in the cotton industry, but it was only as a library janitor that my father produced regular family income; and for more than half my childhood he was ill and produced no labour income at all: we were entirely dependant on welfare benefits. If that was not enough to win the inverted snobbery competition, I could always play my trump card: the marriage certificate of my paternal grandparents. This bore the unmistakable "X, her mark" against the name of my grandmother, Lucy. I am a member of only the second generation of Hannahs to be fully literate.

I would like to be telling you this story as a prologue to an inspiring tale of personal triumph over adversity of Horatio Alger-like dimensions, but, alas, I was deprived of that pride and pleasure by the actions of a well-meaning bureaucrat of the postwar British welfare state. It is fashionable to decry the social engineering initiatives of such people these days, but I have never quite been able to share these sentiments.[1] The reason is that one such nameless person, administering the (then customary) IQ test to me at the age of 10, decided to re-classify me as middle class. The process was painless, and simple: I was to travel ten miles every weekday to the best private school in Manchester – Manchester Grammar School – with my fares and fees – and occasional special grants for clothes and equipment – being paid entirely by the municipal authorities.

I thus spent my teenage years suspended between two worlds: home life "on the dole" with my parents, and a highly privileged daytime school life with the scions of the Manchester bourgeoisie. There were a series of fine schoolteachers who inspired me (and who were repaid by the special pleasure most of us in the profession still get from sponsoring social mobility in an

[1] Though one should be aware of the luck involved. I lived in a working class housing ghetto bordering a middle class primary school catchment area, effectively enjoying the benefits that "busing" was later to promise (if not deliver) in other contexts.

educational world we uncomfortably recognize as equally capable of promoting social exclusion). I found nothing strange in the apparently schizophrenic experience: the divided life was, after all, the only life I knew. My parents were unwaveringly supportive, even when my privileges distanced me from them in life experiences, if not emotionally. Indeed, they often seemed to be living a surrogate life: experiencing through me the opportunities that they had themselves missed in an earlier society disfigured by stronger class barriers.[2]

The objective reality of my family's economic condition remained; indeed my perceptions of it were accentuated by the painful contrasts with that of the distinctly attractive life I observed to be led by my new schoolfellows. I have read a lot since those days about the causes of poverty (it is, after all, one of the central preoccupations of the social scientists and economic historians whose world I joined), but I fear the views that most closely matched my own in the 1960s were those later opined by Richard Nixon: "what's wrong with the poor is that they have no money." I saw the remedy for this situation with starker clarity than such later armchair commentators. The nostrums of social democrats – taxation and welfarist redistributions – were fine, but I already had a vague understanding that distribution was also, in some way, related to production. Hence the appeal of socialism: by taking control of the means of production, my class (for no one had told me that I had been re-classified and it took me some time to realize it) would get the full fruits of their labour and the other guys would not have what was patently far more than they deserved. It seemed clear to me that nationalization of the means of production was one of the more humane ways available to relieve the bourgeoisie of their ill-gotten gains. I expressed it as member of the Labour Party, and was disappointed when Labour governments took only one industry every couple of years into state ownership.

The other links between production and distribution – the incentive effects, for example – troubled me not one jot at that time. How could people enjoying such a nice life as the bourgeoisie possibly lack incentive? I suppose I still find attractive a somewhat gentler Rawlsian version of "Third Way" equal opportunity social democracy, though, as Rawls's critics have pointed out, not everyone finds it as intuitively compelling as those, like myself, who have directly experienced quasi-Rawlsian uncertainty about their position, *ex ante*.

Oxford and the Soviet Union

The glorious political confidence of socialist youth was reinforced by the later 1960s experience, when I graduated to the student world at the University of Oxford. Again, all my fees were paid, for four years, together with full scholarships to cover living costs. My own annual income as a student exceeded my parents' joint income from unemployment benefit: the British welfare state did not re-classify people by halves! Oxford was, of course, a wonderful place to study (with Keith Thomas, Peter Dickson, Max Hartwell,

[2] They had both left school early for economic, not scholastic reasons.

and Hrothgar Habakkuk among my teachers), but it was also a place tantalizingly poised between past and future. One might (literally) have breakfast with Robert Graves (discussing, bye the bye, the First World War) and choose between hearing the Foreign Secretary at the Union or going to London with Americans (like the young Rhodes Scholar, William Clinton) to demonstrate against the Vietnam War at the American Embassy in Grosvenor Square. We never actually brought a government to its knees (as our French student colleagues virtually did), but the heady mixture of personal and political liberation that our joyous 1960s pseudo-anarchism expressed seemed universal and inevitably destined to succeed. Two of our slogans give the flavor: "*défence de défendre*" (it is forbidden to forbid) and the simple statement of our objectives "*tutto e subito*" (everything, and now!) Mick Jagger, not long out of his student days at LSE, and our icon, was singing "Street Fighting Man," and we believed *our* fight would change the world.

