

Introduction

I perceive clearly that the extreme business energy, and this almost maniacal Appetite for wealth prevalent in the United States, are parts of amelioration and progress.

—WALT WHITMAN, *Democratic Vistas* (1871)

Sensible people everywhere acknowledge the overriding importance of economics in human development. Americans, however, go further. History has forged a strikingly transparent association between the nation's economic system and its institutions and values. To many Americans, democracy and capitalism have symbiotically matured as transcendent themes of the nation's history. They regard their way of doing business as embodying a providential "American Way of Life" founded on free enterprise.¹

The nation's values have not particularly dwelled on the notion of the ideal citizen and civic virtue but instead have celebrated the go-getter and ambition. This may be because Americans wanted to face the future with confidence. For the most part, they assumed the nation's onward progress and, accordingly, and in good conscience, have single-mindedly pursued personal profit and success. As early as the 1830s the French visitor Tocqueville found that Americans relied on "personal interest and [gave] free scope to the unguided strength and common sense of individuals" in comparison to other countries. Faith in their economic system as a positive force has usually, though certainly not always, offered Americans comfort in confronting market-driven forces that might otherwise have seemed irrational and even destructive, which has fostered the confidence needed to take risks and welcome change.²

Language conveys a society's culture and value system. It is therefore not surprising that “brand new” and “new and improved” are Americanisms with positive connotations, or that “no problem” is one of the first phrases non-English speakers around the world learn. America's can-do optimism about change shapes individual and collective attitudes toward risk, reward, and opportunity. The readiness to “capitalize on change” largely explains the nation's entrepreneurial ethos. It lies at the heart of American capitalism, with its emphasis on personal freedom. Most probably Americans are no more enamored of money than other peoples, but their very national identity expresses material aspirations: the perennial reach for advancement and the American Dream.

Americans want to believe that persistence pays off—that if you work hard and smart good things will happen. These attitudes and core beliefs create a compelling national vision, stimulating action and an eagerness to embrace innovations that promise to enhance the economy's performance. It is not necessary to endorse these values—or even indeed to accept that they ever truly reflected America's reality—to recognize their pervasiveness and importance.

The study of national economic development suggests that culture, defined broadly, may well be the most important determining factor of economic progress. American culture optimistically, perhaps naively, identifies market-driven change with progress. The French newspaper *Le Monde* has remarked that Americans prefer “profitability and efficiency to history and tradition,” which, although a stereotype, is nevertheless largely true. Indeed, Americans rarely compare themselves to other nations but instead measure progress by how far they have distanced themselves from their own past. They expect to do better than their parents and to have their children do better in turn. This is the tacit social contract between generations.

At a time when market capitalism stands triumphant worldwide, an effort to understand America's particular version is in order. This is especially critical because the United States has long perceived its global mission as spreading its own concept of democracy and free enterprise. To many of the world's people, American business is shorthand for what is at the same time desirable and disturbing about modern life. Compared to the business ethos of other nations, American capitalism is commonly viewed as incessantly restless, individualistic, and ruthlessly competitive—a system that deals harshly with those who fall by the wayside. Certainly there is much to criticize in the nation's past and present. Critics, however, too often ignore a

historic continuous dialectic between the bottom-line materialism of the capitalist system and the civic and ethical values of the United States, between the economic forces propelling change and the national vision of social justice and the good life. Many of America's most important social values, including millennia-old religious traditions, stress the importance of noneconomic goals or rely on a concept of natural or universal rights derived from the social theorists of Western civilization. These emphasize the need for a broad distribution of income and education and opportunities for all Americans to have gainful employment that allows for self-respect and dignity.

A tension between the acquisitiveness of capitalism's "rational economic man" and the spiritual or nonmaterialistic side of human nature is inevitable and desirable. We strive both as individuals and as a nation for a balance between the two. Modern capitalist society must constantly confront the issue of how individuals may best uphold their ties to community while legitimately pursuing personal goals. It must also concern itself with the danger of powerful economic interests harming the national welfare by betraying the public trust.³

If, as the economist Joseph Schumpeter has proposed, an entrepreneurial ethos represents the most dynamic form of capitalism, America has come as close to this as any major modern nation. Its economy has long relied on the freedom offered entrepreneurial novelty as the agent of profit-driven change. Just about any good ideas—and plenty of bad ones—easily attract sufficient support for a trial.

Americans view the economy as a work in progress, as highly sensitive to market factors. It is the transformative interaction of business and American history—the relative ease and remarkable mutability in which mercantile capitalism evolved into industrial, then financial, and now global capitalism—that truly fascinates.

A history of American business must acknowledge two central themes: the change in business organization from the relatively simple to the complex and the loosely parallel growth of the use of the power of government to modify or control market forces when they have harmful consequences. In less than two centuries, the scale of business has been transformed from the hands-on activity of merchants relying on informal local networks of their fellows to the globally linked, joint venture activities of multinational corporations drawing on world capital markets.

Modern technology continually reworks our sense of time and space, and

even our critical and emotional sensibilities, as the range of possibilities open to human enterprise expands at a mind-numbing pace. Economic choices reveal a people's view of the world: their sense of making, of getting, and of spending. Business history must not neglect the "demand side" in narrating the rise of the modern economy, because that is, perhaps even more than the workplace, where we live.

