PRESIDENTIAL ADDRESS

Business History and Economics

William Lazonick
Barnard College, Columbia University

The presidential address is traditionally heavily auto-biographical. As your typical egotistical, white, male academic, I am in principle quite happy to perpetuate the tradition. But for practical reasons, I have second thoughts about telling you the story of my life. Normally the presidential address at the Business History Conference has been part of a banquet format that has created a captive audience. With the reception and the evening still ahead of you rather than behind you, I fear that if I try to take this hour to recount the life and times of William H. Lazonick you might all start heading for the doors.

It also happens that, despite my still valid Canadian passport, I am not the president of the Canadian Business History Conference. In view of the joint sponsorship of these meetings, my "presidential" address is being billed as a "keynote address". I have strong doubts about the wisdom of offering my life story as the keynote theme of these meetings.

I shall, therefore, refrain from telling you that I was born and bred in the very city where we are having these meetings. And I won't let you know that just a ten minute walk from where we stand right now, my father has for over forty years run a business that bears my name (but just in case anybody is interested you can look for a sign that says H. WILLIAMS & CO. on Church Street, north of Queen). Nor shall I bother telling you that over two decades ago the University of Toronto awarded me a Bachelor of Commerce degree. Surely, you have no interest in such details of my personal life, so I shall oblige you by keeping them to myself.

But I must warn you that I won't spare you completely. What I shall talk about is how an economist came to the study of business history. In relating this tale, my purpose is to ask not what the economist can do for business history but what business history can do for the economist. For, as many of you may know, the academic discipline that calls itself economics is in a sorry state. The discipline needs some help.

The sorry state of economics has ideological and methodological origins. With its idealization of an economy that gives free vent to individualistic behavior, the discipline has no way of comprehending why, in a so-called market economy, a business organization that brings together

BUSINESS AND ECONOMIC HISTORY, Second Series, Volume Twenty, 1991.
Copyright (c) 1991 by the Business History Conference. ISSN 0849-6825.

thousands and tens of thousands of people could be anything but a burdensome market imperfection, much less an institution that is central to the process of economic development. More generally, the discipline's methodological obsession with static equilibrium means that economists normally lack the training to analyze the process of economic development. As a result they have great difficulty comprehending, let alone analyzing, how, within a so-called market economy, the strategies and structures of business organizations might be critical determinants of the development process. In effect, many of the most prominent orthodox economists--numerous Nobel Prize winners among them--have acquired a trained incapacity to understand the central features of a modern economy.

But, you may well now be asking yourselves, how did the economist Lazonick transcend his formal education to do the types of things that he says modern economists are trained not to do? To answer this question, I must fight off my second thoughts and tell you something about how I made my intellectual escape from the clutches of orthodox economics. Let me begin by putting it this way. Another economist, Oliver Williamson, has declared his adherence to orthodox economic ideology by the assertion that "in the beginning there were markets" [22, p. 87]. I learned the same stuff as an undergraduate at the University of Toronto and then as a master's student at the London School of Economics. But by the time I was finished at the LSE, I didn't believe the story. Something happened during those years (or perhaps even long before) that ultimately convinced me that "in the beginning there were social relationships." For better or for worse, it has been the strategies of people entering into social relationships in attempts to control their lives that has shaped the markets for labor, capital, and products that have come to characterize the modern industrial world. The more I studied the economist's story of how impersonal market forces determine our economic fate--of how all of us would be better off if everyone avoided social relationships for the sake of buying cheap and selling dear at every opportunity--the more I became convinced that this story of how a modern economy works, or at least should work, not merely obscures reality but is a prescription for economic failure should someone actually try to put such a system in place.

To comprehend why and how a modern economy is successful, the economist must be able to tell a story of the impact of social relationships on economic outcomes. To figure out just what the relevant story is, the economist must study history. The study of history is not a matter of locating some stylized facts that fit a preconceived theory. To understand the process of economic change, the economist must become a historian.