Even in that dottily euphoric world of sixties student life, I retained some sense of the concrete and the achievable. Perhaps that is what separates out the business and economic historian or the business strategy teacher from the economist or the social science theorist! In my case, it was reflected in a determination to see for myself what life was like in the two main protagonists of the Cold War. My curiosity turned to the way that people lived in the two great rival economic systems represented by the two great Satans of the time. I say two, for we were not fooled by Russia's support of Vietnam (good) into ignoring the evidence of its own totalitarian repression (bad); we were just a little too easily inclined to equate the latter with the "repressive tolerance" within Western political systems. ("Repressive tolerance" was the phrase we applied to the police on the (vast majority of) occasions when they did not use CS gas or bullets against us.)

Arrangements to travel to Russia were easy to make, for the Communist Party of the Soviet Union was keen to attract student leaders to its camp and offered all-expenses-paid trips, usually (unless one was considered a particularly valuable catch) in return for a week or so of teaching Soviet students English. I signed up for a three-week trip and (this being the cold war) was called into the Foreign Office for a precautionary briefing by an officer of MI6 (the British secret service), based on de-briefings of earlier student visitors and disarmingly full of commonsense advice. Only at the end was one, rather casually, informed that as a potential British leader in future (it was assumed that Oxford historians were destined for the civil service or high politics), one might be sexually propositioned and should remember that a camera was likely to be concealed in the bedroom, in readiness for future blackmail use. The entrapment was likely to be modified appropriately if homosexuality was one's taste (for this was the time when MI6 was uncovering such proclivities among double agents the KGB and they employed.) Thus forewarned and forearmed, I boldly set off as a cold warrior to the east.

The outward trip across Europe – by boat train across the Channel, then via Berlin and Warsaw across more frontiers that one can possibly imagine in present-day Europe – ended on the railway station platform in Brest Litovsk,

where I was greeted by Lara. (If the KGB had conducted research on my proclivities, it was impressive: Lara bore a striking resemblance to her namesake in Robert Bolt's classic 1965 movie, *Dr. Zhivago*). There was the usual eclectic and highly privileged tourist whirl – the Bolshoi, the Hermitage, the Kremlin, the Zagorsk monastery – before we ended up in Tallinn, the capital of Estonia, where I was to undertake the teaching that was to pay for my trip and where Lara was chairman of a Komsomol branch.

It was a curiously inappropriate place for any sensible Russian bureaucrat to send a prying foreign observer, for the Estonians still remembered being independent and the students I taught had no difficulty in gaining access to information about the west via the radio from nearby Helsinki (Estonian being very close linguistically to Finnish). My Russian hostess was also refreshingly frank about her position as an ethnic Russian, considered by the native Estonians as an alien occupier and not entirely happy in being cast in this role. Everything that was said by Russians and Estonians was guardedly coded, but the drift of it, even at this time when the mechanisms of Stalinist control were still largely intact (but only intermittently used) was unmistakable. They happily colluded in my interpretation of Charles Dickens' works, which they had been set as the story of the Victorian bourgeoisie's exploitation of the British working classes. Substitute the CPSU for the British bourgeoisie and one could have quite serious discussions about whether the party intended to promote privilege or equality, whether the compromises it made in order to do so were legitimate and many other issues which would otherwise have been taboo.

The need to talk in code was not attractive to a student who had experienced the heady freedoms and self-indulgent license of 1960s British debate. Moreover, the Soviet economy was surprisingly technologically and organizationally backward, if one looked at department stores, restaurants, hotels, or discotheques, rather than sputniks. I also felt distinctly uncomfortable that I (and my privileged hostess) could walk to the front of queues that ordinary working people had formed for hours. This was not a society that I found easy to admire and I could not understand at all how earlier British economic tourists on the left, like the Webbs, had been so naively optimistic about it. For me, the Communist Party hierarchy was simply an exotic variant of the oppressor class in my own society: exploiters of ordinary people, but exploiters who had misappropriated a rhetoric which had attractive egalitarian overtones but little policy relevance. If I had any thoughts that I might be a communist, rather than socialist, the Russian government's subsidizing of my trip there did nothing to confirm them.