There are good reasons why American English is now the international language of business. As early as the 1920s many in the United States and elsewhere predicted an engulfing global consumer culture, the Americanization of everything. American brand names are household words all over the world, and even in backward nations the American way of life is at the same time deeply alien and strangely familiar.

American history has experienced repeatedly the triumphs of those demanding unimpeded development over those preferring restraints and continuity. This has been true alike for frontier and factory, consumer and community, technology and natural environment. Openness to the relentless competitive forces of innovation has been both America's strength and its weakness. It has encouraged hope for a better tomorrow based on increased efficiency and economic growth, even while challenging cherished values and sometimes threatening social cohesion. No other nation has expressed more consistently a preference for unrestrained individualism and diversity over order and stability. To Americans, market-driven changes are necessary to free choice and variety, even when they create new sets of discontents and psychic anxiety.

American reform movements, however, have long understood that markets lack an ethical compass. They indifferently allow bad things to happen as well as good, and when a market failure can be identified governmental intervention is often justified. Put simply, an unrestrained marketplace cannot be regarded as the singular ultimate goal of a society. Nor can business be excused from responsibility for the social consequences of its behavior. American business has always interacted with our values and institutions. It is the wellspring of the idea of growing an economy open to talent and industry that is at the core of America's secular theology. Accordingly, business history is best served by being placed in a broad context that considers social as well as economic developments, and yet this has rarely been the case. Business efficiency should be measured and balanced against social goals. The business of American business is rightfully, of course, business,

but the ultimate goal of the nation must be a good society. This requires a moral authority greater than market imperatives.

American business history, as a distinct field of study, began only in the 1920s. Its practitioners shared with economists an interest in the causes of change in the market and in business organization and strategy; but they usually explained developments in terms of interpretive detail rather than impersonal market forces, placing the businessman and his profit motive front and center. An early school among business historians stressed the entrepreneur's innovative role in business practices. In operating more effectively than their competitors, entrepreneurs forced them to change or fail. The entrepreneurial interpretation relied heavily on the biographies of business titans, the Carnegies and the Rockefellers, while acknowledging that America's "special circumstances" promoted values conducive to their entrepreneurial genius. Entrepreneurship was seen less as a response to business imperatives than as something close to an American art form.

A very different view gained favor in the 1960s. The influential work of business historian Alfred Chandler (1918–2007) developed what is called the "managerial" or "institutional" approach. From this institutional perspective, the evolution of business change is seen as resulting mainly from impersonal forces—new technologies of production or distribution, the creation of new markets—which require innovative strategies. The managerial school thus places less importance on distinctive cultural and historical circumstances to explain American business history—for example, the technology and market of a petrochemical firm, not its nationality, determine its best strategy. From an institutional or "structural-functional" approach, business leaders and their organizations do or do not respond effectively to the challenges of change, and happenstance of personalities, political climate, or cultural values tend to be seen as of lesser significance than the effectiveness of business strategy and organization.

Perhaps the most important truth is that nothing regarding firm strategy, structure, or size is static or forever. One formula does not fit all. Firms in certain industries, as a result of the nature of their technology and activity, will find an advantage in bigness at a given point in time, and firms in another will find this advantage in smallness. Both integration and disintegration will continue to occur.

Even in a global economy, American business relies largely on America for its capital, laws, customers, and infrastructure, and, at the same time, the

nation must depend on business for its goods, services, employment, social mobility, and standard of living—as well as its general sense of well-being. The problems of one must be the problems of the other, for business is the environment we all inhabit—the world of work, consumption, and competition for status, money, and power. Nevertheless, we live in a society, not a marketplace, and such values as individual dignity and equal opportunity, as well as general prosperity and a sense of social solidarity, must provide the bedrock for a viable American democracy. We are what we are largely by reason of our anchorage in community with others. Liberty and freedom, entrepreneurial or otherwise, must be generously defined but must also be compatible with socially desirable goals.⁴ At the beginning of the twenty-first century, the United States is at a crossroads as critical as the one faced a century ago with the sudden rise of an industrial economy. A new order is arising, with the enormous capacity of globalization, immigration, and information technology to transform our economy and society. Changes already under way in technology and trade will require vast and unsettling adjustments in how Americans will work and live. In the recent past we have experienced the rise, fall, and resurrection of American business, each stage posing distinctive threats and promises and demanding the reconsideration of values and institutions. The tacit and ever-changing social contract of business with the American polity is also part of business history.

This book is divided into three parts. Part I, “Foundations of a Modern Economy,” contains the first seven chapters, which treat the period from the seventeenth century through the end of the nineteenth century. Part II, “From Theodore Roosevelt to Reagan,” carries the history to 1989. Part III, “The Turn of the Millennium,” consists of three chronological chapters that end in the year 2008 and three thematic chapters. Of the latter, Chapter Sixteen examines the rise of a global economy since World War II and Chapter Seventeen describes the growing importance of small business and the changing nature of big business. A final chapter reflects on present trends and likely future problems of American business and society. This book’s unifying theme is a concern with the way American free-market capitalism has interacted with social and political factors to accelerate the pace of social change and to help shape the modern world. Insight into this business system is fundamental to understanding the velocity of historical change, the very nature of modernity, and many of the critical social and economic issues confronting the United States at the start of the twenty-first century.