At least one leading twentieth-century economist came to recognize the fundamental importance of historical analysis. Toward the end of his career, Joseph A. Schumpeter identified three fundamental fields of economics: history, theory, and statistics. He advised that "if starting my work in economics afresh, I were told that I could study only one of the three but could have my choice, it would be economic history that I would choose. And this on three grounds"

> First, the subject matter of economics is essentially a unique process in historic time. Nobody can hope to understand the economic phenomena of any, including the present epoch, who has not an adequate command of historical *facts* and an adequate amount of historical *sense* or what may be described as *historical experience*.
>
> Second, the historical report cannot be purely economic but must inevitably reflect also "institutional" facts that are not purely economic: therefore it affords the best method for understanding how economic and non-economic facts are related to one another and how the various social sciences *should* be related to one another.
>
> Third, it is, I believe, the fact that most of the fundamental errors currently committed in economic analysis are due to the lack of historical experience more often than to any other shortcoming of the economist's equipment [20, pp. 12-13].

My first introductions to economic history came at the University of Toronto, but it was not until I became an economics graduate student in the Ph.D. program at Harvard that I began to comprehend the process of historical change. An important, and perhaps critical, determinant of my intellectual trajectory was the fact that I did not have to choose history *instead of* theory or statistics. When I came to Harvard to study economics I had the confidence to study history because I had already received a thorough training in theory and statistics, first at the University of Toronto and then, more importantly, at the London School of Economics. Teaching in economics departments--first at Harvard University and more recently at Columbia University--it has been my experience that economics graduate students shy away from studying history because of their lack of confidence in their abilities to perform up to conventional standards in theory and statistics. Even if they are given the opportunity to study history--which is by no means always the case in major economics Ph.D. programs today--very few get around to doing so seriously.

As for me, the economic theory that I learned before entering the Harvard Ph.D. program was highly orthodox, deeply rooted in the neoclassical tradition. At the London School of Economics the people who taught neoclassical theory appeared to really believe that individualism exercised through impersonal markets leads to optimal economic outcomes. At Harvard in contrast most professors did not really believe the free-market story and substituted mathematics for substance in what they taught. My first-year advisor at Harvard informed me that my training in economic theory at the LSE had been virtually worthless. I do not think so--at the LSE I had received a rigorous education in the neoclassical view of the economic world. Such learning would prove invaluable for someone who wanted to explore how and why that worldview went wrong.

At the LSE in the late 1960s the neoclassical guru was Harry Johnson, the Canadian-born economist who brought the Chicago School to England. At the time of his death in the mid-1970s, Johnson was reputed to be the

most published economist in history. Be that as it may, there was certainly no history in his economics. Johnson preached the static theory of the market economy. As a result, he was ideologically and methodologically on an intellectual course that made it impossible for him to understand the ever-growing importance for economic development of business organizations characterized by long-term social relationships and planned coordination of productive activities.

But because Johnson and his followers believed so fervently in the efficacy of market coordination, they made clear their substantive assumptions of how the world works rather than, as has become increasingly the trend among economists, hide behind a complex facade of mathematical formulae that is then marketed as "science." The fundamental assumptions of the system of economic thought that was taught at the LSE could be easily grasped, and hence, if one had the inclination, easily questioned. The proponents of neoclassical orthodoxy were not necessarily eager for debate, but their candor and consistency in espousing their view of the world made it possible to criticize their perspective.

Now that I have taken the liberty of exposing you to the intimate details of my intellectual formation, I must make a personal confession--something that I have kept to myself all these years. As a critic of neoclassical economic orthodoxy, I was made, not born. When I came to the LSE in the fall of 1968, I basically believed that perfectly competitive markets represented an ideal, even if not wholly attainable, mode of economic organization. I had not been exposed to any other type of economic theory, and, notwithstanding my parents social democratic inclinations (they were stalwart supporters of the Cooperative Commonwealth Federation and then the New Democratic Party), my life experience through my undergraduate years can only be described as petty bourgeois.

But by the summer of 1969, when I had completed a Master of Science degree in economics, I knew that the neoclassical story was fundamentally flawed. The political turmoil of the time, and the intellectual ferment that it generated, helped me to see that something was missing from the neoclassical account of the best of all possible worlds. I particularly remember that, after a stirring LSE debate between Joan Robinson and Harry Johnson on income distribution, I began telling anyone who would listen that "the price system" had to be studied as a set of social relationships. As it turns out, I was speaking the truth.

I also deviated from the intense and narrow curriculum at LSE to read (in the course of one evening) John Kenneth Galbraith's, *The New Industrial State* [10]. This book attacked economic orthodoxy for its neglect of "the planning system"--a system that, Galbraith argued, characterized the modern capitalist economy (by which he meant the American economy). Despite an undergraduate degree in commerce and finance, I was at the time unaware of Alfred Chandler's *Strategy and Structure* [3]. Reading *The New Industrial State* did nothing to alert me to Chandler's momentous work in American business history. Galbraith's book described the post-World War II corporate economy; it did not explain how it came to be. As it turned out, I would have to make a voyage to the New World to become truly educated.