A Trip to the United States

Travel to the other side was a little more challenging: the U.S. government issued J2 student visas, giving the right to work in America for a limited time, but provided no other assistance. Some aspects of the process of admission, it is true, were depressingly similar to those offered by Soviet Russia. Perhaps border guards or immigration officials have to be broadly the same the

world over. One expected at the Russian border questions like "Are you carrying anti-Soviet literature or more than one bible?" and perhaps the U.S. Immigration Service's "Are you, or have you been, a member of the Communist Party?" could be considered par for the course on the American side. But when the U.S. officials asked "are you, or have you been a mass murderer?" European first-timers usually nervously wondered what anti-social behavior they could have been observed perpetrating in the arrivals hall to give rise to these suspicions. However, the nature of the game – and the certainty that the officer was not really listening to the response – became clearer, with the question "Is it your intention to overthrow the government of the United States by force?" Observing that the officials appeared to carry guns, I resisted the temptation to reply "It's the sole purpose of my visit." I was admitted to the Big Apple.

If the Cold War had been won on the basis of a comparison of my respective first days in the Soviet Union and America, it would have been curtains for America, for I then had an experience which remains etched on my memory. I made my way from JFK to Manhattan and checked into a student hostel in the Lower East Side, recommended by the standard student guides. Somewhat weary from the journey, I grabbed a tuna salad on rye and went to bed early at 10 p.m., without unpacking. At 2 a.m. I was awoken by the warden of the hostel, a Puerto Rican American, angrily gesturing me to get up, brandishing a shotgun and screaming, among inaccurate remarks about my parenthood and politics, that I had "dishonored the image of Our Lord Jesus Christ." From the initial confused images of half sleep, it emerged that during the night someone had defaced an icon of Christ which hung in the stairway; for reasons that remained unclear, it had been decided that I was the miscreant. Pushed forward by the butt of a gun, hastily grabbing my luggage, I was unceremoniously ejected into the steamy, dark, and threatening Lower East Side in the early hours of the morning, amid remarks about the ultimate punishment that the Almighty would assuredly inflict on me.

I found even the officially sanctioned version of Christianity in the Zagorsk monastery distinctly more appealing and, like many Europeans, have often since wondered as much at the extremes and strength of Christian ideology in America as at the ineffectiveness of official encouragement (or discouragement) of it in Europe. Ultimately the explanation of this marked difference between America and Western Europe seems most plausibly explained by standard models of monopoly versus competition: the competitive assortment of American Christianities promoted growth and diversity, while in Western Europe state-sponsored religion was the most effective vehicle for promoting the agnosticism that is more pervasive there.

Better sides of American Christianity – and American society in general – were revealed to me in the 12,000 miles of Greyhound bus rides which I endured in the next two months, as I tried to suppress the aftertaste of initial impressions and see "all" of America in one trip. Working as a bus boy in Ken's Restaurant in Copley Square in Boston (even under the tutelage of the Irish American waitress from the South Side who seemed to have absorbed a certain view of Englishmen that I never found in Ireland) was, for a student

newly impoverished by the transatlantic air fare, a welcome introduction to American economic opportunity, as well as to its downside. Some stereotypes were confirmed. Greyhound buses had more than their fair share of Vietnam veterans, not all of them mentally coherent or physically whole. In the South I experienced, with the pained embarrassment of an uncomprehending outsider, the refusal of white restaurant workers to serve black customers. Yet for all its faults and failings, America – even the blue collar and young America I then experienced (very different from, yet sharing a lot with, the America of Boston Brahmins and business historians with whom I later brushed shoulders) – was a place I was coming to love for its variety, its openness and its optimism. Revealed preference is a telling principle: observe what people do rather than what they say. Since my first two ventures to the main protagonists in the Cold War, I have returned to America some 59 times, to Russia twice.

Intellectual Influences

I can trace some of the themes of the two decades of academic work that followed from my first steps on the Ph.D. treadmill at the age of 21 to these earlier experiences. Riding the Greyhound bus across the interminable cornfields of the midwest left one in no doubt that American material resources were different from those in Europe; American industrial comparisons also became a constant theme in my academic work.

As a young Ph.D. in Oxford, I wrote to the gurus of the day about the ideas I had for comparing big business mergers in the U.S. and UK; many never answered, but Alfred D. Chandler, Jr. replied, saying that he was soon to be in Oxford for the year and we should talk. I then first experienced his scholarly dedication and was excited and inspired by it. Here was someone who could explain to me capitalism's success (though I was still somewhat reluctant to admit its success until I grew even older!). My *Rise of the Corporate Economy* owes a lot to Chandler, and the year I later spent at the Harvard Business School with his business history group was one of the most intellectually stimulating of my life. It is perhaps hard to convey to our younger members how much the whole profession owes to Chandler. By example, he almost single-handedly taught us that thick description, based on a few key case studies and broader samples surveyed more lightly, could be the basis of challenging new generalizations.