But now I am getting ahead of the story (and since I haven't been able to refrain from telling it, I may as well tell it right). When I left LSE in the summer of 1969, I was confident that I understood what conventional economics was all about. But I had also become aware that I knew very little about how an actual capitalist economy worked. In other words, I had come to the realization that understanding economics and understanding the economy were not necessarily the same endeavors. As I looked at the world around me, I became convinced that to transcend neoclassical orthodoxy was not a matter of correcting logical inconsistencies by recourse to ad hoc theorizing. I had no idea what the relevant theory was. In my five years of higher education, I had been exposed to only one theory--and it was a theory that turned out to be out of touch with reality. A relevant economic theory remained to be discovered.

So what does a young person, thirsting for knowledge about the *real world*, do? I went off to Switzerland in the guise of a doctoral student at the Institut Universitaire de Hautes Etudes Internationales in Geneva. In terms of my personal economics, it was a good deal. This was a time when one U.S. dollar would buy four and a half Swiss francs, when a good meal could be had in a Geneva café for less than 10 francs, and when $45US a month in total got me a quarter-share in an apartment in the center of Geneva *and* a half-share in a country residence by Lake Geneva. What's more, to the surprise of my Swiss friends, I had managed to get a scholarship from the Swiss government without even applying for one (it turned out that being a student of Harry Johnson had something to do with it). If I was searching for the real world, I had surely found it.

Naturally, I spent most of the winter months and part of the spring skiing in the Swiss alps. In between trips to places such as St. Moritz, Zermatt, and Grindelwald, I could be found reading, debating, and drinking (although perhaps not in that order) in the very same café in Geneva that Lenin had frequented before his return to Russia in 1917.

Now, lest I be accused of having been totally self-indulgent at a time when I should have been focused first and foremost on the pursuit of a career, I should point out that even the skiing was not a complete intellectual time out. I always took a book with me to read on the mountain trains, cable cars, gondolas, and chair lifts. One book that I carried with me up the mountains in the winter of 1970 was Jean-Jacques Servan-Schreiber's, *Le Défi Americain*, published a couple of years before [21]. His main point was that Europe had to build the scale and scope of its business organizations if it hoped to avoid becoming an economic, and perhaps cultural, colony of the United States. As a Canadian, the argument had a certain resonance. This book, more than any other, convinced me that, once I had my fill of the Swiss Alps, I should continue to study economics in the United States.

For if, as Servan-Schreiber argued, the American model of economic organization revealed the future to the rest of the world, then it was the American model that had to be studied. And needless to say, the U.S. corporations that Servan-Schreiber saw challenging Europe hardly fit the model of the passive and powerless business firms portrayed in the many courses in microeconomics that I had taken. Rather they seemed to have

much more in common with the types of corporations that characterized "the planning system" about which I had read in Galbraith's *The New Industrial State.*

One day, as the mountain train passed through the shadow of the Matterhorn, an English woman spotted me reading Galbraith's *American Capitalism*--the 1951 book which introduced the term "countervailing power" into the discourse of American political economy [9]. This woman--an attractive medical doctor as I remember--told me that she had met Galbraith at Gstaad, the fashionable Swiss ski resort where he had a mountain home. Indeed, Galbraith had invited her to dinner.

Now, for a student of economics in 1970, Galbraith was, along with Milton Friedman and Paul Samuelson, one of America's three most famous economists. And of the three, he was the only one who wasn't neoclassical. His *New Industrial State* was quickly becoming what I would suppose is the most widely read book written by a twentieth-century economist. So I wrote to Galbraith to let him know that *I too* happened to be in Switzerland, and to inquire about the possibility of meeting him in Gstaad. (I didn't mention dinner, but assumed that an invitation would follow.) I did mention that I was in the midst of applying to the Harvard Ph.D. program. Galbraith responded that he reserved his time at Gstaad for requisite physical exercise, but that perhaps he would see me at Harvard the following year.

I have never found out whether my communication with Galbraith helped or hindered my admission to Harvard. Although Galbraith would shortly thereafter be elected President of the American Economic Association, he wasn't taken at all seriously by the mainstream of the economics profession. In any case, it turned out that Galbraith would have little if any influence on the future course of my career. For when I came to Harvard, I found that, quite apart from the iconoclast Galbraith, there were some 15 to 20 students and four or five faculty in the Harvard economics department who, if not swimming, were at least dogpaddling, outside the mainstream. I quickly got caught up in the same current. As a group, we began making waves.

This group of economists was part of a nation-wide organization, The Union for Radical Political Economics. URPE evolved out of the social protest movements of the 1960s. Like the participants in those movements, the ideological and political orientations of radical economists were diverse and partially formed. Intellectually, we knew too little and had read too much to be dogmatic about how the world worked. What we did know was that the economics textbooks didn't have the answers. Binding together the radical economics movement was a critique of neoclassical economics as epitomized by the teachings of both the conservative Milton Friedman and the liberal Paul Samuelson.

At Harvard, most of the radical economists of the early 1970s assumed that the Marxian tradition in political economy was relevant to our search for a theoretical alternative. But none of us had had a prior exposure to Marxian economics in any serious way. If there was an intellectual tradition in which the most useful work by the Harvard radical economists of the early 1970s could be cast, it was that of American institutionalism, with a heavy emphasis

on the economic determinants and impacts of the historical evolution of the American family, school, workplace, and state [2, 6, 7, 11].

The Marxian influence on this work was not so much in terms of specific economic theory but rather a methodological concern with the dynamic interaction between the relations and forces of production--that is, between organization and technology--in the process of historical evolution. This focus found particular emphasis in the provocative contribution of Stephen Marglin, "What Do Bosses Do? The Origins and Functions of Hierarchy in Capitalist Production," a piece written around 1970 and first published in 1974 [14]. Marglin's argument was that the mainstream economist's notion of efficiency ignores the structures of social power that characterize labor-management relations and the ways in which these structures of social power influence the level of productivity and shape the direction of technological change. The issues raised by Marglin's work had an important impact on my own decision to undertake a detailed examination of the evolution of organization and technology in the British cotton textile industry.

My purpose was to do a detailed case study that could reveal the dynamic interaction of organization and technology in capitalist development. In doing so, I also wanted to acquire what I think Schumpeter meant by "historical experience"--a historical methodology relevant to dynamic economic analysis. I wanted to use institutional history to generate economic theory, and then use that economic theory as a guide to the further exploration of history. In the attempt to integrate history and theory in this way, the problem is that the further exploration of history also has to test the assumptions of the very theory that is guiding the historical research. To do so requires that the verified strengths and the potential weaknesses of the theory always be kept in view. One has to guard against theory taking on a life of its own. For when theory takes on a life of its own, we tend to impose preconceived interpretations on "historical reality" rather than study that reality in a way that can illuminate the relevance of the theory being used.

In the history of economics, the one economist who explicitly sought to bring history and theory into a symbiotic relation with each other was Karl Marx. Joseph Schumpeter viewed Marx's contribution in this regard as of "fundamental importance to the methodology of economics." As Schumpeter put it:

> Economists have always either themselves done work in economic history or else used the historical work of others. But the facts of economic history were assigned to a separate compartment. They entered theory, if at all, merely in the role of illustrations, or possibly as verifications of results. They mixed with it only mechanically. Now Marx's mixture is a chemical one; that is to say, he introduced them into the very argument that produces the results. He was the first economist of top rank to see and to teach systematically how economic theory may be turned into historical analysis and how the historical narrative may be turned into *histoire raisonnée* [19, p. 44].

From this perspective, the validity and utility of a body of theory can be judged in terms of its ability to capture the essence of the historical record that it is trying to explain. In Marx's case, the relevant history was the rise to international industrial leadership of Britain in the nineteenth century. In the first part of my book, *Competitive Advantage on the Shop Floor*, I have written in detail about the strengths and weaknesses of the Marxian analysis of nineteenth-century capitalist development [12]. Suffice it to say here that Marx vastly overestimated the extent to which British capitalists wielded power over British workers. Marx did not recognize the extent to which, even in the presence of mechanization, capitalists remained reliant on the skills and efforts of particular shop-floor workers, in large part because key categories of operatives performed what we would today consider to be managerial roles on the shop floor. Nor did he recognize the extent to which fragmented competition among capitalists often gave the much more cohesive organizations of workers the upper hand in determining the conditions of work and pay. Writing in the third quarter of the nineteenth century, moreover, Marx was unable to see how the institutional foundations of capitalist development in Britain would be different from those that would prevail in nations such as Germany, the United States, or Japan--nations that we know in historical retrospect ultimately would surpass Britain in technological dynamism and economic power.