I have later come to the view – perhaps, no longer controversial – that Chandler's focus is too narrow and that the metric of his international comparisons is fundamentally misconceived, but neither of these qualifying observations should blind us to Chandler's fundamental greatness. If we now see differently, it is only because we stand on his powerful and generous shoulders. As those of you who have glimpsed the early drafts of his proposed new book on postwar America will also know, his energy and dedication is unfailing years after formal retirement. We may well soon see another masterpiece that will put the productivity (and the output quality) of many of us to shame.

There were of course, many other intellectual influences. Don McCloskey (as he then was) taught me to relish argument. Thomas P. Hughes – as much in evidence in Europe as in Pennsylvania – appeared when I was writing on British electricity and I directly experienced the stimulus of his distinctive vision of the history of technology. His international comparisons of technical and social systems in Germany, Britain, and the USA in *Networks of Power* will be one of the more enduring contributions to the history of technology. Dan MacGill – also at Pennsylvania but in the Wharton School – taught me about pensions, with some of the results appearing in *Inventing Retirement.* At home, George Richardson and Edith Penrose were teaching me the rudiments of the resource-based theory of the firm, decades before David Teece and others developed it more systematically in America. British business historians like Theo Barker, Donald Coleman, and Bill Reader also gave me opportunities to work with them at Cambridge and LSE, and in turn, we widened that opportunity to scholars like Geoffrey Jones, David Jeremy and (one of Tom Hughes' Ph.D.s from America) Jonathan Liebenau. As with the earlier research center in entrepreneurial history at Harvard, the founders of the Business History Unit have all dispersed, but – as with the Harvard center – what a diaspora! Only Liebenau among the Business History Unit's initial founders remains at LSE, and he teaches technology applications in developing countries, not business history. He did, however, in 1991, for me symbolically mark the end of Soviet Russia, when I saw his photograph on the tank in front of the Russian parliament, standing next to Boris Yeltsin as Yeltsin resisted the coup against Gorbachev.

Real Business and Business History

I have, over the last ten years, strayed disgracefully from the scholarly straight and narrow and, much earlier, I also strayed from socialism. The fall was consummated with the foundation in 1986 of the private consultancy, London Economics, by several British economists.

Robin Cohen (the LSE Business History Unit's most successful graduate!) was its first employee (and later managing director). Surprisingly, in Thatcherite Britain, my purely antiquarian interest in electric utilities (I had written a narrow, scholarly business history, *Electricity before Nationalisation,* which described how pre-1947 British utilities worked) brought me into the firm at its foundation and we won the mandate to advise on electricity privatization. We successfully persuaded the government to split up the nationalized monolith and allow competition in generation, with vertically disintegrated, regulated distribution companies. The massive fall in real electricity prices and the takeover of some utilities by more efficient U.S. ones suggest we were right, but did not go far enough in stimulating competition.

London Economics, meanwhile, rapidly diversified and became what it is today; the largest independent economic consultancy in Europe, with offices also in Tokyo, Boston, and Melbourne. It is a fascinating business to be a non-executive director of: rapidly growing and virtual (a report for a Japanese client

on energy deregulation in California may well be written in Australia and charged from London). I also became the non-executive director of a Dutch insurance company, as such companies strove to become more global.

To actually appear to be associated with real business is, of course, a grave mistake in academia, as it is to appear willing to run a research unit or department. I was, nonetheless, clear that I had got into the business for the academic study of management, not the management of academics (that had, after all, been correctly likened to "herding cats"). However, resolution can be subverted. My colleagues ambushed me when my defenses were low and I agreed in 1995 to become pro-director of the London School of Economics, accidentally ending up, in 1996-97, as acting director,[3] before the great sociologist, Tony Giddens, accepted the directorship.

I could readily enthuse at length about today's LSE and about Tony Giddens (who appeared as a model for business historians in one of our conference papers last year), but time is running short, so let me just leave you with one simple LSE image of the end of the cold war. The occasion was lunch with George Soros – an LSE alumnus – last year. Here was an East European refugee who arrived in Britain in the 1940s and, after a poverty-stricken life in postwar LSE, became one of capitalism's richest men, famously returning his western wealth to the east in scholarships for Russians and other East Europeans to study in Britain and America. He talked – as he recently has more publicly – about how he felt *some* restrictions on international financial markets were necessary and he reflected on LSE in the days of Popper and Hayek. My own more modest odyssey of discovery and changing perspectives flooded back into my memory as I listened to this broad-minded capitalist. It was clear why our subject is so fascinating and varied. I really must stop being a bureaucrat, snatching accidental glimpses of real business, and get back to critical business history some day.[4]

[3] The best American translation of the terms would be pro-director=provost and director=president.

[4] Leslie Hannah recently became dean of the City University Business School, London; but there is hope for him in business history yet.