As I have already mentioned, my own extended case study of the British cotton textile industry showed that Marx had not correctly understood the evolution of employment relations in particular and business organization more generally in nineteenth-century Britain. This conclusion was reaffirmed by case studies of other British industries that revealed similar patterns of organizational fragmentation on the part of employers and the exercise of considerable control over conditions of work and pay by key groups of workers. When the institutional evolution of nineteenth-century British capitalism is properly understood, moreover, it is impossible to accept Marx's well-known argument that "the country that is more developed industrially only shows, to the less developed, the image of its own future" [15, p. 91]. However effective the British model of capitalist development was for securing economic leadership in the last half of the nineteenth century, it is simply not a model that enables one to comprehend the rise to industrial power of economies such as those of Germany, the United States, and Japan in the twentieth century. Compared to the institutions of market-coordinated capitalism that enabled the British economy to assume a position of international dominance in the late nineteenth century, planned coordination of economic activity, particularly at the level of the business organization, characterized the institutions that enabled the economies of Germany, the United States, and Japan to become international economic powers in the twentieth century. Indeed, in the volume that Bernie Elbaum and I put together on the decline of the British economy, we argued that individualistic institutions of proprietary capitalism remained as obstacles to the collective responses required if the British were to build new institutions to meet the new competition [8].

Alfred Chandler's book, *The Visible Hand* [4], had a profound influence on our perspective on British decline. My own detailed research focused on cotton textiles. As a relatively labor-intensive industry, cotton textiles was not of course an industry that figured prominently in Chandler's account of the managerial revolution in U.S. capitalism. Yet by the mid-twentieth century, the organization of the U.S. cotton textile industry looked much more like the organization of the more capital-intensive industries in the United States than like the British cotton textile industry. Chandler's most recent book, *Scale and Scope* [5], affirms this perspective.

Yet there are those who have argued that in cotton textiles at least the relevant comparison for assessing the sources of British decline is not with the United States but with Japan. For it was Japan that in the interwar period rose to dominate international exports of cotton cloth. According to the economic historians, Gary Saxonhouse and Gavin Wright, the Japanese cotton textile industry was characterized by an industrial structure at least as fragmented as the British [18]. This criticism has recently been repeated by the very neoclassical economic historian Donald McCloskey [17]. In a recent article in *Business History*, Bill Mass and I have recognized the importance of making the Japanese comparison for cotton textiles [16]. At the same time we have claimed that a correct understanding of the sources of international competitive advantage in the Japanese cotton textile industry only reaffirms our arguments concerning the growing importance of collective organization in successful capitalist development. Indeed, we argue that, in historical perspective, what happened in the Japanese cotton textile industry between about 1890 and 1930 was nothing less than "the first Japanese miracle"--a transformation characterized by virtually all of the institutional features to which scholars have attributed the post-World War II Japanese miracle.

Whether in Japan or elsewhere, central to successful capitalist development in the twentieth century is the innovative business organization--a business organization (and not necessarily simply a business firm) that has the concentrated economic power and collectivized social structures necessary to generate higher quality products at lower unit costs. In my book, *Business Organization and the Myth of the Market Economy*, I elaborate the conceptual, theoretical, and historical framework for making the innovative business organization central to the analysis of the wealth of different nations [13]. Resurrecting neglected insights of not only Karl Marx, but also Alfred Marshall and (especially) Joseph Schumpeter, the book details how mainstream economists elaborated "the myth of the market economy" even as, in terms of successful capitalist development, such an economy ceased to be a reality.

One section of the book especially of interest to business historians shows how Al Chandler's historical analysis of the causes and consequences of the modern business organization differs markedly from that of Oliver Williamson [13, ch. 6-7]. An intellectual captive of individualist ideology and static methodology, Williamson analyzes the structure and performance of the modern business organization in terms of deviations from a market-coordinated ideal rather than in terms of a dynamic process of collective organization that has rendered the market-coordinated ideal a myth. I argue

that it is a myth that, to maintain logical coherence, *requires* individualist ideology and static metholodogy. It is a myth that requires that economists ignore the comparative history of business organization and capitalist development of the past century.

Which brings me back to the question I raised at the beginning of this talk: What can business history do for economics? In terms of scholarship, the answer is obvious. The work of business historians can enable economists to comprehend how the economy works. I offer myself as a living example that it can be done! Of course (as I fear you now know only too well), I have had my own peculiar history. Long ago I chose not to swim in the mainstream but to plunge into the historical depths. Are there mainstream economists out there who are ready to dive below the surface?

Perhaps. To stretch the aquatic metaphor, a flood of industrial innovation across the ocean has muddied some intellectual waters at home. The success of Japan has raised doubts in the minds of some prominent mainstream economists concerning the general applicability of neoclassical economic theory. For example, in a recent *Business Week* column, Princeton economist Alan Blinder observed:

> Much has been written about Japan's formidable challenge to American industrial preeminence, But the amazing Japanese economy poses another challenge--one that has been barely noticed. I refer to Japan's challenge to received economic doctrine. Stated briefly and far too boldly, the Japanese have succeeded by doing everything wrong (according to standard economy theory). That should make economic theorists squirm [1, p. 21].

After citing a host of so-called "market imperfections" in the operation of the Japanese economy--everything from cartels to permanent employment--Blinder commented:

> All in all, economists weaned on Western economic thought must conclude that Japan does almost everything wrong. Such a litany of errors should cost them dearly. Yet Japan's economy is a dynamo. How do they do it?
>
> American capitalism rests on a grand theory begun by Adam Smith. There is no comparable theory of Japanese capitalism, but we need one if we are to formulate an intelligent economic policy toward Japan. The Japanese themselves seem less concerned with conceptualizations than with results. So, we may have to produce that theory ourselves.

Blinder's conventional eyes are only partly opened. Before American economists take up the challenge of producing a theory of Japanese capitalism that will permit them "to formulate an intelligent economic policy toward Japan," they must produce a theory that can comprehend the evolution of

managerial capitalism in the United States. The standard economic theory to which Blinder refers is not only wrong for Japan, it is wrong for the United States. When the histories of capitalist development in both the United States and Japan are properly understood, the institutions of planned coordination that have been responsible for Japan's rise to international industrial leadership represent less a departure from U.S. experience than a more thoroughgoing elaboration of the business institutions of planned coordination that had previously brought leadership to the United States.

Economists such as Blinder would learn much by studying the business history of the United States. In discovering how the American economy works, the conventionally trained economist would find that he or she has to let go of a substantial amount of received economic theory. For the conventionally trained economist actually to add to our knowledge of how the American economy is evolving, he or she would have to acquire a new methodological expertise. In other words, significant intellectual investments would have to be made and significant intellectual constraints would have to be overcome.

The work that we, as business historians, are doing makes this intellectual task possible. But, as with any attempt at innovation, the problem is not just to develop new products--in this case comparative business history--but also to diffuse these products to those who can make use of them. If business history is to have an impact on economics, our comprehension of history needs to be diffused to economists. If such intellectual innovation is one of our goals, then we, as a group of business historians, have to think about how we can influence the process of diffusing the facts, the concepts, the methods, and the messages that we have to offer.

The media for diffusion are not necessarily in place. Many major economics departments in the United States no longer offer courses in conventional economic history, let alone business history. My own very recent experience at Columbia is a case in point. Since taking up my present appointment as a professor of economics at Barnard College of Columbia University in the mid-1980s, I taught a graduate course in economic and business history in the Columbia economics department. Although the Columbia economics department had not has its own full-time American or European economic historian for years, it has continued to require that graduate students complete a course in economic history. In the wake of the recent budget crisis at Columbia, the economics department eliminated almost all courses taught by Barnard faculty, including my own. I wrote to the chairman of the Columbia department inquiring how graduate students in his department would fulfill the economic history requirement. I should have expected the response; the following week the Columbia economics department considered a proposal to abolish the economic history requirement.

Nor can students of economics necessarily find courses in business history in history departments. It would be useful to have a survey of the history departments in which business history is offered. I know that, now that Stuart Bruchey has retired from the Nevins chair, the Columbia history department would no longer be one of them. Nor is the chair likely to be

filled in the foreseeable future. The Columbia history department, like many history departments around the country, seems to have an aversion to the analysis of how goods and services have been produced and how people have made a living.

The other possibility for the teaching of business history, and one that offers more scope than history departments for integrating business history with economic analysis, is business schools. My own intellectual life has been incredibly enriched through my association with the business history group at the Harvard Business School over the past seven years. As most of you know, "The Coming of Managerial Capitalism" is one of HBS's most popular electives, in part because of great material and in part because of great teachers. It is easier to diffuse the material than the teachers. But it seems remarkable to me that the enormous success of business history at HBS has not led to a rush to business history at business schools in general. Again, a survey of offerings would be useful. But, once again, my experience at Columbia gives me cause for pessimism. No business history is taught at the Columbia Business School. Two years ago I was told that an assistant professor had been hired to teach business history. He was a very intelligent Ph.D. in economics who had really been recruited to teach international trade. His qualifications for teaching business history, I was told, could be found in some graduate course papers he had written on the Irish potato famine!

Something else troubles me. At the Harvard Business School, business history is strong not only because of the material and teachers but also because, long before even Al Chandler arrived, there happened to be a tradition of business history, complete with a journal and a postdoctoral fellowship. Clearly the business historians at Harvard have taken superb advantage of the opportunity that the existence of this tradition created. But I have often wondered whether, in the absence of such a tradition and hence the absence of business historians, anyone with control over the allocation of resources at a place like the Harvard Business School would see fit to invest in the teaching and researching of business history. Largely because of the limited extent to which the Harvard success in business history has diffused to other business schools that indeed lack such a tradition, I have a nagging feeling that the answer is no.

My pessimism may be ill-founded. If there is anything that makes me optimistic about the possibilities that business historians can change the way people--including economists--think about the economy, it is because of the research presented at and the people who attend the Business History Conference. The Business History Conference has brought together academics from different disciplines and with different perspectives. Here economists and historians, as well as political scientists and sociologists do come together. Increasingly, research in business history has become well-integrated with research in labor history, history of technology, history of science, political history, intellectual history, and even economic history. A highlight of this year's meetings has been a discussion of how the analysis of gender relates to business history. As I have indicated, I believe that we face formidable challenges in making the fruits of our labors more widely accessible and the implications of our research more widely debated. But it

is the existence of a community of scholars such as we have here that makes me optimistic.

References

1. Alan Blinder, "There are Capitalists, Then There are the Japanese," *Business Week*, October 8, 1990.
2. Samuel Bowles and Herbert Gintis, *Schooling in Capitalist America* (New York, 1976).
3. Alfred D. Chandler, Jr., *Strategy and Structure: Chapters in the History of the American Industrial Enterprise* (Cambridge, MA, 1962).
4. _______________, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, MA, 1977)
5. _______________, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, MA, 1990).
6. Richard Edwards, *Contested Terrain: The Transformation of the Workplace in the Twentieth Century* (New York, 1978).
7. Richard Edwards, Michael Reich, and Thomas Weisskopf, eds., *The Capitalist System*, second edition (Englewood Cliffs, NJ, 19
8. Bernard Elbaum and William Lazonick, eds., *The Decline of the British Economy* (Oxford, 1986)
9. John Kenneth Galbraith, *American Capitalism* (Boston, 1951).
10. _______________, *The New Industrial State* (Boston, 1967).
11. David M. Gordon, Richard Edwards, and Michael Reich, *Segmented Work, Divided Workers: The Historical Transformation of Labor in the United States* (New York, 1982).
12. William Lazonick, *Competitive Advantage on the Shop Floor* (Cambridge, MA, 1990).
13. _______________, *Business Organization and the Myth of the Market Economy* (Cambridge, 1991).
14. Stephen A. Marglin, "What Do Bosses Do?: The Origins and Functions of Hierarchy in Capitalist Production," *Review of Radical Political Economics* 6 (Summer 1974).
15. Karl Marx, *Capital*, Volume 1 (New York, 1977).
16. William Mass and William Lazonick, "The British Cotton Industry and International Competitive Advantage: The State of the Debates," *Business History* 32 (October 1990).
17. Donald C. McCloskey, *If You're So Smart; A Narrative on Economic Expertise* (Chicago, 1990).
18. Gary Saxonhouse and Gavin Wright, "Stubborn Mules and Vertical Integration: the Disappearing Constraint?", *Economic History Review*, second series, 40 (February 1987).
19. Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York, 1942).
20. _______________, *History of Economic Analysis* (New York, 1954).
21. Jean-Jacques Servan-Schreiber, *Le Défi Américain* (Paris, 1967).
22. Oliver Williamson, *The Economic Institutions of Capitalism* (New York, 1985).